HUNTINGTON BANCSHARES INC/MD
Form 10-Q
July 29, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

QUARTERLY PERIOD ENDED June 30, 2013

Commission File Number 1-34073

Huntington Bancshares Incorporated

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

41 South High Street, Columbus, Ohio 43287

Registrant s telephone number (614) 480-8300

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

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

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

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

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

There were 829,674,914 shares of Registrant s common stock ($0.01 par value) outstanding on June 30, 2013.

Table of Contents

HUNTINGTON BANCSHARES INCORPORATED

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012	66
Condensed Consolidated Statements of Income for the three months and six months ended June 30, 2013 and 2012	67
Condensed Consolidated Statements of Comprehensive Income for the three months and six months ended June 30, 2013 and 2012	68
Condensed Consolidated Statements of Changes in Shareholders Equity for the six months ended June 30, 2013 and 2012	69
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012	70
Notes to Unaudited Condensed Consolidated Financial Statements	71
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	
Executive Overview	6
Discussion of Results of Operations	9
Risk Management and Capital:	
Credit Risk	25
Market Risk	40
Liquidity Risk	42
Operational Risk	46
Compliance Risk	47
Capital	47
Fair Value	50
Business Segment Discussion	52
Additional Disclosures	64
Item 3. Quantitative and Qualitative Disclosures about Market Risk	144
Item 4. Controls and Procedures	144
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	144
Item 1A. Risk Factors	144
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	144
Item 6. Exhibits	145
Signatures	146

2

Table of Contents

Glossary of Acronyms and Terms

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

2012 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2012
ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ABS	Asset-Backed Securities
AFS	Available-for-Sale
ALCO	Asset & Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
C&I	Commercial and Industrial
CapPR	Capital Plan Review
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized Debt Obligations
CDs	Certificates of Deposit
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CRE	Commercial Real Estate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPS	Earnings Per Share
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICA	Federal Insurance Contributions Act
FICO	Fair Isaac Corporation
FNMA	Federal National Mortgage Association

FRB	Federal Reserve Bank
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HTM	Held-to-Maturity
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
MBS	Mortgage-Backed Security
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NCO	Net Charge-off
NIM	Net interest margin
NPAs	Nonperforming Assets
NPR	Notice of Proposed Rulemaking
N.R.	Not relevant. Denominator of calculation is a gain in the current period compared with a loss in the prior period, or vice-versa.
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PD	Probability-Of-Default
Plan	Huntington Bancshares Retirement Plan
Problem Loans	Includes nonaccrual loans and leases (Table 18), troubled debt restructured loans (Table 19), accruing loans and leases past due 90 days or more (aging analysis section of Footnote 3), and Criticized commercial loans (credit quality indicators section of Footnote 3).
REIT	Real Estate Investment Trust
ROC	Risk Oversight Committee
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SRIP	Supplemental Retirement Income Plan
TDR	Troubled Debt Restructured Loan
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs

VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

Table of Contents

PART I. FINANCIAL INFORMATION

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

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

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have 147 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance service programs, and other financial products and services. Our over 700 banking offices are located in Indiana, Kentucky, Michigan, Ohio, Pennsylvania, and West Virginia. Selected financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio and a limited purpose office located in the Cayman Islands and another limited purpose office located in Hong Kong. Our foreign banking activities, in total or with any individual country, are not significant.

This MD&A provides information we believe necessary for understanding our financial condition, changes in financial condition, results of operations, and cash flows. The MD&A included in our 2012 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2012 Form 10-K. This MD&A should also be read in conjunction with the financial statements, notes and other information contained in this report.

Our discussion is divided into key segments:

Executive Overview Provides a summary of our current financial performance and business overview, including our thoughts on the impact of the economy, legislative and regulatory initiatives, and recent industry developments. This section also provides our outlook regarding our expectations for the remainder of 2013.

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

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

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

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

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

5

Table of Contents

EXECUTIVE OVERVIEW

Summary of 2013 Second Quarter Results

For the quarter, we reported net income of $150.7 million, or $0.17 per common share, compared with $151.8 million, or $0.17 per common share, in the prior quarter (*see Table 1*).

Fully-taxable equivalent net interest income was $431.5 million for the quarter, down $1.4 million, or less than 1%, from the prior quarter. The decrease reflected a 4 basis point decrease in the net interest margin, partially offset by a $0.2 billion increase in average earnings assets as well as an additional day in the quarter. The primary items affecting the net interest margin were a 7 basis point negative impact from the mix and yield of earning assets, which was partially offset by a 3 basis point positive impact from the mix and cost of deposits.

The provision for credit losses decreased $4.9 million, or 16%, from the prior quarter. This reflected a $16.9 million, or 33%, decrease in NCOs to $34.8 million, or an annualized 0.34% of average total loans and leases, from $51.7 million, or an annualized 0.51%, in the prior quarter.

Noninterest income decreased $3.6 million, or 1%, from the prior quarter. The decrease in noninterest income reflected the $11.6 million, or 26%, decrease in mortgage banking income as the benefit of net mortgage servicing rights decreased by $11.6 million. Other income decreased $7.9 million, or 24%, as the prior quarter included a $7.6 million gain on the sale of Low Income Housing Tax Credit investments. These were partially offset by a $7.1 million, or 12%, increase in service charges on deposit accounts that follow yearly seasonal trends in customer activity, an 8% annualized growth in consumer checking households, and a $4.4 million, or 56%, increase in capital markets activity.

Noninterest expense increased $3.1 million, or 1%, from the prior quarter due to a $5.0 million, or 2%, increase in personnel costs, reflecting higher commission expense and a $3.3 million, or 30%, seasonal increase in marketing. These were partially offset by a $2.9 million decline in OREO and foreclosure expense.

The period-end ACL as a percentage of total loans and leases decreased to 1.86% from 1.91% in the prior quarter. The ACL as a percentage of period-end NALs increased 7 percentage points to 214%. NALs declined by $16.8 million, or 4%, to $363.5 million, or 0.87% of total loans. The decreases primarily reflected meaningful improvement in commercial real estate NALs.

The tangible common equity to tangible asset ratio decreased to 8.78% from 8.92% in the prior quarter, resulting primarily from net unrealized losses on available-for-sale debt securities and cash flow hedging derivatives during the quarter, partially offset by retained earnings. Our Tier 1 common risk-based capital ratio at quarter end was 10.71%, up from 10.62% in the prior quarter. The regulatory Tier 1 risk-based capital ratio at June 30, 2013 was 12.24%, up from 12.16%, at March 31, 2013. All capital ratios were impacted by the repurchase of 10.0 million common shares over the quarter at an average price per share of $7.50.

Business Overview

General

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

During the 2013 second quarter, we continued to demonstrate progress in our strategic priorities. We returned to pre-recession, normal credit levels, reflecting our disciplined and prudent lending approach and also continued to experience double-digit household growth. Expenses were managed to levels slightly below our expectations. Revenue was relatively unchanged as strategic growth overcame multiple environmental headwinds and the prior quarters gains from the sale of Low Income Housing Tax Credit investments. We remain on track to deliver sustainable levels of long-term profitability. Existing strategic investments continue to mature and we are focused on expense management and a more robust continuous improvement effort across the enterprise.

Economy

Consumer lending and deposits increased over the same quarter last year as consumer confidence in the recovery rises. Our commercial loan pipeline continues to be strong as business owners are seeing more signs of economic growth. Employment across our Midwest markets continues to improve with Ohio creating the largest month-to-month employment increase in the nation in May and Michigan coming in third.

Legislative and Regulatory

Regulatory reforms continue to be released, which impose additional restrictions on current business practices. Recent items affecting us include the Federal Reserve s Comprehensive Capital Analysis and Review and the recently issued final Basel III rule.

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

Beginning with our Capital Plan submission in January 2014, we will be subject to the Federal Reserve s Comprehensive Capital Analysis and Review (CCAR) process. One of the primary additional elements of CCAR will be supervisory stress tests conducted by the Federal Reserve under different hypothetical macro-economic scenarios in addition to the stress tests routinely conducted by management. After completing its review, the Federal Reserve may object or not object to our proposed capital actions, such as plans to pay or increase common stock dividends or increase common stock repurchase programs. Beginning with our January 2014 submission, we will be subject to the OCC s Annual Stress Test at the bank-level. The OCC stipulated that it will consult closely with the Federal Reserve to provide common stress scenarios which can be used at both the depository institution and bank holding company levels.

Basel III Capital rules for U.S. banking organizations 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. 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 common equity tier 1 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 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 equity	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 common equity tier 1 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.

Expectations

We are seeing an uptick in manufacturing across our markets led by the auto industry along with continued investments in the local oil and gas exploration industry. We believe these developments, along with recent upward revisions to economic growth forecasts in 2014, will trigger further business investment. We also are seeing a stronger than expected housing recovery across much of our region. We believe this, along with an increase in consumer confidence, will lead to more consumer spending. We will remain disciplined as we manage our returns on an

aggregate moderate-to-low risk profile.

Net interest income is expected to modestly grow over the remainder of 2013. We anticipate an increase in total loans will be partially offset by a reduction in total securities, as the portfolio s cash flow is not reinvested into additional securities. However, those benefits to net interest income are expected to be mostly offset by continued downward NIM pressure. NIM for 2013 is not expected to fall below the mid 3.30%s due to continued deposit repricing and mix shift opportunities while maintaining a disciplined approach to loan pricing.

The C&I portfolio is expected to see growth 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, focused OCR sales process, and continued support of middle market and small business lending. Given automobile loan yields are relatively more attractive than similar duration securities and the recent decline in estimated securitization gains, we currently do not anticipate any automobile securitizations in the second half of 2013. Residential mortgages and home equity loan balances are expected to increase modestly. CRE loans are expected to remain in the current $5 billion range.

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

Noninterest income, when compared with 2012 levels, is expected to be flat to slightly down, excluding the impact of any automobile loan sales and any net MSR impact. The anticipated slowdown in mortgage banking activity is expected to be mostly offset by continued growth in new customers, increased contribution from higher cross-sell, and the continued maturation of our previous strategic investments.

Effective December 31, 2013, the benefits earned in the Company s pension plan will be frozen, as approved by the board of directors on July 17, 2013. As a result of the accounting treatment for the unamortized prior service pension cost and the change in the projected benefit obligation related to the curtailment, a one-time non-cash pre-tax gain of approximately $35 million, or $0.03 per share, is expected to be recognized in the 2013 third quarter.

Third quarter expenses are expected to modestly increase due to higher commission expense and higher occupancy and equipment expense related to our continued in-store expansion. Expenses will be consistent with previous expectations, with a modest downward bias related to the pension related expense and excluding the aforementioned one-time gain. We continue to evaluate additional cost saving opportunities and remain committed to posting positive operating leverage in 2013.

NPAs are expected to experience continued improvement. This quarter, NCOs were slightly below 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 2013 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.

Table of Contents

DISCUSSION OF RESULTS OF OPERATIONS

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

Table of Contents

Table 1 Selected Quarterly Income Statement Data (1)

	2013			2012	
(dollar amounts in thousands, except per share amounts)	**Second**	First	Fourth	Third	Second
Interest income	**$ 462,582**	$ 465,319	$ 478,995	$ 483,787	$ 487,544
Interest expense	**37,645**	41,149	44,940	53,489	58,582
Net interest income	**424,937**	424,170	434,055	430,298	428,962
Provision for credit losses	**24,722**	29,592	39,458	37,004	36,520
Net interest income after provision for credit losses	**400,215**	394,578	394,597	393,294	392,442
Service charges on deposit accounts	**68,009**	60,883	68,083	67,806	65,998
Mortgage banking income	**33,659**	45,248	61,711	44,614	38,349
Trust services	**30,666**	31,160	31,388	29,689	29,914
Electronic banking	**23,345**	20,713	21,011	22,135	20,514
Brokerage income	**19,546**	17,995	17,415	16,526	19,025
Insurance income	**17,187**	19,252	17,268	17,792	17,384
Gain on sale of loans	**3,348**	2,616	20,690	6,591	4,131
Bank owned life insurance income	**15,421**	13,442	13,767	14,371	13,967
Capital markets fees	**12,229**	7,834	12,694	11,596	13,260
Securities gains (losses)	**(410)**	(509)	863	4,169	350
Other income	**25,655**	33,575	32,761	25,778	30,927
Total noninterest income	**248,655**	252,209	297,651	261,067	253,819
Personnel costs	**263,862**	258,895	253,952	247,709	243,034
Outside data processing and other services	**49,898**	49,265	48,699	50,396	48,568
Net occupancy	**27,656**	30,114	29,008	27,599	25,474
Equipment	**24,947**	24,880	26,580	25,950	24,872
Deposit and other insurance expense	**13,460**	15,490	16,327	15,534	15,731
Professional services	**9,341**	7,192	22,514	17,510	15,037
Marketing	**14,239**	10,971	16,456	16,842	17,396
Amortization of intangibles	**10,362**	10,320	11,647	11,431	11,940
OREO and foreclosure expense	**(271)**	2,666	4,233	4,982	4,106
Loss (Gain) on early extinguishment of debt				1,782	(2,580)
Other expense	**32,371**	33,000	41,212	38,568	40,691
Total noninterest expense	**445,865**	442,793	470,628	458,303	444,269
Income before income taxes	**203,005**	203,994	221,620	196,058	201,992
Provision for income taxes	**52,354**	52,214	54,341	28,291	49,286
Net income	**$ 150,651**	$ 151,780	$ 167,279	$ 167,767	$ 152,706
Dividends on preferred shares	**7,967**	7,970	7,973	7,983	7,984
Net income applicable to common shares	**$ 142,684**	$ 143,810	$ 159,306	$ 159,784	$ 144,722
Average common shares basic	**834,730**	841,103	847,220	857,871	862,261
Average common shares diluted	**843,840**	848,708	853,306	863,588	867,551
Net income per common share basic	**$ 0.17**	$ 0.17	$ 0.19	$ 0.19	$ 0.17
Net income per common share diluted	**0.17**	0.17	0.19	0.19	0.17

Cash dividends declared per common share	**0.05**	0.04	0.04	0.04	0.04
Return on average total assets	**1.08%**	1.10%	1.19%	1.19%	1.10%
Return on average common shareholders equity	**10.4**	10.7	11.6	11.9	11.1
Return on average tangible common shareholders equity (2)	**12.0**	12.4	13.5	13.9	13.1
Net interest margin (3)	**3.38**	3.42	3.45	3.38	3.42
Efficiency ratio (4)	**64.0**	63.3	62.3	64.5	62.8
Effective tax rate	**25.8**	25.6	24.5	14.4	24.4
Revenue FTE					
Net interest income	**$ 424,937**	$ 424,170	$ 434,055	$ 430,298	$ 428,962
FTE adjustment	**6,587**	5,923	5,470	5,254	5,747
Net interest income (3)	**431,524**	430,093	439,525	435,552	434,709
Noninterest income	**248,655**	252,209	297,651	261,067	253,819
Total revenue (3)	**$ 680,179**	$ 682,302	$ 737,176	$ 696,619	$ 688,528

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

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

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

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

Table of Contents

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

	Six Months Ended June 30,		Change	
(dollar amounts in thousands, except per share amounts)	**2013**	2012	Amount	Percent
Interest income	**$ 927,901**	$ 967,481	$ (39,580)	(4)%
Interest expense	**78,794**	121,310	(42,516)	(35)
Net interest income	**849,107**	846,171	2,936	
Provision for credit losses	**54,314**	70,926	(16,612)	(23)
Net interest income after provision for credit losses	**794,793**	775,245	19,548	3
Service charges on deposit accounts	**128,892**	126,290	2,602	2
Mortgage banking income	**78,907**	84,767	(5,860)	(7)
Trust services	**61,826**	60,820	1,006	2
Electronic banking	**44,058**	39,144	4,914	13
Brokerage income	**37,541**	38,285	(744)	(2)
Insurance income	**36,439**	36,259	180	
Gain on sale of loans	**5,964**	30,901	(24,937)	(81)
Bank owned life insurance income	**28,863**	27,904	959	3
Capital markets fees	**20,063**	23,056	(2,993)	(13)
Securities gains (losses)	**(919)**	(263)	(656)	249
Other income	**59,230**	71,976	(12,746)	(18)
Total noninterest income	**500,864**	539,139	(38,275)	(7)
Personnel costs	**522,757**	486,532	36,225	7
Outside data processing and other services	**99,163**	91,160	8,003	9
Net occupancy	**57,770**	54,553	3,217	6
Equipment	**49,827**	50,417	(590)	(1)
Deposit and other insurance expense	**28,950**	36,469	(7,519)	(21)
Professional services	**16,533**	25,734	(9,201)	(36)
Marketing	**25,210**	30,965	(5,755)	(19)
Amortization of intangibles	**20,682**	23,471	(2,789)	(12)
OREO and foreclosure expense	**2,395**	9,056	(6,661)	(74)
Gain on early extinguishment of debt		(2,580)	2,580	(100)
Other expense	**65,371**	101,168	(35,797)	(35)
Total noninterest expense	**888,658**	906,945	(18,287)	(2)
Income before income taxes	**406,999**	407,439	(440)	
Provision for income taxes	**104,568**	101,463	3,105	3
Net income	**$ 302,431**	$ 305,976	$ (3,545)	(1)%
Dividends declared on preferred shares	**15,937**	16,033	(96)	(1)
Net income applicable to common shares	**$ 286,494**	$ 289,943	$ (3,449)	(1)%
Average common shares basic	**837,917**	863,380	(25,463)	(3)%
Average common shares diluted	**846,274**	868,357	(22,083)	(3)
Per common share				
Net income per common share - basic	**$ 0.34**	$ 0.34	$	%

Net income per common share - diluted	**0.34**	0.33	0.01	3
Cash dividends declared	**0.09**	0.08	0.01	13
Revenue FTE				
Net interest income	**$ 849,107**	$ 846,171	$ 2,936	%
FTE adjustment	**12,510**	9,682	2,828	29
Net interest income (2)	**861,617**	855,853	5,764	1
Noninterest income	**500,864**	539,139	(38,275)	(7)
Total revenue (2)	**$ 1,362,481**	$ 1,394,992	$ (32,511)	(2)%

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

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

Table of Contents

Significant Items

Definition of Significant Items

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

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

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

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

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons were impacted by the Significant Items summarized below:

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

2. **Bargain Purchase Gain.** During the 2012 first quarter, an $11.4 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition was recorded in noninterest income. This resulted in a positive impact of $0.01 per common share on a year-to-date basis.

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

Table 3 Significant Items Influencing Earnings Performance Comparison

	Three Months Ended					
	June 30, 2013		March 31, 2013		June 30, 2012	
(dollar amounts in thousands, except per share amounts)	**After-tax**	**EPS (2)**	After-tax	EPS (2)	After-tax	EPS (2)
Net income	**$ 150,651**		$ 151,780		$ 152,706	
Earnings per share, after-tax		**$ 0.17**		$ 0.17		$ 0.17
Change from prior quarter $				(0.02)		
Change from prior quarter %		**%**		(11)%		%
Change from year-ago $		**$**		$		$ 0.01
Change from year-ago %		**%**		%		6 %

Table of Contents

	Six Months Ended			
	June 30, 2013		June 30, 2012	
(dollar amounts in thousands)	**After-tax**	**EPS (2)**	After-tax	EPS (2)
Net income	**$ 302,431**		$ 305,976	
Earnings per share, after-tax		**$ 0.34**		$ 0.33
Change from a year-ago $		**0.01**		0.03
Change from a year-ago %		**3%**		10%

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

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

Net Interest Income / Average Balance Sheet

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

Table of Contents

Table 4 Consolidated Quarterly Average Balance Sheets

	Average Balances					Change	
	2013		2012			2Q13 vs. 2Q12	
(dollar amounts in millions)	**Second**	First	Fourth	Third	Second	Amount	Percent
Assets:							
Interest-bearing deposits in banks	**$ 84**	$ 72	$ 73	$ 82	$ 124	$ (40)	(32)%
Loans held for sale	**678**	709	840	1,829	410	268	65
Securities:							
Available-for-sale and other securities:							
Taxable	**6,728**	6,964	7,131	8,014	8,285	(1,557)	(19)
Tax-exempt	**591**	549	492	423	387	204	53
Total available-for-sale and other securities	**7,319**	7,513	7,623	8,437	8,672	(1,353)	(16)
Trading account securities	**84**	85	97	66	54	30	56
Held-to-maturity securities taxable	**1,711**	1,717	1,652	796	611	1,100	180
Total securities	**9,114**	9,315	9,372	9,299	9,337	(223)	(2)
Loans and leases: (1)							
Commercial:							
Commercial and industrial	**17,033**	16,954	16,507	16,343	16,094	939	6
Commercial real estate:							
Construction	**586**	598	576	569	584	2	
Commercial	**4,429**	4,694	4,897	5,153	5,491	(1,062)	(19)
Commercial real estate	**5,015**	5,292	5,473	5,722	6,075	(1,060)	(17)
Total commercial	**22,048**	22,246	21,980	22,065	22,169	(121)	(1)
Consumer:							
Automobile	**5,283**	4,833	4,486	4,065	4,985	298	6
Home equity	**8,263**	8,395	8,345	8,369	8,310	(47)	(1)
Residential mortgage	**5,225**	4,978	5,155	5,177	5,253	(28)	(1)
Other consumer	**461**	412	431	444	462	(1)	
Total consumer	**19,232**	18,618	18,417	18,055	19,010	222	1
Total loans and leases	**41,280**	40,864	40,397	40,120	41,179	101	
Allowance for loan and lease losses	**(746)**	(772)	(783)	(855)	(908)	162	(18)
Net loans and leases	**40,534**	40,092	39,614	39,265	40,271	263	1
Total earning assets	**51,156**	50,960	50,682	51,330	51,050	106	
Cash and due from banks	**940**	904	1,459	960	928	12	1
Intangible assets	**563**	571	581	597	609	(46)	(8)
All other assets	**3,976**	4,065	4,115	4,106	4,158	(182)	(4)
Total assets	**$ 55,889**	$ 55,728	$ 56,054	$ 56,138	$ 55,837	$ 52	%
Liabilities and Shareholders Equity:							
Deposits:							

Demand deposits noninterest-bearing	**$ 12,879**	$ 12,165	$ 13,121	$ 12,329	$ 12,064	$ 815	7 %
Demand deposits interest-bearing	**5,927**	5,977	5,843	5,814	5,939	(12)	
Total demand deposits	**18,806**	18,142	18,964	18,143	18,003	803	4
Money market deposits	**15,069**	15,045	14,749	14,515	13,182	1,887	14
Savings and other domestic deposits	**5,115**	5,083	4,960	4,975	4,978	137	3
Core certificates of deposit	**4,778**	5,346	5,637	6,131	6,618	(1,840)	(28)
Total core deposits	**43,768**	43,616	44,310	43,764	42,781	987	2
Other domestic time deposits of $250,000 or more	**324**	360	359	300	298	26	9
Brokered deposits and negotiable CDs	**1,779**	1,697	1,756	1,878	1,421	358	25
Deposits in foreign offices	**316**	340	342	356	357	(41)	(11)
Total deposits	**46,187**	46,013	46,767	46,298	44,857	1,330	3
Short-term borrowings	**701**	762	1,012	1,329	1,391	(690)	(50)
Federal Home Loan Bank advances	**757**	686	42	107	626	131	21
Subordinated notes and other long-term debt	**1,292**	1,348	1,374	1,638	2,251	(959)	(43)
Total interest-bearing liabilities	**36,058**	36,644	36,074	37,043	37,061	(1,003)	(3)
All other liabilities	**1,064**	1,085	1,017	1,035	1,094	(30)	(3)
Shareholders equity	**5,888**	5,834	5,842	5,731	5,618	270	5
Total liabilities and shareholders equity	**$ 55,889**	$ 55,728	$ 56,054	$ 56,138	$ 55,837	$ 52	%

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

Table of Contents

Table 5 Consolidated Quarterly Net Interest Margin Analysis

	Average Rates (2)				
	2013		2012		
Fully-taxable equivalent basis (1)	**Second**	First	Fourth	Third	Second
Assets					
Interest-bearing deposits in banks	**0.27%**	0.16%	0.28%	0.21%	0.31%
Loans held for sale	**3.39**	3.22	3.18	3.18	3.46
Securities:					
Available-for-sale and other securities:					
Taxable	**2.29**	2.31	2.32	2.29	2.33
Tax-exempt	**3.94**	3.96	4.03	4.15	4.23
Total available-for-sale and other securities	**2.42**	2.43	2.43	2.39	2.41
Trading account securities	**0.60**	0.50	1.01	1.07	1.64
Held-to-maturity securities taxable	**2.29**	2.29	2.24	2.81	2.97
Total securities	**2.38**	2.39	2.38	2.41	2.45
Loans and leases: (3)					
Commercial:					
Commercial and industrial	**3.75**	3.83	3.88	3.90	3.99
Commercial real estate:					
Construction	**3.93**	4.05	4.13	3.84	3.66
Commercial	**4.13**	4.00	4.20	3.85	3.93
Commercial real estate	**4.09**	4.01	4.19	3.85	3.89
Total commercial	**3.83**	3.87	3.96	3.89	3.97
Consumer:					
Automobile	**3.96**	4.28	4.52	4.87	4.68
Home equity	**4.16**	4.20	4.24	4.27	4.30
Residential mortgage	**3.82**	3.97	4.07	4.02	4.14
Other consumer	**6.66**	7.05	7.16	7.16	7.42
Total consumer	**4.07**	4.22	4.33	4.40	4.43
Total loans and leases	**3.95**	4.03	4.13	4.12	4.18
Total earning assets	**3.68%**	3.75%	3.80%	3.79%	3.89%
Liabilities					
Deposits:					
Demand deposits noninterest-bearing	**%**	%	%	%	%
Demand deposits interest-bearing	**0.04**	0.04	0.05	0.07	0.07
Total demand deposits	**0.01**	0.01	0.02	0.02	0.02
Money market deposits	**0.24**	0.23	0.27	0.33	0.30
Savings and other domestic deposits	**0.27**	0.30	0.33	0.37	0.39
Core certificates of deposit	**1.13**	1.19	1.21	1.25	1.38
Total core deposits	**0.34**	0.37	0.41	0.47	0.50

Other domestic time deposits of $250,000 or more	**0.50**	0.52	0.61	0.68	0.66
Brokered deposits and negotiable CDs	**0.62**	0.67	0.71	0.71	0.75
Deposits in foreign offices	**0.14**	0.17	0.18	0.18	0.19
Total deposits	**0.36**	0.38	0.42	0.48	0.51
Short-term borrowings	**0.10**	0.12	0.14	0.16	0.16
Federal Home Loan Bank advances	**0.14**	0.18	1.20	0.50	0.21
Subordinated notes and other long-term debt	**2.35**	2.54	2.55	2.91	2.83
Total interest-bearing liabilities	**0.42%**	0.45%	0.50%	0.58%	0.63%
Net interest rate spread	**3.26%**	3.30%	3.30%	3.21%	3.26%
Impact of noninterest-bearing funds on margin	**0.12**	0.12	0.15	0.17	0.16
Net interest margin	**3.38%**	3.42%	3.45%	3.38%	3.42%

(1) FTE yields are calculated assuming a 35% tax rate.
(2) Loan and lease and deposit average rates include impact of applicable derivatives, non-deferrable fees, and amortized deferred fees.
(3) For purposes of this analysis, NALs are reflected in the average balances of loans.

Table of Contents

Table 6 Average Loans/Leases and Deposits

(dollar amounts in millions)	Second Quarter 2013	Second Quarter 2012	First Quarter 2013	2Q13 vs 2Q12 Amount	2Q13 vs 2Q12 Percent	2Q13 vs 1Q13 Amount	2Q13 vs 1Q13 Percent
Loans/Leases:							
Commercial and industrial	**$ 17,033**	$ 16,094	$ 16,954	$ 939	6%	$ 79	%
Commercial real estate	**5,015**	6,075	5,292	(1,060)	(17)	(277)	(5)
Total commercial	**22,048**	22,169	22,246	(121)	(1)	(198)	(1)
Automobile	**5,283**	4,985	4,833	298	6	450	9
Home equity	**8,263**	8,310	8,395	(47)	(1)	(132)	(2)
Residential mortgage	**5,225**	5,253	4,978	(28)	(1)	247	5
Other loans	**461**	462	412	(1)	(0)	49	12
Total consumer	**19,232**	19,010	18,618	222	1	614	3
Total loans and leases	**$ 41,280**	$ 41,179	$ 40,864	$ 101	%	$ 416	1%
Deposits:							
Demand deposits noninterest-bearing	**$ 12,879**	$ 12,064	$ 12,165	$ 815	7%	$ 714	6%
Demand deposits interest-bearing	**5,927**	5,939	5,977	(12)	(0)	(50)	(1)
Total demand deposits	**18,806**	18,003	18,142	803	4	664	4
Money market deposits	**15,069**	13,182	15,045	1,887	14	24	
Savings and other domestic time deposits	**5,115**	4,978	5,083	137	3	32	1
Core certificates of deposit	**4,778**	6,618	5,346	(1,840)	(28)	(568)	(11)
Total core deposits	**43,768**	42,781	43,616	987	2	152	
Other deposits	**2,419**	2,076	2,397	343	17	22	1
Total deposits	**$ 46,187**	$ 44,857	$ 46,013	$ 1,330	3%	$ 174	%

2013 Second Quarter versus 2012 Second Quarter

Fully-taxable equivalent net interest income decreased $3.2 million, or 1%, from the year-ago quarter. This reflected a 4 basis point decrease in the FTE net interest margin, partially offset by a $0.1 billion, or less than 1%, increase in average total earning assets. The primary items impacting the decrease in the net interest margin were:

21 basis point negative impact from the mix and yield of earning assets primarily reflecting a decrease in consumer loan yields.

Partially offset by:

16 basis point positive impact from the mix and yield of deposits reflecting the strategic focus on changing the funding sources to no-cost demand deposits and low cost money market deposits.

The $0.1 billion, or less than 1%, increase in average total loans and leases primarily reflected:

$0.9 billion, or 6%, growth in average C&I loans. This reflected the continued growth across most business lines, with particularly strong growth in the healthcare vertical, dealer floorplan, and equipment finance.

$0.3 billion, or 6%, increase in average automobile loans. In addition, $0.3 billion of automobile loans were transferred from held for sale to automobile loans and leases on June 30, as there are no securitizations expected for the remainder of 2013. This transfer had a minimal impact on average balances.

Partially offset by:

$1.1 billion, or 17%, decrease in average commercial real estate (CRE) loans. This reflected continued runoff of the noncore portfolio and managed reduction of the core portfolios as acceptable returns for new core origination were balanced against internal concentration limits and increased competition for projects sponsored by high quality developers.

The $1.0 billion, or 3%, decrease in average interest-bearing liabilities from the year-ago quarter reflected:

- $1.5 billion, or 36%, decrease in subordinated notes and other short and long-term debt including the repayment of $0.6 billion of TLGP related debt and the redemption of $0.2 billion of trust preferred securities in 2012 second half.
- $1.8 billion, or 28%, 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 markets deposits.

Partially offset by:

- $1.9 billion, or 14%, increase in money market deposits reflecting the strategic focus on increased share of wallet and customer preference for increased liquidity.

2013 Second Quarter versus 2013 First Quarter

Fully-taxable equivalent net interest income increased $1.4 million, or less than 1%, from the last quarter reflecting a $0.2 billion increase in average earnings assets as well as an additional day in the quarter, partially offset by a 4 basis point decrease in net interest margin. The primary items affecting the net interest margin were:

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

Partially offset by:

- 2 basis point positive impact from the mix and yield of deposits.

The $0.4 billion, or 1%, increase in average total loans and leases from the 2013 first quarter reflected:

- $0.5 billion, or 9%, increase in automobile loans.
- $0.2 billion, or 5%, increase in residential mortgage loans.

Partially offset by:

- $0.3 billion, or 5%, decrease in commercial real estate loans.

The $0.6 billion, or 2%, decrease in average interest-bearing liabilities from the 2013 first quarter reflected:

- $0.6 billion, or 11%, decrease in core certificates of deposits.

Table of Contents

Table 7 Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis

Fully-taxable equivalent basis (1)	YTD Average Balances				YTD Average Rates (2)	
	Six Months Ended June 30,		Change		Six Months Ended June 30,	
(dollar amounts in millions)	**2013**	2012	Amount	Percent	**2013**	2012
Assets:						
Interest-bearing deposits in banks	**$ 78**	$ 112	$ (34)	(30)%	**0.22%**	0.19%
Loans held for sale	**694**	837	(143)	(17)	**3.35**	3.71
Securities:						
Available-for-sale and other securities:						
Taxable	**6,845**	8,228	(1,383)	(17)	**2.30**	2.36
Tax-exempt	**570**	396	174	44	**3.95**	4.20
Total available-for-sale and other securities	**7,415**	8,624	(1,209)	(14)	**3.95**	4.20
Trading account securities	**85**	52	33	63	**0.55**	1.65
Held-to-maturity securities taxable	**1,714**	622	1,092	176	**2.29**	2.98
Total securities	**9,214**	9,298	(84)	(1)	**2.38**	2.47
Loans and leases: (3)						
Commercial:						
Commercial and industrial	**16,994**	15,458	1,536	10	**3.79**	4.00
Commercial real estate:						
Construction	**592**	591	1		**3.99**	3.76
Commercial	**4,561**	5,373	(812)	(15)	**4.06**	3.88
Commercial real estate	**5,153**	5,964	(811)	(14)	**4.06**	3.87
Total commercial	**22,147**	21,422	725	3	**3.85**	3.96
Consumer:						
Automobile	**5,058**	4,781	277	6	**4.11**	4.77
Home equity	**8,277**	8,272	5		**4.17**	4.30
Residential mortgage	**5,102**	5,214	(112)	(2)	**3.89**	4.15
Other consumer	**488**	473	15	3	**6.76**	7.44
Total consumer	**18,925**	18,740	185	1	**4.15**	4.46
Total loans and leases	**41,072**	40,162	910	2	**3.99**	4.20
Allowance for loan and lease losses	**(758)**	(934)	176	(19)		
Net loans and leases	**40,314**	39,228	1,086	3		
Total earning assets	**51,058**	50,409	649	1	**3.71%**	3.90%
Cash and due from banks	**922**	970	(48)	(5)		
Intangible assets	**567**	611	(44)	(7)		
All other assets	**4,020**	4,191	(171)	(4)		
Total assets	**$ 55,809**	$ 55,247	$ 562	1%		

Liabilities and Shareholders Equity:

Deposits:						
Demand deposits noninterest-bearing	**$ 12,524**	$ 11,668	$ 856	7%	**%**	%
Demand deposits interest-bearing	**5,952**	5,792	160	3	**0.04**	0.06
Total demand deposits	**18,476**	17,460	1,016	6	**0.01**	0.02
Money market deposits	**15,057**	13,162	1,895	14	**0.23**	0.28
Savings and other domestic deposits	**5,099**	4,898	201	4	**0.29**	0.42
Core certificates of deposit	**5,060**	6,564	(1,504)	(23)	**1.16**	1.49
Total core deposits	**43,692**	42,084	1,608	4	**0.36**	0.52
Other domestic time deposits of $250,000 or more	**342**	323	19	6	**0.51**	0.67
Brokered deposits and negotiable CDs	**1,738**	1,361	377	28	**0.65**	0.77
Deposits in foreign offices	**328**	393	(65)	(17)	**0.15**	0.19
Total deposits	**46,100**	44,161	1,939	4	**0.37**	0.53
Short-term borrowings	**732**	1,451	(719)	(50)	**0.11**	0.16
Federal Home Loan Bank advances	**722**	523	199	38	**0.16**	0.21
Subordinated notes and other long-term debt	**1,320**	2,452	(1,132)	(46)	**2.45**	2.78
Total interest-bearing liabilities	**36,350**	36,919	(569)	(2)	**0.44**	0.66
All other liabilities	**1,074**	1,105	(31)	(3)		
Shareholders equity	**5,861**	5,555	306	6		
Total liabilities and shareholders equity	**$ 55,809**	$ 55,247	$ 562	1%		
Net interest rate spread					**3.28**	3.24
Impact of noninterest-bearing funds on margin					**0.12**	0.17
Net interest margin					**3.40%**	3.41%

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

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

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

Table of Contents

2013 First Six Months versus 2012 First Six Months

Fully-taxable equivalent net interest income for the first six-month period of 2013 increased $5.8 million, or less than 1%, from the comparable year-ago period. This reflected the benefit of a $0.6 billion, or 1%, increase in average total earning assets. The fully-taxable equivalent net interest margin decreased to 3.40% from 3.41%. The increase in average earning assets reflected:

$0.9 billion, or 2%, increase in average total loans and leases.

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

Table 8 Average Loans/Leases and Deposits 2013 First Six Months vs. 2012 First Six Months

	Six Months Ended June 30,		Change	
(dollar amounts in millions)	**2013 (1)**	2012	Amount	Percent
Loans/Leases:				
Commercial and industrial	**$ 16,994**	$ 15,458	$ 1,536	10%
Commercial real estate	**5,153**	5,964	(811)	(14)
Total commercial	**22,147**	21,422	725	3
Automobile	**5,058**	4,781	277	6
Home equity	**8,277**	8,272	5	
Residential mortgage	**5,102**	5,214	(112)	(2)
Other consumer	**488**	473	15	3
Total consumer	**18,925**	18,740	185	1
Total loans and leases	**$ 41,072**	$ 40,162	$ 910	2%
Deposits:				
Demand deposits noninterest-bearing	**$ 12,524**	$ 11,668	$ 856	7%
Demand deposits interest-bearing	**5,952**	5,792	160	3
Total demand deposits	**18,476**	17,460	1,016	6
Money market deposits	**15,057**	13,162	1,895	14
Savings and other domestic deposits	**5,099**	4,898	201	4
Core certificates of deposit	**5,060**	6,564	(1,504)	(23)
Total core deposits	**43,692**	42,084	1,608	4
Other deposits	**2,408**	2,077	331	16
Total deposits	**$ 46,100**	$ 44,161	$ 1,939	4%

(1) The acquisition of Fidelity Bank on March 30, 2012, contributed to the increase in average loans and deposits.

The $0.9 billion, or 2%, increase in average total loans and leases primarily reflected:

$1.5 billion, or 10%, increase in the average C&I portfolio, primarily reflecting a combination of factors, including growth across multiple business lines including healthcare vertical, dealer floorplan, and equipment finance.

- $0.3 billion, or 6%, increase in the average automobile portfolio. While having a minimal impact on average balances, $0.3 billion of automobile loans were transferred from held for sale to automobile loan and leases on June 30, 2013, as there are no securitizations expected for the remainder of 2013.

Partially offset by:

- $0.8 billion, or 14%, decline in the average CRE loans. This reflected continued runoff of the noncore and core portfolios as we balanced acceptable returns for new core origination against internal concentration limits and increased competition, particularly pricing, for high quality developers and projects.

Table of Contents

The $1.9 billion, or 4%, increase in average total deposits reflected:

- $1.9 billion, or 14%, increase in money market deposits.
- $1.0 billion, or 6%, increase in total demand deposits.

Partially offset by:

- $1.5 billion, or 23%, decline in core certificates of deposits.

20

Table of Contents

Provision for Credit Losses

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

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

The provision for credit losses for the 2013 second quarter declined $4.9 million, or 16%, from the prior quarter and declined $11.8 million, or 32%, from the year-ago quarter. The provision for credit losses for the first six-month period of 2013 declined $16.6 million, or 23%, compared with the first six-month period of 2012. The current quarter s provision for credit losses was $10.1 million less than total NCOs, and the provision for credit losses for the first six-month period of 2013 was $32.2 million less than total NCOs for the same period. *(See Credit Quality discussion).* Given the absolute low level of the provision for credit losses and the uncertain and uneven nature of the economic recovery, some degree of volatility on a quarter-to-quarter basis is expected.

Noninterest Income

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

The following table reflects noninterest income for each of the past five quarters:

Table 9 Noninterest Income

	2013		2012			2Q13 vs 2Q12		2Q13 vs 1Q13	
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second	Amount	Percent	Amount	Percent
Service charges on deposit accounts	**$ 68,009**	$ 60,883	$ 68,083	$ 67,806	$ 65,998	$ 2,011	3%	$ 7,126	12%
Mortgage banking income	**33,659**	45,248	61,711	44,614	38,349	(4,690)	(12)	(11,589)	(26)
Trust services	**30,666**	31,160	31,388	29,689	29,914	752	3	(494)	(2)
Electronic banking	**23,345**	20,713	21,011	22,135	20,514	2,831	14	2,632	13
Brokerage income	**19,546**	17,995	17,415	16,526	19,025	521	3	1,551	9
Insurance income	**17,187**	19,252	17,268	17,792	17,384	(197)	(1)	(2,065)	(11)
Gain on sale of loans	**3,348**	2,616	20,690	6,591	4,131	(783)	(19)	732	28
Bank owned life insurance income	**15,421**	13,442	13,767	14,371	13,967	1,454	10	1,979	15
Capital markets fees	**12,229**	7,834	12,694	11,596	13,260	(1,031)	(8)	4,395	56
Securities gains (losses)	**(410)**	(509)	863	4,169	350	(760)	(217)	99	(19)
Other income	**25,655**	33,575	32,761	25,778	30,927	(5,272)	(17)	(7,920)	(24)
Total noninterest income	**$ 248,655**	$ 252,209	$ 297,651	$ 261,067	$ 253,819	$ (5,164)	(2)%	$ (3,554)	(1)%

2013 Second Quarter versus 2012 Second Quarter

The $5.2 million, or 2%, decrease in total noninterest income from the year-ago quarter reflected:

$5.3 million, or 17%, decrease in other noninterest income including a $4.3 million reduction in gains on the sale of Low Income Housing Tax Credit investments.

$4.7 million, or 12%, decrease in mortgage banking income as the benefit of net mortgage servicing rights decreased by $2.5 million while origination and secondary marketing income declined $2.3 million primarily due to lower spreads.

Partially offset by:

- $2.8 million, or 14%, increase in electronic banking.

- $1.5 million, or 10%, increase in bank owned life insurance income.

2013 Second Quarter versus 2013 First Quarter

The $3.6 million, or 1%, decrease in total noninterest income from the prior quarter reflected:

- $11.6 million, or 26%, decrease in mortgage banking income as the benefit of net mortgage servicing rights decreased by $11.6 million.

- $7.9 million, or 24%, decrease in other noninterest income as the prior quarter included a $7.6 million gain on the sale of Low Income Housing Tax Credit investments.

Table of Contents

Partially offset by:

$7.1 million, or 12%, increase in service charges on deposit accounts which reflect yearly seasonality trends in customer activity and an 8% annualized growth in consumer checking households.

$4.4 million, or 56%, increase in capital markets activity.

$2.6 million, or 13%, increase in electronic banking.

2013 First Six Months versus 2012 First Six Months

Noninterest income for the first six-month period of 2013 decreased $38.3 million, or 7%, from the comparable year-ago period.

Table 10 Noninterest Income 2013 First Six Months vs. 2012 First Six Months

	Six Months Ended June 30,		Change	
(dollar amounts in thousands)	**2013**	2012	Amount	Percent
Service charges on deposit accounts	**$ 128,892**	$ 126,290	$ 2,602	2%
Mortgage banking income	**78,907**	84,767	(5,860)	(7)
Trust services	**61,826**	60,820	1,006	2
Electronic banking	**44,058**	39,144	4,914	13
Brokerage income	**37,541**	38,285	(744)	(2)
Insurance income	**36,439**	36,259	180	
Gain on sale of loans	**5,964**	30,901	(24,937)	(81)
Bank owned life insurance income	**28,863**	27,904	959	3
Capital markets fees	**20,063**	23,056	(2,993)	(13)
Securities gains (losses)	**(919)**	(263)	(656)	N.M.
Other income	**59,230**	71,976	(12,746)	(18)
Total noninterest income	**$ 500,864**	$ 539,139	$ (38,275)	(7)%

The $38.3 million, or 7%, decrease in total noninterest income reflected:

$24.9 million, or 81%, decrease in gain on sale of loans, primarily related to the year-ago period s automobile loan securitization.

$12.7 million, or 18%, decrease in other noninterest income, primarily related to prior year s $11.4 million bargain purchase gain from the FDIC-assisted Fidelity Bank acquisition and due to auto operating lease portfolio run off.

$5.9 million, or 7%, decrease in mortgage banking income. This primarily reflected a $6.2 million decrease in origination and secondary marketing income.

Partially offset by:

$4.9 million, or 13%, increase in electronic banking income, primarily reflecting the seasonality and increase in debit card usage.

Table of Contents

Noninterest Expense

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

The following table reflects noninterest expense for each of the past five quarters:

Table 11 Noninterest Expense

	2013		2012			2Q13 vs 2Q12		2Q13 vs 1Q13	
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second	Amount	Percent	Amount	Percent
Personnel costs	**$ 263,862**	$ 258,895	$ 253,952	$ 247,709	$ 243,034	$ 20,828	9%	$ 4,967	2%
Outside data processing and other services	**49,898**	49,265	48,699	50,396	48,568	1,330	3	633	1
Net occupancy	**27,656**	30,114	29,008	27,599	25,474	2,182	9	(2,458)	(8)
Equipment	**24,947**	24,880	26,580	25,950	24,872	75		67	
Deposit and other insurance expense	**13,460**	15,490	16,327	15,534	15,731	(2,271)	(14)	(2,030)	(13)
Professional services	**9,341**	7,192	22,514	17,510	15,037	(5,696)	(38)	2,149	30
Marketing	**14,239**	10,971	16,456	16,842	17,396	(3,157)	(18)	3,268	30
Amortization of intangibles	**10,362**	10,320	11,647	11,431	11,940	(1,578)	(13)	42	
OREO and foreclosure expense	**(271)**	2,666	4,233	4,982	4,106	(4,377)	(107)	(2,937)	(110)
Loss (Gain) on early extinguishment of debt				1,782	(2,580)	2,580	(100)		
Other expense	**32,371**	33,000	41,212	38,568	40,691	(8,320)	(20)	(629)	(2)
Total noninterest expense	**$ 445,865**	$ 442,793	$ 470,628	$ 458,303	$ 444,269	$ 1,596	%	$ 3,072	1%
Number of employees (full-time equivalent), at period-end	**12,155**	12,052	11,806	11,731	11,417	738	6	103	1

2013 Second Quarter versus 2012 Second Quarter

The $1.6 million, or less than 1%, increase in total noninterest expense from the year-ago quarter reflected:

- $20.8 million, or 9%, increase in personnel costs, reflecting increased salaries and benefits and a 6% increase in the number of full-time equivalent employees, primarily reflecting growth in the in-store initiative and mortgage business.

Partially offset by:

- $8.3 million, or 20%, decrease in other expense, reflecting lower representations and warranties-related expenses and lower litigation expense.
- $5.7 million, or 38%, decrease in professional services, reflecting a decrease in legal and outside consultant expenses.
- $4.4 million, or 107%, decline in OREO and foreclosure expense, as there were net recoveries of $0.3 million during the 2013 second quarter.

$3.2 million, or 18%, decrease in marketing, primarily reflecting the refinement of targeted marketing programs and reduced promotional offers.

2013 Second Quarter versus 2013 First Quarter

The $3.1 million, or 1%, increase in total noninterest expense from the prior quarter reflected:

$5.0 million, or 2%, increase in personnel costs reflecting higher commission expense.

$3.3 million, or 30%, seasonal increase in marketing.

Partially offset by:

$2.9 million, or 110%, decrease in OREO and foreclosure.

$2.0 million, or 13%, decrease in deposit and other insurance expense.

2013 First Six Months versus 2012 First Six Months

Noninterest expense for the first six-month period of 2013 decreased $18.3 million, or 2%, from the comparable year-ago period.

Table of Contents

Table 12 Noninterest Expense 2013 First Six Months vs. 2012 First Six Months

(dollar amounts in thousands)	**Six Months Ended June 30,**		Change	
	2013	2012	Amount	Percent
Personnel costs	**$ 522,757**	$ 486,532	$ 36,225	7%
Outside data processing and other services	**99,163**	91,160	8,003	9
Net occupancy	**57,770**	54,553	3,217	6
Equipment	**49,827**	50,417	(590)	(1)
Deposit and other insurance expense	**28,950**	36,469	(7,519)	(21)
Professional services	**16,533**	25,734	(9,201)	(36)
Marketing	**25,210**	30,965	(5,755)	(19)
Amortization of intangibles	**20,682**	23,471	(2,789)	(12)
OREO and foreclosure expense	**2,395**	9,056	(6,661)	(74)
Gain on early extinguishment of debt		(2,580)	2,580	N.M.
Other expense	**65,371**	101,168	(35,797)	(35)
Total noninterest expense	**$ 888,658**	$ 906,945	$ (18,287)	(2)%
Number of employees (full-time equivalent), at period-end	**12,155**	11,417	738	6%

The $18.3 million, or 2%, decrease in total noninterest expense reflected:

- $35.8 million, or 35%, decrease in other expense, primarily reflecting a decrease in operating lease expense as the automobile lease portfolio continues to run off and is expected to be essentially zero by the end of the year and the decrease in the provision for mortgage representations and warranties. The year-ago period s included a $23.5 million addition to litigation reserves.

- $9.2 million, or 36%, decrease in professional services.

- $7.5 million, or 21%, decrease in deposit and other insurance, reflecting lower insurance premiums.

Partially offset by:

- $36.2 million, or 7%, increase in personnel costs, primarily reflecting an increase in bonuses, commissions, and full-time equivalent employees, as well as increased salaries and benefits.

- $8.0 million, or 9%, increase in outside data processing and other services primarily related to continued IT infrastructure investments.

Provision for Income Taxes

The provision for income taxes in the 2013 second quarter was $52.4 million and $49.3 million in the 2012 second quarter. The provision for income taxes for the six month periods ended June 30, 2013 and June 30, 2012 was $104.6 million and $101.5 million, respectively. Both quarters included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. At June 30, 2013, we had a net federal deferred tax asset of $159.0 million and a net state deferred tax asset of $39.7 million. At December 31, 2012, we had a net federal deferred tax asset of $171.4 million and a net state deferred tax asset of $32.4 million. Based on both positive and negative evidence and our level of forecasted future taxable income, there was no impairment to the net deferred tax asset at June 30, 2013 and December 31, 2012. As of June 30, 2013 and December 31, 2012, there was no disallowed deferred tax asset for regulatory capital purposes.

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

RISK MANAGEMENT AND CAPITAL

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

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

We believe that our primary risk exposures are credit, market, liquidity, operational, and compliance oriented. More information on risk can be found in the Risk Factors section included in Item 1A of our 2012 Form 10-K and subsequent filings with the SEC. Additionally, the MD&A included in our 2012 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2012 Form 10-K. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented in the 2012 Form 10-K.

Credit Risk

Credit risk is the risk of financial loss if a counterparty is not able to meet the agreed upon terms of the financial obligation. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. We also have significant credit risk associated with our available-for-sale and other investment and held-to-maturity securities portfolios *(see Note 4 and Note 5 of the Notes to the Unaudited Condensed Consolidated Financial Statements)*. We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking, and trading activities. While there is credit risk associated with derivative activity, we believe this exposure is minimal.

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

Loan and Lease Credit Exposure Mix

At June 30, 2013, loans and leases totaled $41.7 billion, representing a $1.0 billion, or 2%, increase compared to $40.7 billion at December 31, 2012, primarily reflecting growth in the automobile portfolio, partially offset by a decline in the CRE portfolio. The automobile portfolio increase reflected a continued strong level of high quality originations.

At June 30, 2013, commercial loans and leases totaled $22.0 billion and represented 52% of our total loan and lease credit exposure. Our commercial portfolio is diversified along product type, customer size, and geography, and is comprised of the following (*see Commercial Credit discussion)*:

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

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

Table of Contents

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

Total consumer loans and leases were $19.7 billion at June 30, 2013 and represented 48% of our total loan and lease credit exposure. The consumer portfolio is primarily comprised of automobile, home equity loans and lines-of-credit, and residential mortgages *(see Consumer Credit discussion).*

Automobile Automobile loans are primarily comprised of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. No state outside of our primary banking markets represented more than 5% of our total automobile portfolio at June 30, 2013.

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

Residential mortgage Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15-year to 30-year term, and in most cases, are extended to borrowers to finance their primary residence. Applications are underwritten centrally and we do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options. Residential mortgage loans include a complete full appraisal for collateral valuation.

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

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

Table 13 Loan and Lease Portfolio Composition

	2013				2012					
(dollar amounts in millions)	**June 30,**		March 31,		December 31,		September 30,		June 30,	
Commercial:[1]										
Commercial and industrial	**$ 17,113**	**41%**	$ 17,267	42%	$ 16,971	42%	$ 16,478	41%	$ 16,322	41%
Commercial real estate:										
Construction	**607**	**1**	574	1	648	2	541	1	591	1
Commercial	**4,286**	**10**	4,485	11	4,751	12	4,956	12	5,317	13
Total commercial real estate	**4,893**	**11**	5,059	12	5,399	14	5,497	13	5,908	14
Total commercial	**22,006**	**52**	22,326	54	22,370	56	21,975	54	22,230	55
Consumer:										
Automobile	**5,810**	**14**	5,036	12	4,634	11	4,276	11	3,808	10
Home equity	**8,369**	**20**	8,474	21	8,335	20	8,381	21	8,344	21
Residential mortgage	**5,168**	**12**	5,051	12	4,970	12	5,192	13	5,123	13
Other consumer	**387**	**2**	397	1	419	1	436	1	454	1
Total consumer	**19,734**	**48**	18,958	46	18,358	44	18,285	46	17,729	45

Total loans and leases	**$ 41,740**	**100%**	$ 41,284	100%	$ 40,728	100%	$ 40,260	100%	$ 39,959	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.

26

Table of Contents

As shown in the table above, our loan portfolio is diversified by consumer and commercial credit. We designate specific loan types, collateral types, and loan structures as part of our credit concentration policy. C&I lending by segment, specific limits for CRE primary project types, loans secured by residential real estate, shared national credit exposure, and unsecured lending represent examples of specifically tracked components of our concentration management process. Our concentration management process is approved by our 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 type of collateral securing the loan or lease:

Table 14 Loan and Lease Portfolio by Collateral Type

	2013				2012					
(dollar amounts in millions)	**June 30,**		March 31,		December 31,		September 30,		June 30,	
Secured loans:										
Real estate commercial	**$ 8,749**	21%	$ 9,041	22%	$ 9,128	22%	$ 9,278	23%	$ 9,398	23%
Real estate consumer	**13,537**	32	13,525	33	13,305	33	13,573	33	13,467	33
Vehicles	**7,763**	19	6,924	17	6,659	16	6,096	15	5,650	14
Receivables/Inventory	**5,260**	13	5,383	13	5,178	13	5,046	13	5,026	13
Machinery/Equipment	**2,831**	7	2,815	7	2,749	7	2,639	7	2,759	7
Securities/Deposits	**924**	2	840	2	826	2	717	2	789	2
Other	**1,020**	2	1,014	2	1,090	3	1,110	3	1,043	3
Total secured loans and leases	**40,084**	96	39,542	96	38,935	96	38,459	96	38,132	95
Unsecured loans and leases	**1,656**	4	1,742	4	1,793	4	1,801	4	1,827	5
Total loans and leases	**$ 41,740**	100%	$ 41,284	100%	$ 40,728	100%	$ 40,260	100%	$ 39,959	100%

Commercial Credit

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

C&I PORTFOLIO

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. Nevertheless, we continue to proactively identify borrowers that may be facing financial difficulty to assess all potential solutions.

CRE PORTFOLIO

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

In 2010, we segregated our CRE portfolio into core and noncore segments. We believe segregating noncore CRE from core CRE improved our ability to understand the nature, performance prospects, and problem resolution opportunities of these segments, thus allowing us to continue to deal proactively with any emerging credit issues.

A CRE loan is generally considered core when the borrower is an experienced, well-capitalized developer in our Midwest footprint, and has either an established meaningful relationship with us that generated an acceptable return on capital or demonstrates the prospect of becoming one. The core CRE portfolio was $3.7 billion at June 30, 2013, representing 76% of total CRE loans. The performance of the core portfolio has met our expectations based on the consistency of the asset quality metrics within the portfolio. Based on our extensive project level assessment process, including forward-looking collateral valuations, we continue to believe the credit quality of the core portfolio is stable. Loans are not reclassified between the core and noncore segments based on performance.

Table of Contents

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

Table 15 Commercial Real Estate Core vs. Noncore Portfolios

	June 30, 2013					
(dollar amounts in millions)	Ending Balance	Prior NCOs	ACL $	ACL %	Credit Mark (1)	Nonaccrual Loans
Total core	**$ 3,704**	**$ 32**	**$ 86**	**2.32%**	**3.16%**	**$ 38**
Noncore SAD (2)	**487**	**116**	**119**	**24.44**	**38.97**	**54**
Noncore Other	**702**	**8**	**55**	**7.83**	**8.87**	**2**
Total noncore	**1,189**	**124**	**174**	**14.63**	**22.70**	**56**
Total commercial real estate	**$ 4,893**	**$ 156**	**$ 260**	**5.31%**	**8.24%**	**$ 94**

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

(1) Calculated as (Prior NCOs + ACL $) / (Ending Balance + Prior NCOs).

(2) Noncore loans managed by SAD, the area responsible for managing loans and relationships designated as Classified Loans.

As shown in the above table, the ending balance of the CRE portfolio at June 30, 2013, declined $0.5 billion, or 9%, compared with December 31, 2012. The decline in the noncore segment primarily reflected amortization and payoffs as we actively focus on the noncore portfolio to reduce our overall CRE exposure. This reduction demonstrates our continued commitment to achieving a materially lower risk profile in the CRE portfolio, consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. The decline in the core segment primarily reflected continued payoffs, partially offset by originations. We continue to support our core developer customers as appropriate. However, new core originations are balanced against internal concentration limits and increased competition, particularly pricing, for high quality developers and projects.

Also, as shown above, substantial reserves for the noncore portfolio have been established. At June 30, 2013, the ACL related to the noncore portfolio was 14.63%. The combination of the existing ACL and prior NCOs represents the total credit actions taken on each segment of the portfolio. From this data, we calculate a credit mark that provides a consistent measurement of the cumulative credit actions taken against a specific portfolio segment. The 38.97% credit mark associated with the SAD-managed noncore portfolio is an indicator of the proactive portfolio management strategy employed for this portfolio.

Consumer Credit

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

AUTOMOBILE PORTFOLIO

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

We have continued to consistently execute our value proposition and take advantage of available market opportunities. Importantly, we have maintained our high credit quality standard while expanding the portfolio. We have developed and implemented a loan securitization strategy to ensure we remain within our established portfolio concentration limits. During the 2013 second quarter, $0.3 billion was transferred from loans held for sale to the automobile portfolio based on our intent and ability to hold these loans for the foreseeable future.

Table of Contents

During the 2013 second quarter, we expanded further into New England by entering into the Connecticut market. Consistent with our expansion process, the Connecticut market is managed by seasoned professionals with local market knowledge.

RESIDENTIAL REAL ESTATE SECURED PORTFOLIOS

The properties securing our residential mortgage and home equity portfolios are primarily located within our geographic footprint. The continued stress on home prices has caused the performance in these portfolios to remain weaker than historical levels. The residential-secured portfolio originations continue to be of high quality, with the majority of the negative credit impact coming from loans originated in 2006 and earlier. We continue to evaluate all of our policies and processes associated with managing these portfolios. Our loss mitigation and foreclosure activities are consolidated in one location under common management. This structure allows us to focus on effectively helping our customers with appropriate solutions for their specific circumstances.

Table 16 Selected Home Equity and Residential Mortgage Portfolio Data

	Home Equity				Residential Mortgage	
	Secured by first-lien		Secured by junior-lien			
(dollar amounts in millions)	**06/30/13**	12/31/12	**06/30/13**	12/31/12	**06/30/13**	12/31/12
Ending balance	**$ 4,641**	$ 4,380	**$ 3,728**	$ 3,955	**$ 5,168**	$ 4,970
Portfolio weighted average LTV ratio(1)	**71%**	71%	**81%**	81%	**76%**	76%
Portfolio weighted average FICO score(2)	**759**	755	**746**	741	**740**	738

	Home Equity				Residential Mortgage (3)	
	Secured by first-lien		Secured by junior-lien			
	Six Months Ended June 30,					
	2013	2012	**2013**	2012	**2013**	2012
Originations	**$ 952**	$ 886	**$ 210**	$ 302	**$ 816**	$ 532
Origination weighted average LTV ratio(1)	**67%**	72%	**81%**	82%	**78%**	84%
Origination weighted average FICO score(2)	**781**	771	**756**	759	**759**	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 June 30, 2013, 55% of our total home equity portfolio was secured by first-lien mortgages. The first-lien position, combined with continued high average FICO scores, significantly reduces the PD associated with these loans.

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

Table of Contents

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 17 Maturity Schedule of Home Equity Line-of-Credit Portfolio

	June 30, 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	**$ 49**	**$ 58**	**$ 6**	**$**	**$ 2,245**	**$ 2,358**
Secured by junior-lien	**268**	**270**	**156**	**136**	**2,310**	**3,140**
Total home equity line-of-credit	**$ 317**	**$ 328**	**$ 162**	**$ 136**	**$ 4,555**	**$ 5,498**

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

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

Residential Mortgages Portfolio

At June 30, 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 June 30, 2013, ARM loans that were expected to have rates reset through 2015 totaled $1.4 billion. These loans scheduled to reset are primarily associated with loans originated subsequent to 2007, and as such, are not subject to the most significant declines in underlying property value. Given the quality of our borrowers, the relatively low current interest rates, and the results of our continued analysis (including possible impacts of changes in interest rates), we believe that we have a relatively limited exposure to ARM reset risk. Nonetheless, we have taken actions to mitigate our risk exposure. We initiate borrower contact at least six months prior to the interest rate resetting and have been successful in converting many ARMs to fixed-rate loans through this process. Given the relatively low current interest rates, many fixed-rate products currently offer a better interest rate to our ARM borrowers.

Several government programs continued to impact the residential mortgage portfolio, including various refinance programs such as HARP and HAMP, which positively affected the availability of credit for the industry. During the six-month period ended June 30, 2013, we closed $360 million in HARP residential mortgages and $5 million in HAMP residential mortgages. The HARP and HAMP residential mortgage loans are part of our residential mortgage portfolio or serviced for others. We are subject to repurchase risk associated with residential mortgage loans sold in the secondary market. An appropriate level of reserve for representations and warranties related to residential mortgage loans sold has been established to address this repurchase risk inherent in the portfolio *(see Operational Risk discussion).*

Credit Quality

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

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

Credit quality performance in the 2013 second quarter reflected overall continued improvement. Our overall credit quality performance is returning to normalized, pre-recession levels. NALs and NCOs declined 4% and 33%, respectively, compared to the prior quarter. Commercial criticized and commercial classified loans also declined, reflecting the continued improvement in the commercial portfolio. The ACL to total loans ratio declined to 1.86% and our ACL coverage ratios remained at appropriate levels. Our ACL as a percentage of NALs remained strong at 214%. The improvement in the NCO rate was centered in the CRE and home equity portfolios. The remaining portfolios were relatively consistent compared to the prior quarter.

Table of Contents

NPAs, NALs, AND TDRs

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

NPAs and NALs

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

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

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

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

Table 18 Nonaccrual Loans and Leases and Nonperforming Assets

	2013		2012		
(dollar amounts in thousands)	**June 30,**	March 31,	December 31,	September 30,	June 30,
Nonaccrual loans and leases:					
Commercial and industrial	**$ 80,037**	$ 80,928	$ 90,705	$ 109,452	$ 133,678
Commercial real estate	**93,643**	110,803	127,128	148,986	219,417
Automobile	**7,743**	6,770	7,823	11,814	
Residential mortgage	**122,040**	118,405	122,452	123,140	75,048
Home equity	**60,083**	63,405	59,525	51,654	46,023
Total nonaccrual loans and leases[1]	**363,546**	380,311	407,633	445,046	474,166
Other real estate owned, net					
Residential	**17,353**	19,538	21,378	23,640	21,499
Commercial	**3,713**	5,601	6,719	30,566	17,109
Total other real estate owned, net	**21,066**	25,139	28,097	54,206	38,608
Other nonperforming assets[2]	**12,087**	10,045	10,045	10,476	10,476
Total nonperforming assets	**$ 396,699**	$ 415,495	$ 445,775	$ 509,728	$ 523,250
Nonaccrual loans as a % of total loans and leases	**0.87%**	0.92%	1.00%	1.11%	1.19%
Nonperforming assets ratio[3]	**0.95**	1.01	1.09	1.26	1.31
(NPA+90days)/(Loan+OREO)[4]	**1.38**	1.48	1.59	1.75	1.76

(1) Nonaccrual loans and leases related to Chapter 7 bankruptcy loans were $59.6 million, $59.9 million, $60.1 million, and $63.0 million at June 30, 2013, March 31, 2013, December 31, 2012, and September 30, 2012, respectively.
(2) Other nonperforming assets includes certain impaired investment securities.
(3) This ratio is calculated as nonperforming assets divided by the sum of loans and leases, other nonperforming assets, and net other real estate owned.
(4) This ratio is calculated as the sum of nonperforming assets and total accruing loans and leases past due 90 days or more divided by the sum of loans and leases and net other real estate owned.

The $18.8 million, or 5%, decline in NPAs compared with March 31, 2013, primarily reflected:

- $17.2 million, or 15%, decline in CRE NALs, reflecting both NCO activity and problem credit resolutions, including borrower payments and payoffs partially resulting from successful workout strategies implemented by our SAD. Although we anticipate some degree of quarter-to-quarter volatility in our NAL levels, we expect that the overall trend will continue to be lower.

- $4.1 million, or 16%, decline in net OREO properties, primarily reflecting strong sale activity.

- $3.3 million, or 5%, decrease in home equity NALs, despite significantly lower NCOs. We continue to work with troubled borrowers to take advantage of the current low interest-rate environment and the recent stabilization of home prices. The NAL balances have been written down to collateral value, less anticipated selling costs. This substantially limits any significant future risk of additional loss on these loans and makes a modification more likely for borrowers with consistent cash flow.

Partially offset by:

$3.6 million, or 3%, increase in residential mortgage NALs, primarily associated with a small number of larger problem loans. The NAL balances have been written down to collateral value, less anticipated selling costs. This substantially limits any significant future risk of additional loss on these loans.

Compared with December 31, 2012, NPAs decreased $49.1 million, or 11%, primarily reflecting:

$33.5 million, or 26%, decline in CRE NALs, reflecting both NCO activity and problem credit resolutions, including borrower payments and payoffs partially resulting from successful workout strategies implemented by our SAD. Although we anticipate some degree of quarter-to-quarter volatility in our NAL levels, we expect that the overall trend will continue to be lower.

$10.7 million, or 12%, decline in C&I NALs, reflecting problem credit resolutions, including payoffs partially resulting from successful workout strategies implemented by our SAD. The decline was associated with loans throughout our footprint, with no specific industry concentration.

$7.0 million, or 25%, decrease in OREO, primarily reflecting strong sale activity.

Table of Contents

TDR Loans

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

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

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

Table 19 Accruing and Nonaccruing Troubled Debt Restructured Loans

	2013		2012		
(dollar amounts in thousands)	**June 30,**	March 31,	December 31,	September 30,	June 30,
Troubled debt restructured loans accruing:					
Commercial and industrial	**$ 94,583**	$ 90,642	$ 76,586	$ 55,809	$ 57,008
Commercial real estate	**184,372**	192,167	208,901	222,155	202,190
Automobile	**32,768**	34,379	35,784	33,719	34,460
Home equity	**135,759**	162,087[1]	110,581	92,763	66,997
Residential mortgage	**293,933**	288,041	290,011	280,890	298,967
Other consumer	**3,383**	2,514	2,544	2,644	3,038
Total troubled debt restructured loans accruing	**744,798**	769,830	724,407	687,980	662,660
Troubled debt restructured loans nonaccruing:					
Commercial and industrial	**14,541**	14,970	19,268	28,859	35,535
Commercial real estate	**26,118**	26,588	32,548	20,284	55,022
Automobile	**7,743**	6,770	7,823	11,814	
Home equity	**10,227**	11,235	6,951	7,756	374
Residential mortgage	**80,563**	84,317	84,515	83,163	28,332
Other consumer			113	113	113
Total troubled debt restructured loans nonaccruing	**139,192**	143,880	151,218	151,989	119,376
Total troubled debt restructured loans	**$ 883,990**	$ 913,710	$ 875,625	$ 839,969	$ 782,036

(1) Included $43,068 thousand incorrectly reflected as TDRs in the 2013 first quarter.

The increase in the accruing TDR home equity portfolio from the 2012 second quarter is primarily related to the refinancing of certain maturing lines-of-credit structured as a 10-year draw period with a balloon payment to a new loan with a 20-year amortization period. Based on the borrower s financial condition, we believe the new 20-year amortizing loan would not have been available to the borrower through normal channels or other sources. As such, we view this as a concession and have designated the new loan as a TDR.

Our strategy is to structure commercial TDRs in a manner that avoids new concessions subsequent to the initial TDR terms. However, there are times when subsequent modifications are required, such as when the modified loan matures. Often the loans are performing in accordance with the TDR terms, and a new note is originated with similar modified terms. These loans are subjected to the normal underwriting standards and processes for other similar credit extensions, both new and existing. If the loan is not performing in accordance with the existing TDR terms, typically a more aggressive strategy is put in place. In accordance with ASC 310-20-35, the refinanced note is evaluated to determine if it is considered a new loan or a continuation of the prior loan. A new loan is considered for removal of the TDR designation. A continuation of the prior note requires the continuation of the TDR designation, and because the refinanced note constitutes a new legal agreement, it is included in our TDR activity table (below) as a new TDR and a restructured TDR removal during the period.

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

Table of Contents

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

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

Table 20 Troubled Debt Restructured Loan Activity

	2013			2012	
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second
TDRs, beginning of period	**$ 913,710**	$ 875,625	$ 839,968	$ 782,035	$ 776,065
New TDRs	**115,955**	164,407[2]	169,850	196,707	94,631
Payments	**(39,818)**	(44,183)	(61,491)	(51,125)	(38,299)
Charge-offs	**(8,083)**	(5,395)	(16,985)	(22,537)	(16,551)
Sales	**(2,738)**	(4,814)	(2,933)	(3,978)	(1,840)
Transfer to OREO	**(2,453)**	(1,124)	(3,403)	(15,974)	(860)
Restructured TDRs accruing[1]	**(46,987)**	(53,936)	(40,682)	(30,439)	(20,135)
Restructured TDRs nonaccruing[1]	**(2,520)**	(10,674)	(7,138)	(14,721)	(10,833)
Other	**(43,076)[2]**	(6,196)	(1,561)		(143)
TDRs, end of period	**$ 883,990**	$ 913,710	$ 875,625	$ 839,968	$ 782,035

(1) Represents existing TDRs that were re-underwritten with new terms providing a concession. A corresponding amount is included in the New TDRs amount above.
(2) Included a $43,068 thousand reduction of home equity TDRs incorrectly reflected as new TDRs in the 2013 first quarter.

ACL

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

We maintain two reserves, both of which in our judgment are appropriate to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. Our Credit Administration group is responsible for developing the methodology assumptions and estimates used in the calculation, as well as determining the appropriateness of the ACL. The ALLL represents the estimate of losses inherent in the loan portfolio at the reported date. Additions to the ALLL result from recording provision expense for loan losses or increased risk levels resulting from loan risk-rating downgrades, while reductions reflect charge-offs (net of recoveries), decreased risk levels resulting from loan risk-rating upgrades, or the sale of loans. The AULC is determined by applying the transaction reserve process to the unfunded portion of the loan exposures adjusted by an applicable funding expectation.

A provision for credit losses is recorded to adjust the ACL to the level we have determined to be appropriate to absorb credit losses inherent in our loan and lease portfolio. The provision for credit losses in the 2013 second quarter was $24.7 million, compared with $29.6 million in the prior quarter and $36.5 million in the year-ago quarter. The provision for credit losses during the six-month period ended June 30, 2013 was $54.3 million, compared with $70.9 million in the comparable year-ago period. *(See Provision for Credit Losses discussion).*

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

Our ACL evaluation process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. While the total ACL balance has declined in recent quarters, all of the relevant benchmarks remain strong.

Table of Contents

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

Table 21 Allocation of Allowance for Credit Losses (1)

	2013				2012					
(dollar amounts in thousands)	**June 30,**		March 31,		December 31,		September 30,		June 30,	
Commercial										
Commercial and industrial	**$ 233,679**	**41%**	$ 238,098	42%	$ 241,051	42%	$ 257,081	41%	$ 280,548	41%
Commercial real estate	**255,849**	**11**	267,436	12	285,369	14	280,376	13	305,391	14
Total commercial	**489,528**	**52**	505,534	54	526,420	56	537,457	54	585,939	55
Consumer										
Automobile	**39,990**	**14**	35,973	12	34,979	11	33,281	11	30,217	10
Home equity	**115,626**	**20**	115,858	21	118,764	20	122,605	21	135,562	21
Residential mortgage	**63,802**	**12**	63,062	12	61,658	12	67,220	13	78,015	13
Other consumer	**24,130**	**2**	26,342	1	27,254	1	28,579	1	29,913	1
Total consumer	**243,548**	**48**	241,235	46	242,655	44	251,685	46	273,707	45
Total allowance for loan and lease losses	**733,076**	**100%**	746,769							