HUNTINGTON BANCSHARES INC/MD
Form 10-K
February 14, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2013

or

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

Huntington Bancshares Incorporated

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Title of class

Floating Rate Series B Non-Cumulative Perpetual Preferred Stock

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

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

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

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

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

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

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

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

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2013, determined by using a per share closing price of $7.87, as quoted by NASDAQ on that date, was $6,352,754,308. As of January 31, 2014, there were 831,214,839 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 2014 Annual Shareholders Meeting.

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Glossary of Acronyms and Terms

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

ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
AFS	Available-for-Sale
ALCO	Asset-Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
Basel III	Refers to the final rule issued by the FRB and OCC and published in the Federal Register on October 11, 2013
BHC	Bank Holding Companies
C&I	Commercial and Industrial
CapPR	Federal Reserve Board s Capital Plan Review
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized Debt Obligations
CDs	Certificate of Deposit
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CRE	Commercial Real Estate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPS	Earnings Per Share
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
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank

FHLMC	Federal Home Loan Mortgage Corporation
FICA	Federal Insurance Contributions Act
FICO	Fair Isaac Corporation
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Bank
Freddie Mac	(see FHLMC)
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
HAMP	Home Affordable Modification Program

HARP	Home Affordable Refinance Program
HTM	Held-to-Maturity
IRC	Internal Revenue Code of 1986, as amended
IRS	Internal Revenue Service
ISE	Interest Sensitive Earnings
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered Rate
LGD	Loss-Given-Default
LTV	Loan to Value
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NAV	Net Asset Value
NCO	Net Charge-off
NIM	Net interest margin
NCUA	National Credit Union Administration
NPAs	Nonperforming Assets
NPR	Notice of Proposed Rulemaking
N.R.	Not relevant. Denominator of calculation is a gain in the current period compared with a loss in the prior period, or vice-versa
NSF / OD	Nonsufficient Funds and Overdraft
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PD	Probability-Of-Default
Plan	Huntington Bancshares Retirement Plan
Problem Loans	Includes nonaccrual loans and leases (Table 13), troubled debt restructured loans (Table 15), and accruing loans and leases past due 90 days or more (Table 14)
REIT	Real Estate Investment Trust
Reg E	Regulation E, of the Electronic Fund Transfer Act
ROC	Risk Oversight Committee
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission

SERP	Supplemental Executive Retirement Plan
Sky Financial	Sky Financial Group, Inc.
SRIP	Supplemental Retirement Income Plan
TARP	Troubled Asset Relief Program
TARP Capital	Series B Preferred Stock, repurchased in 2010
TCE	Tangible Common Equity
TDR	Troubled Debt Restructured loan
TLGP	Temporary Liquidity Guarantee Program
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs
VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

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Huntington Bancshares Incorporated

PART I

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

Item 1: Business

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. We have 11,964 average full-time equivalent employees. Through the Bank, we have 148 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, insurance programs, and other financial products and services. The Bank, organized in 1866, is our only bank subsidiary. At December 31, 2013, the Bank had 16 wealth management offices and 695 branches as follows:

403 branches in Ohio	45 branches in Indiana
155 branches in Michigan	30 branches in West Virginia
51 branches in Pennsylvania	11 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, a limited purpose office located in the Cayman Islands, and another located in Hong Kong. Our foreign banking activities, in total or with any individual country, are not significant.

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

A key strategic emphasis has been for our business segments to operate in cooperation to provide products and services to our customers and to build stronger and more profitable relationships using our 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 customers.
3. Target prospects who may want to have multiple products and services as part of their relationship with us.

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

Retail and Business Banking This segment provides a wide array of financial products and services to consumer and small business customers including but not limited to checking accounts, savings accounts, money market accounts, certificates of deposit, consumer loans, and small business loans and leases. Other financial services available to consumer and small business customers include investments, insurance services, interest rate risk protection products, foreign exchange hedging, and treasury management services. We serve customers primarily through our network of traditional branches in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. We also have branches located in grocery stores in Ohio and

Michigan. In addition to our extensive branch network, customers can access Huntington through online banking, mobile banking, telephone banking, and ATMs.

We established a Fair Play banking philosophy and built a reputation for meeting the banking needs of consumers in a manner which makes them feel supported and appreciated. We believe customers are recognizing this and other efforts as key differentiators and it is earning us more customers and deeper relationships.

Business Banking is a dynamic and growing part of our business and we are committed to being the bank of choice for small businesses in our markets. Business Banking is defined as companies with revenues up to $25 million and consists of approximately 163,000 businesses. We continue to develop products and services that are designed specifically to meet the needs of small business. We continue to look for ways to help companies find solutions to their capital needs.

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Regional and Commercial Banking This segment provides a wide array of products and services to the middle market and large corporate customers located primarily within our eleven regional commercial 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 relationship bankers to deliver complex and customized treasury management solutions, equipment leasing, international services, capital markets services such as interest rate risk protection products, foreign exchange hedging and sales, trading of securities, and employee benefit programs (insurance, 401(k)). The Commercial Banking team specializes in serving a number of industry segments such as 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 and commercial banking segments. Our products and services include financing for the purchase of automobiles by customers at automotive dealerships, financing the acquisition of new and used vehicle inventory of automotive dealerships, and financing for land, buildings, and other commercial real estate owned or constructed by real estate developers, automobile dealerships, or other customers with real estate project financing needs. Products and services are delivered through highly specialized relationship-focused bankers and product partners. Huntington creates well-defined relationship plans which identify needs where solutions are developed and customer commitments are obtained.
The Automotive Finance team services automobile dealerships, its owners, and consumers buying automobiles through these dealerships. Huntington has provided new and used automobile financing and dealer services throughout the Midwest since the early 1950s. This consistency in the market and our focus on working with strong dealerships, has allowed us to expand into selected markets outside of the Midwest and to actively deepen relationships while building a strong reputation.

The Commercial Real Estate team serves real estate developers, REITs, and other customers with lending needs that are secured by commercial properties. Most of our customers are located within our footprint.

Wealth Advisors, Government Finance, and Home Lending This segment consists of our wealth management, government banking, and home lending businesses. In wealth management, Huntington provides financial services to high net worth clients in our primary banking markets and Florida. Huntington provides these services through a unified sales team, which consists of private bankers, trust officers, and investment advisors. Aligned with the eleven regional commercial banking markets, this coordinated service model delivers products and services directly and through the other segment product partners. A fundamental point of differentiation is our commitment to be in the market, working closely with clients and their other advisors to identify needs, offer solutions and provide ongoing advice in an optimal client experience.
The Government Finance Group provides financial products and services to government and other public sector entities in our primary banking markets. A locally based team of relationship managers works with clients to meet their trust, lending, and treasury management needs. Closely aligned, our Community Development group serves an important role as it focuses on delivering on our commitment to the communities Huntington serves.

Home Lending originates and services consumer loans and mortgages for customers who are generally located in our primary banking markets. Consumer and mortgage lending products are primarily distributed through the Retail and Business Banking segment, as well as through commissioned loan originators.

The segment also includes the related businesses of investment management, investment servicing, custody, corporate trust, and retirement plan services. Huntington Asset Advisors provides investment management services through a variety of internal and external channels, including advising the Huntington Funds, our proprietary family of mutual funds and Huntington Strategy Shares, our actively-managed exchange-traded funds. Huntington Asset Services offers administrative and operational support to fund complexes, including fund accounting, transfer agency, administration, and distribution services. Our retirement plan services business offers fully bundled and third party distribution of a variety of qualified and non-qualified plan solutions.

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

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. We recently announced a reorganization among our executive leadership team, which will become effective during the 2014 first quarter. As a result, management is currently evaluating the business segment structure which will impact how we monitor future results and assess performance.

Competition

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

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

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

The table below shows our competitive ranking and market share based on deposits of FDIC-insured institutions as of June 30, 2013, in the top 10 metropolitan statistical areas (MSA) in which we compete:

MSA	Rank	Deposits (in millions)	Market Share
Columbus, OH	1	$ 14,436	28%
Detroit, MI	7	4,478	5
Cleveland, OH	4	4,261	8
Indianapolis, IN	4	2,859	8
Pittsburgh, PA	8	2,512	3
Cincinnati, OH	4	2,109	3
Youngstown, OH	1	2,082	23
Toledo, OH	2	2,045	22
Grand Rapids, MI	3	1,855	11
Canton, OH	2	1,494	25

Source: FDIC.gov, based on June 30, 2013 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.

Regulatory Matters

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

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

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

The Federal Reserve maintains a bank holding company rating system that emphasizes risk management, introduces a framework for analyzing and rating financial factors, and provides a framework for assessing and rating the potential impact of non-depository entities of a holding company on its subsidiary depository institution(s). The ratings assigned to us, like those assigned to other financial institutions, are confidential and may not be disclosed, except to the extent required by law.

The Federal Reserve utilizes an updated framework for the consolidated supervision of large financial institutions, including bank holding companies with consolidated assets of $50 billion or more. The objectives of the framework are to enhance the resilience of a firm, lower the probability of its failure, and reduce the impact on the financial system in the event of an institution s failure. With regard to resiliency, each firm is expected to ensure that the consolidated organization and its core business lines can survive under a broad range of internal or external stresses. This requires financial resilience by maintaining sufficient capital and liquidity, and operational resilience by maintaining effective corporate governance, risk management, and recovery planning. With respect to lowering the probability of failure, each firm is expected to ensure the sustainability of its critical operations and banking offices under a broad range of internal or external stresses. This requires, among other things, effective resolution planning that addresses the complexity and the interconnectivity of the firm s operations.

The Bank, which is chartered by the OCC, is a national bank and our only bank subsidiary. It is subject to examination and supervision by the OCC and also by the CFPB, which was established by the Dodd-Frank Act in 2010. 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. All subsidiaries are subject to examination and supervision by the CFPB to the extent they offer any consumer financial products or services. Our subsidiaries are subject to examination by other federal and state agencies, including, in the case of certain securities and investment management activities, regulation by the SEC and the Financial Industry Regulatory Authority.

The Bank is subject to affiliate transaction restrictions under federal law, which limit certain transactions generally involving the transfer of funds by a 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. See also the Volcker Rule discussion below for additional affiliate transaction restrictions.

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

The Dodd-Frank Act, enacted in 2010, is complex and broad in scope and several of its provisions are still being implemented. The Dodd-Frank Act established the CFPB, which has extensive regulatory and enforcement powers over consumer financial products and services, and the Financial Stability Oversight Council, which has oversight authority for monitoring and regulating systemic risk. In addition, the Dodd-Frank Act altered the authority and duties of the federal banking and securities regulatory agencies, implemented 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 restricted certain proprietary trading and hedge fund and private equity activities of banks and their affiliates. The Dodd-Frank Act also required the issuance of numerous implementing regulations, many of which have not yet been issued. The regulations will continue to take effect over several more years, continuing to make it difficult to anticipate the overall impact to us, our customers, or the financial industry in general.

In mid-January 2013, the CFPB issued eight final regulations governing mainly consumer mortgage lending. The first of these rules was issued on January 10, 2013, and included the ability to repay and qualified mortgage rule. This rule imposes additional requirements on lenders, including rules designed to require lenders to ensure borrowers ability to repay their mortgage and took effect January 10, 2014. The same day, the CFPB also finalized a rule on escrow accounts for higher priced mortgage loans and a rule expanding the scope of the high-cost mortgage provision in the Truth in Lending Act. On January 17, 2013, the CFPB issued its final rules implementing provisions of the Dodd-Frank Act that relate to mortgage servicing, which took effect on January 10, 2014. On January 18, 2013, the CFPB issued a final appraisal rule under the Equal Credit Opportunity Act and six agencies including the CFPB, FRB, OCC, FDIC, NCUA, and FHFA issued an interagency rule on appraisals for higher-priced mortgage loans. On November 20, 2013, the CFPB issued its final rule on integrated mortgage disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act, for which compliance is required by August 1, 2015. We are evaluating these integrated mortgage disclosure rules to determine their impact on the Bank and its affiliates.

During the 2013 first quarter, the CFPB provided guidance on fair lending practices to indirect automobile lenders with recommendations to ensure compliance with fair lending laws.

Recently, banking regulatory agencies have increasingly used a general consumer protection statute to address unethical or otherwise bad business practices that may not necessarily fall directly under the purview of a specific banking or consumer finance law. Prior to the Dodd-Frank Act, there was little formal guidance to provide insight to the parameters for compliance with the unfair or deceptive acts or practices (UDAP) law. However, the UDAP provisions have been expanded under the Dodd-Frank Act to apply to unfair, deceptive or abusive acts or practices , which has been delegated to the CFPB for supervision.

Large bank holding companies and national banks are required to submit annual capital plans to the Federal Reserve and OCC, respectively and conduct stress tests.

The Federal Reserve published final amendments to Regulation Y to require large bank holding companies to submit capital plans to the Federal Reserve on an annual basis and to require such bank holding companies to obtain approval from the Federal Reserve under certain circumstances before making a capital distribution. This rule applies to us and all other bank holding companies with $50 billion or more of total consolidated assets.

A large bank holding company s capital plan must include an assessment of the expected uses and sources of capital over at least the next nine quarters, a description of all planned capital actions over the planning horizon, a detailed description of the entity s process for assessing capital adequacy, the entity s capital policy, and a discussion of any expected changes to the banking holding company s business plan that are likely to have a material impact on the firm s capital adequacy or liquidity. The planning horizon for the most recent capital planning and stress testing cycle encompasses the 2013 fourth quarter through the 2015 fourth quarter as was submitted in our capital plan in January 2014. Rules to implement the Basel III capital reforms in the United States were finalized in July 2013, and will be phased-in beginning in 2015 for us under the standardized approach. As such, the most recent CCAR cycle, which began October 1, 2013, overlaps with the implementation of the Basel III capital reforms based on the required nine quarter projection horizon. The interim final rules clarify that banking organizations with $50 billion or more in total consolidated assets, including us, must incorporate the revised capital framework into the capital planning projections and into the stress tests required under the Dodd-Frank Act. The rule also clarifies that for the upcoming cycle, capital adequacy at large banking organizations, including us, would continue to be assessed against a minimum 5 percent tier 1 common ratio as calculated by the Federal Reserve.

Capital plans for 2014 were required to be submitted by January 6, 2014. The Federal Reserve will either object to a capital plan, in whole or in part, or provide a notice of non-objection no later than March 31, 2014, for plans submitted by the January 6, 2014 submission date. If the Federal Reserve objects to a capital plan, the bank holding company may not make any capital distributions other than those with respect to which the Federal Reserve has indicated its non-objection. While we can give no assurances as to the outcome or specific interactions with the regulators, based on the Capital Plan we submitted on January 5, 2014, we believe we have a strong capital position and that our capital adequacy process is robust.

In addition to the CCAR submission, section 165 of the Dodd-Frank Act requires that national banks, like The Huntington National Bank, conduct annual stress tests for submission in January 2014. The results of the stress tests will provide the OCC with forward-looking information that will be used in bank supervision and will assist the agency in assessing a company s risk profile and capital adequacy. We submitted our stress test results to the OCC on January 6, 2014.

The regulatory capital rules indicate that common stockholders equity should be the dominant element within Tier 1 capital and that banking organizations should avoid overreliance on non-common equity elements. Under the Dodd-Frank Act, the ratio of Tier 1 common equity to risk-weighted assets became significant as a measurement of the predominance of common equity in Tier 1 capital and an indication of the quality of capital.

Final rules have been issued to implement the Volcker Rule.

On December 10, 2013, the Federal Reserve, the OCC, the FDIC, the CFTC and the SEC issued final rules to implement the Volcker Rule contained in section 619 of the Dodd-Frank Act, generally to become effective on July 21, 2015. The Volcker Rule prohibits an insured depository institution and its affiliates (referred to as banking entities) from: (i) engaging in proprietary trading and (ii) investing in or sponsoring certain types of funds (covered funds) subject to certain limited exceptions. These prohibitions impact the ability of U.S. banking entities to provide investment management products and services that are competitive with nonbanking firms generally and with non-U.S. banking organizations in overseas markets. The rule also effectively prohibits short-term trading strategies by any U.S. banking entity if those strategies involve instruments other than those specifically permitted for trading.

The final Volcker Rule regulations do provide certain exemptions allowing banking entities to continue underwriting, market-making and hedging activities and trading certain government obligations, as well as various exemptions and exclusions from the definition of covered funds . The level of required compliance activity depends on the size of the banking entity and the extent of its trading. CEOs of larger banking entities, including Huntington, will have to attest annually in writing that their organization has in place processes to establish, maintain, enforce, review, test and modify compliance with the Volcker Rule regulations. Banking entities with significant permitted trading operations will have to report certain quantitative information, beginning between June 30, 2014 and December 31, 2016, depending on the size of the banking entity s trading assets and liabilities.

On January 14, 2014, the five federal agencies approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities from the investment prohibitions of the Volcker Rule. Under the interim final rule, the agencies permit the retention of an interest in or sponsorship of covered funds by banking entities if certain qualifications are met. In addition, the agencies released a non-exclusive list of issuers that meet the requirements of

the interim final rule. At December 31, 2013, we had investments in ten different pools of trust preferred securities. Eight of our pools are included in the list of non-exclusive issuers. We have analyzed the other two pools that were not included on the list and believe that we will continue to be able to own these investments under the final Volcker Rule regulations.

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

The Durbin Amendment, which was section 1075 of the Dodd-Frank Act, required the Federal Reserve to establish a cap on the rate merchants pay banks for electronic clearing of debit transactions (i.e. the interchange rate). The Federal Reserve issued final rules, effective October 1, 2011, for establishing standards, including a cap, for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction, a 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction. As a result of implementing this lower debit card interchange fee structure, our electronic banking income was negatively impacted by over $55 million in 2012 when compared to 2011.

On July 31, 2013, the Federal District Court in the District of Columbia issued a ruling in a lawsuit filed by a merchant group challenging the validity of the Federal Reserve s final rule under the Durbin Amendment. The Court ruling vacated the provisions of the Federal Reserve s final rule relating to standards for debit card interchange fees and the provision dealing with network non-exclusivity, but stayed its action until further briefing on issues identified by the Court. Eventually, the District Court s Ruling was appealed to the Federal Circuit Court of Appeals for the District of Columbia, where the case is currently pending. If the Court of Appeals rules in favor of the merchants, the Federal Reserve will likely be required to provide even more stringent caps on debit interchange fees, which could adversely impact all banks that issue debit cards, including us, and which could result in an industry-wide retraction of debit card products and replacement with other card products not subject to the Durbin Amendment. The Federal Reserve and a banking trade organization are submitting briefs arguing that the Court of Appeals should overrule the District Court and uphold the Federal Reserve s final rule under the Durbin Amendment. Oral argument before the Court of Appeals was held on January 17, 2014, and an expedited ruling is anticipated.

There are restrictions on our ability to pay dividends.

Dividends from the Bank to the parent company are the primary source of funds for payment of dividends to our shareholders. However, there are statutory limits on the amount of dividends that the Bank can pay to the holding company. Regulatory approval is required prior to the declaration of any dividends in an amount greater than its undivided profits or if the total of all dividends declared in a calendar year would exceed the total of its net income for the year combined with its retained net income for the two preceding years, less any required transfers to surplus or common stock. As a result of the deficit position of its undivided profits, prior to December 31, 2013, the Bank could not have declared and paid any cash dividends to the parent company without regulatory approval.

Since the first quarter of 2008, the Bank has made a capital reduction each quarter to enable payment of periodic dividends to shareholders outside the Bank s consolidated group on preferred and common stock of its REIT and capital financing subsidiaries. We anticipate that those subsidiaries, and the Bank will be able to resume normal dividend payments during the first half of 2014.

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

We are subject to the current capital requirements mandated by the Federal Reserve and final capital rules to implement Basel III that were adopted in July 2013.

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

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On July 2, 2013, the Federal Reserve voted to adopt final capital rules implementing Basel III requirements for U.S. Banking organizations. The final rules establish an integrated regulatory capital framework and will implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Act. Under the final rule, minimum requirements will increase for both the quantity and quality of capital held by banking organizations. Consistent with the international Basel framework, the final rule includes a new minimum ratio of common equity tier 1 capital (Tier I Common) to risk-weighted assets and a Tier 1 Common capital conservation buffer of 2.5% of risk-weighted assets that will apply to all supervised financial institutions. The rule also raises the minimum ratio of tier 1 capital to risk-weighted assets and includes a minimum leverage ratio of 4% for all banking organizations. These new minimum capital ratios will become effective for us on January 1, 2015, and will be fully phased-in on January 1, 2019.

Following are the Basel III regulatory capital levels that we must satisfy to avoid limitations on capital distributions and discretionary bonus payments during the applicable transition period, from January 1, 2015 until January 1, 2019:

	Basel III Regulatory Capital Levels				
	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018	January 1, 2019
Tier 1 Common	4.5%	5.125%	5.75%	6.375%	7.0%
Tier 1 risk-based capital ratio	6.0%	6.625%	7.25%	7.875%	8.5%
Total risk-based capital ratio	8.0%	8.625%	9.25%	9.875%	10.5%

The final rule emphasizes Tier 1 Common capital, the most loss-absorbing form of capital, and implements strict eligibility criteria for regulatory capital instruments. The final rule also improves the methodology for calculating risk-weighted assets to enhance risk sensitivity. Banks and regulators use risk weighting to assign different levels of risk to different classes of assets.

We have evaluated the impact of the Basel III final rule on our regulatory capital ratios and estimate a reduction of approximately 60 basis points to our Basel I Tier I Common risk-based capital ratio based on our June 30, 2013 balance sheet composition. The estimate is based on management s current interpretation, expectations, and understanding of the final U.S. Basel III rules. We anticipate that our capital ratios, on a Basel III basis, will continue to exceed the well capitalized minimum capital requirements. We are evaluating options to mitigate the capital impact of the final rule prior to its effective implementation date.

Based on our review of the Basel III final rule, it is likely that when Basel III becomes effective, the HPCI Class C preferred securities will no longer constitute Tier 1 capital for us or the Bank. As such, we determined that a regulatory capital event had occurred, based on an opinion of counsel rendered by a law firm experienced in such matters, and the HPCI board of directors determined to redeem the outstanding Class C preferred securities. HPCI redeemed all $50 million of the Class C preferred securities on December 31, 2013. The holders of such securities received the redemption price of $25.00 per share.

Based on the final Basel III rule, banking organizations with more than $15 billion in total consolidated assets are required to phase-out of additional tier 1 capital any non-qualifying capital instruments (such as trust preferred securities and cumulative preferred shares) issued before September 12, 2010. We will begin the additional tier I capital phase-out our trust preferred securities in 2015, but will be able to include these instruments in Tier II capital as a non-advanced approaches institution.

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

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

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

Total risk-based capital is the sum of Tier 1 and Tier 2 risk-based capital.
The Federal Reserve and the other federal banking regulators require that all intangible assets (net of deferred tax), except originated or purchased MSRs, nonmortgage servicing assets, and purchased credit card relationships intangible assets, be deducted from Tier 1 capital. However, the total amount of these items included in capital cannot exceed 100% of its Tier 1 capital.

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

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

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

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

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

Throughout 2013, our regulatory capital ratios and those of the Bank were in excess of the levels established for well-capitalized institutions. An institution is deemed to be well-capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or greater and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure.

			At December 31, 2013	
(dollar amounts in billions)	Well-capitalized minimums		**Actual**	**Excess Capital (1)**
Ratios:				
Tier 1 leverage ratio	Consolidated	5.00 %	10.67 %	$ 3.2
	Bank	5.00	9.97	2.8
Tier 1 risk-based capital ratio	Consolidated	6.00	12.28	3.1
	Bank	6.00	11.45	2.7
Total risk-based capital ratio	Consolidated	10.00	14.57	2.3
	Bank	10.00	13.14	1.6

(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 $1.6 billion of such brokered deposits at December 31, 2013.

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

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

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

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

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

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

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

Financial holding company powers relate to financial activities that are specified in the Bank Holding Company Act or determined by the Federal Reserve, in coordination with the Secretary of the Treasury, to be financial in nature, incidental to an activity that is financial in nature, or complementary to a financial activity, provided that the complementary activity does not pose a safety and soundness risk. In addition, we are required by the Bank Holding Company Act to obtain Federal Reserve approval prior to acquiring, directly or indirectly, ownership or control of voting shares of any bank, if, after such acquisition, we would own or control more than 5% of its voting stock. Furthermore, the Dodd-Frank Act added a new provision to the Bank Holding Company Act, which requires bank holding companies with total consolidated assets equal to or greater than $50 billion to obtain prior approval from the Federal Reserve to acquire a nondepository company having total consolidated assets of $10 billion or more.

We also must comply with anti-money laundering and customer privacy 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. 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.

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

Available Information

This information may be read and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet web site that contains reports, proxy statements, and other information about issuers, like us, who file electronically with the SEC. The address of the site is *http://www.sec.gov*. The reports and other information filed by us with the SEC are also available at our Internet web site. The address of the site is *http://www.huntington.com*. Except as specifically incorporated by reference into this Annual Report on Form 10-K, information on those web sites is not part of this report. You also should be able to inspect reports, proxy statements, and other information about us at the offices of the NASDAQ National Market at 33 Whitehall Street, New York, New York.

Item 1A: Risk Factors

Risk Governance

We use a multi-faceted approach to risk governance. It begins with the board of directors defining our risk appetite in aggregate as moderate-to-low. This does not preclude engagement in select higher risk activities. Rather, the definition is intended to represent an average of where we want our overall risk to be managed.

Two board committees primarily 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 Chair.

The Risk Oversight Committee supervises our risk management processes which primarily cover credit, market, liquidity, operational, compliance, legal, strategic, and reputational risks. It also approves the charters of executive risk 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 review of key risks. Our credit review executive reports directly to the Risk Oversight Committee.

Both committees are comprised of independent directors and routinely hold executive sessions with our key officers engaged in accounting and risk management. On a periodic basis, the two committees meet in joint session to cover matters relevant to both such as the construct and appropriateness of the ACL, which is reviewed quarterly. All directors have access to information provided to each committee and all scheduled meetings are open to all directors.

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

Management has introduced a number of steps to help ensure an aggregate moderate-to-low risk appetite is maintained. Foremost is a quarterly 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 which allows the company, in aggregate, to maintain its moderate-to-low risk profile. Deviations from the range will indicate if the risk being measured is moving, which may then necessitate corrective action.

We also have four other executive level committees to manage risk: ALCO, Credit Policy and Strategy, Risk Management, and Capital 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.

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Huntington utilizes three levels of defense with regard to risk management: (1) business segments, (2) corporate risk management, and (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.

Risk Overview

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

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

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

Credit Risks:

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

Our business depends on the creditworthiness of our customers. Our ACL of $710.8 million at December 31, 2013, represented Management s estimate of probable losses inherent in our loan and lease portfolio as well as our unfunded loan commitments and letters of credit. We periodically review our ACL for appropriateness. In doing so, we consider economic conditions and trends, collateral values, and credit quality indicators, such as past charge-off experience, levels of past due loans, and NPAs. There is no certainty that our ACL will be appropriate over time to cover losses in the portfolio because of unanticipated adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries, or markets. If the credit quality of our customer base materially decreases, if the risk profile of a market, industry, or group of customers changes materially, or if the ACL is not appropriate, our net income and capital could be materially adversely affected which, in turn, could have a material adverse effect on our financial condition and results of operations.

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

2. Weakness in economic conditions could materially adversely affect our business.

Our performance could be negatively affected to the extent there is deterioration in business and economic conditions which 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.

Market Risks:

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

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

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

Rising interest rates reduce the value of our fixed-rate debt securities and cash flow hedging derivatives portfolio. Any unrealized loss from these portfolios impacts OCI, shareholders equity, and the Tangible Common Equity ratio. Any realized loss from these portfolios impacts regulatory capital ratios, notably Tier I and Total risk-based capital ratios. In a rising interest rate environment, pension and other post-retirement obligations somewhat mitigate negative OCI impacts from securities and financial instruments.

Certain investment securities, notably mortgage-backed securities, are very sensitive to rising and falling rates. Generally, when rates rise, prepayments of principal and interest will decrease and the duration of mortgage-backed securities will increase. Conversely, when rates fall, prepayments of principal and interest will increase and the duration of mortgage-backed securities will decrease. In either case, interest rates have a significant impact on the value of mortgage-backed securities investments.

Liquidity Risks:

1. If we lose 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 Bank uses its liquidity to extend credit and to repay liabilities as they become due or as demanded by customers. The board of directors establishes liquidity policies and limits and Management establishes operating guidelines for liquidity.

Wholesale funding sources include securitization, federal funds purchased, securities sold under repurchase agreements, non-core deposits, and medium- and long-term debt. The Bank is also a member of the Federal Home Loan Bank of Cincinnati, which provides members access to funding through advances collateralized with mortgage-related assets. We maintain a portfolio of highly-rated, marketable securities that is available as a source of liquidity.

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Capital markets disruptions can directly impact the liquidity of the Bank and Corporation. The inability to access capital markets funding sources as needed could adversely impact our financial condition, results of operations, cash flows, and level of regulatory-qualifying capital. We may, from time-to-time, consider using our existing liquidity position to opportunistically retire outstanding securities in privately negotiated or open market transactions.

2. Due to the losses that the Bank incurred in 2008 and 2009, prior to December 31, 2013, the Bank and its subsidiaries could not declare and pay dividends to the holding company, any subsidiary of the holding company outside the Bank s consolidated group, or any security holder outside the Bank s consolidated group, without regulatory approval. Also, the Bank may not pay a dividend in an amount greater than its undivided profits.

Dividends from the Bank to the parent company are the primary source of funds for the payment of dividends to our shareholders. Under applicable statutes and regulations, a national bank may not declare and pay dividends in any year greater than its undivided profits or in excess of an amount equal to the sum of the total of the net income of the bank for that year and the retained net income of the bank for the preceding two years, minus the sum of any transfers required by the OCC and any transfers required to be made to a fund for the retirement of any preferred stock, unless the OCC approves the declaration and payment of dividends in excess of such amount. The Bank s undivided profits were in a deficit position until December 2013. We anticipate that the Bank will declare dividends to the holding company during the first half of 2014.

Operational and Legal Risks:

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

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

Note 22 of the Notes to Consolidated Financial Statements updates the status of litigation concerning Cyberco Holdings, Inc. Although the bank maintains litigation reserves related to this case, the ultimate resolution of the matter, if unfavorable, may be material to our results of operations for a particular reporting period.

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

Moreover, negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance, and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and retain customers and can also expose us to litigation and regulatory action.

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

Huntington is under continuous threat of loss due to cyber-attacks especially as we continue to expand customer capabilities to utilize internet and other remote channels to transact business. The most significant cyber attack risks that we face are e-fraud, denial of service, and loss of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customer or our accounts. Loss can occur as a result of negative customer experience in the event of a successful denial of service attack that disrupts availability of our on-line banking services. The attempts to breach sensitive customer data, such as account numbers and social security numbers, could present significant reputational, legal and/or regulatory costs to us if successful. Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, our plans to continue to provide internet banking and mobile banking

channels, and our plans to develop additional remote connectivity solutions to serve our customers.

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

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

Compliance Risks:

1. Bank regulators and other regulations, including Basel III capital standards and CCAR, may require higher capital levels, impacting our ability to pay common stock dividends or repurchase our common stock.

On July 2, 2013, the Federal Reserve voted to adopt final Basel III capital rules for U.S. Banking organizations. The final rules establish an integrated regulatory capital framework and will implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Act. Under the final rule, minimum requirements will increase for both the quantity and quality of capital held by banking organizations. As a Standardized Approach institution, the Basel III minimum capital requirements will become effective for us on January 1, 2015, and will be fully phased-in on January 1, 2019.

The Federal Reserve has issued guidelines for evaluating proposals by certain bank holding companies, including us, to undertake capital actions, such as increasing dividend payments or repurchasing or redeeming stock. This process is known as CCAR. CCAR includes a quantitative examination component in which BHC-specific data is run through models developed by the Federal Reserve with the intention of estimating capital levels in a hypothetical severely adverse economic scenario. Capital plans for 2014 were required to be submitted by January 6, 2014. The Federal Reserve will either object to a capital plan, in whole or in part, or provide a notice of non-objection no later than March 31, 2014, for plans submitted by the January 6, 2014 submission date. We submitted our capital plan to the Federal Reserve on January 5, 2014.

The Federal Reserve and OCC are expected to undertake these capital plan reviews on a regular basis in the future. There can be no assurance that the Federal Reserve or OCC will respond favorably to our capital plan as part of their future capital plan reviews, and the Federal Reserve, OCC, or other regulatory capital requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases. Although not currently anticipated, our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute existing stockholders.

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

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

With the development of the CFPB, our consumer products and services are subject to increasing regulatory oversight and scrutiny with respect to compliance under consumer laws and regulations. We may face a greater number or wider scope of investigations, enforcement actions and litigation in the future related to consumer practices, thereby increasing costs associated with responding to or defending such actions. In addition, increased regulatory inquiries and investigations, as well as any additional legislative or regulatory developments affecting our consumer businesses, and any required changes to our business operations resulting from these developments, could result in significant loss of revenue, limit the products or services we offer, require us to increase our prices and therefore reduce demand for our products, impose additional compliance costs on us, cause harm to our reputation or otherwise adversely affect our consumer businesses.

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

The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States, establishes the CFPB, and requires the bureau and other federal agencies to implement many new and significant rules and regulations. At this time, it is difficult to predict the extent to which the Dodd-Frank Act, or the resulting rules and regulations in their entirety, will impact our business. Compliance with these new laws and regulations will result in additional costs, which could be significant, and may have a material and adverse effect on our results of operations. In addition, if we do not appropriately comply with current or future legislation and regulations that apply to our consumer operations, we may be subject to fines, penalties or judgments, or material regulatory restrictions on our businesses, which could adversely affect operations and, in turn, financial results.

Item 1B: Unresolved Staff Comments

None.

Item 2: Properties

Our headquarters, as well as the Bank s, are located in the Huntington Center, a thirty-seven-story office building located in Columbus, Ohio. Of the building s total office space available, we lease approximately 28%. The lease term expires in 2030, with six five-year renewal options for up to 30 years but with no purchase option. The Bank has an indirect minority equity interest of 18.4% in the building.

Our other major properties consist of the following:

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

Item 3: Legal Proceedings

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

Item 4: Mine Safety Disclosures

Not applicable.

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, 2014, we had 22,248 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 46 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.

The following graph shows the changes, over the five-year period, in the value of $100 invested in (i) shares of Huntington s Common Stock; (ii) the Standard & Poor s 500 Stock Index (the S&P 500 Index) and (iii) Keefe, Bruyette & Woods Bank Index (the KBW Bank Index), for the period December 31, 2008, through December 31, 2013. 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, 2008, and the reinvestment of all dividends are assumed. The plotted points represent the closing price on the last trading day of the fiscal year indicated.

The following table provides information regarding Huntington s purchases of its Common Stock during the three-month period ended December 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (2)
October 1, 2013 to October 31, 2013			11,969,724	$ 135,845,179
November 1, 2013 to November 30, 2013			11,969,724	135,845,179
December 1, 2013 to December 31, 2013			11,969,724	135,845,179
Total			11,969,724	$ 135,845,179

(1) The reported shares were repurchased pursuant to Huntington s publicly announced stock repurchase authorization, which became effective April 1, 2013.

(2) The number shown represents, as of the end of each period, the maximum number of shares (approximate dollar value) of Common Stock that may yet be purchased under publicly announced stock repurchase authorizations. The shares may be purchased, from time-to-time, depending on market conditions.

On March 14, 2013, Huntington Bancshares Incorporated announced that the Federal Reserve did not object to Huntington s proposed capital actions included in Huntington s capital plan submitted to the Federal Reserve in January 2013. These actions included the potential repurchase of up to $227 million of common stock and a continuation of Huntington s current common dividend through the first quarter of 2014. Huntington s Board of Directors authorized a share repurchase program consistent with Huntington s capital plan. During the 2013 fourth quarter, Huntington did not repurchase any shares. For the year ended December 31, 2013, Huntington purchased 16.7 million common shares at a weighted average price of $7.46 per share. For the year ended December 31, 2012, Huntington purchased 23.3 million common shares at a weighted average price of $6.36 per share.

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Item 6: Selected Financial Data

Table 1 Selected Financial Data[1]

	Year Ended December 31,				
(dollar amounts in thousands, except per share amounts)	**2013**	2012	2011	2010	2009
Interest income	$ 1,860,637	$ 1,930,263	$ 1,970,226	$ 2,145,392	$ 2,238,142
Interest expense	156,029	219,739	341,056	526,587	813,855
Net interest income	1,704,608	1,710,524	1,629,170	1,618,805	1,424,287
Provision for credit losses	90,045	147,388	174,059	634,547	2,074,671
Net interest income after provision for credit losses	**1,614,563**	1,563,136	1,455,111	984,258	(650,384)
Noninterest income	**997,995**	1,097,857	980,623	1,041,858	1,005,644
Noninterest expense:					
Goodwill impairment					2,606,944
Other noninterest expense	1,758,003	1,835,876	1,728,500	1,673,805	1,426,499
Total noninterest expense	**1,758,003**	1,835,876	1,728,500	1,673,805	4,033,443
Income (loss) before income taxes	**854,555**	825,117	707,234	352,311	(3,678,183)
Provision (benefit) for income taxes	**215,814**	184,095	164,621	39,964	(584,004)
Net income (loss)	**$ 638,741**	$ 641,022	$ 542,613	$ 312,347	$ (3,094,179)
Dividends on preferred shares	**31,869**	31,989	30,813	172,032	174,756
Net income (loss) applicable to common shares	**$ 606,872**	$ 609,033	$ 511,800	$ 140,315	$ (3,268,935)
Net income (loss) per common share basic	**$ 0.73**	$ 0.71	$ 0.59	$ 0.19	$ (6.14)
Net income (loss) per common share diluted	**0.72**	0.71	0.59	0.19	(6.14)
Cash dividends declared per common share	**0.19**	0.16	0.10	0.04	0.04
Balance sheet highlights					
Total assets (period end)	**$ 59,476,344**	$ 56,153,185	$ 54,450,652	$ 53,819,642	$ 51,554,665
Total long-term debt (period end)[2]	**2,458,272**	1,364,834	3,097,857	3,813,827	3,802,670
Total shareholders equity (period end)	**6,099,323**	5,790,211	5,418,100	4,980,542	5,336,002
Average long-term debt[2]	**2,372,765**	2,273,140	3,275,913	3,953,177	5,558,001
Average shareholders equity	**5,914,914**	5,671,455	5,237,541	5,482,502	5,787,401
Average total assets	**56,299,313**	55,673,599	53,750,054	52,574,231	52,440,268
Key ratios and statistics					
Margin analysis as a % of average earnings assets					
Interest income[3]	3.66%	3.85%	4.09%	4.55%	4.88%
Interest expense	0.30	0.44	0.71	1.11	1.77
Net interest margin[3]	**3.36%**	3.41%	3.38%	3.44%	3.11%
Return on average total assets	**1.13%**	1.15%	1.01%	0.59%	(5.90)%
Return on average common shareholders equity	**11.0**	11.5	10.5	3.7	(80.8)
Return on average tangible common shareholders equity[4], [8]	**12.7**	13.5	12.7	5.6	(22.4)
Efficiency ratio[5]	**62.9**	63.4	63.7	60.4	55.4
Dividend payout ratio	**26.0**	22.5	16.9	21.1	N.R.

Average shareholders equity to average assets	**10.51**	10.19	9.74	10.43	11.04
Effective tax rate (benefit)	**25.3**	22.3	23.3	11.3	(15.9)
Tier 1 common risk-based capital ratio (period end)(8)	**10.90**	10.48	10.00	9.29	6.76
Tangible common equity to tangible assets (period end) (6), (8)	**8.83**	8.76	8.30	7.56	5.92
Tangible equity to tangible assets (period end)(7), (8)	**9.49**	9.46	9.02	8.24	9.24
Tier 1 leverage ratio (period end)	**10.67**	10.36	10.28	9.41	10.09
Tier 1 risk-based capital ratio (period end)	**12.28**	12.02	12.11	11.55	12.15
Total risk-based capital ratio (period end)	**14.57**	14.50	14.77	14.46	14.55
Other data					
Full-time equivalent employees (average)	**11,964**	11,494	11,398	11,038	10,384
Domestic banking offices (period end)	**711**	705	668	620	611

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

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

(2) Includes FHLB advances, subordinated notes, and other long-term debt. At December 31, 2013, FHLB advances excludes $1.8 billion of advances that are short-term in nature.

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

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

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

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

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

(8) Tier 1 common equity, 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.

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 148 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, insurance service programs, and other financial products and services. Our 695 branches are located in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. Selected financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio and a limited purpose office located in the Cayman Islands and another limited purpose office located in Hong Kong. Our foreign banking activities, in total or with any individual country, are not significant.

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 2014 expectations.

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

Risk Management and Capital - Discusses credit, market, liquidity, operational risks, and compliance 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 2013 fourth quarter compared with the 2012 fourth quarter.

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

EXECUTIVE OVERVIEW

2013 Financial Performance Review

In 2013, we reported net income of $638.7 million, or $0.72 per common share, relatively unchanged from the prior year. This resulted in a 1.13% return on average assets and a 12.7% return on average tangible common equity. In addition, we grew our base of consumer and business customers while our efficiency ratio decreased to 62.9% in 2013 from 63.4% in 2012. Results from our strategic business investments and OCR

sales approach continued in 2013. *(Also, see Significant Items Influencing Financial Performance Comparisons within the Discussion of Results of Operations.)*

Fully-taxable equivalent net interest income was $1.7 billion in 2013, an increase of $1.0 million, or less than 1%, compared with 2012. This reflected the impact of 4% loan growth, offset by a 5 basis point decline in the net interest margin to 3.36%, as well as a 7% reduction in other earning assets, the majority of which were loans held for sale. The loan growth reflected an increase in average C&I loans due to continued growth within the middle market healthcare vertical, equipment finance, and dealer floorplan loans. Also, our average automobile loans increased, as the growth in originations remained strong and we kept these loans on our balance sheet instead of selling them through securitizations. As expected, our CRE portfolio declined, reflecting continued runoff as acceptable returns for new originations were balanced against internal concentration limits and increased competition for projects sponsored by high quality developers. Average loans held-for-sale decreased, reflecting the impact of automobile securitizations completed in 2012 and no such securitizations in 2013.

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Noninterest income was $1.0 billion in 2013, a 9% decrease compared with 2012. Mortgage banking income was down $64.2 million due to a reduction in volume, lower gain on sale margin, and a higher percentage of originations held on the balance sheet. In addition, gains on sale of loans were down $40.0 million due to no auto securitizations in 2013. Service charges increased $9.6 million in 2013 despite a decrease of approximately $28 million due to a change that we made in February 2013 on posting order for our consumer transaction accounts.

Noninterest expense was $1.8 billion in 2013, a 4% decrease compared with 2012. The decrease was primarily due to lower marketing, deposit and other insurance, professional services and other expense as we actively managed the pace and size of investment. Other expense declined due to lower mortgage repurchase and warranty, and OREO and foreclosure expenses. This was partially offset by franchise repositioning expense related significant items included in net occupancy ($12.1 million), personnel costs ($6.7 million), equipment ($2.4 million), outside data processing and other services ($1.4 million), and other expense ($1.0 million). The increase in personnel costs primarily related to the increase in the number of average full-time equivalent employees was partially offset by a significant item of $33.9 million from the pension curtailment gain.

Most credit quality related metrics in 2013 reflected continued improvement. NALs declined $85.6 million, or 21%, from 2012 to $322.1 million, or 0.75% of total loans and leases. NPAs declined $93.6 million, or 21%, compared to a year-ago to $352.2 million, or 0.82% of total loans and leases, OREO, and other NPAs. The decreases primarily reflected meaningful improvement in both CRE and C&I NALs. The provision for credit losses decreased $57.3 million, or 39%, from 2012 due to the continued decline in classified, criticized, and nonaccrual loans and included the implementation of enhancements to our ALLL model. NCOs decreased $153.8 million, or 45%, from the prior year to $188.7 million. NCOs were an annualized 0.45% of average loans and leases in the current year compared to 0.85% in 2012. Within the consumer portfolio, NCOs related to Chapter 7 bankruptcy loans amounted to $22.8 million in 2013 and $34.6 million in 2012. The ACL as a percentage of total loans and leases decreased to 1.65% from 1.99% a year ago, while the ACL as a percentage of period-end total NALs increased to 221% from 199%.

The tangible common equity to tangible assets ratio at December 31, 2013, was 8.83%, up 7 basis points from a year ago. Our Tier 1 common risk-based capital ratio at year end was 10.90%, up from 10.48% at the end of 2012. The regulatory Tier 1 risk-based capital ratio at December 31, 2013, was 12.28%, up from 12.02% at December 31, 2012. The increase in the regulatory Tier 1 risk-based capital ratio reflected the increase in retained earnings, partially offset by the redemption of $50 million of qualifying REIT preferred securities in the 2013 fourth quarter, and growth in risk-weighted assets. All capital ratios were impacted by the repurchase of 17 million common shares over the last four quarters, none of which were repurchased during the 2013 fourth quarter. We have the ability to repurchase up to $136 million additional shares of common stock through the first quarter of 2014. We intend to continue disciplined repurchase activity consistent with our annual capital plan, our capital return objectives, and market conditions.

Business Overview

General

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

In 2013, we grew our base of consumer and business customers, while achieving positive operating leverage. Our performance in the second half of 2013 demonstrates strong business momentum, positioning us well for 2014. Highlights of our financial strength in 2013 include a strong balance sheet, ongoing deposit growth and quality loan growth in commercial and auto lending. Our deposit and lending growth is the result of focused execution and key strategic investments made over the last four years. We have done all of this while decreasing expenses by 4 percent, year over year, as the result of disciplined expense management.

We continue to face strong competition from other banks and financial service firms in our markets. To address these challenges, the cornerstone of our strategy has been to invest in the franchise in order to grow our market share and share-of-wallet. In this regard, our OCR methodology continued to deliver success in 2013. Consumer checking account households grew by 96 thousand households, or 8%, over the last year. Commercial relationships grew at a rate of 6% and have increased by 9 thousand commercial customers since 2012. Our Fair Play philosophy, combined with continued OCR success, positively impacted results in 2013.

Economy

The environment in 2013 was different than we thought it would be when we started the year, as the economic, interest rate, and political environments were more challenging. Currently, we are seeing good momentum going into 2014, as customers seem to have a slightly better

mindset as the political environment seems to be less of an issue and the general economic outlook is more positive as evidenced by the following:

Although slower than the national growth rate of 1.74%, aggregate employment growth in our footprint states remained positive at 0.89% over the 12 month period ended October 2013.

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According to the Philadelphia FRB Coincident Economic Activity Index, Michigan, Indiana, and Ohio outperformed the nation in the economic recovery to date and prospects for growth over the next six months appear positive.

Industrial vacancy rates have shown declining trends in our large footprint MSAs.

Consistent with long-term trends, housing prices have been rising broadly across our footprint over 2013 and have tended to be more stable than the national average.

Legislative and Regulatory

A comprehensive discussion of legislative and regulatory matters affecting us can be found in the Regulatory Matters section included in Item 1 of this Form 10-K.

2014 Expectations

Net interest income is expected to moderately increase. We anticipate an increase in earning assets as total loans moderately grow and investment securities remain near current levels. However, those benefits to net interest income are expected to be mostly offset by continued downward pressure on NIM. While we are maintaining a disciplined approach to loan pricing, asset yields remain under pressure but the continued opportunity of deposit repricing remains, albeit closer to current levels.

The C&I portfolio is expected to grow consistent with the anticipated increase in customer activity. Our C&I loan pipeline remains robust with much of this reflecting the positive impact from our investments in specialized commercial verticals, automotive dealer relationships, focused OCR sales process, and continued support of middle market and small business lending. Automobile loan originations remain strong, and we currently do not anticipate any automobile securitizations in the near future. Residential mortgages, home equity, and CRE loan balances are expected to increase modestly.

We anticipate the increase in total loans will modestly outpace growth in total deposits. This reflects our continued focus on the overall cost of funds, through the issuance of long-term debt, as well as the continued shift towards low- and no-cost demand deposits and money market deposit accounts.

Noninterest income, excluding the impact of any net MSR activity, is expected to be slightly lower than recent levels, due to the anticipated decline in mortgage banking revenues and the continued refinement of products under our Fair Play philosophy.

Noninterest expense, excluding the net $10 million of benefit from Significant Items we experienced in 2013, is expected to remain around current levels. We are committed to delivering positive operating leverage for the 2014 full year.

NPAs are expected to show continued improvement. This year, NCOs represented the mid-point of our expected normalized range of 35 to 55 basis points. The level of provision for credit losses was below our long-term expectation, and we continue to expect moderate quarterly volatility.

The effective tax rate for 2014 is expected to be in the range of 25% to 28%, primarily reflecting the impacts of tax-exempt income, tax-advantaged investments, and general business credits.

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Table 2 Selected Annual Income Statements (1)

	Year Ended December 31,						
		Change from 2012			Change from 2011		
(dollar amounts in thousands, except per share amounts)	2013	Amount	Percent	2012	Amount	Percent	2011
Interest income	**$ 1,860,637**	$ (69,626)	(4)%	$ 1,930,263	$ (39,963)	(2)%	$ 1,970,226
Interest expense	**156,029**	(63,710)	(29)	219,739	(121,317)	(36)	341,056
Net interest income	**1,704,608**	(5,916)		1,710,524	81,354	5	1,629,170
Provision for credit losses	**90,045**	(57,343)	(39)	147,388	(26,671)	(15)	174,059
Net interest income after provision for credit losses	**1,614,563**	51,427	3	1,563,136	108,025	7	1,455,111
Service charges on deposit accounts	**271,802**	9,623	4	262,179	18,672	8	243,507
Mortgage banking income	**126,855**	(64,237)	(34)	191,092	107,684	129	83,408
Trust services	**123,007**	1,110	1	121,897	2,515	2	119,382
Electronic banking	**92,591**	10,301	13	82,290	(29,407)	(26)	111,697
Insurance income	**69,264**	(2,055)	(3)	71,319	1,849	3	69,470
Brokerage income	**69,189**	(3,037)	(4)	72,226	(8,141)	(10)	80,367
Bank owned life insurance income	**56,419**	377	1	56,042	(6,294)	(10)	62,336
Capital markets fees	**45,220**	(2,940)	(6)	48,160	11,620	32	36,540
Gain on sale of loans	**18,171**	(40,011)	(69)	58,182	26,238	82	31,944
Securities gains (losses)	**418**	(4,351)	(91)	4,769	8,450	N.R.	(3,681)
Other income	**125,059**	(4,642)	(4)	129,701	(15,952)	(11)	145,653
Total noninterest income	**997,995**	(99,862)	(9)	1,097,857	117,234	12	980,623
Personnel costs	**1,001,637**	13,444	1	988,193	95,659	11	892,534
Outside data processing and other services	**199,547**	9,292	5	190,255	1,081	1	189,174
Net occupancy	**125,344**	14,184	13	111,160	2,031	2	109,129
Equipment	**106,793**	3,846	4	102,947	10,403	11	92,544
Marketing	**51,185**	(13,078)	(20)	64,263	(1,297)	(2)	65,560
Deposit and other insurance expense	**50,161**	(18,169)	(27)	68,330	(9,362)	(12)	77,692
Amortization of intangibles	**41,364**	(5,185)	(11)	46,549	(6,769)	(13)	53,318
Professional services	**40,587**	(25,171)	(38)	65,758	(2,858)	(4)	68,616
Gain on early extinguishment of debt		798	N.R	(798)	8,899	(92)	(9,697)
Other expense	**141,385**	(57,834)	(29)	199,219	9,589	5	189,630
Total noninterest expense	**1,758,003**	(77,873)	(4)	1,835,876	107,376	6	1,728,500
Income before income taxes	**854,555**	29,438	4	825,117	117,883	17	707,234
Provision for income taxes	**215,814**	31,719	17	184,095	19,474	12	164,621
Net income	**$ 638,741**	$ (2,281)	%	$ 641,022	$ 98,409	18%	$ 542,613
Dividends on preferred shares	**31,869**	(120)		31,989	1,176	4	30,813
Net income applicable to common shares	**$ 606,872**	$ (2,161)	%	$ 609,033	$ 97,233	19%	$ 511,800
Average common shares basic	**834,205**	(23,757)	(3)%	857,962	(5,729)	(1)%	863,691
Average common shares diluted[2]	**843,974**	(19,428)	(2)	863,402	(4,222)		867,624
Per common share:							
Net income basic	**$ 0.73**	$ 0.02	3%	$ 0.71	$ 0.12	20%	$ 0.59

Net income diluted	**0.72**	0.01	1	0.71	0.12	20	0.59
Cash dividends declared	**0.19**	0.03	19	0.16	0.06	60	0.10
Revenue FTE							
Net interest income	**$ 1,704,608**	$ (5,916)	%	$ 1,710,524	$ 81,354	5%	$ 1,629,170
FTE adjustment	**27,340**	6,934	34	20,406	5,490	37	14,916
Net interest income[3]	**1,731,948**	1,018		1,730,930	86,844	5	1,644,086
Noninterest income	**997,995**	(99,862)	(9)	1,097,857	117,234	12	980,623
Total revenue[3]	**$ 2,729,943**	$ (98,844)	(3)%	$ 2,828,787	$ 204,078	8%	$ 2,624,709

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 Significant Items .

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

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

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DISCUSSION OF RESULTS OF OPERATIONS

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

Significant Items

Definition of Significant Items

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

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

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

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

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons among the three years ended December 31, 2013, 2012, and 2011 were impacted by a number of Significant Items summarized below.

1. **Pension Curtailment Gain.** During the 2013 third quarter, a $33.9 million pension curtailment gain was recorded in personnel costs. This resulted in a positive impact of $0.03 per common share for 2013.

2. **Franchise Repositioning Related Expense.** During 2013, $23.5 million of franchise repositioning related expense was recorded. This resulted in a negative impact of $0.02 per common share for 2013.

3. **State deferred tax asset valuation allowance adjustment.** During 2012, a valuation allowance of $21.3 million (net of tax) was released for the portion of the deferred tax asset and state net operating loss carryforwards expected to be realized. This resulted in a positive impact of $0.02 per common share for 2012. Additional information can be found in the Provision for Income Taxes section within this MD&A.

4. **Bargain Purchase Gain.** During 2012, an $11.2 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition was recorded in noninterest income. This resulted in a positive impact of $0.01 per common share for 2012.

5. **Litigation Reserve.** $23.5 million and $17.0 million of additions to litigation reserves were recorded as other noninterest expense in 2012 and 2011, respectively. This resulted in a negative impact of $0.02 per common share in 2012 and $0.01 per common share in 2011.

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 2009, we sold these Visa® stock shares, resulting in a $31.4 million pretax gain ($.04 per common share). This amount was recorded to noninterest income. In 2011, a $6.4 million derivative loss due to an increase in the liability associated with the sale of these shares was recorded to noninterest income.

7. **Early Extinguishment of Debt.** The positive impact relating to the early extinguishment of debt on our reported results was $9.7 million ($0.01 per common share) in 2011.

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

Table 3 Significant Items Influencing Earnings Performance Comparison (1)

	2013		2012		2011	
(dollar amounts in thousands, except per share amounts)	**After-tax**	**EPS**	After-tax	EPS	After-tax	EPS
Net income GAAP	**$ 638,741**		$ 641,022		$ 542,613	
Earnings per share, after-tax		**0.72**		0.71		0.59
Significant items favorable (unfavorable) impact:	**Earnings (2)**	**EPS (3)(4)**	Earnings (2)	EPS (3)(4)	Earnings (2)	EPS (3)(4)
Pension curtailment gain	**$ 33,926**	**$ 0.03**	$	$	$	$
Franchise repositioning related expense	**(23,461)**	**(0.02)**				
State deferred tax asset valuation allowance adjustment[4]			21,251	0.02		
Bargain purchase gain			11,217	0.01		
Litigation reserves addition			(23,500)	(0.02)	(17,028)	(0.01)
Visa®-related derivative loss					(6,385)	
Gain on early extinguishment of debt					9,697	0.01

(1) See Significant Items Influencing Financial Performance discussion.

(2) Pretax unless otherwise noted.

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

(4) After-tax.

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.

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 4 Change in Net Interest Income Due to Changes in Average Volume and Interest Rates[1]

Fully-taxable equivalent basis[2]	**2013 Increase (Decrease) From Previous Year Due To**			2012 Increase (Decrease) From Previous Year Due To		
(dollar amounts in millions)	**Volume**	**Yield/ Rate**	**Total**	Volume	Yield/ Rate	Total
Loans and direct financing leases	**$ 66.1**	**$ (108.7)**	**$ (42.6)**	$ 58.6	$ (105.6)	$ (47.0)
Investment securities	**(3.7)**	**2.0**	**(1.7)**	1.9	(2.1)	(0.2)
Other earning assets	**(16.8)**	**(1.7)**	**(18.5)**	24.2	(11.5)	12.7
Total interest income from earning assets	**45.6**	**(108.4)**	**(62.8)**	84.7	(119.2)	(34.5)
Deposits	**1.0**	**(46.9)**	**(45.9)**	(3.0)	(94.8)	(97.8)
Short-term borrowings	**(0.7)**	**(0.6)**	**(1.3)**	(1.2)	(0.3)	(1.5)
Federal Home Loan Bank advances	**0.8**	**(0.5)**	**0.3**	0.8	(0.8)	
Subordinated notes and other long-term debt, including capital securities	**(8.3)**	**(8.6)**	**(16.9)**	(32.0)	10.0	(22.0)
Total interest expense of interest-bearing liabilities	**(7.2)**	**(56.6)**	**(63.8)**	(35.4)	(85.9)	(121.3)
Net interest income	**$ 52.8**	**$ (51.8)**	**$ 1.0**	$ 120.1	$ (33.3)	$ 86.8

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

[2] Calculated assuming a 35% tax rate.

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Table 5 Consolidated Average Balance Sheet and Net Interest Margin Analysis

Fully-taxable equivalent basis (1) *(dollar amounts in millions)*	Average Balances 2013	Change from 2012 Amount	Change from 2012 Percent	2012	Change from 2011 Amount	Change from 2011 Percent	2011
Assets							
Interest-bearing deposits in banks	**$ 70**	$ (25)	(26)%	$ 95	$ (38)	(29)%	$ 133
Federal funds sold and securities purchased under resale agreement					(5)	(100)	5
Loans held for sale	**521**	(566)	(52)	1,087	799	277	288
Available-for-sale and other securities:							
Taxable	**6,383**	(1,515)	(19)	7,898	(473)	(6)	8,371
Tax-exempt	**563**	136	32	427	(1)		428
Total available-for-sale and other securities	**6,946**	(1,379)	(17)	8,325	(474)	(5)	8,799
Trading account securities	**80**	13	19	67	(40)	(37)	107
Held-to-maturity securities taxable	**2,155**	1,230	133	925	550	147	375
Total securities	**9,181**	(136)	(1)	9,317	36		9,281
Loans and leases: (3)							
Commercial:							
Commercial and industrial	**17,174**	1,230	8	15,944	2,347	17	13,597
Commercial real estate:							
Construction	**580**	(2)		582	(10)	(2)	592
Commercial	**4,449**	(749)	(14)	5,198	(415)	(7)	5,613
Commercial real estate	**5,029**	(751)	(13)	5,780	(425)	(7)	6,205
Total commercial	**22,203**	479	2	21,724	1,922	10	19,802
Consumer:							
Automobile loans and leases	**5,679**	1,153	25	4,526	(1,351)	(23)	5,877
Home equity	**8,310**	(5)		8,315	375	5	7,940
Residential mortgage	**5,198**	8		5,190	473	10	4,717
Other consumer	**436**	(19)	(4)	455	(76)	(14)	531
Total consumer	**19,623**	1,137	6	18,486	(579)	(3)	19,065
Total loans and leases	**41,826**	1,616	4	40,210	1,343	3	38,867
Allowance for loan and lease losses	**(725)**	151	(17)	(876)	233	(21)	(1,109)
Net loans and leases	**41,101**	1,767	4	39,334	1,576	4	37,758
Total earning assets	**51,598**	889	2	50,709	2,135	4	48,574
Cash and due from banks	**908**	(182)	(17)	1,090	(346)	(24)	1,436
Intangible assets	**557**	(43)	(7)	600	(45)	(7)	645
All other assets	**3,961**	(190)	(5)	4,151	(53)	(1)	4,204
Total assets	**$ 56,299**	$ 625	1%	$ 55,674	$ 1,924	4%	$ 53,750

Liabilities and Shareholders Equity

Deposits:							
Demand deposits noninterest-bearing	**$ 12,871**	$ 671	6%	$ 12,200	$ 3,547	41%	$ 8,653
Demand deposits interest-bearing	**5,855**	44	1	5,811	294	5	5,517
Total demand deposits	**18,726**	715	4	18,011	3,841	27	14,170
Money market deposits	**15,675**	1,774	13	13,901	579	4	13,322
Savings and other domestic deposits	**5,029**	96	2	4,933	198	4	4,735
Core certificates of deposit	**4,549**	(1,672)	(27)	6,221	(1,481)	(19)	7,702
Total core deposits	**43,979**	913	2	43,066	3,137	8	39,929
Other domestic time deposits of $250,000 or more	**306**	(20)	(6)	326	(139)	(30)	465
Brokered time deposits and negotiable CDs	**1,606**	16	1	1,590	168	12	1,422
Deposits in foreign offices	**346**	(26)	(7)	372	(17)	(4)	389
Total deposits	**46,237**	883	2	45,354	3,149	7	42,205
Short-term borrowings	**700**	(610)	(47)	1,310	(745)	(36)	2,055
Federal Home Loan Bank advances	**711**	413	139	298	187	168	111
Subordinated notes and other long-term debt	**1,662**	(314)	(16)	1,976	(1,189)	(38)	3,165
Total interest-bearing liabilities	**36,439**	(299)	(1)	36,738	(2,145)	(6)	38,883
All other liabilities	**1,074**	9	1	1,065	89	9	976
Shareholders equity	**5,915**	244	4	5,671	433	8	5,238
Total liabilities and shareholders equity	**$ 56,299**	$ 625	1%	$ 55,674	$ 1,924	4%	$ 53,750

Continued

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Table 6 Consolidated Average Balance Sheet and Net Interest Margin Analysis (Continued)

Fully-taxable equivalent basis (1)	Interest Income / Expense			Average Rate (2)		
(dollar amounts in millions)	**2013**	2012	2011	**2013**	2012	2011
Assets						
Interest-bearing deposits in banks	**$ 0.1**	$ 0.2	$ 0.1	**0.15%**	0.21%	0.11%
Federal funds sold and securities purchased under resale agreement					0.29	0.09
Loans held for sale	**18.9**	36.8	12.3	**3.63**	3.38	4.27
Available-for-sale and other securities:						
Taxable	**148.6**	184.3	208.0	**2.33**	2.33	2.48
Tax-exempt	**25.7**	17.7	18.3	**4.56**	4.14	4.28
Total available-for-sale and other securities	**174.2**	202.0	226.3	**2.51**	2.43	2.57
Trading account securities	**0.4**	0.9	1.5	**0.44**	1.27	1.37
Held-to-maturity securities taxable	**50.2**	24.1	11.2	**2.33**	2.60	2.99
Total securities	**224.8**	226.9	239.0	**2.45**	2.43	2.57
Loans and leases: (3)						
Commercial:						
Commercial and industrial	**643.7**	639.5	585.6	**3.75**	4.01	4.31
Commercial real estate:						
Construction	**23.4**	22.9	23.0	**4.04**	3.93	3.88
Commercial	**182.6**	208.6	222.7	**4.11**	4.01	3.97
Commercial real estate	**206.1**	231.5	245.7	**4.10**	4.00	3.96
Total commercial	**849.8**	871.0	831.3	**3.83**	4.01	4.20
Consumer:						
Automobile loans and leases	**221.5**	214.1	293.2	**3.90**	4.73	4.99
Home equity	**345.4**	355.9	355.0	**4.16**	4.28	4.47
Residential mortgage	**199.6**	212.7	213.6	**3.84**	4.10	4.53
Other consumer	**27.9**	33.3	40.6	**6.41**	7.31	7.63
Total consumer	**794.4**	815.9	902.4	**4.05**	4.41	4.73
Total loans and leases	**1,644.2**	1,686.8	1,733.7	**3.93**	4.19	4.46
Total earning assets	**$ 1,888.0**	$ 1,950.7	$ 1,985.1	**3.66%**	3.85%	4.09%
Liabilities and Shareholders Equity Deposits:						
Demand deposits noninterest-bearing	**$**	$	$	**%**	%	%
Demand deposits interest-bearing	**2.5**	3.6	5.1	**0.04**	0.06	0.09
Total demand deposits	**2.5**	3.6	5.1	**0.01**	0.02	0.04
Money market deposits	**38.8**	40.2	54.3	**0.25**	0.29	0.41
Savings and other domestic deposits	**13.3**	18.9	32.7	**0.26**	0.38	0.69
Core certificates of deposit	**50.5**	85.0	150.0	**1.11**	1.37	1.95
Total core deposits	**105.2**	147.7	242.2	**0.34**	0.48	0.77
Other domestic time deposits of $250,000 or more	**1.4**	2.1	4.5	**0.47**	0.66	0.97
Brokered time deposits and negotiable CDs	**9.1**	11.7	12.5	**0.57**	0.74	0.88

Deposits in foreign offices	**0.5**	0.7	0.9	**0.15**	0.18	0.23
Total deposits	**116.2**	162.2	260.1	**0.35**	0.49	0.78
Short-term borrowings	**0.7**	2.0	3.5	**0.10**	0.16	0.17
Federal Home Loan Bank advances	**1.1**	0.8	0.8	**0.15**	0.28	0.74
Subordinated notes and other long-term debt	**38.0**	54.7	76.7	**2.29**	2.77	2.42
Total interest-bearing liabilities	**156.0**	219.7	341.1	**0.43**	0.60	0.88
Net interest income	**$ 1,731.9**	$ 1,730.9	$ 1,644.1			
Net interest rate spread				**3.23**	3.25	3.21
Impact of noninterest-bearing funds on margin				**0.13**	0.16	0.18
Net interest margin				**3.36%**	3.41%	3.38%

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

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

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

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2013 vs. 2012

Fully-taxable equivalent net interest income for 2013 increased $1.0 million, or less than 1%, from 2012. This reflected the impact of 4% loan growth, a 5 basis point decrease in the NIM to 3.36%, as well as a 7% reduction in other earnings assets, the majority of which were loans held for sale. The primary items impacting the decrease in the NIM were:

- 19 basis point negative impact from the mix and yield of earning assets primarily reflecting a decrease in consumer loan yields.
- 3 basis point decrease in the benefit to the margin of non-interest bearing funds, reflecting lower interest rates on total interest bearing liabilities from the prior year.

Partially offset by:

- 14 basis point positive impact from the mix and yield of deposits reflecting the strategic focus on changing the funding sources from higher rate time deposits to no-cost demand deposits and low-cost money market deposits.
- 3 basis point positive impact from noncore funding primarily reflecting lower debt costs.

Average earning assets increased $0.9 billion, or 2%, from the prior year, driven by:

- $1.2 billion, or 8%, increase in average C&I loans and leases. This reflected the continued growth within the middle market healthcare vertical, equipment finance, and dealer floorplan.
- $1.2 billion, or 25%, increase in average on balance sheet automobile loans, as the growth in originations, while below industry levels, remained strong and our investments in the Northeast and upper Midwest continued to grow as planned.

Partially offset by:

- $0.8 billion, or 13%, decrease in average CRE loans, as acceptable returns for new originations were balanced against internal concentration limits and increased competition for projects sponsored by high quality developers.
- $0.6 billion, or 52%, decrease in loans held-for-sale reflecting the impact of automobile loan securitizations completed in 2012.

While there was minimal impact on the full-year average balance sheet, $1.9 billion of net investment securities were purchased during the 2013 fourth quarter. Our investment securities portfolio is evaluated under established asset/liability management objectives. Additionally, $0.6 billion of direct purchase municipal instruments were reclassified on December 31, 2013 from C&I loans to available-for-sale securities.

Average noninterest bearing deposits increased $0.7 billion, or 6%, while average interest-bearing liabilities decreased $0.3 billion, or 1%, from 2012, primarily reflecting:

- $1.7 billion, or 27%, decrease in average core certificates of deposit due to the strategic focus on changing the funding sources to no-cost demand deposits and low-cost money market deposits.

- $0.6 billion, or 47%, decrease in short-term borrowings due to a focused effort to reduce collateralized deposits.

Partially offset by:

- $1.8 billion, or 13%, increase in money market deposits reflecting the strategic focus on customer growth and increased share of wallet among both consumer and commercial customers.

While there was minimal impact on the full-year average balance sheet, average subordinated notes and other long-term debt reflect the issuance of $0.5 billion and $0.8 billion of long-term debt in the 2013 fourth quarter and the 2013 third quarter, respectively.

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2012 vs. 2011

Fully-taxable equivalent net interest income for 2012 increased $86.8 million, or 5%, from 2011. This reflected the favorable impact of a $2.1 billion, or 4%, increase in average earning assets, partially offset by a 3 basis point decline in the net interest margin.

The increase in average earning assets reflected:

- $1.9 billion, or 10%, increase in average commercial loans and leases.
- $0.8 billion, or 277% increase in average loans held for sale.

Partially offset by:

- $0.6 billion, or 3% decrease in average consumer loans including a $1.4 billion, or 23%, decrease in automobile loans, reflecting $2.5 billion of automobile loans sold throughout the year.

The 3 basis point increase in the FTE net interest margin reflected:

- The positive impact of a 29 basis point decline in total deposit costs.

Partially offset by:

- 24 basis point declines in the yield on earnings assets and a 2 basis point decrease related to non-deposit funding and other items.

The $3.1 billion, or 8%, increase in average total core deposits from the prior year reflected:

- $3.8 billion, or 27%, increase in total demand deposits.
- $0.6 billion, or 4%, increase in money market deposits.

Partially offset by:

- $1.5 billion, or 19%, decrease in core certificates of deposits.

Provision for Credit Losses

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

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

The provision for credit losses in 2013 was $90.0 million, down $57.3 million, or 39%, from 2012, reflecting a $153.8 million, or 45%, decrease in NCOs. The provision for credit losses in 2013 was $98.6 million less than total NCOs. In addition, as a result of a review of the existing

consumer portfolios, 2013 also includes $22.8 million of Chapter 7 bankruptcy-related losses that were not identified in the 2012 third quarter implementation of the OCC s regulatory guidance. *(see Credit Quality discussion)*

Noninterest Income

(This section should be read in conjunction with Significant Items 4 and 6.)

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

Table 7 Noninterest Income

	Twelve Months Ended December 31,						
		Change from 2012			Change from 2011		
(dollar amounts in thousands)	**2013**	Amount	Percent	2012	Amount	Percent	2011
Service charges on deposit accounts	**$ 271,802**	$ 9,623	4%	$ 262,179	$ 18,672	8%	$ 243,507
Mortgage banking income	**126,855**	(64,237)	(34)	191,092	107,684	129	83,408
Trust services	**123,007**	1,110	1	121,897	2,515	2	119,382
Electronic banking	**92,591**	10,301	13	82,290	(29,407)	(26)	111,697
Insurance income	**69,264**	(2,055)	(3)	71,319	1,849	3	69,470
Brokerage income	**69,189**	(3,037)	(4)	72,226	(8,141)	(10)	80,367
Bank owned life insurance income	**56,419**	377	1	56,042	(6,294)	(10)	62,336
Capital markets fees	**45,220**	(2,940)	(6)	48,160	11,620	32	36,540
Gain on sale of loans	**18,171**	(40,011)	(69)	58,182	26,238	82	31,944
Securities gains (losses)	**418**	(4,351)	(91)	4,769	8,450	N.R.	(3,681)
Other income	**125,059**	(4,642)	(4)	129,701	(15,952)	(11)	145,653
Total noninterest income	**$ 997,995**	$ (99,862)	(9)%	$ 1,097,857	$ 117,234	12%	$ 980,623

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

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2013 vs. 2012

Noninterest income decreased $99.9 million, or 9%, from the prior year, primarily reflecting:

- $64.2 million, or 34%, decrease in mortgage banking income primarily driven by 9% reduction in volume, lower gain on sale margin, and a higher percentage of originations held on the balance sheet.
- $40.0 million, or 69%, decrease in gain on sale of loans as no auto loan securitizations occurred in 2013 compared to $2.3 billion of auto loan securitizations in 2012.
- $4.6 million, or 4%, decrease in other income as the prior year included an $11.2 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition partially offset by an increase in fees associated with commercial loan activity.
- $4.4 million, or 91%, decrease in securities gains as the prior year had certain securities designated as available-for-sale that were sold and the proceeds from those sales were reinvested into the held-to-maturity portfolio.

Partially offset by:

- $10.3 million, or 13%, increase in electronic banking income due to continued consumer household growth.
- $9.6 million, or 4%, increase in service charges on deposit accounts reflecting 8% consumer household and 6% commercial relationship growth and changing customer usage patterns. This more than offset the approximately $28.0 million negative impact of the February 2013 implementation of a new posting order for consumer transaction accounts.

2012 vs. 2011

Noninterest income increased $117.2 million, or 12%, from the prior year, primarily reflecting:

- $107.7 million, or 129%, increase in mortgage banking income. This primarily reflected a $78.6 million increase in origination and secondary marketing income. Additionally, we recorded a $14.3 million net trading gain related to MSR hedging in 2012 compared to a net trading loss related to MSR hedging of $11.9 million in 2011.
- $26.2 million, or 82%, increase in gain on sale of loans.
- $18.7 million, or 8%, increase in service charges on deposits, due to continued strong customer growth.
- $11.6 million, or 32%, increase in capital market fees primarily reflecting strong customer demand for derivatives and other risk management products.

Partially offset by:

$29.4 million, or 26%, decrease in electronic banking income related to implementing the lower debit card interchange fee structure mandated in the Durbin Amendment of the Dodd-Frank Act.

$16.0 million, or 11%, decrease in other income, primarily related to a decrease in automobile operating lease income and partially offset by the bargain purchase gain from the Fidelity Bank acquisition.

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Noninterest Expense

(This section should be read in conjunction with Significant Items 1, 2, 5, and 7.)

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

Table 8 Noninterest Expense

	Twelve Months Ended December 31,						
		Change from 2012			Change from 2011		
(dollar amounts in thousands)	**2013**	Amount	Percent	2012	Amount	Percent	2011
Personnel costs	**$ 1,001,637**	$ 13,444	1%	$ 988,193	$ 95,659	11%	$ 892,534
Outside data processing and other services	**199,547**	9,292	5	190,255	1,081	1	189,174
Net occupancy	**125,344**	14,184	13	111,160	2,031	2	109,129
Equipment	**106,793**	3,846	4	102,947	10,403	11	92,544
Marketing	**51,185**	(13,078)	(20)	64,263	(1,297)	(2)	65,560
Deposit and other insurance expense	**50,161**	(18,169)	(27)	68,330	(9,362)	(12)	77,692
Amortization of intangibles	**41,364**	(5,185)	(11)	46,549	(6,769)	(13)	53,318
Professional services	**40,587**	(25,171)	(38)	65,758	(2,858)	(4)	68,616
Gain on early extinguishment of debt		798	(100)	(798)	8,899	(92)	(9,697)
Other expense	**141,385**	(57,834)	(29)	199,219	9,589	5	189,630
Total noninterest expense	**$ 1,758,003**	$ (77,873)	(4)%	$ 1,835,876	$ 107,376	6%	$ 1,728,500
Number of employees (average full-time equivalent)	**11,964**	470	4%	11,494	96	1%	11,398

2013 vs. 2012

Noninterest expense decreased $77.9 million, or 4%, from 2012, and primarily reflected:

- $57.8 million, or 29%, decline in other expense, reflecting a reduction in litigation expense, mortgage repurchases and warranty expense, OREO and foreclosure costs, and reduction in operating lease expense.

- $25.2 million, or 38%, decrease in professional services, reflecting a decrease in outside consultant expenses and legal services, primarily collections.

- $18.2 million, or 27%, decrease in deposit and other insurance expense due to lower insurance premiums.

- $13.1 million, or 20%, decrease in marketing, primarily reflecting lower levels of advertising, and reduced promotional offers.

- $5.2 million, or 11%, decrease due to the continued amortization of core deposit intangibles.

Partially offset by:

$14.2 million, or 13%, increase in net occupancy expense, reflecting $12.1 million of franchise repositioning expense related to branch consolidation and facilities optimization.

$13.4 million, or 1%, increase in personnel costs, primarily reflecting the $38.8 million increase in salaries due to a 4% increase in the number of average full-time equivalent employees as employee count increased mainly in technology and consumer areas and $6.7 million of franchise repositioning expense related to branch consolidation and severance expenses. This was partially offset by the $33.9 million one-time, non-cash gain related to the pension curtailment.

$9.3 million, or 5%, increase in outside data processing as we continue to invest in technology supporting our products, services, and our Continuous Improvement initiatives.

$3.9 million, or 4%, increase in equipment, including $2.4 million of branch consolidation and facilities optimization related expenses.

2012 vs. 2011

Noninterest expense increased $107.4 million, or 6%, from 2011 and primarily reflected:

- $95.7 million, or 11%, increase in personnel costs, primarily reflecting an increase in bonuses, commissions, and full-time equivalent employees, as well as increased salaries and benefits.
- $10.4 million, or 11%, increase in equipment, primarily reflecting the impact of depreciation from our in-store branch expansions and other technology investments.
- $9.3 million, or 5%, increase in other expense primarily reflecting higher litigation reserves, increased sponsorships and public relations expense, and an increase in the provision for mortgage representations and warranties.

Partially offset by:

- $9.4 million, or 12%, decline in deposit and other insurance expense.

Provision for Income Taxes

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

2013 versus 2012

The provision for income taxes was $215.8 million for 2013 compared with a provision for income taxes of $184.1 million in 2012. Both years included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. In 2013, a $6.0 million reduction in the 2013 provision for state income taxes, net of federal, was recorded for the portion of state deferred tax assets and state net operating loss carryforwards that are more likely than not to be realized, compared to a $21.3 million reduction in 2012. At December 31, 2013, we had a net federal and state deferred tax asset of $137.6 million. Based on both positive and negative evidence and our level of forecasted future taxable income, we determined no impairment existed to the net federal and state deferred tax asset at December 31, 2013. For regulatory capital purposes, there was no disallowed net deferred tax asset at December 31, 2013 and December 31, 2012.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2009. In the first quarter of 2013, the IRS began an examination of our 2010 and 2011 consolidated federal income tax returns. We have appealed certain proposed adjustments resulting from the IRS examination of our 2006, 2007, 2008, 2009, and 2010 tax returns. We believe the tax positions taken related to such proposed adjustments are correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. Nevertheless, although no assurances can be given, we believe the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position. Various state and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois.

On September 13, 2013, the IRS released final tangible property regulations under Sections 162(a) and 263(a) of the IRC and proposed regulations under Section 168 of the IRC. These regulations generally apply to taxable years beginning on or after January 1, 2014 and will affect all taxpayers that acquire, produce, or improve tangible property. Based upon preliminary analysis, we do not expect that the adoption of these regulations will have a material impact on the Company s Consolidated Financial Statements.

2012 versus 2011

The provision for income taxes was $184.1 million for 2012 compared with a provision of $164.6 million in 2011. Both years included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. In 2012, a $21.3 million reduction in the 2012 provision for state income taxes, net of federal, was recorded for the portion of state deferred tax assets and state net operating loss

carryforwards that are more likely than not to be realized.

RISK MANAGEMENT AND CAPITAL

A comprehensive discussion of risk management and capital matters affecting us can be found in the Risk Governance section included in Item 1A and the Regulatory Matters section of Item 1 of this Form 10-K.

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 credit risk associated with our AFS and HTM securities portfolio *(see Note 4 and Note 5 of the Notes to Consolidated Financial Statements)*. We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking, and trading activities. While there is credit risk associated with derivative activity, we believe this exposure is minimal.

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

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 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. 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 and sanction 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. To that end, we continue to expand resources in our risk management areas.

Although credit quality improved significantly in 2013, there remained a degree of economic stress that continued to negatively impact us and the financial services industry as a whole. We continued to experience higher than historical levels of delinquencies and NCOs in our residential secured Consumer loan portfolios. The performance metrics associated with the residential mortgage, and home equity portfolios continued to be the most significantly impacted portfolios as real estate prices remain lower than pre-2008 levels, and the unemployment rate remains high.

Loan and Lease Credit Exposure Mix

At December 31, 2013, our loans and leases totaled $43.1 billion, representing a $2.4 billion, or 6%, increase compared to $40.7 billion at December 31, 2012. The majority of the portfolio growth occurred in the Automobile portfolio, with C&I and Residential showing modest growth. Huntington remained committed to the high quality origination strategy in the automobile portfolio. The CRE portfolio declined as a result of continued runoff as acceptable returns for new originations were balanced against internal concentration limits and increased competition for projects sponsored by high quality developers.

Total commercial loans were $22.4 billion at December 31, 2013, and represented 52% of our total loan and lease credit exposure. Our commercial loan portfolio is diversified along product type, customer size, and geography within our footprint, and is comprised of the following (*see Commercial Credit discussion)*:

C&I C&I loans and leases are made to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business within our geographic regions. C&I loans and leases are generally underwritten individually and secured with the assets of the company and/or the personal guarantee of the business owners. The financing of owner occupied facilities is considered a C&I loan even though there is improved real estate as collateral. This treatment is a result of the credit decision process, which focuses on cash flow from operations of the business to repay the debt. The operation, sale, rental, or refinancing of the real estate is not considered the primary repayment source for these types of loans. As we have expanded our C&I portfolio, we have developed a series of verticals to ensure that new products or lending types are embedded within a structured, centralized Commercial Lending area with designated experienced credit officers.

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

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

Total consumer loans and leases were $20.7 billion at December 31, 2013, and represented 48% of our total loan and lease credit exposure. The consumer portfolio is comprised primarily of automobile, home equity loans and lines-of-credit, and residential mortgages *(see Consumer Credit discussion)*.

Automobile Automobile loans are primarily comprised of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. The exposure outside of our primary banking markets represents 19% of the total exposure, with no individual state representing more than 5%. Applications are underwritten utilizing an automated underwriting system that applies consistent policies and processes across the portfolio.

Home equity Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first-lien or junior-lien on the borrower s residence, allows customers to borrow against the equity in their home or refinance existing mortgage debt. Products include closed-end loans which are generally fixed-rate with principal and interest payments, and variable-rate, interest-only lines-of-credit which do not require payment of principal during the 10-year revolving period. The home equity line of credit product converts to a 20 year amortizing structure at the end of the revolving period. Applications are underwritten centrally in conjunction with an automated underwriting system. The home equity underwriting criteria is based on minimum credit scores, debt-to-income ratios, and LTV ratios, with current collateral valuations.

Residential mortgage Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15-year to 30-year term, and in most cases, are extended to borrowers to finance their primary residence. Applications are underwritten centrally using consistent credit policies and processes. All residential mortgage loan decisions utilize a full appraisal for collateral valuation. Huntington has not originated residential mortgages that allow negative amortization or allow the borrower multiple payment options.

Other consumer loans/leases Primarily consists of consumer loans not secured by real estate, including personal unsecured loans. We introduced a consumer credit card product during 2013, utilizing a centralized underwriting system and focusing on existing Huntington customers.

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

Table 9 Loan and Lease Portfolio Composition

	At December 31,									
(dollar amounts in millions)	2013		2012		2011		2010		2009	
Commercial:[1]										
Commercial and industrial	**$ 17,594**	**41%**	$ 16,971	42%	$ 14,699	38%	$ 13,063	34%	$ 12,888	35%
Commercial real estate:										
Construction	**557**	**1**	648	2	580	1	650	2	1,469	4
Commercial	**4,293**	**10**	4,751	12	5,246	13	6,001	16	6,220	17
Total commercial real estate	**4,850**	**11**	5,399	14	5,826	14	6,651	18	7,689	21
Total commercial	**22,444**	**52**	22,370	56	20,525	52	19,714	52	20,577	56

Consumer:										
Automobile[2]	**6,639**	**15**	4,634	11	4,458	11	5,614	15	3,390	9
Home equity	**8,336**	**19**	8,335	20	8,215	21	7,713	20	7,563	21
Residential mortgage	**5,321**	**12**	4,970	12	5,228	13	4,500	12	4,510	12
Other consumer	**380**	**2**	419	1	498	3	566	1	751	2
Total consumer	**20,676**	**48**	18,358	44	18,399	48	18,393	48	16,214	44
Total loans and leases	**$ 43,120**	**100%**	$ 40,728	100%	$ 38,924	100%	$ 38,107	100%	$ 36,791	100%

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

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

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

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

Table 10 Total Loan and Lease Portfolio by Collateral Type

	At December 31,									
(dollar amounts in millions)	**2013**		2012		2011		2010		2009	
Secured loans:										
Real estate commercial	**$ 8,622**	**20%**	$ 9,128	22%	$ 9,557	25%	$ 10,389	27%	$ 11,286	31%
Real estate consumer	**13,657**	**32**	13,305	33	13,444	35	12,214	32	12,176	33
Vehicles	**8,989**	**21**	6,659	16	6,021	15	7,134	19	4,600	13
Receivables/Inventory	**5,534**	**13**	5,178	13	4,450	11	3,763	10	3,582	10
Machinery/Equipment	**2,738**	**6**	2,749	7	1,994	5	1,766	5	1,772	5
Securities/Deposits	**786**	**2**	826	2	800	2	734	2	1,145	3
Other	**1,016**	**2**	1,090	3	1,018	3	990	2	1,124	2
Total secured loans and leases	**41,342**	**96**	38,935	96	37,284	96	36,990	97	35,685	97
Unsecured loans and leases	**1,778**	**4**	1,793	4	1,640	4	1,117	3	1,106	3
Total loans and leases	**$ 43,120**	**100%**	$ 40,728	100%	$ 38,924	100%	$ 38,107	100%	$ 36,791	100%

Commercial Credit

The primary factors considered in commercial credit approvals are the financial strength of the borrower, assessment of the borrower s management capabilities, cash flows from operations, industry sector trends, type and sufficiency of collateral, type of exposure, transaction structure, and the general economic outlook. While these are the primary factors considered, there are a number of other factors that may be considered in the decision process. We utilize a centralized preview and senior loan approval committee, led by our chief credit officer. The risk rating (see next paragraph) and complexity of the credit determines the threshold for approval of the senior loan committee with a minimum credit exposure of $10.0 million. For loans not requiring senior loan committee approval, with the exception of small business loans, credit officers who understand each local region and are experienced in the industries and loan structures of the requested credit exposure are involved in all loan decisions and have the primary credit authority. For small business loans, we utilize a centralized loan approval process for standard products and structures. In this centralized decision environment, certain individuals who understand each local region may make credit-extension decisions to preserve our commitment to the communities we operate in. In addition to disciplined and consistent judgmental factors, a sophisticated credit scoring process is used as a primary evaluation tool in the determination of approving a loan within the centralized loan approval process.

In commercial lending, on-going credit management is dependent on the type and nature of the loan. We monitor all significant exposures on an on-going basis. All commercial credit extensions are assigned internal risk ratings reflecting the borrower s PD and LGD. This two-dimensional rating methodology provides granularity in the portfolio management process. The PD is rated and applied at the borrower level. The LGD is rated and applied based on the specific type of credit extension and the quality and lien position associated with the underlying collateral. The internal risk ratings are assessed at origination and updated at each periodic

monitoring event. There is also extensive macro portfolio management analysis on an on-going basis. We continually review and adjust our risk-rating criteria based on actual experience, which provides us with the current risk level in the portfolio and is the basis for determining an appropriate allowance for credit losses (ACL) amount for the commercial portfolio. A centralized portfolio management team monitors and reports on the performance of the entire commercial portfolio, including small business loans, to provide consistent oversight.

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

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

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

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

C&I PORTFOLIO

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

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

The C&I portfolio continues to have strong origination activity as evidenced by the growth over the past 12 months. The credit quality of the portfolio continues to improve as we maintain focus on high quality originations. Problem loans have trended downward, reflecting a combination of proactive risk identification and effective workout strategies implemented by the SAD. We continue to maintain a proactive approach to identifying borrowers that may be facing financial difficulty in order to maximize the potential solutions.

CRE PORTFOLIO

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

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

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

Consumer Credit

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

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

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

During a 2013 review of our consumer portfolios, we identified additional loans associated with borrowers who had filed Chapter 7 bankruptcy and had not reaffirmed their debt, thus meeting the definition of collateral dependent per OCC regulatory guidance. These loans were not identified in the 2012 third quarter implementation of the OCC s regulatory guidance. The bankruptcy court s discharge of the borrower s debt is considered a concession when the discharged debt is not reaffirmed, and as such, the loan is placed on nonaccrual status, and written down to collateral value, less anticipated selling costs. As a result of the review of our existing consumer portfolios, additional NCOs of $22.8 million were recorded in 2013. The majority of the NCO impact was in the home equity portfolio and relates to junior-lien loans that meet the regulatory guidance.

AUTOMOBILE PORTFOLIO

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

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

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RESIDENTIAL REAL ESTATE SECURED PORTFOLIOS

The properties securing our residential mortgage and home equity portfolios are primarily located within our geographic footprint. While home prices have clearly rebounded from the 2009-2010 levels, they remain below the peak, causing the performance in these portfolios to remain weaker than historical levels. The residential-secured portfolio originations continue to be of high quality, with the majority of the negative credit impact coming from loans originated in 2006 and earlier. We continue to evaluate all of our policies and processes associated with managing these portfolios. Our portfolio management strategies associated with our Home Savers group are consolidated in one location under common management. This structure allows us to focus on effectively helping our customers with appropriate solutions for their specific circumstances.

Table 11 Selected Home Equity and Residential Mortgage Portfolio Data

	Home Equity				Residential Mortgage	
	Secured by first-lien		Secured by junior-lien			
(dollar amounts in millions)	**12/31/13**	12/31/12	**12/31/13**	**12/31/12**	**12/31/13**	**12/31/12**
Ending balance	**$ 4,842**	$ 4,380	**$ 3,494**	$ 3,955	**$ 5,321**	$ 4,970
Portfolio weighted average LTV ratio(1)	**71%**	71%	**81%**	81%	**74%**	76%
Portfolio weighted average FICO score(2)	**758**	755	**741**	741	**743**	738

	Home Equity				Residential Mortgage (3)	
	Secured by first-lien		Secured by junior-lien			
	Year Ended December 31,					
	2013	2012	**2013**	2012	**2013**	2012
Originations	**$ 1,745**	$ 1,665	**$ 529**	$ 559	**$ 1,625**	$ 1,019
Origination weighted average LTV ratio(1)	**69%**	72%	**81%**	80%	**79%**	84%
Origination weighted average FICO score(2)	**771**	771	**756**	756	**757**	754

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

Home Equity Portfolio

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

Given the low interest rate environment over the past several years, many borrowers have utilized the line-of-credit home equity product as the primary source of financing their home versus residential mortgages. The proportion of the home equity portfolio secured by a first-lien has increased significantly over the past three years, positively impacting the portfolio s risk profile. At December 31, 2013, $4.8 billion or 58% of our total home equity portfolio was secured by first-lien mortgages compared to 52% in the prior year. The first-lien position, combined with continued high average FICO scores, significantly reduces the credit risk associated with these loans.

We focus on high quality borrowers primarily located within our footprint. Further, we actively manage the extension of credit and the amount of credit extended through a combination of criteria including financial position, debt-to-income policies, and LTV policy limits. The combination of high quality borrowers as measured by financial condition and FICO score, as well as the concentration of first-lien position loans, provides a high degree of confidence regarding the performance of the 2009-2013 originations. Because we focus on developing complete relationships with our customers, many of our home equity borrowers utilize other products and services. Also, the majority of our home equity line-of-credit borrowers consistently pay in excess of the required minimum payment each month.

We believe we have underwritten credit conservatively within this portfolio. However, home price volatility has decreased the value of the collateral for this portfolio and has caused a portion of the portfolio to have an LTV greater than 100%. These higher LTV ratios are directly correlated with borrower payment patterns and are a focus of our Home Saver group.

Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values impact the severity of losses. We obtain a property valuation for every loan or line-of-credit as part of the origination process, and the valuation is reviewed by a real estate professional in conjunction with the credit underwriting process. The type of property valuation obtained is based on credit parameters, and a majority of these valuations are based on complete walkthrough appraisals. We believe an AVM estimate with a signed property inspection is an appropriate valuation source for a portion of our home equity lending activities. This valuation policy, along with our other credit policies, are re-evaluated on an on-going basis with the intent of ensuring complete independence in the requesting and reviewing of real estate valuations associated with loan decisions. We update values as appropriate, and in compliance with applicable regulations, particularly for loans identified as higher risk. Loans are identified as higher risk based on performance indicators and the updated values are utilized to facilitate our portfolio management processes, as well as our workout and loss mitigation functions.

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

Although the collateral value assessment is an important component of the overall credit risk analysis, there are very few instances of available equity in junior-lien default situations. Further, effective in 2012, any junior-lien loan associated with a nonaccruing first-lien loan is also placed on nonaccrual status.

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

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

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

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

	December 31, 2013					
(dollar amounts in millions)	1 Year or Less	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years	Total
Secured by first-lien	$ 52	$ 29	$	$	$ 2,383	$ 2,464
Secured by junior-lien	229	216	130	112	2,301	2,988
Total home equity line-of-credit	$ 281	$ 245	$ 130	$ 112	$ 4,684	$ 5,452

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

Historically, less than 30% of our home equity lines-of-credit that are one year or less from maturity actually reach the maturity date, and we anticipate this percentage will decline in future periods as our proactive approach to managing maturity risk continues to evolve.

Residential Mortgages Portfolio

We focus on higher quality borrowers and underwrite all applications centrally. We do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options. We have incorporated regulatory requirements and guidance into our underwriting

process, and will continue to evaluate the impact of the QM requirements impact on the industry.

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

Generally, our practice is to sell a significant portion of our fixed-rate originations in the secondary market. As such, at December 31, 2013, 46% of our total residential mortgage portfolio were ARMs. These ARMs primarily consist of a fixed-rate of interest for the first 3 to 5 years, and then adjust annually. At December 31, 2013, ARM loans that were expected to have rates reset through 2016 totaled $1.5 billion. These loans scheduled to reset are primarily associated with loans originated subsequent to 2007, and as such, are not subject to the most significant declines in underlying property value. Given the quality of our borrowers, the relatively low current interest rates, and the results of our continued analysis (including possible impacts of changes in interest rates), we believe that we have a relatively limited exposure to ARM reset risk. Nonetheless, we have taken actions to mitigate our risk exposure. We initiate borrower contact at least six months prior to the interest rate resetting and have been successful in converting many ARMs to fixed-rate loans through this process. Given the relatively low current interest rates, many fixed-rate products currently offer a better interest rate to our ARM borrowers. We are subject to repurchase risk associated with residential mortgage loans sold in the secondary market. An appropriate level of reserve for representations and warranties related to residential mortgage loans sold has been established to address this repurchase risk inherent in the portfolio (see Operational Risk discussion).

Several government programs continued to impact the residential mortgage portfolio, including various refinance programs such as HAMP and HARP, which positively affected the availability of credit for the industry. During the year ended December 31, 2013, we closed $600 million in HARP residential mortgages and $6.0 million in HAMP residential mortgages. The HARP residential mortgage loans are considered current and are either part of our residential mortgage portfolio or serviced for others. The HAMP refinancings are associated with residential mortgages that are serviced for others.

Credit Quality

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

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

Our overall credit quality performance returned to normalized, pre-recession levels. NALs declined 21% to $322.1 million, compared to December 31, 2012, as both the C&I and CRE portfolio segments showed declines. NCOs decreased 45% compared to the prior year, as a result of significant declines in the C&I and CRE portfolios combined with significant recovery activity, and net reductions in the Residential and Home Equity portfolios. The Home Equity portfolio in particular was significantly impacted by the implementation of Chapter 7 bankruptcy regulatory accounting guidance, with an additional impact in 2013. Commercial classified loans declined, reflecting the continued improvement across the portfolio. The ACL to total loans ratio declined to 1.65%, but our coverage ratios as demonstrated by the ACL to NAL ratio of 221% remained strong.

NPAs, NALs, and TDRs

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

NPAs and NALs

NPAs consist of (1) NALs, which represent loans and leases no longer accruing interest, (2) impaired loans held for sale, (3) OREO properties, and (4) other NPAs. Any loan in our portfolio may be placed on nonaccrual status prior to the policies described below when collection of principal or interest is in doubt. Also, when a borrower with discharged non-reaffirmed debt in a Chapter 7 bankruptcy is identified and the loan is determined to be collateral dependent, the consumer loan is placed on nonaccrual status.

C&I and CRE loans are placed on nonaccrual status at 90-days past due, or when repayment of principal and interest is in doubt. With the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, residential mortgage loans are placed on nonaccrual status at 150-days past due. First-lien home equity loans are placed on nonaccrual status at 150-days past due. Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile and other consumer loans are generally charged-off when the loan is 120-days past due.

When loans are placed on nonaccrual, accrued interest income is reversed with current year accruals charged to earnings and prior year amounts generally charged-off as a credit loss. When, in our judgment, the borrower s ability to make required interest and principal payments has resumed and collectability is no longer in doubt, the loan or lease is returned to accrual status.

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

Table 13 Nonaccrual Loans and Leases and Nonperforming Assets

	At December 31,				
(dollar amounts in thousands)	**2013**	2012	2011	2010	2009
Nonaccrual loans and leases:					
Commercial and industrial	**$ 56,615**	$ 90,705	$ 201,846	$ 346,720	$ 578,414
Commercial real estate	**73,417**	127,128	229,889	363,692	935,812
Automobile	**6,303**	7,823			
Residential mortgages	**119,532**	122,452	68,658	45,010	362,630
Home equity	**66,189**	59,525	40,687	22,526	40,122
Total nonaccrual loans and leases[1]	**322,056**	407,633	541,080	777,948	1,916,978
Other real estate owned, net					
Residential	**23,447**	21,378	20,330	31,649	71,427
Commercial	**4,217**	6,719	18,094	35,155	68,717
Total other real estate, net	**27,664**	28,097	38,424	66,804	140,144
Impaired loans held for sale[2]					969
Other nonperforming assets[3]	**2,440**	10,045	10,772		
Total nonperforming assets	**$ 352,160**	$ 445,775	$ 590,276	$ 844,752	$ 2,058,091
Nonaccrual loans as a % of total loans and leases	**0.75%**	1.00%	1.39%	2.04%	5.21%
Nonperforming assets ratio[4]	**0.82**	1.09	1.51	2.21	5.57
Allowance for loan and lease losses as % of:					
Nonaccrual loans and leases	**201%**	189%	178%	161%	77%
Nonperforming assets	**184**	173	163	148	72
Allowance for credit losses as % of:					
Nonaccrual loans and leases	**221%**	199%	187%	166%	80%
Nonperforming assets	**202**	182	172	153	74

(1) December 31, 2013 and 2012, includes $75.5 and $60.1 million, respectively, of Chapter 7 bankruptcy NALs.
(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 includes certain impaired investment securities.
(4) This ratio is calculated as nonperforming assets divided by the sum of loans and leases, impaired loans held for sale, net other real estate owned, and other nonperforming assets.

The $93.6 million, or 21%, decline in NPAs compared with December 31, 2012, primarily reflected:

- $53.7 million, or 42%, decline in CRE NALs, reflecting both NCO and problem credit resolutions, including borrower payments and payoffs partially resulting from successful workout strategies implemented by our commercial loan workout group.

- $34.1 million, or 38%, decline in C&I NALs, reflecting both NCO and problem credit resolutions, including payoffs partially resulting from successful workout strategies implemented by our commercial loan workout group. The decline was associated with loans throughout our footprint, with no specific industry concentration.

$7.6 million, or 76%, decrease in other NPAs, reflecting the redemption by the issuer of a non-performing security.

Partially offset by:

$6.7 million, or 11%, increase in home equity NALs, a function of the economic stresses still impacting a portion of our borrowers in the Home Equity portfolio.

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Of the $130.0 million of CRE and C&I-related NALs at December 31, 2013, $50.3 million, or 39%, represented loans that were less than 30 days past due, demonstrating our continued commitment to proactive credit risk management.

As discussed previously, residential mortgages are placed on nonaccrual status at 150-days past due, with the exception of residential mortgages guaranteed by government organizations which continue to accrue interest. First-lien home equity loans are placed on nonaccrual status at 150-days past due. Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual.

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

Table 14 Accruing Past Due Loans and Leases

	At December 31,				
(dollar amounts in thousands)	**2013**	2012	2011	2010	2009
Accruing loans and leases past due 90 days or more					
Commercial and industrial[1]	**$ 14,562**	$ 26,648	$	$	$
Commercial real estate[1]	**39,142**	56,660			
Automobile	**5,055**	4,418	6,265	7,721	10,586
Residential mortgage (excluding loans guaranteed by the U.S. government)	**2,469**	2,718	45,198	53,983	78,915
Home equity	**13,983**	18,200	20,198	23,497	53,343
Other loans and leases	**998**	1,672	1,988	2,456	2,814
Total, excl. loans guaranteed by the U.S. government	**76,209**	110,316	73,649	87,657	145,658
Add: loans guaranteed by the U.S. government	**87,985**	90,816	96,703	98,288	101,616
Total accruing loans and leases past due 90 days or more, including loans guaranteed by the U.S. government	**$ 164,194**	$ 201,132	$ 170,352	$ 185,945	$ 247,274
Ratios:					
Excluding loans guaranteed by the U.S. government, as a percent of total loans and leases	**0.18%**	0.27%	0.19%	0.23%	0.40%
Guaranteed by the U.S. government, as a percent of total loans and leases	**0.20**	0.22	0.25	0.26	0.28
Including loans guaranteed by the U.S. government, as a percent of total loans and leases	**0.38**	0.49	0.44	0.49	0.68

[1] 2013 and 2012 amounts represent accruing purchased impaired loans related to the FDIC-assisted Fidelity Bank acquisition. Under the applicable accounting guidance (ASC 310-30), the loans were recorded at fair value upon acquisition and remain in accruing status.

TDR Loans

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

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

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

Table 15 Accruing and Nonaccruing Troubled Debt Restructured Loans

	December 31,				
(dollar amounts in thousands)	**2013**	2012	2011	2010	2009
Troubled debt restructured loans accruing:					
Commercial and industrial	**$ 83,857**	$ 76,586	$ 54,007	$ 70,136	