

HUNTINGTON BANCSHARES INC/MD

Form 10-Q

November 09, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**  
**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**QUARTERLY PERIOD ENDED September 30, 2006**  
**Commission File Number 0-2525**  
**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.  Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

There were 237,631,000 shares of Registrant's without par value common stock outstanding on October 31, 2006.

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**Table of Contents****Part 1. Financial Information****Item 1. Financial Statements****Huntington Bancshares Incorporated****Condensed Consolidated Balance Sheets**

| <i>(in thousands, except number of shares)</i>   | <b>2006</b><br><b>September 30,</b><br><b>(Unaudited)</b> | 2005<br>December 31, | 2005<br>September 30,<br><i>(Unaudited)</i> |
|--|---|----------------------|---|
| <b>Assets</b>  |   |                      |   |
| Cash and due from banks  | <b>\$ 848,088</b>   | \$ 966,445           | \$ 803,425                                  |
| Federal funds sold and securities purchased under resale agreements  | <b>370,418</b>  | 74,331               | 78,325                                      |
| Interest bearing deposits in banks   | <b>59,333</b>   | 22,391               | 22,379                                      |
| Trading account securities   | <b>122,621</b>  | 8,619                | 191,418                                     |
| Loans held for sale  | <b>276,304</b>  | 294,344              | 449,096                                     |
| Investment securities  | <b>4,643,901</b>  | 4,526,520            | 4,304,898                                   |
| Loans and leases   | <b>26,361,502</b>   | 24,472,166           | 24,496,287                                  |
| Allowance for loan and lease losses  | <b>(280,152)</b>  | (268,347)            | (253,943)                                   |
| <b>Net loans and leases</b>  | <b>26,081,350</b>   | 24,203,819           | 24,242,344                                  |
| Automobile operating lease assets  | <b>54,551</b>   | 189,003              | 247,389                                     |
| Bank owned life insurance  | <b>1,083,033</b>  | 1,001,542            | 993,407                                     |
| Premises and equipment   | <b>367,709</b>  | 360,677              | 358,876                                     |
| Goodwill   | <b>571,521</b>  | 212,530              | 212,530                                     |
| Other intangible assets  | <b>61,239</b>   | 4,956                | 5,173                                       |
| Accrued income and other assets  | <b>1,121,880</b>  | 899,628              | 853,728                                     |
| <b>Total Assets</b>  | <b>\$35,661,948</b>                                       | \$32,764,805         | \$32,762,988                                |
| <b>Liabilities and Shareholders Equity Liabilities</b>   |   |                      |   |
| Deposits   | <b>\$24,738,395</b>                                       | \$22,409,675         | \$22,349,122                                |
| Short-term borrowings  | <b>1,532,504</b>  | 1,889,260            | 1,502,566                                   |
| Federal Home Loan Bank advances  | <b>1,221,669</b>  | 1,155,647            | 1,155,656                                   |
| Other long-term debt   | <b>2,592,188</b>  | 2,418,419            | 2,795,431                                   |
| Subordinated notes   | <b>1,275,883</b>  | 1,023,371            | 1,034,343                                   |
| Deferred federal income tax liability  | <b>615,291</b>  | 743,655              | 768,344                                     |
| Accrued expenses and other liabilities   | <b>556,272</b>  | 567,277              | 534,851                                     |
| <b>Total Liabilities</b>   | <b>32,532,202</b>   | 30,207,304           | 30,140,313                                  |
| <b>Shareholders equity</b>   |   |                      |   |
| Preferred stock authorized 6,617,808 shares; none outstanding  |   |                      | ---   |
| Common stock without par value; authorized 500,000,000 shares; issued 257,866,255 shares; outstanding 237,921,076; 224,106,172 and 229,005,823 shares, | <b>2,556,168</b>  | 2,491,326            | 2,490,919                                   |

respectively.

Less 19,945,179; 33,760,083 and 28,860,432 treasury shares at cost, respectively

|  |                     |              |              |
|--|---------------------|--------------|--------------|
|  | <b>(445,359)</b>    | (693,576)    | (575,941)    |
| Accumulated other comprehensive income (loss)    | <b>32,076</b>       | (22,093)     | (21,839)     |
| Retained earnings                                | <b>986,861</b>      | 781,844      | 729,536      |
| <b>Total Shareholders Equity</b>                 | <b>3,129,746</b>    | 2,557,501    | 2,622,675    |
| <b>Total Liabilities and Shareholders Equity</b> | <b>\$35,661,948</b> | \$32,764,805 | \$32,762,988 |

*See notes to unaudited condensed consolidated financial statements*

**Table of Contents**
**Huntington Bancshares Incorporated**  
**Condensed Consolidated Statements of Income**  
*(Unaudited)*

| <i>(in thousands, except per share amounts)</i>              | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|-----------|------------------------------------|-------------|
|  | 2006                                | 2005      | 2006                               | 2005        |
| Interest and fee income                                      |                                     |           |                                    |             |
| Loans and leases   |                                     |           |                                    |             |
| Taxable  | <b>\$462,709</b>                    | \$366,550 | <b>\$1,307,979</b>                 | \$1,044,486 |
| Tax-exempt   | <b>555</b>                          | 322       | <b>1,584</b>                       | 1,017       |
| Investment securities Taxable                                | <b>60,437</b>                       | 38,507    | <b>173,397</b>                     | 114,097     |
| Tax-exempt   | <b>6,137</b>                        | 5,523     | <b>17,743</b>                      | 14,171      |
| Other  | <b>9,150</b>                        | 9,956     | <b>24,975</b>                      | 25,518      |
| <b>Total interest income</b>                                 | <b>538,988</b>                      | 420,858   | <b>1,525,678</b>                   | 1,199,289   |
| Interest expenses  |                                     |           |                                    |             |
| Deposits   | <b>194,623</b>                      | 119,376   | <b>515,969</b>                     | 313,103     |
| Short-term borrowings  | <b>17,161</b>                       | 10,901    | <b>52,795</b>                      | 22,815      |
| Federal Home Loan Bank advances                              | <b>15,565</b>                       | 7,351     | <b>47,130</b>                      | 24,697      |
| Subordinated notes and other long-term debt                  | <b>56,326</b>                       | 41,593    | <b>148,596</b>                     | 119,939     |
| <b>Total interest expense</b>                                | <b>283,675</b>                      | 179,221   | <b>764,490</b>                     | 480,554     |
| Net interest income  | <b>255,313</b>                      | 241,637   | <b>761,188</b>                     | 718,735     |
| Provision for credit losses                                  | <b>14,162</b>                       | 17,699    | <b>49,447</b>                      | 50,468      |
| <b>Net interest income after provision for credit losses</b> | <b>241,151</b>                      | 223,938   | <b>711,741</b>                     | 668,267     |
| Automobile operating lease income                            | <b>8,580</b>                        | 27,822    | <b>37,771</b>                      | 110,481     |
| Service charges on deposit accounts                          | <b>48,718</b>                       | 44,817    | <b>137,165</b>                     | 125,751     |
| Trust services   | <b>22,490</b>                       | 19,671    | <b>66,444</b>                      | 56,980      |
| Brokerage and insurance income                               | <b>14,697</b>                       | 13,948    | <b>44,235</b>                      | 40,518      |
| Bank owned life insurance income                             | <b>12,125</b>                       | 10,104    | <b>32,971</b>                      | 30,347      |
| Other service charges and fees                               | <b>12,989</b>                       | 11,449    | <b>37,570</b>                      | 32,860      |
| Mortgage banking (loss) income                               | <b>(2,166)</b>                      | 21,116    | <b>36,021</b>                      | 30,801      |
| Securities (losses) gains                                    | <b>(57,332)</b>                     | 101       | <b>(57,387)</b>                    | 715         |
| Gains on sales of automobile loans                           | <b>863</b>                          | 502       | <b>1,843</b>                       | 756         |
| Other income   | <b>36,946</b>                       | 11,210    | <b>83,830</b>                      | 55,751      |
| <b>Total non-interest income</b>                             | <b>97,910</b>                       | 160,740   | <b>420,463</b>                     | 484,960     |
| Automobile operating lease expense                           | <b>5,988</b>                        | 21,637    | <b>27,317</b>                      | 86,667      |
| Personnel costs  | <b>133,823</b>                      | 117,476   | <b>403,284</b>                     | 365,547     |
| Net occupancy  | <b>18,109</b>                       | 16,653    | <b>54,002</b>                      | 53,152      |
| Outside data processing and other services                   | <b>18,664</b>                       | 18,062    | <b>58,084</b>                      | 54,945      |

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|                                      |                   |            |                |         |
|--------------------------------------|-------------------|------------|----------------|---------|
| Equipment                            | <b>17,249</b>     | 15,531     | <b>51,761</b>  | 47,031  |
| Professional services                | <b>6,438</b>      | 8,323      | <b>18,095</b>  | 27,129  |
| Marketing                            | <b>7,846</b>      | 6,364      | <b>25,521</b>  | 19,134  |
| Telecommunications                   | <b>4,818</b>      | 4,512      | <b>14,633</b>  | 14,195  |
| Printing and supplies                | <b>3,416</b>      | 3,102      | <b>10,254</b>  | 9,489   |
| Amortization of intangibles          | <b>2,902</b>      | 203        | <b>6,969</b>   | 611     |
| Other expense                        | <b>23,177</b>     | 21,189     | <b>63,284</b>  | 61,565  |
| <b>Total non-interest expense</b>    | <b>242,430</b>    | 233,052    | <b>733,204</b> | 739,465 |
| Income before income taxes           | <b>96,631</b>     | 151,626    | <b>399,000</b> | 413,762 |
| Provision (benefit) for income taxes | <b>(60,815)</b>   | 43,052     | <b>25,494</b>  | 102,244 |
| <b>Net income</b>                    | <b>\$ 157,446</b> | \$ 108,574 | <b>373,506</b> | 311,518 |
| Average common shares basic          | <b>237,672</b>    | 229,830    | <b>236,790</b> | 231,290 |
| Average common shares diluted        | <b>240,896</b>    | 233,456    | <b>239,933</b> | 234,727 |
| <b>Per common share</b>              |                   |            |                |         |
| Net income basic                     | <b>\$ 0.66</b>    | \$ 0.47    | <b>\$ 1.58</b> | \$ 1.35 |
| Net income diluted                   | <b>0.65</b>       | 0.47       | <b>1.56</b>    | 1.33    |
| Cash dividends declared              | <b>0.250</b>      | 0.215      | <b>0.75</b>    | 0.63    |

*See notes to unaudited condensed consolidated financial statements*

**Table of Contents****Huntington Bancshares Incorporated  
Condensed Consolidated Statements of Changes in Shareholders' Equity**

| <i>(in thousands)</i>  | Common Stock |             | Treasury Shares |             | Accumulated<br>Other<br>Comprehensive<br>Income | Retained<br>Earnings | Total       |
|--|--------------|-------------|-----------------|-------------|---|----------------------|-------------|
|  | Shares       | Amount      | Shares          | Amount      | (Loss)  |                      |             |
| Nine Months<br>Ended<br>September 30,<br>2005 (Unaudited):   |              |             |                 |             |   |                      |             |
| Balance,<br>beginning of<br>period   | 257,866      | \$2,484,204 | (26,261)        | \$(499,259) | \$(10,903)                                      | \$ 563,596           | \$2,537,638 |
| Comprehensive<br>Income:   |              |             |                 |             |   |                      |             |
| Net income   |              |             |                 |             |   | 311,518              | 311,518     |
| Unrealized net<br>losses on<br>investment<br>securities arising<br>during the period,<br>net of<br>reclassification of<br>net realized gains |              |             |                 |             | (18,304)  |                      | (18,304)    |
| Unrealized gains<br>on cash flow<br>hedging<br>derivatives   |              |             |                 |             | 7,368   |                      | 7,368       |
| Total<br>comprehensive<br>income   |              |             |                 |             |   |                      | 300,582     |
| Cash dividends<br>declared (\$0.63<br>per share)   |              |             |                 |             |   | (145,578)            | (145,578)   |
| Treasury shares<br>purchased   |              |             | (4,416)         | (108,610)   |   |                      | (108,610)   |
| Stock options<br>exercised   |              | 3,172       | 1,729           | 33,353      |   |                      | 36,525      |
| Other  |              | 3,543       | 88              | (1,425)     |   |                      | 2,118       |
| Balance, end of<br>period (Unaudited)  | 257,866      | \$2,490,919 | (28,860)        | \$(575,941) | \$(21,839)                                      | \$ 729,536           | \$2,622,675 |



**Nine Months  
Ended  
September 30,  
2006**

**(Unaudited):**

**Balance,  
beginning of**

**period**

|         |             |          |             |            |           |             |
|---------|-------------|----------|-------------|------------|-----------|-------------|
| 257,866 | \$2,491,326 | (33,760) | \$(693,576) | \$(22,093) | \$781,844 | \$2,557,501 |
|---------|-------------|----------|-------------|------------|-----------|-------------|

**Comprehensive  
Income:**

**Net income**

|         |         |
|---------|---------|
| 373,506 | 373,506 |
|---------|---------|

**Cumulative effect  
of change in**

**accounting  
principle for**

**servicing  
financial assets,**

**net of tax of**

**\$6,521**

|        |        |
|--------|--------|
| 12,110 | 12,110 |
|--------|--------|

**Unrealized net**

**gains on**

**investment**

**securities arising**

**during the**

**period, net of**

**reclassification of**

**net realized losses**

|        |        |
|--------|--------|
| 46,332 | 46,332 |
|--------|--------|

**Unrealized gains**

**on cash flow**

**hedging**

**derivatives**

|       |       |
|-------|-------|
| 7,837 | 7,837 |
|-------|-------|

**Total**

**comprehensive**

**income**

|         |
|---------|
| 439,785 |
|---------|

**Cash dividends**

**declared (\$0.75**

**per share)**

|           |           |
|-----------|-----------|
| (180,599) | (180,599) |
|-----------|-----------|

**Shares issued**

**pursuant to**

**acquisition**

|        |        |         |         |
|--------|--------|---------|---------|
| 53,366 | 25,350 | 522,390 | 575,756 |
|--------|--------|---------|---------|

**Recognition of**

**the fair value of**

**share-based**

**compensation**

|        |        |
|--------|--------|
| 13,430 | 13,430 |
|--------|--------|

**Treasury shares**

**purchased**

|          |           |           |
|----------|-----------|-----------|
| (12,931) | (303,898) | (303,898) |
|----------|-----------|-----------|

**Stock options**

**exercised**

|         |       |        |        |
|---------|-------|--------|--------|
| (2,073) | 1,439 | 30,911 | 28,838 |
|---------|-------|--------|--------|

|              |  |            |             |                |  |  |                |
|--------------|--|------------|-------------|----------------|--|--|----------------|
| <b>Other</b> |  | <b>119</b> | <b>(43)</b> | <b>(1,186)</b> |  |  | <b>(1,067)</b> |
|--------------|--|------------|-------------|----------------|--|--|----------------|

**Balance, end of  
period**

|                    |                |                    |                 |                    |                  |                   |                    |
|--------------------|----------------|--------------------|-----------------|--------------------|------------------|-------------------|--------------------|
| <b>(Unaudited)</b> | <b>257,866</b> | <b>\$2,556,168</b> | <b>(19,945)</b> | <b>\$(445,359)</b> | <b>\$ 32,076</b> | <b>\$ 986,861</b> | <b>\$3,129,746</b> |
|--------------------|----------------|--------------------|-----------------|--------------------|------------------|-------------------|--------------------|

*See notes to unaudited condensed consolidated financial statements.*

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**Table of Contents**
**Huntington Bancshares Incorporated**  
**Condensed Consolidated Statements of Cash Flows**  
*(Unaudited)*

| (in thousands of dollars)   | <b>Nine Months Ended<br/>September 30,</b> |                    |
|---|--|--------------------|
|   | <b>2006</b>                                | <b>2005</b>        |
| <b>Operating activities</b>   |  |                    |
| Net income  | \$ 373,506                                 | \$ 311,518         |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |                    |
| Depreciation and amortization   | 88,402                                     | 138,899            |
| Deferred income tax benefit   | (166,168)                                  | (9,422)            |
| (Increase) decrease in trading account securities                                 | (36,535)                                   | 118,212            |
| Pension contribution  | (29,800)                                   | (63,600)           |
| Reversal of tax reserves  | (84,541)                                   |                    |
| Originations of loans held for sale   | (1,934,660)                                | (1,603,271)        |
| Principal payments on and proceeds from loans held for sale                       | 1,931,216                                  | 1,685,272          |
| Losses (gains) on investment securities   | 57,387                                     | (715)              |
| Other, net  | (154,275)                                  | (243,971)          |
| <b>Net cash provided by operating activities</b>                                  | <b>44,532</b>                              | <b>332,922</b>     |
| <b>Investing activities</b>   |  |                    |
| (Increase) decrease in interest bearing deposits in banks                         | (33,846)                                   | 19                 |
| Net cash received in acquisition of Unizan  | 66,507                                     |                    |
| Proceeds from:  |  |                    |
| Maturities and calls of investment securities                                     | 461,680                                    | 333,605            |
| Sales of investment securities  | 1,330,257                                  | 1,715,426          |
| Purchases of investment securities  | (1,645,140)                                | (2,146,993)        |
| Net loan and lease originations, excluding sales                                  | (275,766)                                  | (1,332,014)        |
| Purchases of equipment for operating lease assets                                 | (17,149)                                   | (16,546)           |
| Proceeds from sale of operating lease assets                                      | 106,448                                    | 239,194            |
| Proceeds from sale of premises and equipment                                      | 5,695                                      | 189                |
| Purchases of premises and equipment   | (28,327)                                   | (42,069)           |
| Proceeds from sales of other real estate  | 10,786                                     | 47,755             |
| <b>Net cash used for investing activities</b>                                     | <b>(18,855)</b>                            | <b>(1,201,434)</b> |
| <b>Financing activities</b>   |  |                    |
| Increase in deposits  | 632,079                                    | 1,587,653          |
| (Decrease) increase in short-term borrowings                                      | (435,896)                                  | 295,333            |
| Proceeds from issuance of subordinated notes                                      | 250,000                                    |                    |
| Proceeds from Federal Home Loan Bank advances                                     | 2,312,050                                  | 809,589            |
| Maturity of Federal Home Loan Bank advances                                       | (2,339,341)                                | (925,021)          |
| Proceeds from issuance of long-term debt  | 935,000                                    |                    |

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|   |                     |                   |
|---|---------------------|-------------------|
| Maturity of long-term debt  | (765,777)           | (1,308,145)       |
| Tax benefits in excess of recognized compensation cost for share-based payments | 904                 |                   |
| Dividends paid on common stock  | (161,906)           | (142,422)         |
| Repurchases of common stock   | (303,898)           | (108,610)         |
| Net proceeds from issuance of common stock                                      | 28,838              | 36,525            |
| <b>Net cash provided by financing activities</b>                                | <b>152,053</b>      | <b>244,902</b>    |
| <b>Change in cash and cash equivalents</b>                                      | <b>177,730</b>      | <b>(623,610)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                         | <b>1,040,776</b>    | <b>1,505,360</b>  |
| <b>Cash and cash equivalents at end of period</b>                               | <b>\$ 1,218,506</b> | <b>\$ 881,750</b> |
| Supplemental disclosures:   |                     |                   |
| Income taxes paid   | \$ 282,418          | \$ 146,911        |
| Interest paid   | 457,404             | 447,864           |
| Non-cash activities   |                     |                   |
| Common stock dividends accrued, paid in subsequent quarter                      | 47,700              | 39,167            |
| Stock issued for purchase acquisition   | 575,756             |                   |
| <i>See notes to unaudited condensed consolidated financial statements.</i>      |                     |                   |

**Table of Contents****Notes to Unaudited Condensed Consolidated Financial Statements****Note 1 Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Huntington Bancshares Incorporated (Huntington or the Company) reflect all adjustments consisting of normal recurring accruals, which are, in the opinion of Management, necessary for a fair presentation of the consolidated financial position, the results of operations, and cash flows for the periods presented. These unaudited condensed consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission (SEC or Commission) and, therefore, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted. The Notes to Consolidated Financial Statements appearing in Huntington's 2005 Annual Report on Form 10-K, as amended (2005 Form 10-K), which include descriptions of significant accounting policies, as updated by the information contained in this report, should be read in conjunction with these interim financial statements.

Certain amounts in the prior-year's financial statements have been reclassified to conform to the 2006 presentation.

For statement of cash flows purposes, cash and cash equivalents are defined as the sum of Cash and due from banks and Federal funds sold and securities purchased under resale agreements.

**Note 2 New Accounting Pronouncements****Financial Accounting Standards Board (FASB) Statement No. 123 (revised 2004), *Share-Based Payment***

**(Statement No. 123R)** Statement No. 123R was issued in December 2004, requiring that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement No. 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Statement No. 123R replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation (Statement No. 123)*, and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees (APB 25)*. Statement No. 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. Huntington adopted Statement No. 123R, effective January 1, 2006. The impact of adoption to Huntington's results of operations is presented in Note 10.

**FASB Statement No. 154, *Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and***

**FASB Statement No. 3 (Statement No. 154)** In May 2005, the FASB issued Statement No. 154, which replaces APB Opinion No. 20, *Accounting Changes*, and Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*. Statement No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Statement No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of this new pronouncement was not material to Huntington's financial condition, results of operations, or cash flows.

**FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB***

**Statements No. 133 and 140 (Statement No. 155)** On February 16, 2006, the FASB issued Statement No. 155, which amends Statement No. 133 to simplify the accounting for certain derivatives embedded in other financial instruments (hybrid financial instruments) by permitting these hybrid financial instruments to be carried at fair value. Statement No. 155 also establishes a requirement to evaluate interests in securitized financial assets, including collateralized mortgage obligations and mortgage-backed securities, to identify embedded derivatives that would need to be separately accounted for from the financial asset.

On October 25, 2006, the FASB addressed the application of Statement No. 155 to collateralized mortgage obligations and mortgage-backed securities. The FASB expects to issue an exposure draft of a derivatives implementation group issue in November regarding its conclusions. Based on the FASB's preliminary conclusions regarding the applicability of Statement No. 155 to collateralized mortgage obligations and mortgage-backed securities, Management does not believe that the pending proposed implementation issue will have a significant impact to its financial position or its results of operations.

Huntington adopted Statement No. 155 effective January 1, 2006, with no impact to reported financial results.



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**FASB Statement No. 156, *Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140 (Statement No. 156)*** In March 2006, the FASB issued Statement No. 156, an amendment of Statement No. 140. This Statement requires all separately recognized servicing rights be initially measured at fair value, if practicable. For each class of separately recognized servicing assets and liabilities, this statement permits Huntington to choose either to report servicing assets and liabilities at fair value or at amortized cost. Under the fair value approach, servicing assets and liabilities are recorded at fair value at each reporting date with changes in fair value recorded in earnings in the period in which the changes occur. Under the amortized cost method, servicing assets and liabilities are amortized in proportion to and over the period of estimated net servicing income or net servicing loss and are assessed for impairment based on fair value at each reporting date. The statement is effective for fiscal years beginning after September 15, 2006, and allows early adoption as of the beginning of a fiscal year for which the entity has not previously issued interim financial statements. Huntington elected to adopt the provisions of Statement No. 156 for mortgage servicing rights effective January 1, 2006, and has recorded mortgage servicing right assets using the fair value provision of the standard. The adoption of Statement No. 156 resulted in an \$18.6 million increase in the carrying value of mortgage servicing right assets as of January 1, 2006. The cumulative effect of this change was \$12.1 million, net of taxes, which is reflected as an increase in retained earnings in the Condensed Consolidated Statement of Shareholders' Equity. (See Note 6.)

**FASB Statement No. 157, *Fair Value Measurements (Statement No. 157)*** In September 2006, the FASB issued Statement No. 157. This Statement establishes a common definition for fair value to be applied to GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. Statement No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact this Statement will have on its consolidated financial position and results of operations.

**FASB Statement No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132R (Statement No. 158)*** In September 2006, the FASB issued Statement No. 158, as an amendment to FASB Statements No. 87, 88, 106 and 132R. Statement No. 158 requires an employer to recognize in its statement of financial position the overfunded or underfunded status of its defined benefit plans and to recognize as a component of other comprehensive income, net of tax, any unrecognized transition obligations and assets, the actuarial gains and losses and prior service costs and credits that arise during the period. The recognition provisions of Statement No. 158 are to be applied prospectively and are effective for fiscal years ending after December 15, 2006. Management estimates that, based on the carrying value of its net pension asset at December 31, 2005, Statement No. 158 would result in a write-down of its pension asset by \$155.7 million pre-tax, which would decrease other comprehensive income by \$101.2 million in the period ended December 31, 2006.

**FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*** In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*. This Interpretation of FASB Statement No. 109, *Accounting for Income Taxes*, contains guidance on the recognition and measurement of uncertain tax positions. Huntington will be required to recognize the impact of a tax position if it is more likely than not that it will be sustained upon examination, based upon the technical merits of the position. The effective date for application of this interpretation is for periods beginning after December 15, 2006. The cumulative effect of applying the provisions of this Interpretation must be reported as an adjustment to the opening balance of retained earnings for that fiscal period. Huntington is currently evaluating the impact this Interpretation will have on its consolidated financial statements.

**Note 3 Formal Regulatory Supervisory Agreements**

On March 1, 2005, Huntington announced that it had entered into a formal written agreement with the Federal Reserve Bank of Cleveland (FRBC), and The Huntington National Bank (Bank) had entered into a formal written agreement with the Office of the Comptroller of the Currency (OCC), providing for a comprehensive action plan designed to enhance corporate governance, internal audit, risk management, accounting policies and procedures, and financial and regulatory reporting. The agreements called for independent third-party reviews, as well as the submission of written plans and progress reports by Management and would remain in effect until terminated by the banking regulators.

On October 6, 2005, Huntington announced that the OCC had lifted its formal written agreement with the Bank dated February 28, 2005, and that the FRBC written agreement remained in effect. Huntington was verbally advised that it was in full compliance with the financial holding company and financial subsidiary requirements under the Gramm-Leach-Bliley Act (GLB Act). This notification reflected that Huntington and the Bank met both the well-capitalized and well-managed criteria under the GLB Act.



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On May 10, 2006, Huntington announced that the FRBC notified Huntington's board of directors that Huntington had satisfied the provisions of the written agreement dated February 28, 2005, and that the FRBC, under delegated authority of the Board of Governors of the Federal Reserve System, had terminated the written agreement.

**Note 4 Business Combination**

On March 1, 2006, Huntington completed its merger with Canton, Ohio-based Unizan Financial Corp. (Unizan). Unizan operated 42 banking offices in five metropolitan markets in Ohio: Canton, Columbus, Dayton, Newark, and Zanesville.

Under the terms of the merger agreement announced January 27, 2004, and amended November 11, 2004, Unizan shareholders of record as of the close of trading on February 28, 2006, received 1.1424 shares of Huntington common stock for each share of Unizan. The assets and liabilities of the acquired entity were recorded on the Company's balance sheet at their fair values as of the acquisition date. Unizan's results of operations have been included in the Company's consolidated statement of income since the acquisition date.

The following table shows the excess purchase price over carrying value of net assets acquired, preliminary purchase price allocation, and resulting goodwill:

| <i>(in thousands)</i>   | <b>March 1, 2006</b> |
|---|----------------------|
| Purchase price  | <b>\$ 575,793</b>    |
| Carrying value of net assets acquired                               | <b>(194,996)</b>     |
| Excess of purchase price over carrying value of net assets acquired | <b>380,797</b>       |
| Purchase accounting adjustments:                                    |                      |
| Loans and leases  | <b>17,466</b>        |
| Premises and equipment  | <b>(202)</b>         |
| Accrued income and other assets                                     | <b>257</b>           |
| Deposits  | <b>748</b>           |
| Subordinated notes  | <b>2,845</b>         |
| Deferred federal income tax liability                               | <b>11,838</b>        |
| Accrued expenses and other liabilities                              | <b>8,494</b>         |
| Goodwill and other intangible assets                                | <b>422,243</b>       |
| Less other intangible assets:                                       |                      |
| Core deposit intangible   | <b>(45,000)</b>      |
| Other identifiable intangible assets                                | <b>(18,252)</b>      |
| Other intangible assets   | <b>(63,252)</b>      |
| Goodwill  | <b>\$ 358,991</b>    |

Of the \$63.3 million of acquired intangible assets, \$45.0 million was assigned to core deposit intangible, and \$18.3 million was assigned to customer relationship intangibles. The core deposit and customer relationship intangibles have useful lives ranging from 10 to 15 years.

Goodwill resulting from the transaction totaled \$359.0 million and was assigned to Regional Banking and the Private Financial and Capital Markets Group (PFCMG) in the amount of \$341.0 million and \$18.0 million, respectively.

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The following table summarizes the estimated fair value of the net assets acquired on March 1, 2006 related to the acquisition of Unizan:

| <i>(in thousands)</i>                  | <b>March 1, 2006</b> |
|--|----------------------|
| Assets                                 |                      |
| Cash and due from banks                | \$ 66,544            |
| Interest bearing deposits in banks     | 3,096                |
| Investment securities                  | 300,416              |
| Loans and leases                       | 1,665,006            |
| Allowance for loan and lease losses    | (22,187)             |
| Net loans and leases                   | 1,642,819            |
| Bank owned life insurance              | 48,521               |
| Premises and equipment                 | 21,603               |
| Goodwill                               | 358,991              |
| Other intangible assets                | 63,252               |
| Accrued income and other assets        | 22,012               |
| Total assets                           | 2,527,254            |
| Liabilities                            |                      |
| Deposits                               | 1,696,124            |
| Short-term borrowings                  | 79,140               |
| Federal Home Loan Bank advances        | 102,950              |
| Subordinated notes                     | 23,464               |
| Deferred federal income tax liability  | 11,838               |
| Accrued expenses and other liabilities | 37,945               |
| Total liabilities                      | 1,951,461            |
| <b>Purchase price</b>                  | <b>\$ 575,793</b>    |

Huntington's consolidated financial statements include the results of operations of Unizan only since March 1, 2006, the date of acquisition. The following unaudited summary information presents the consolidated results of operations of Huntington on a pro forma basis, as if the Unizan acquisition had occurred at the beginning of 2006 and 2005.

| <i>(in thousands, except per share amounts)</i>       | <b>Three Months Ended</b> |            | <b>Nine Months Ended</b> |            |
|---|---------------------------|------------|--------------------------|------------|
|   | <b>September 30,</b>      |            | <b>September 30,</b>     |            |
|   | <b>2006</b>               | 2005       | <b>2006</b>              | 2005       |
| Net interest income                                   | \$ 255,313                | \$ 259,055 | \$ 772,800               | \$ 770,987 |
| Provision for credit losses                           | (14,162)                  | (19,364)   | (50,557)                 | (55,465)   |
| Net interest income after provision for credit losses | 241,151                   | 239,691    | 722,243                  | 715,522    |
| Non-interest income                                   | 97,910                    | 167,916    | 425,247                  | 506,490    |
| Non-interest expense                                  | (242,430)                 | (250,680)  | (745,050)                | (793,003)  |

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|                                      |                   |            |                   |            |
|--------------------------------------|-------------------|------------|-------------------|------------|
| Income before income taxes           | <b>96,631</b>     | 156,927    | <b>402,440</b>    | 429,009    |
| Provision (benefit) for income taxes | <b>60,815</b>     | (44,560)   | <b>(27,491)</b>   | (106,581)  |
| Net income                           | <b>\$ 157,446</b> | \$ 112,367 | <b>\$ 374,949</b> | \$ 322,428 |
| Net income per common share          |                   |            |                   |            |
| Basic                                | <b>\$ 0.66</b>    | \$ 0.44    | <b>\$ 1.55</b>    | \$ 1.26    |
| Diluted                              | <b>0.65</b>       | 0.43       | <b>1.53</b>       | 1.24       |
| Average common shares outstanding    |                   |            |                   |            |
| Basic                                | <b>237,672</b>    | 255,135    | <b>242,423</b>    | 256,554    |
| Diluted                              | <b>240,896</b>    | 258,889    | <b>245,566</b>    | 260,121    |

The pro forma results include amortization of fair value adjustments on loans, deposits, and debt, and amortization of newly created intangibles and post-merger acquisition related charges. The pro forma number of average common shares outstanding includes adjustments for shares issued for the acquisition and the impact of additional dilutive securities but does not assume any incremental share repurchases. The pro forma results presented do not reflect cost savings, or revenue enhancements anticipated from the acquisition, and are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of the periods presented, nor are they necessarily indicative of future consolidated results.

**Table of Contents****Note 5 Goodwill and Other Intangible Assets**

Changes to the carrying amount of goodwill by line of business for the nine months ended September 30, 2006, were as follows:

| <i>(in thousands)</i>               | Regional<br>Banking | Dealer<br>Sales | PFCMG            | Treasury/<br>Other | Huntington<br>Consolidated |
|-------------------------------------|---------------------|-----------------|------------------|--------------------|----------------------------|
| Balance, January 1, 2006            | \$ 199,971          | \$              | \$ 12,559        | \$                 | \$ 212,530                 |
| Goodwill acquired during the period | 341,024             |                 | 17,967           |                    | 358,991                    |
| Balance, September 30, 2006         | <b>\$ 540,995</b>   | <b>\$</b>       | <b>\$ 30,526</b> | <b>\$</b>          | <b>\$ 571,521</b>          |

As further described in Note 4, goodwill acquired during 2006 was a result of the completion of the merger with Unizan. In accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized, but is evaluated for impairment on an annual basis at September 30<sup>th</sup> of each year.

At September 30, 2006, Huntington's other intangible assets consisted of the following:

| <i>(in thousands)</i>         | <b>September 30, 2006</b>            |                                     |                                   |
|-------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|
|                               | <b>Gross<br/>Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Net<br/>Carrying<br/>Value</b> |
| Other intangible assets:      |                                      |                                     |                                   |
| Leasehold purchased           | \$ 23,655                            | \$(19,427)                          | \$ 4,228                          |
| Core deposit intangible       | 45,000                               | (5,268)                             | 39,732                            |
| Borrower relationship         | 6,570                                | (274)                               | 6,296                             |
| Trust customers               | 11,430                               | (562)                               | 10,868                            |
| Other                         | 382                                  | (267)                               | 115                               |
| Total other intangible assets | \$ 87,037                            | \$(25,798)                          | \$ 61,239                         |

Amortization expense of other intangible assets for the three months ended September 30, 2006, and 2005, was \$2.9 million and \$0.2 million, respectively. Amortization expense of other intangible assets for the nine months ended September 30, 2006 and 2005 was \$7.0 million and \$0.6 million, respectively.

The estimated amortization expense of other intangible assets for the next five annual years are as follows:

| <i>(in thousands)</i> | Amortization<br>Expense |
|-----------------------|-------------------------|
| Fiscal year:          |                         |
| 2007                  | \$9,815                 |
| 2008                  | 8,653                   |
| 2009                  | 7,748                   |
| 2010                  | 6,949                   |
| 2011                  | 6,177                   |

**Note 6 Loan Sales and Securitizations****Automobile loans**

Huntington sold \$185.4 million and \$213.4 million of automobile loans in the third quarters of 2006 and 2005, resulting in pre-tax gains of \$0.9 million and \$0.5 million, respectively. For the nine-month periods ended September 30, 2006 and 2005, sales of automobile loans totaled \$573.6 million and \$266.9 million, resulting in

pre-tax gains of \$1.8 million and \$0.8 million, respectively.

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Huntington adopted Statement No. 156 as of January 1, 2006. Automobile loan servicing rights are accounted for under the amortization provision of that statement. A servicing asset is established at fair value at the time of the sale. The servicing asset is then amortized against servicing income. Impairment, if any, is recognized when carrying value exceeds the fair value as determined by calculating the present value of expected net future cash flows. The primary risk characteristic for measuring servicing assets is payoff rates of the underlying loan pools. Valuation calculations rely on the predicted payoff assumption and, if actual payoff is quicker than expected, then future value would be impaired.

Changes in the carrying value of automobile loan servicing rights for the three months and nine months ended September 30, 2006 and 2005, and the fair value at the end of each period were as follows:

| <i>(in thousands)</i>               | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|-------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                                     | 2006                                | 2005      | 2006                               | 2005      |
| Carrying value, beginning of period | \$ 8,985                            | \$ 14,262 | \$ 10,805                          | \$ 20,286 |
| New servicing assets                | 1,289                               | 976       | 3,651                              | 1,308     |
| Amortization                        | (1,794)                             | (2,754)   | (5,976)                            | (9,044)   |
| Impairment charges                  |                                     |           |                                    | (66)      |
| Carrying value, end of period       | \$ 8,480                            | \$ 12,484 | \$ 8,480                           | \$ 12,484 |
| Fair value, end of period           | \$ 10,826                           | \$ 13,072 | \$ 10,826                          | \$ 13,072 |

Huntington has retained servicing responsibilities on sold automobile loans and receives annual servicing fees from 0.55% to 1.00% of the outstanding loan balances. Servicing income, net of amortization of capitalized servicing assets, amounted to \$3.8 million for both the three months ended September 30, 2006 and 2005, respectively. For the nine months ended September 30, 2006 and 2005, servicing income was \$10.6 million and \$8.8 million, respectively.

During the second quarter of 2006, Huntington transferred \$1.2 billion automobile loans and leases to a trust in a securitization transaction. The securitization did not qualify for sale accounting under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* and, therefore, is accounted for as a secured financing.

**Residential Mortgage Loans**

A mortgage servicing right (MSR) is established only when the servicing is contractually separated from the underlying mortgage loans by sale or securitization of the loans with servicing rights retained. Effective January 1, 2006, the Company early adopted Statement No. 156. The same risk management practices are applied to all MSRs and, accordingly, MSRs were identified as a single asset class and were re-measured to fair value as of January 1, 2006, with an adjustment to retained earnings.

At initial recognition, the MSR asset is established at its fair value using assumptions that are consistent with assumptions used at the time to estimate the fair value of the total MSR portfolio. Subsequent to initial capitalization, MSR assets are carried at fair value and are included in other assets. Any increase or decrease in fair value during the period is recorded as an increase or decrease in servicing income, which is reflected in non-interest income in the consolidated income statement.

The following table is a summary of the changes in MSR fair value during the three months and nine months ended September 30, 2006:

|  | Three Months<br>Ended<br>September 30, | Nine Months<br>Ended<br>September 30, |
|--|--|---------------------------------------|
|--|--|---------------------------------------|

| <i>(in thousands)</i>                                     | <b>2006</b>       |           | <b>2006</b>    |
|---|-------------------|-----------|----------------|
| Carrying value, beginning of period                       | N/A               | \$        | 91,259         |
| Cumulative effect in change in accounting principle       | N/A               |           | 18,631         |
| Fair value, beginning of period                           | \$ 136,244        |           | 109,890        |
| New servicing assets created                              | 8,273             |           | 21,484         |
| Servicing assets acquired                                 |                   |           | 2,474          |
| Change in fair value during the period due to:            |                   |           |                |
| Time decay <sup>(1)</sup>                                 | (1,065)           |           | (3,049)        |
| Payoffs <sup>(2)</sup>                                    | (3,419)           |           | (8,260)        |
| Changes in valuation inputs or assumptions <sup>(3)</sup> | (10,716)          |           | 6,778          |
| <b>Fair value, end of period</b>                          | <b>\$ 129,317</b> | <b>\$</b> | <b>129,317</b> |

N/A, Not applicable

(1) Represents decrease in value due to passage of time, including the impact from both regularly scheduled loan principal payments and partial loan paydowns.

(2) Represents decrease in value associated with loans that paid off during the period.

(3) Represents value change in value resulting primarily from market-driven changes in interest rates.

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MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs occur, the precise terms and conditions are typically not readily available. Therefore, the fair value of MSRs is estimated using a discounted future cash flow model. The model considers portfolio characteristics, contractually specified servicing fees and assumptions related to prepayments, delinquency rates, late charges, other ancillary revenues, costs to service, and other economic factors. Changes in the assumptions used may have a significant impact on the valuation of MSRs.

A summary of key assumptions and the sensitivity of the MSR value at September 30, 2006 to changes in these assumptions follows:

| <i>(in thousands)</i>     | Actual | Decline in fair value<br>due to |                          |
|---------------------------|--------|---------------------------------|--------------------------|
|                           |        | 10%<br>adverse<br>change        | 20%<br>adverse<br>change |
| Constant pre-payment rate | 12.19% | \$(5,711)                       | \$(11,018)               |
| Discount rate             | 9.38   | (4,752)                         | (9,171)                  |

MSR values are very sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be greatly impacted by the level of prepayments. The Company hedges against changes in MSR fair value attributable to changes in interest rates through a combination of derivative instruments and trading securities.

Prior to 2006, servicing rights were evaluated quarterly for impairment based on the fair value of those rights, using a disaggregated approach. The fair value of the servicing rights was determined by estimating the present value of future net cash flows, taking into consideration market loan prepayment speeds, discount rates, servicing costs, and other economic factors. Temporary impairment was recognized in a valuation allowance against the mortgage servicing rights.

Changes in the impairment allowance of mortgage servicing rights for the three and nine months ended September 30, 2005, were as follows:

| <i>(in thousands)</i>        | Three<br>Months<br>Ended<br>September<br>30,<br>2005 | Nine<br>Months<br>Ended<br>September<br>30,<br>2005 |
|------------------------------|--|---|
| Balance, beginning of period | \$ (11,246)  | \$ (4,775)  |
| Impairment charges           | (4,308)  | (15,719)  |
| Impairment recovery          | 14,765   | 19,705  |
| Balance, end of period       | \$ (789)   | \$ (789)  |

Below is a summary of servicing fee income earned during the three and nine months ended September 30, 2006 and 2005.

| <i>(in thousands)</i> | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |          |
|-----------------------|-------------------------------------|---------|------------------------------------|----------|
|                       | 2006                                | 2005    | 2006                               | 2005     |
| Servicing fees        | <b>\$6,077</b>                      | \$5,532 | <b>\$17,997</b>                    | \$16,390 |
| Late fees             | <b>649</b>                          | 499     | <b>1,810</b>                       | 1,508    |



|                  |                |         |                 |          |
|------------------|----------------|---------|-----------------|----------|
| Ancillary fees   | <b>206</b>     | 232     | <b>547</b>      | 499      |
| Total fee income | <b>\$6,932</b> | \$6,263 | <b>\$20,354</b> | \$18,397 |

**Table of Contents****Note 7 Investment Securities**

Listed below are the contractual maturities (under 1 year, 1-5 years, 6-10 years and over 10 years) of investment securities at September 30, 2006, December 31, 2005, and September 30, 2005:

| <i>(in thousands)</i>                         | September 30, 2006 |                  | December 31, 2005 |            | September 30, 2005 |            |
|---|--------------------|------------------|-------------------|------------|--------------------|------------|
|   | Amortized<br>Cost  | Fair Value       | Amortized<br>Cost | Fair Value | Amortized<br>Cost  | Fair Value |
| U.S. Treasury                                 |                    |                  |                   |            |                    |            |
| Under 1 year                                  | \$ 799             | \$ 802           | \$                | \$         | \$                 | \$         |
| 1-5 years                                     | 20,464             | 20,479           | 23,446            | 22,893     | 23,951             | 23,501     |
| 6-10 years                                    |                    |                  | 753               | 782        | 249                | 260        |
| Over 10 years                                 |                    |                  |                   |            |                    |            |
| <b>Total U.S. Treasury</b>                    | <b>21,263</b>      | <b>21,281</b>    | 24,199            | 23,675     | 24,200             | 23,761     |
| Federal agencies                              |                    |                  |                   |            |                    |            |
| Mortgage backed securities                    |                    |                  |                   |            |                    |            |
| Under 1 year                                  | 4,091              | 4,096            |                   |            |                    |            |
| 1-5 years                                     | 8,409              | 8,487            | 31,058            | 30,047     | 32,779             | 32,129     |
| 6-10 years                                    | 1,701              | 1,705            |                   |            |                    |            |
| Over 10 years                                 | 1,354,964          | 1,356,884        | 1,278,540         | 1,248,975  | 1,059,544          | 1,035,760  |
| <b>Total mortgage-backed Federal agencies</b> | <b>1,369,165</b>   | <b>1,371,172</b> | 1,309,598         | 1,279,022  | 1,092,323          | 1,067,889  |
| Other agencies                                |                    |                  |                   |            |                    |            |
| Under 1 year                                  | 44,610             | 44,610           |                   |            |                    |            |
| 1-5 years                                     | 288,744            | 288,744          | 296,945           | 286,754    | 535,147            | 519,494    |
| 6-10 years                                    |                    |                  | 52,440            | 49,712     | 73,848             | 70,258     |
| Over 10 years                                 |                    |                  |                   |            |                    |            |
| <b>Total other Federal agencies</b>           | <b>333,354</b>     | <b>333,354</b>   | 349,385           | 336,466    | 608,995            | 589,752    |
| <b>Total Federal agencies</b>                 | <b>1,702,519</b>   | <b>1,704,526</b> | 1,658,983         | 1,615,488  | 1,701,318          | 1,657,641  |
| Municipal securities                          |                    |                  |                   |            |                    |            |
| Under 1 year                                  | 42                 | 42               | 65                | 65         | 65                 | 65         |
| 1-5 years                                     | 9,808              | 9,852            | 145               | 145        | 166                | 165        |
| 6-10 years                                    | 162,659            | 162,433          | 144,415           | 143,597    | 134,432            | 134,140    |
| Over 10 years                                 | 414,717            | 419,356          | 400,156           | 401,043    | 404,542            | 405,519    |
| <b>Total municipal securities</b>             | <b>587,226</b>     | <b>591,683</b>   | 544,781           | 544,850    | 539,205            | 539,889    |
| Private label CMO                             |                    |                  |                   |            |                    |            |
| Under 1 year                                  |                    |                  |                   |            |                    |            |

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|                                      |                    |                    |             |             |             |             |
|--------------------------------------|--------------------|--------------------|-------------|-------------|-------------|-------------|
| 1-5 years                            |                    |                    |             |             |             |             |
| 6-10 years                           |                    |                    |             |             |             |             |
| Over 10 years                        | <b>753,266</b>     | <b>756,009</b>     | 402,959     | 393,569     | 412,003     | 404,274     |
| <b>Total private label CMO</b>       | <b>753,266</b>     | <b>756,009</b>     | 402,959     | 393,569     | 412,003     | 404,274     |
| Asset backed securities              |                    |                    |             |             |             |             |
| Under 1 year                         |                    |                    |             |             |             |             |
| 1-5 years                            | <b>30,000</b>      | <b>30,061</b>      | 31,663      | 31,659      | 32,970      | 32,970      |
| 6-10 years                           |                    |                    |             |             |             |             |
| Over 10 years                        | <b>1,365,139</b>   | <b>1,374,535</b>   | 1,757,031   | 1,757,121   | 1,463,760   | 1,466,301   |
| <b>Total asset backed securities</b> | <b>1,395,139</b>   | <b>1,404,596</b>   | 1,788,694   | 1,788,780   | 1,496,730   | 1,499,271   |
| Other                                |                    |                    |             |             |             |             |
| Under 1 year                         | <b>3,400</b>       | <b>3,400</b>       | 1,700       | 1,700       | 400         | 400         |
| 1-5 years                            | <b>5,843</b>       | <b>5,813</b>       | 10,997      | 11,051      | 11,604      | 11,774      |
| 6-10 years                           | <b>692</b>         | <b>693</b>         | 2,062       | 2,063       | 1,555       | 1,536       |
| Over 10 years                        | <b>44</b>          | <b>44</b>          | 44          | 43          | 104,211     | 104,460     |
| Non-marketable equity securities     | <b>148,923</b>     | <b>148,923</b>     | 89,661      | 89,661      |             |             |
| Marketable equity securities         | <b>6,559</b>       | <b>6,933</b>       | 55,058      | 55,640      | 61,545      | 61,892      |
| <b>Total other</b>                   | <b>165,461</b>     | <b>165,806</b>     | 159,522     | 160,158     | 179,315     | 180,062     |
| <b>Total investment securities</b>   | <b>\$4,624,874</b> | <b>\$4,643,901</b> | \$4,579,138 | \$4,526,520 | \$4,352,771 | \$4,304,898 |
| Duration in years <sup>(1)</sup>     |                    | <b>3.3</b>         |             | <b>2.8</b>  |             | <b>2.8</b>  |

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

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Subsequent to the end of the quarter, the Company initiated a review of its investment securities portfolio. Management determined that \$2.1 billion of securities, primarily consisting of U.S. Treasury and Agency securities as well as certain other asset-backed securities, were other-than-temporarily impaired and, as of September 30, 2006 recognized the unrealized losses of \$57.5 million associated with these securities. Based upon its assessment, Management does not believe any other individual unrealized loss at September 30, 2006, represents an other-than-temporary impairment. In addition, Huntington has the ability to hold these securities for a time necessary, including to maturity, to recover the amortized cost. There were no securities classified as held to maturity at September 30, 2006.

At September 30, 2006 non marketable equity securities includes \$121.1 million of stock of the Federal Home Loan Bank of Cincinnati and \$27.4 of stock of the Federal Reserve Bank.

**Note 8 Other Comprehensive Income**

The components of Huntington's other comprehensive income in the three and nine months ended September 30, 2006 and 2005, were as follows:

| <i>(in thousands)</i>  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|------------------------------------|------------|
|  | <b>2006</b>                         | 2005       | <b>2006</b>                        | 2005       |
| Unrealized gains and losses on investment securities arising during the period:  |                                     |            |                                    |            |
| Unrealized net gains (losses)  | <b>\$ 69,481</b>                    | \$(36,215) | <b>\$ 14,258</b>                   | \$(27,499) |
| Related tax (expense) benefit  | <b>(24,708)</b>                     | 12,729     | <b>(5,228)</b>                     | 9,660      |
| Net  | <b>44,773</b>                       | (23,486)   | <b>9,030</b>                       | (17,839)   |
| Reclassification adjustment for net losses (gains) from sales of investment securities realized during the period:                               |                                     |            |                                    |            |
| Realized net losses (gains)  | <b>57,332</b>                       | (101)      | <b>57,387</b>                      | (715)      |
| Related tax (benefit) expense  | <b>(20,066)</b>                     | 35         | <b>(20,085)</b>                    | 250        |
| Net  | <b>37,266</b>                       | (66)       | <b>37,302</b>                      | (465)      |
| Total unrealized net gains (losses) on investment securities arising during the period, net of reclassification of net realized gains and losses | <b>82,039</b>                       | (23,552)   | <b>46,332</b>                      | (18,304)   |
| Unrealized (losses) gains on cash flow hedging derivatives arising during the period:  |                                     |            |                                    |            |
| Unrealized net (losses) gains  | <b>(9,034)</b>                      | 3,743      | <b>12,057</b>                      | 11,335     |
| Related tax benefit (expense)  | <b>3,162</b>                        | (1,310)    | <b>(4,220)</b>                     | (3,967)    |
| Net  | <b>(5,872)</b>                      | 2,433      | <b>7,837</b>                       | 7,368      |
| <b>Total other comprehensive income (loss)</b>   | <b>\$ 76,167</b>                    | \$(21,119) | <b>\$ 54,169</b>                   | \$(10,936) |

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Activity in accumulated other comprehensive income for the nine months ended September 30, 2006 and 2005, was as follows:

| <i>(in thousands)</i>              | Unrealized<br>gains<br>and losses on<br>investment<br>securities | Unrealized gains<br>on cash<br>flow hedging<br>derivatives | Minimum<br>pension<br>liability | Total            |
|------------------------------------|--|--|---------------------------------|------------------|
| Balance, December 31, 2004         | \$ (12,683)  | \$ 4,252   | \$ (2,472)                      | \$ (10,903)      |
| Period change                      | (18,304)   | 7,368  |                                 | (10,936)         |
| Balance, September 30, 2005        | \$ (30,987)  | \$ 11,620  | \$ (2,472)                      | \$ (21,839)      |
| Balance, December 31, 2005         | \$ (34,016)  | \$ 15,206  | \$ (3,283)                      | \$ (22,093)      |
| Period change                      | 46,332   | 7,837  |                                 | 54,169           |
| <b>Balance, September 30, 2006</b> | <b>\$ 12,316</b>   | <b>\$ 23,043</b>   | <b>\$ (3,283)</b>               | <b>\$ 32,076</b> |

**Table of Contents****Note 9 Earnings per Share**

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted for the potential issuance of common shares for dilutive stock options. The calculation of basic and diluted earnings per share for each of the three and nine months ended September 30, 2006 and 2005, is as follows:

| <i>(in thousands, except per share amounts)</i>  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | <b>2006</b>                         | 2005      | <b>2006</b>                        | 2005      |
| <b>Net income</b>                                | <b>\$157,446</b>                    | \$108,574 | <b>\$373,506</b>                   | \$311,518 |
| Average common shares outstanding                | <b>237,672</b>                      | 229,830   | <b>236,790</b>                     | 231,290   |
| Dilutive potential common shares                 | <b>3,224</b>                        | 3,626     | <b>3,143</b>                       | 3,437     |
| <b>Diluted average common shares outstanding</b> | <b>240,896</b>                      | 233,456   | <b>239,933</b>                     | 234,727   |

**Earnings per share**

|         |                |         |                |         |
|---------|----------------|---------|----------------|---------|
| Basic   | \$ <b>0.66</b> | \$ 0.47 | \$ <b>1.58</b> | \$ 1.35 |
| Diluted | <b>0.65</b>    | 0.47    | <b>1.56</b>    | 1.33    |

The average market price of Huntington's common stock for the period was used in determining the dilutive effect of outstanding stock options. Dilutive potential common shares include stock options and options held in deferred compensation plans. Dilutive potential common shares are computed based on the number of shares subject to options that have an exercise price less than the average market price of Huntington's common stock for the period.

Options to purchase 5.5 million shares during both the three months and nine months ended September 30, 2006 and 5.6 million and 5.7 million shares during the three months and nine months ended September 30, 2005, respectively, were outstanding but were not included in the computation of diluted earnings per share because the effect would be antidilutive. The weighted average exercise price for these options was \$25.70 and \$25.69 per share and \$25.70 and \$25.68 for the three months and nine months ended September 30, 2006 and 2005, respectively.

**Note 10 Share-based Compensation**

Huntington sponsors nonqualified and incentive share based compensation plans. These plans provide for the granting of stock options and other awards to officers, directors, and other employees. Stock options are granted at the market price on the date of the grant. Options vest ratably over three years or when other conditions are met. Options granted prior to May 2004 have a maximum term of ten years. All options granted beginning in May 2004 have a maximum term of seven years.

Beginning in 2006, Huntington began granting Restricted Stock Units under the 2004 Stock and Long-Term Incentive Plan. Restricted Stock Units are issued at no cost to the recipient, and can be settled only in shares at the end of the vesting period, subject to certain service restrictions. The fair value of the restricted stock unit awards was based on the closing market price of the Company's common stock on the date of award.

Huntington's board of directors has approved all of the plans. Shareholders have approved each of the plans, except for the broad-based Employee Stock Incentive Plan. Of the 25.8 million awards to grant or purchase shares of common stock authorized for issuance under the plans at September 30, 2006, 21.9 million were outstanding and 3.9 million were available for future grants.

On January 1, 2006, Huntington adopted the fair value recognition provisions of Statement No. 123R relating to its share-based compensation plans. Prior to January 1, 2006, Huntington had accounted for share-based compensation plans under the intrinsic value method promulgated by APB Opinion 25, *Accounting for Stock Issued to Employees*, and related interpretations. In accordance with APB 25, compensation expense for employee stock options was

generally not recognized for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant.

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Under the modified prospective method of Statement No. 123R, compensation expense was recognized during the three and nine months ended September 30, 2006, for all unvested stock options, based on the grant date fair value estimated in accordance with the original provisions of Statement No. 123 and for all share-based payments granted after January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of Statement No. 123R. Share-based compensation expense was recorded in personnel costs in the consolidated statements of income. Huntington's financial results for the prior periods have not been restated.

The following table presents the unfavorable impact of adoption of Statement 123R on Huntington's income before income taxes, net income, and basic and diluted earnings per share for the three and nine months ended September 30, 2006.

|  | Share-based compensation expense            |  |
|--|---|--|
|  | Three Months Ended<br>September 30,<br>2006 | Nine Months Ended<br>September 30,<br>2006 |
| <i>(in millions, except per share amounts)</i> |   |  |
| <b>Income before income taxes</b>              | \$ (4.9)                                    | \$(13.4)                                   |
| <b>Net income</b>                              | (3.2)                                       | (8.7)                                      |
| <b>Earnings per share</b>                      |   |  |
| Basic  | \$(0.01)                                    | \$(0.04)                                   |
| Diluted  | (0.01)                                      | (0.04)                                     |

Prior to the adoption of Statement 123R, Huntington presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the consolidated statements of cash flows. Statement 123R requires the cash flows from tax benefits resulting from tax deductions in excess of compensation costs recognized for those options (excess tax benefits) to be classified as financing cash flows. As a result, the benefits of tax deductions in excess of recognized compensation cost included in net financing cash flows for the nine months ended September 30, 2006 was \$0.9 million.

Consistent with the valuation method used for the disclosure only provisions of Statement No. 123, Huntington uses the Black-Scholes option-pricing model to value share-based compensation expense. This model assumes that the estimated fair value of options is amortized over the options' vesting periods and the compensation costs would be included in personnel costs on the consolidated statements of income. Forfeitures are estimated at the date of grant based on historical rates and reduce the compensation expense recognized. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant. Expected volatility is based on the historical volatility of Huntington's stock. The expected term of options granted is derived from historical data on employee exercises. The expected dividend yield is based on the dividend rate and stock price on the date of the grant. The following table illustrates the weighted-average assumptions used in the option-pricing model for options granted in each of the periods presented.

|  | Three Months Ended<br>September 30,<br><b>2006</b> |       | Nine Months Ended<br>September 30,<br><b>2006</b> |       |
|--|--|-------|---|-------|
|  | 2006   | 2005  | 2006  | 2005  |
| <b>Assumptions</b>                               |  |       |   |       |
| Risk-free interest rate                          | <b>5.11%</b>                                       | 4.05% | <b>5.09%</b>                                      | 4.05% |
| Expected dividend yield                          | <b>4.27</b>  | 3.29  | <b>4.26</b>                                       | 3.30  |
| Expected volatility of Huntington's common stock | <b>22.2</b>  | 26.3  | <b>22.2</b>                                       | 26.3  |
| Expected option term (years)                     | <b>6.0</b>   | 6.0   | <b>6.0</b>  | 6.0   |



**Weighted-average grant date fair value per share** \$4.20 \$5.38 \$4.20 \$5.36

The following pro forma disclosures for net income and earnings per diluted common share for the three and nine months ended September 30, 2005, are presented as if Huntington had applied the fair value method of accounting of Statement No. 123 in measuring compensation costs for stock options.

| <i>(in millions, except per share amounts)</i> | Three Months<br>Ended<br>September 30,<br>2005 | Nine Months<br>Ended<br>September 30,<br>2005 |
|--|--|---|
| <b>Pro forma results</b>                       |  |   |
| Net income, as reported                        | \$ 108.6                                       | \$ 311.5                                      |
| Pro forma expense, net of tax                  | (2.9)  | (8.7)   |
| <b>Pro forma net income</b>                    | <b>\$ 105.7</b>                                | <b>\$ 302.8</b>                               |
| <b>Net income per common share:</b>            |  |   |
| Basic, as reported                             | \$ 0.47  | \$ 1.35                                       |
| Basic, pro forma                               | 0.46   | 1.31  |
| Diluted, as reported                           | 0.47   | 1.33  |
| Diluted, pro forma                             | 0.45   | 1.29  |

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Huntington's stock option activity and related information for the nine months ended September 30, 2006, was as follows:

| <i>(in thousands, except per share amounts)</i> | Options       | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---|---------------|---------------------------------|---|---------------------------|
| Outstanding at January 1, 2006                  | 21,004        | \$ 21.11                        |   |                           |
| Granted   | 1,463         | 23.37                           |   |                           |
| Acquired <sup>(1)</sup>                         | 655           | 16.56                           |   |                           |
| Exercised                                       | (1,446)       | 17.91                           |   |                           |
| Forfeited/expired                               | (433)         | 22.58                           |   |                           |
| <b>Outstanding at September 30, 2006</b>        | <b>21,243</b> | <b>\$ 21.31</b>                 | <b>5.1</b>  | <b>\$ 65,411</b>          |
| <b>Exercisable at September 30, 2006</b>        | <b>15,068</b> | <b>\$ 20.66</b>                 | <b>4.7</b>  | <b>\$ 57,578</b>          |

<sup>(1)</sup> Relates to option plans acquired from the merger with Unizan.

The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the option exercise price. The total intrinsic value of stock options exercised during the nine months ended September 30, 2006, was \$8.9 million.

Huntington issues shares to fulfill stock option exercises from available shares held in treasury. At September 30, 2006, the Company believes there are adequate shares in treasury to satisfy anticipated stock option exercises in 2006.

The following table summarizes the status of Huntington's nonvested awards for the nine months ended September 30, 2006:

| <i>(in thousands, except per share amounts)</i> | Options      | Weighted-Average Grant Date Fair Value Per Share | Restricted Stock Units | Weighted-Average Grant Date Fair Value Per Share |
|---|--------------|--|------------------------|--|
| Nonvested at January 1, 2006                    | 7,956        | \$ 5.53  |                        | \$   |
| Granted   | 1,459        | 4.20   | 464                    | 23.34  |
| Acquired <sup>(1)</sup>                         | 19           | 4.61   |                        |  |
| Vested  | (2,864)      | 5.63   |                        |  |
| Forfeited                                       | (395)        | 5.49   | (2)                    | 23.34  |
| <b>Nonvested at September 30, 2006</b>          | <b>6,175</b> | <b>\$ 5.16</b>                                   | <b>462</b>             | <b>\$ 23.34</b>                                  |

<sup>(1)</sup> Relates to option plans acquired from the merger with Unizan.

As of September 30, 2006, the total compensation cost related to nonvested awards not yet recognized was \$31.6 million with a weighted-average expense recognition period of 2.1 years. The total fair value of awards vested during the nine months ended September 30, 2006, was \$16.2 million.

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The following table presents additional information regarding options outstanding as of September 30, 2006.

*(in thousands, except per share amounts)*

| Range of<br>Exercise Prices | Options Outstanding |   |   | Exercisable Options |   |
|-----------------------------|---------------------|---|---|---------------------|---|
|                             | Shares              | Weighted-<br>Average<br>Remaining<br>Contractual<br>Life<br>(Years) | Weighted-<br>Average<br>Exercise<br>Price | Shares              | Weighted-<br>Average<br>Exercise<br>Price |
| \$9.91 to \$15.00           | 745                 | 4.9   | \$ 14.21                                  | 745                 | \$ 14.21                                  |
| \$15.01 to \$20.00          | 7,575               | 4.8   | 18.08                                     | 6,240               | 17.68                                     |
| \$20.01 to \$25.00          | 10,655              | 5.8   | 22.85                                     | 5,832               | 22.13                                     |
| \$25.01 to \$28.35          | 2,268               | 2.3   | 27.22                                     | 2,251               | 27.23                                     |
| <b>Total</b>                | <b>21,243</b>       | <b>5.1</b>  | <b>\$ 21.31</b>                           | <b>15,068</b>       | <b>\$ 20.66</b>                           |

**Table of Contents****Note 11 Benefit Plans**

Huntington sponsors the Huntington Bancshares Retirement Plan (the Plan), a non-contributory defined benefit pension plan covering substantially all employees. The Plan provides benefits based upon length of service and compensation levels. The funding policy of Huntington is to contribute an annual amount that is at least equal to the minimum funding requirements but not more than that deductible under the Internal Revenue Code. In addition, Huntington has an unfunded, defined benefit post-retirement plan (Post-Retirement Benefit Plan) that provides certain healthcare and life insurance benefits to retired employees who have attained the age of 55 and have at least 10 years of vesting service under this plan. For any employee retiring on or after January 1, 1993, post-retirement healthcare benefits are based upon the employee's number of months of service and are limited to the actual cost of coverage. Life insurance benefits are a percentage of the employee's base salary at the time of retirement, with a maximum of \$50,000 of coverage.

The following table shows the components of net periodic benefit expense of the Plan and the Post-Retirement Benefit Plan:

| <i>(in thousands of dollars)</i>   | Pension Benefits   |                 | Post Retirement Benefits |                 |
|------------------------------------|--------------------|-----------------|--------------------------|-----------------|
|                                    | Three Months Ended |                 | Three Months Ended       |                 |
|                                    | September 30,      |                 | September 30,            |                 |
|                                    | 2006               | 2005            | 2006                     | 2005            |
| Service cost                       | \$ 4,414           | \$ 3,547        | \$ 383                   | \$ 354          |
| Interest cost                      | 5,539              | 4,754           | 565                      | 777             |
| Expected return on plan assets     | (8,518)            | (6,716)         |                          |                 |
| Amortization of transition asset   |                    | (1)             | 276                      | 276             |
| Amortization of prior service cost |                    |                 | 95                       | 95              |
| Settlements                        | 1,000              | 750             |                          |                 |
| Recognized net actuarial loss      | 4,377              | 2,672           | (181)                    |                 |
| <b>Benefit expense</b>             | <b>\$ 6,812</b>    | <b>\$ 5,006</b> | <b>\$ 1,138</b>          | <b>\$ 1,502</b> |

| <i>(in thousands of dollars)</i>   | Pension Benefits  |                  | Post Retirement Benefits |                 |
|------------------------------------|-------------------|------------------|--------------------------|-----------------|
|                                    | Nine Months Ended |                  | Nine Months Ended        |                 |
|                                    | September 30,     |                  | September 30,            |                 |
|                                    | 2006              | 2005             | 2006                     | 2005            |
| Service cost                       | \$ 13,137         | \$ 10,639        | \$ 1,103                 | \$ 1,060        |
| Interest cost                      | 16,617            | 14,259           | 1,695                    | 2,333           |
| Expected return on plan assets     | (25,057)          | (19,526)         |                          |                 |
| Amortization of transition asset   |                   | (3)              | 828                      | 828             |
| Amortization of prior service cost | 1                 | 1                | 285                      | 284             |
| Settlements                        | 3,000             | 2,250            |                          |                 |
| Recognized net actuarial loss      | 13,131            | 8,017            | (543)                    |                 |
| <b>Benefit expense</b>             | <b>\$ 20,829</b>  | <b>\$ 15,637</b> | <b>\$ 3,368</b>          | <b>\$ 4,505</b> |

There is no expected minimum contribution for 2006 to the Plan. Although not required, Huntington made a contribution to the Plan of \$29.8 million in June 2006.

Huntington also sponsors other retirement plans, the most significant being the Supplemental Executive Retirement Plan and the Supplemental Retirement Income Plan. These plans are nonqualified plans that provide certain former officers and directors of Huntington and its subsidiaries with defined pension benefits in excess of limits imposed by federal tax law. The cost of providing these plans was \$0.7 million and \$0.5 million for the three-month periods ended September 30, 2006 and 2005, respectively. For the respective nine-month periods, the cost was \$2.0 million and \$1.7 million.

Huntington has a defined contribution plan that is available to eligible employees. Huntington matches participant contributions dollar for dollar, up to the first 3% of base pay contributed to the plan. The match is 50 cents for each dollar on the 4th and 5th percent of base pay contributed to the plan. The cost of providing this plan was \$2.6 million and \$2.4 million for the three months ended September 30, 2006 and 2005, respectively. For the respective nine-month periods, the cost was \$7.8 million and \$7.3 million.

**Table of Contents****Note 12 Commitments and Contingent Liabilities****Commitments to extend credit:**

In the ordinary course of business, Huntington makes various commitments to extend credit that are not reflected in the financial statements. The contract amounts of these financial agreements at September 30, 2006, December 31, 2005, and September 30, 2005, were as follows:

| <i>(in millions)</i> | <b>September<br/>30,<br/>2006</b> | December<br>31,<br>2005 | September<br>30,<br>2005 |
|----------------------|-----------------------------------|-------------------------|--------------------------|
|----------------------|-----------------------------------|-------------------------|--------------------------|

**Contract amount represents credit risk**

|                              |                 |          |          |
|------------------------------|-----------------|----------|----------|
| Commitments to extend credit |                 |          |          |
| Commercial                   | <b>\$ 4,265</b> | \$ 3,316 | \$ 3,088 |
| Consumer                     | <b>3,336</b>    | 3,046    | 3,021    |
| Commercial real estate       | <b>1,752</b>    | 1,567    | 1,455    |
| Standby letters of credit    | <b>1,136</b>    | 1,079    | 959      |
| Commercial letters of credit | <b>45</b>       | 47       | 43       |

Commitments to extend credit generally have fixed expiration dates, are variable-rate, and contain clauses that permit Huntington to terminate or otherwise renegotiate the contracts in the event of a significant deterioration in the customer's credit quality. These arrangements normally require the payment of a fee by the customer, the pricing of which is based on prevailing market conditions, credit quality, probability of funding, and other relevant factors. Since many of these commitments are expected to expire without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements. The interest rate risk arising from these financial instruments is insignificant as a result of their predominantly short-term, variable-rate nature.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years. The carrying amount of deferred revenue associated with these guarantees was \$3.5 million, \$4.0 million, and \$3.7 million at September 30, 2006, December 31, 2005, and September 30, 2005, respectively.

Commercial letters of credit represent short-term, self-liquidating instruments that facilitate customer trade transactions and generally have maturities of no longer than 90 days. The merchandise or cargo being traded normally secures these instruments.

**Commitments to sell loans:**

Huntington enters into forward contracts relating to its mortgage banking business. At September 30, 2006, December 31, 2005, and September 30, 2005, Huntington had commitments to sell residential real estate loans of \$314.2 million, \$348.3 million, and \$566.8 million, respectively. These contracts mature in less than one year.

During the 2005 second quarter, Huntington entered into a two-year agreement to sell a portion of its monthly automobile loan production at the cost of such loans, subject to certain limitations, provided the production meets certain pricing, asset quality, and volume parameters. At September 30, 2006, approximately \$48.9 million of automobile loans related to this commitment were classified as held for sale.

**Income tax item:**

The 2006 third quarter included an \$84.5 million reduction of federal income tax expense from the release of tax reserves as the result of the resolution of the federal income tax audit for 2002 and 2003, as well as the recognition of a federal tax loss carryback.

**Litigation:**

In the ordinary course of business, there are various legal proceedings pending against Huntington and its subsidiaries. In the opinion of Management, the aggregate liabilities, if any, arising from such proceedings are not expected to have a material adverse effect on Huntington's consolidated financial position.



**Table of Contents****Note 13 Derivative Financial Instruments**

A variety of derivative financial instruments, principally interest rate swaps and interest rate caps, are used in asset and liability management activities to protect against market risk of adverse price or interest rate movements on the value of certain assets and liabilities and on future cash flows. These derivative financial instruments provide flexibility in adjusting the Company's sensitivity to changes in interest rates without exposure to loss of principal and higher funding requirements. By using derivatives to manage interest rate risk, the effect is a smaller, more efficient balance sheet, with a lower wholesale funding requirement and a higher net interest margin. Derivatives are also sold to meet customers' financing needs. All derivatives are reflected at fair value in the consolidated balance sheet.

Market risk, which is the possibility that economic value of net assets or net interest income will be adversely affected by changes in interest rates or other economic factors, is managed through the use of derivatives. Like other financial instruments, derivatives contain an element of credit risk, which is the possibility that Huntington will incur a loss because a counter-party fails to meet its contractual obligations. Notional values of interest rate swaps and other off-balance sheet financial instruments significantly exceed the credit risk associated with these instruments and represent contractual balances on which calculations of amounts to be exchanged are based. Credit exposure is limited to the sum of the aggregate fair value of positions that have become favorable to Huntington, including any accrued interest receivable due from counterparties. Potential credit losses are minimized through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of high quality institutions, collateral agreements, and other contractual provisions.

Collateral agreements are regularly entered into as part of the underlying derivative agreements with Huntington's counterparties to mitigate the credit risk associated with both the derivatives used for asset and liability management and used in trading activities. At September 30, 2006, December 31, 2005, and September 30, 2005, aggregate credit risk associated with these derivatives, net of collateral that has been pledged by the counterparty, was \$13.1 million, \$26.2 million, and \$15.1 million, respectively. The credit risk associated with interest rate swaps is calculated after considering master netting agreements.

***Asset and Liability Management***

Derivatives that are used in asset and liability management are classified as fair value hedges or cash flow hedges and are required to meet specific criteria. To qualify as a hedge, the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge. This includes identifying the item and risk being hedged, the derivative being used, and how the effectiveness of the hedge is being assessed. A derivative must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. Correlation is evaluated on a retrospective and prospective basis using quantitative measures. If a hedge relationship is found not to be effective, the derivative no longer qualifies as a hedge and any excess gains or losses attributable to ineffectiveness, as well as subsequent changes in its fair value, are recognized in other income.

For fair value hedges, deposits, short-term borrowings, and long-term debt are effectively converted to variable-rate obligations by entering into interest rate swap contracts whereby fixed-rate interest is received in exchange for variable-rate interest without the exchange of the contract's underlying notional amount. Forward contracts, used primarily in connection with mortgage banking activities, can be settled in cash at a specified future date based on the differential between agreed upon prices applied to a notional amount. The changes in fair value of the hedged item and the hedging instrument are reflected in current earnings.

For cash flow hedges, the Company enters into interest rate swap contracts which require the payment of fixed-rate interest in exchange for the receipt of variable-rate interest without the exchange of the contract's underlying notional amount, which effectively converts a portion of its floating-rate debt to fixed-rate. This reduces the potentially adverse impact of increases in interest rates on future interest expense. The Company also enters interest rate cap contracts which provide that the counter-party to the contract make interest payments when a variable rate specified in the contract exceeds a fixed level, based on the contracts underlying notional amount. These interest rate caps effectively reduce the impact of adverse cash flows associated with a portion of the Company's variable rate debt. To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, changes in the derivatives' fair value will not be included in current earnings, but are reported as a component of accumulated other comprehensive



income in shareholders' equity. These changes in fair value will be included in earnings of future periods when earnings are also affected by the changes in the hedged cash flows. To the extent these derivatives are not effective, changes in their fair values are immediately included in earnings.

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Interest rate swaps used to manage interest rate risk at September 30, 2006, are shown in the table below:

| <i>(in thousands )</i>                  | <b>Notional<br/>Value</b> | <b>Average<br/>Maturity<br/>(years)</b> | <b>Fair<br/>Value</b> | <b>Weighted-Average<br/>Rate</b> |              |
|---|---------------------------|---|-----------------------|----------------------------------|--------------|
|   |                           |   |                       | <b>Receive</b>                   | <b>Pay</b>   |
| Liability conversion swaps              |                           |   |                       |                                  |              |
| Receive fixed generic                   | \$ 825,000                | 9.7                                     | \$ (12,629)           | 5.27%                            | 5.63%        |
| Receive fixed callable                  | 665,000                   | 6.4                                     | (19,682)              | 4.50                             | 5.35         |
| Pay fixed generic                       | 490,000                   | 3.1                                     | 1,055                 | 5.35                             | 5.04         |
| <b>Total liability conversion swaps</b> | <b>1,980,000</b>          | <b>7.0</b>                              | <b>(31,256)</b>       | <b>5.03%</b>                     | <b>5.39%</b> |

Interest rate caps used to manage cash flows at September 30, 2006, are shown in the table below:

| <i>(in thousands)</i>        | <b>Notional<br/>Value</b> | <b>Average<br/>Maturity<br/>(years)</b> | <b>Fair<br/>Value</b> | <b>Weighted-Average<br/>Strike Rate</b> |
|------------------------------|---------------------------|---|-----------------------|---|
| Interest rate caps-purchased | 500,000                   | 2.3                                     | 2,913                 | 5.43                                    |

During the first quarter of 2006, Huntington terminated asset and liability conversion interest rate swaps with a total notional value of \$2.5 billion. The terminations generated gross gains of \$34.9 million and gross losses of \$34.5 million, resulting in a net deferred gain of \$0.4 million. The net gain (loss) is being amortized into interest income over the remainder of the original terms of the terminated swaps as follows: 2006: (\$2.2 million), 2007: \$2.2 million, 2008: (\$1.4 million), 2009: \$0.2 million, and 2010: \$1.6 million.

As is the case with cash securities, the fair value of interest rate swaps is largely a function of financial market expectations regarding the future direction of interest rates. Accordingly, current market values are not necessarily indicative of the future impact of the swaps on net interest income. This will depend, in large part, on the shape of the yield curve as well as interest rate levels. Management made no assumptions regarding future changes in interest rates with respect to the variable-rate information presented in the table above.

The following table represents the gross notional value of derivatives used to manage interest rate risk at September 30, 2006, identified by the underlying interest rate-sensitive instruments. The notional amounts shown in the tables above and below should be viewed in the context of overall interest rate risk management activities to assess the impact on the net interest margin.

| <i>(in thousands )</i>                            | <b>Fair Value<br/>Hedges</b> | <b>Cash Flow<br/>Hedges</b> | <b>Total</b>        |
|---|------------------------------|-----------------------------|---------------------|
| Instruments associated with:                      |                              |                             |                     |
| Deposits  | \$ 690,000                   | \$ 600,000                  | \$ 1,290,000        |
| Federal Home Loan Bank advances                   |                              | 325,000                     | 325,000             |
| Subordinated notes                                | 750,000                      |                             | 750,000             |
| Other long-term debt                              | 50,000                       | 65,000                      | 115,000             |
| <b>Total notional value at September 30, 2006</b> | <b>\$ 1,490,000</b>          | <b>\$ 990,000</b>           | <b>\$ 2,480,000</b> |

These derivative financial instruments were entered into for the purpose of mitigating the interest rate risk embedded in assets and liabilities. Consequently, net amounts receivable or payable on contracts hedging either

interest earning assets or interest bearing liabilities were accrued as an adjustment to either interest income or interest expense. The net amount resulted in a (decrease) increase to net interest income of (\$2.0 million) and \$5.6 million, for the three months ended September 30, 2006 and 2005, respectively. For the nine months ended September 30, 2006 and 2005, the impact to net interest income was a (decrease) increase of (\$2.2 million) and \$20.1 million, respectively.

***Derivatives Used in Mortgage Banking Activities***

Huntington also uses derivatives, principally loan sale commitments, in the hedging of its mortgage loan commitments and its mortgage loans held for sale. For derivatives that are used in hedging mortgage loans held for sale, ineffective hedge gains and losses are reflected in mortgage banking revenue in the income statement. Mortgage loan commitments and the related hedges are carried at fair value on the consolidated balance sheet with changes in fair value reflected in mortgage banking revenue. The following is a summary of the derivative assets and liabilities that Huntington used in its mortgage banking activities as of September 30, 2006 and 2005:

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| <i>(in thousands)</i>                   | At September 30,  |                |
|---|-------------------|----------------|
|   | 2006              | 2005           |
| Derivative assets:                      |                   |                |
| Interest rate lock agreements           | \$ 626            | \$ 723         |
| Forward trades and options              | 82                | 1,732          |
| <b>Total derivative assets</b>          | <b>708</b>        | <b>2,455</b>   |
| Derivative liabilities:                 |                   |                |
| Interest rate lock agreements           | (347)             | (1,314)        |
| Forward trades and options              | (3,003)           | (235)          |
| <b>Total derivative liabilities</b>     | <b>(3,350)</b>    | <b>(1,549)</b> |
| <b>Net derivative asset (liability)</b> | <b>\$ (2,642)</b> | <b>\$ 906</b>  |

Huntington also uses certain derivative financial instruments to offset changes in value of its residential mortgage servicing rights. These derivatives consists primarily of forward interest rate agreements, and forward mortgage securities. The derivative instruments used to hedge the fair value of mortgage servicing rights are not designated as hedges under Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Accordingly, such derivatives are recorded at fair value with changes in fair value reflected in other non-interest income. The total notional value of these derivative financial instruments at September 30, 2006, is 2,575 million. Total gains and losses for the three months and nine months ended September 30, 2006 were \$10.7 million and (\$0.7 million), respectively and were also included in other non-interest income.

***Derivatives Used in Trading Activities***

Various derivative financial instruments are offered to enable customers to meet their financing and investing objectives and for their risk management purposes. Derivative financial instruments used in trading activities consisted predominantly of interest rate swaps, but also included interest rate caps, floors, and futures, as well as foreign exchange options. Interest rate options grant the option holder the right to buy or sell an underlying financial instrument for a predetermined price before the contract expires. Interest rate futures are commitments to either purchase or sell a financial instrument at a future date for a specified price or yield and may be settled in cash or through delivery of the underlying financial instrument. Interest rate caps and floors are option-based contracts that entitle the buyer to receive cash payments based on the difference between a designated reference rate and a strike price, applied to a notional amount. Written options, primarily caps, expose Huntington to market risk but not credit risk. Purchased options contain both credit and market risk. The interest rate risk of these customer derivatives is mitigated by entering into similar derivatives having offsetting terms with other counter parties.

Supplying these derivatives to customers results in non-interest income. These instruments are carried at fair value in other assets with gains and losses reflected in other non-interest income. Total trading revenue for customer accommodation was \$2.9 million and \$2.3 million for the three months ended September 30, 2006 and 2005, respectively. For the nine months ended September 30, 2006 and 2005, total trading revenue for customer accommodation was \$8.0 million and \$6.0 million, respectively. The total notional value of derivative financial instruments used by Huntington on behalf of customers, including offsetting derivatives, was \$4.7 billion, \$4.2 billion, and \$4.4 billion at September 30, 2006, December 31, 2005, and September 30, 2005. Huntington's credit risk from interest rate swaps used for trading purposes was \$56.3 million, \$44.3 million, and \$60.2 million at the same dates. In connection with securitization activities, Huntington purchased interest rate caps with a notional value totaling \$1.7 billion. These purchased caps were assigned to the securitization trust for the benefit of the security holders. Interest rate caps were also sold totaling \$1.7 billion outside the securitization structure. Both the purchased and sold

caps are marked to market through income.

**Table of Contents****Note 14 Shareholders Equity****Share Repurchase Program:**

On October 18, 2005, the Company announced that the board of directors authorized a new program for the repurchase of up to 15 million shares (the 2005 Repurchase Program). The repurchase program authorized in 2004, with 3.1 million shares remaining, was cancelled and replaced by the 2005 Repurchase Program.

On April 20, 2006, the Company announced that the board of directors authorized a new program for the repurchase of up to 15 million shares (the 2006 Repurchase Program). The 2006 Repurchase Program does not have an expiration date. The 2005 Repurchase Program, with 5 million shares remaining, was canceled and replaced by the 2006 Repurchase Program. The Company announced its expectation to repurchase the shares from time to time in the open market or through privately negotiated transactions depending on market conditions.

On May 24, 2006, Huntington repurchased 6.0 million shares of common stock from Bear Stearns under an accelerated share repurchase program. The accelerated share repurchase program enabled Huntington to purchase the shares immediately, while Bear Stearns purchased shares in the market over a period of up to four months (the Repurchase Term). In connection with the repurchase of these shares, Huntington entered into a variable share forward sale agreement, which provides for a settlement, reflecting a price differential based on the adjusted volume-weighted average price as defined in the agreement with Bear Stearns. The variable share forward agreement concluded at the end of September, resulting in a nominal settlement of cash to Huntington. This was reflected as an adjustment to treasury shares on Huntington's balance sheet.

Huntington did not repurchase any shares under the 2006 Repurchase Program for the three months ended September 30, 2006. At the end of the period 6,900,000 shares may yet be purchased under the 2006 Repurchase Program.

**Note 15 Segment Reporting**

Huntington has three distinct lines of business: Regional Banking, Dealer Sales, and the Private Financial and Capital Markets Group (PFCMG). A fourth segment includes the Treasury function and other unallocated assets, liabilities, revenue, and expense. Lines of business results are determined based upon the Company's management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around the Company's organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions. An overview of this system is provided below, along with a description of each segment and discussion of financial results. The prior year results have been updated to reflect the consolidation of certain collection activities within Dealer Sales and the transfer of certain credit administration activities to Treasury/Other from Regional Banking.

The following provides a brief description of the four operating segments of Huntington:

**Regional Banking:** This segment provides traditional banking products and services to consumer, small business, and commercial customers located in eight operating regions within the five states of Ohio, Michigan, West Virginia, Indiana, and Kentucky. It provides these services through a banking network of 372 branches, over 1,000 ATMs, plus on-line and telephone banking channels. Each region is further divided into Retail and Commercial Banking units. Retail products and services include home equity loans and lines of credit, first mortgage loans, direct installment loans, small business loans, personal and business deposit products, as well as sales of investment and insurance services. Retail Banking accounts for 60% and 78% of total Regional Banking average loans and deposits, respectively. Commercial Banking serves middle market commercial banking relationships, which use a variety of banking products and services including, but not limited to, commercial loans, international trade, cash management, leasing, interest rate protection products, capital market alternatives, 401(k) plans, and mezzanine investment capabilities.

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**Dealer Sales:** This segment provides a variety of banking products and services to more than 3,500 automotive dealerships within the Company's primary banking markets, as well as in Arizona, Florida, Georgia, North Carolina, Pennsylvania, South Carolina, and Tennessee. Dealer Sales finances the purchase of automobiles by customers of the automotive dealerships, purchases automobiles from dealers and simultaneously leases the automobiles to consumers under long-term operating or direct finance leases, finances the dealerships' floor plan inventories, real estate, or working capital needs, and provides other banking services to the automotive dealerships and their owners. Competition from the financing divisions of automobile manufacturers and from other financial institutions is intense. Dealer Sales' production opportunities are directly impacted by the general automotive sales business, including programs initiated by manufacturers to enhance and increase sales directly. Huntington has been in this line of business for over 50 years.

**Private Financial and Capital Markets Group (PFCMG):** This segment provides products and services designed to meet the needs of higher net worth customers. Revenue is derived through the sale of trust, asset management, investment advisory, brokerage, insurance, and private banking products and services. It also focuses on financial solutions for corporate and institutional customers that include investment banking, sales and trading of securities, mezzanine capital financing, and risk management products. To serve high net worth customers, a unique distribution model is used that employs a single, unified sales force to deliver products and services mainly through Regional Banking distribution channels.

**Treasury / Other:** This segment includes revenue and expense related to assets, liabilities, and equity that are not directly assigned or allocated to one of the other three business segments. Assets in this segment include investment securities, mortgage servicing rights and bank owned life insurance. The net interest income/(expense) of this segment includes the net impact of administering our investment securities portfolios as part of overall liquidity management. A match-funded transfer pricing system is used to attribute appropriate funding interest income and interest expense to other business segments. As such, net interest income includes the net impact of any over or under allocations arising from centralized management of interest rate risk. Furthermore, net interest income includes the net impact of derivatives used to hedge interest rate sensitivity. The non-interest expense includes certain corporate administrative and other miscellaneous expenses not allocated to other business segments. This segment also includes any difference between the actual effective tax rate of Huntington and the statutory tax rate used to allocate income taxes to the other segments.

**Use of Operating Earnings to Measure Segment Performance**

Management uses earnings on an operating basis, rather than on a GAAP (reported) basis, to measure underlying performance trends for each business segment. Operating earnings represent reported earnings adjusted to exclude the impact of the significant items listed in the reconciliation table below. Analyzing earnings on an operating basis is very helpful in assessing underlying performance trends, a critical factor used to determine the success of strategies and future earnings capabilities.

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Listed below is certain financial results by line of business. For the three months and nine months ended September 30, 2006 and 2005, operating earnings were the same as reported earnings.

| <b>Income Statements</b><br><i>(in thousands of dollars)</i> | Three Months Ended September 30, |                  |                  |                    | Huntington<br>Consolidated |
|--|----------------------------------|------------------|------------------|--------------------|----------------------------|
|  | Regional<br>Banking              | Dealer<br>Sales  | PFCMG            | Treasury/<br>Other |                            |
| <b>2006</b>  |                                  |                  |                  |                    |                            |
| Net interest income  | \$ 224,157                       | \$ 32,540        | \$ 19,356        | \$ (20,740)        | \$ 255,313                 |
| Provision for credit losses                                  | (10,286)                         | (2,652)          | (1,224)          |                    | (14,162)                   |
| Non-interest income  | 89,353                           | 20,286           | 36,475           | (48,204)           | 97,910                     |
| Non-interest expense   | (163,709)                        | (24,813)         | (35,328)         | (18,580)           | (242,430)                  |
| Income taxes   | (48,830)                         | (8,876)          | (6,748)          | 125,269            | 60,815                     |
| <b>Operating / reported net income</b>                       | <b>\$ 90,685</b>                 | <b>\$ 16,485</b> | <b>\$ 12,531</b> | <b>\$ 37,745</b>   | <b>\$ 157,446</b>          |
| <b>2005</b>  |                                  |                  |                  |                    |                            |
| Net interest income  | \$ 197,270                       | \$ 35,816        | \$ 18,559        | \$ (10,008)        | \$ 241,637                 |
| Provision for credit losses                                  | (10,888)                         | (5,488)          | (1,323)          |                    | (17,699)                   |
| Non-interest income  | 80,930                           | 38,483           | 34,258           | 7,069              | 160,740                    |
| Non-interest expense   | (145,172)                        | (43,264)         | (32,789)         | (11,827)           | (233,052)                  |
| Income taxes   | (42,749)                         | (8,941)          | (6,547)          | 15,185             | (43,052)                   |
| <b>Operating / reported net income</b>                       | <b>\$ 79,391</b>                 | <b>\$ 16,606</b> | <b>\$ 12,158</b> | <b>\$ 419</b>      | <b>\$ 108,574</b>          |
| <b>Income Statements</b><br><i>(in thousands of dollars)</i> | Nine Months Ended September 30,  |                  |                  |                    | Huntington<br>Consolidated |
|  | Regional<br>Banking              | Dealer<br>Sales  | PFCMG            | Treasury/<br>Other |                            |
| <b>2006</b>  |                                  |                  |                  |                    |                            |
| Net interest income  | \$ 659,710                       | \$ 102,155       | \$ 54,962        | \$ (55,639)        | \$ 761,188                 |
| Provision for credit losses                                  | (35,520)                         | (9,465)          | (4,462)          |                    | (49,447)                   |
| Non-Interest income  | 259,904                          | 68,794           | 116,508          | (24,743)           | 420,463                    |
| Non-Interest expense   | (483,102)                        | (84,696)         | (104,155)        | (61,251)           | (733,204)                  |
| Income taxes   | (140,347)                        | (26,875)         | (21,999)         | 163,727            | (25,494)                   |
| <b>Operating / reported net income</b>                       | <b>\$ 260,645</b>                | <b>\$ 49,913</b> | <b>\$ 40,854</b> | <b>\$ 22,094</b>   | <b>\$ 373,506</b>          |
| <b>2005</b>  |                                  |                  |                  |                    |                            |
| Net interest income  | \$ 576,068                       | \$ 110,586       | \$ 54,959        | \$ (22,878)        | \$ 718,735                 |
| Provision for credit losses                                  | (31,923)                         | (16,887)         | (1,658)          |                    | (50,468)                   |
| Non-Interest income  | 228,350                          | 137,712          | 99,386           | 19,512             | 484,960                    |
| Non-Interest expense   | (442,127)                        | (148,352)        | (99,039)         | (49,947)           | (739,465)                  |
| Income taxes   | (115,629)                        | (29,070)         | (18,777)         | 61,232             | (102,244)                  |
| <b>Operating / reported net income</b>                       | <b>\$ 214,739</b>                | <b>\$ 53,989</b> | <b>\$ 34,871</b> | <b>\$ 7,919</b>    | <b>\$ 311,518</b>          |



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| Balance Sheets<br><i>(in millions of dollars)</i> | September        | Assets at               | September   | September        | Deposits at             | September   |
|---|------------------|-------------------------|-------------|------------------|-------------------------|-------------|
|   | 30,<br>2006      | December<br>31,<br>2005 | 30,<br>2005 | 30,<br>2006      | December<br>31,<br>2005 | 30,<br>2005 |
| Regional Banking                                  | <b>\$ 21,110</b> | \$ 18,850               | \$ 18,966   | <b>\$ 20,301</b> | \$ 17,957               | \$ 17,842   |
| Dealer Sales                                      | <b>5,257</b>     | 5,613                   | 5,724       | <b>59</b>        | 65                      | 72          |
| PFCMG   | <b>2,174</b>     | 2,010                   | 2,033       | <b>1,145</b>     | 1,180                   | 1,200       |
| Treasury / Other                                  | <b>7,121</b>     | 6,292                   | 6,040       | <b>3,233</b>     | 3,208                   | 3,235       |
| <b>Total</b>                                      | <b>\$ 35,662</b> | \$ 32,765               | \$ 32,763   | <b>\$ 24,738</b> | \$ 22,410               | \$ 22,349   |

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.****INTRODUCTION**

Huntington Bancshares Incorporated (we or our) is a multi-state diversified financial holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. 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, and private mortgage insurance; reinsure credit life and disability insurance; and sell other insurance and financial products and services. Our banking offices are located in Ohio, Michigan, West Virginia, Indiana, and Kentucky. Certain activities are also conducted in Arizona, Florida, Georgia, Maryland, Nevada, New Jersey, North Carolina, Pennsylvania, South Carolina, and Tennessee. We have a limited purpose foreign office in the Cayman Islands and another in Hong Kong. The Huntington National Bank (the Bank), organized in 1866, is our only bank subsidiary.

The following discussion and analysis provides you with information we believe necessary for understanding our financial condition, changes in financial condition, results of operations, and cash flows and should be read in conjunction with the financial statements, notes, and other information contained in this report. The Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) appearing in our 2005 Annual Report on Form 10-K, as amended (2005 Form 10-K), as updated by the information contained in this report, should be read in conjunction with this interim MD&A.

You should note the following discussion is divided into key segments:

**Introduction** - Provides overview comments on important matters including risk factors, critical accounting policies, and use of significant estimates. These are essential for understanding our performance and prospects.

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

**Risk Management and Capital** - Discusses credit, market, liquidity, and operational risks, including how these are managed, as well as performance trends. It also includes a discussion of liquidity policies, how we fund ourselves, 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.

**Lines of Business Discussion** - Describes our lines of business, provides an overview of financial performance for each line of business, and provides additional discussion of trends underlying consolidated financial performance.

**Forward-Looking Statements**

This report, including MD&A, contains forward-looking statements. These include descriptions of products or services, plans or objectives for future operations, and forecasts of revenues, earnings, cash flows, or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts.

By their nature, forward-looking statements are subject to numerous assumptions, risks, and uncertainties. A number of factors could cause actual conditions, events, or results to differ significantly from those described in the forward-looking statements. These factors include, but are not limited to, those set forth under *Risk Factors* of our 2005 Form 10-K, and other factors described in this report and from time to time in our other filings with the SEC.

You should understand forward-looking statements to be strategic objectives and not absolute forecasts of future performance. Forward-looking statements speak only as of the date they are made. We assume no obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events.



**Table of Contents****Risk Factors**

We, like other financial companies, are subject to a number of risks, many of which are outside of our direct control, though efforts are made to manage those risks while optimizing returns. Among the risks assumed are: (1) credit risk, which is the risk that loan and lease customers or other counter parties will be unable to perform their contractual obligations, (2) market risk, which is the risk that changes in market rates and prices will adversely affect our financial condition or results of operation, (3) liquidity risk, which is the risk that we and / or the Bank will have insufficient cash or access to cash to meet operating needs, and (4) operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. *(More information on risk is set forth under the heading Risk Factors included in Item 1A of our 2005 Form 10-K.)*

**Critical Accounting Policies and Use of Significant Estimates**

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires us to establish critical accounting policies and make accounting estimates, assumptions, and judgments that affect amounts recorded and reported in our financial statements. Note 1 of the Notes to Consolidated Financial Statements included in our 2005 Form 10-K as supplemented by this report lists significant accounting policies we use in the development and presentation of our financial statements. This discussion and analysis, the significant accounting policies, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors necessary for an understanding and evaluation of our company, financial position, results of operations, and cash flows.

An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements if a different amount within a range of estimates were used or if estimates changed from period-to-period. Readers of this report should understand that estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce actual results that differ from when those estimates were made.

**DISCUSSION OF RESULTS OF OPERATIONS**

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

**Summary**

Earnings comparisons of 2006 third quarter and first nine-month performance with that of the prior periods were impacted by a number of factors, some related to changes in the economic and competitive environment, while others reflected corporate actions, specific strategies, or changes in accounting practices. The most significant items impacting performance comparisons for the 2006 third quarter were the reduction of federal income tax due to the favorable resolution of a federal income tax audit, partially offset by the recognition of investment securities impairment. The impact of the Unizan merger, which closed March 1, 2006, as well as the 2006 third quarter items just mentioned, impacted year-to-date performance comparisons. The key factors impacting current reporting period comparisons to prior periods are more fully described in the Significant Factors Influencing Financial Performance Comparisons section, which follows this summary discussion of results.

**2006 Third Quarter versus 2005 Third Quarter**

Net income for the third quarter of 2006 was \$157.4 million, or \$0.65 per common share, compared with \$108.6 million, or \$0.47 per common share, in the year-ago quarter. This \$48.9 million increase in net income primarily reflected the positive impacts of:

\$103.9 million reduction in federal income tax expense in the third quarter of 2006 over the third quarter of 2005, resulting from lower pre-tax income, the positive impact from the release of tax reserves as a result of the

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resolution of the federal income tax audit for 2002 and 2003, as well as the recognition of a federal tax loss carryback. Also, the third quarter of 2005 included the tax impact of repatriating foreign earnings, partially offset by the recognition of a federal tax loss carryback. *(See Provision for Income Taxes discussion for details.)*

\$13.7 million, or 6%, increase in net interest income. This reflected the benefit of \$2.6 billion, or 9%, growth in average earning assets (\$1.9 billion, or 8%, in average total loans and leases), partially offset by a 9 basis point decline in the net interest margin to 3.22% from 3.31% in the year-ago quarter. The Unizan merger added an estimated \$17.4 million to net interest income with the addition of an estimated \$2.0 billion of earning assets (\$1.7 billion in loans and leases). *(See Net Interest Income discussion for details.)*

\$3.5 million, or 20%, decrease in provision for credit losses. *(See Provision for Credit Losses and the Credit Risk discussions for details.)*

Partially offset by:

\$62.8 million, or 39%, decline in total non-interest income. Items contributing to the decline included (1) \$57.4 million of securities losses reflecting the 2006 third quarter's \$57.5 million loss from securities impairment, (2) a \$19.2 million decline in automobile operating lease income as that portfolio continued to run off, and (3) a \$23.3 million decline in mortgage banking income. These negative impacts were partially offset by higher service charges on deposit accounts, trust services income, bank owned life insurance income, and other service charges and fees. The Unizan merger contributed an estimated \$7.2 million of growth to non-interest income. *(See Non-interest Income discussion for details.)*

\$9.4 million, or 4%, increase in total non-interest expense. This reflected higher personnel costs, amortization of intangibles, other expense, equipment, marketing, and outside data processing and other service expenses, partially offset by declines in automobile operating lease expense and professional services costs. The Unizan merger contributed an estimated \$18.3 million to the increase in total non-interest expense. *(See Non-interest Expense discussion for details.)*

The return on average assets (ROA) and return on average equity (ROE) in the 2006 third quarter were 1.75% and 21.0%, respectively, both well above prior period performance due to the significant positive impact in the 2006 third quarter from the reduction of federal income taxes, net of securities impairment. In the year-ago quarter, the ROA was 1.32% and ROE was 16.5% *(see Table 1)*.

**2006 Third Quarter versus 2006 Second Quarter**

Net income for the third quarter of 2006 was \$157.4 million, or \$0.65 per common share, compared with \$111.6 million, or \$0.46 per common share, in the prior quarter. This \$45.8 million increase in net income primarily reflected the positive impacts of:

\$106.3 million reduction in federal income tax expense in the third quarter of 2006 over the second quarter of 2006, resulting from the positive impact from the release of tax reserves as a result of the resolution of the federal income tax audit covering 2002 and 2003 and the recognition of a federal tax loss carryback. The remainder of the decrease in federal income tax expense reflected a \$60.5 million reduction in pre-tax net income due to the current period's securities impairment. *(See Provision for Income Taxes discussion for details.)*

\$9.9 million, or 4%, decrease in total non-interest expense. This primarily reflected lower personnel costs, automobile operating lease expense, marketing, and outside data processing and other service expenses, partially offset by an increase in other expense. *(See Non-interest Expense discussion for details.)*

\$1.6 million, or 10%, decrease in provision for credit losses. *(See Provision for Credit Losses and the Credit Risk discussions for details.)*

Partially offset by:

\$65.1 million, or 40%, decline in total non-interest income. This primarily reflected the negative impacts of the 2006 third quarter's securities portfolio impairment, declining automobile operating lease income, and a decline in mortgage banking income, partially offset by the benefit of higher bank owned life insurance income and higher service charges on deposit accounts. *(See Non-interest Income discussion for details.)*

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\$6.8 million, or 3%, decline in net interest income. This primarily reflected the negative impact of a 12 basis point decline in the net interest margin to 3.22% from 3.34%, as average earning assets increased only slightly. (See *Net Interest Income* discussion for details.)

The ROA and ROE in the 2006 third quarter were 1.75% and 21.0%, respectively, both well above prior period performance due to the significant positive impact in the 2006 third quarter from the reduction of federal income taxes, net of securities impairment. In the second quarter of 2006, the ROA was 1.25% and ROE was 14.9% (see *Table 1*).

**2006 First Nine Months versus 2005 First Nine Months**

Net income for the 2006 first nine-month period was \$373.5 million, or \$1.56 per common share, compared with \$311.5 million, or \$1.33 per common share, in the year-ago period. This \$62.0 million increase in net income primarily reflected the positive impacts of:

\$76.8 million reduction in federal income tax expense, reflecting the benefit in the 2006 third quarter of an \$84.5 million reduction of federal income tax expense related to the resolution of a federal income tax audit covering tax years 2002 and 2003. This resulted in the release of previously established federal income tax reserves, as well as the recognition of federal tax loss carry back. The remainder of the decline in federal income tax expense reflected a \$55.0 million reduction in pre-tax net income due to the current period's securities impairment. (See *Provision for Income Taxes* discussion for details.)

\$42.5 million, or 6%, increase in net interest income. This reflected the benefit of \$2.1 billion, or 7%, growth in average earning assets (\$1.6 billion, or 6%, in average total loans and leases), partially offset by a 4 basis point decline in the net interest margin to 3.29% from 3.33% in the year-ago period. The Unizan merger added an estimated \$40.6 million to net interest income with the addition of an estimated \$1.5 billion of earning assets (\$1.3 billion in loans and leases). (See *Net Interest Income* discussion for details.)

\$6.3 million, or 1%, decline in total non-interest expense. This reflected significant declines in automobile operating lease expense and professional services costs, partially offset by higher personnel, marketing, amortization of intangibles, equipment, and outside data processing and other service expenses. The Unizan merger contributed an estimated \$45.8 million to total non-interest expense. (See *Non-interest Expense* discussion for details.)

\$1.0 million, or 2%, decrease in provision for credit losses. (See *Provision for Credit Losses and the Credit Risk* discussions for details.)

Partially offset by:

\$64.5 million, or 13%, decline in total non-interest income. Items contributing to the decline included (1) \$58.1 million of securities losses reflecting the 2006 third quarter's \$57.5 million loss from securities impairment, and (2) a \$72.7 million decline in automobile operating lease income as that portfolio continued to run off. These negative impacts were partially offset by higher service charges on deposit accounts, trust services income, other service charges and fees, brokerage and insurance income, bank owned life insurance income, and higher mortgage banking income. The Unizan merger contributed an estimated \$16.7 million of growth to non-interest income. (See *Non-interest Income* discussion for details.)

The ROA and ROE in the 2006 first nine-month period were 1.43% and 17.2%, respectively, both well above prior period performance due to the significant positive impact in the 2006 third quarter from the reduction of federal income taxes, net of securities impairment. The ROA and ROE in the comparable year-ago period were 1.28% and 16.1%, respectively (see *Table 2*).

**Table of Contents****Table 1 Selected Quarterly Income Statement Data**

| <i>(in thousands, except per share amounts)</i>              | <b>2006</b>       |            |            |            | 2005       |
|--|-------------------|------------|------------|------------|------------|
|  | <b>Third</b>      | Second     | First      | Fourth     | Third      |
| Interest income  | <b>\$ 538,988</b> | \$ 521,903 | \$ 464,787 | \$ 442,476 | \$ 420,858 |
| Interest expense   | <b>283,675</b>    | 259,708    | 221,107    | 198,800    | 179,221    |
| Net interest income  | <b>255,313</b>    | 262,195    | 243,680    | 243,676    | 241,637    |
| Provision for credit losses                                  | <b>14,162</b>     | 15,745     | 19,540     | 30,831     | 17,699     |
| <b>Net interest income after provision for credit losses</b> | <b>241,151</b>    | 246,450    | 224,140    | 212,845    | 223,938    |
| Service charges on deposit accounts                          | <b>48,718</b>     | 47,225     | 41,222     | 42,083     | 44,817     |
| Trust services   | <b>22,490</b>     | 22,676     | 21,278     | 20,425     | 19,671     |
| Brokerage and insurance income                               | <b>14,697</b>     | 14,345     | 15,193     | 13,101     | 13,948     |
| Bank owned life insurance income                             | <b>12,125</b>     | 10,604     | 10,242     | 10,389     | 10,104     |
| Other service charges and fees                               | <b>12,989</b>     | 13,072     | 11,509     | 11,488     | 11,449     |
| Mortgage banking (loss) income                               | <b>(2,166)</b>    | 20,355     | 17,832     | 10,909     | 21,116     |
| Securities (losses) gains <sup>(1)</sup>                     | <b>(57,332)</b>   | (35)       | (20)       | (8,770)    | 101        |
| Gains on sales of automobile loans                           | <b>863</b>        | 532        | 448        | 455        | 502        |
| Other income   | <b>36,946</b>     | 22,102     | 24,782     | 24,708     | 11,210     |
| Sub-total before operating lease income                      | <b>89,330</b>     | 150,876    | 142,486    | 124,788    | 132,918    |
| Automobile operating lease income                            | <b>8,580</b>      | 12,143     | 17,048     | 22,534     | 27,822     |
| <b>Total non-interest income</b>                             | <b>97,910</b>     | 163,019    | 159,534    | 147,322    | 160,740    |
| Personnel costs  | <b>133,823</b>    | 137,904    | 131,557    | 116,111    | 117,476    |
| Net occupancy  | <b>18,109</b>     | 17,927     | 17,966     | 17,940     | 16,653     |
| Outside data processing and other services                   | <b>18,664</b>     | 19,569     | 19,851     | 19,693     | 18,062     |
| Equipment  | <b>17,249</b>     | 18,009     | 16,503     | 16,093     | 15,531     |
| Professional services  | <b>6,438</b>      | 6,292      | 5,365      | 7,440      | 8,323      |
| Marketing  | <b>7,846</b>      | 10,374     | 7,301      | 7,145      | 6,364      |
| Telecommunications   | <b>4,818</b>      | 4,990      | 4,825      | 4,453      | 4,512      |
| Printing and supplies  | <b>3,416</b>      | 3,764      | 3,074      | 3,084      | 3,102      |
| Amortization of intangibles                                  | <b>2,902</b>      | 2,992      | 1,075      | 218        | 203        |
| Other expense  | <b>23,177</b>     | 21,880     | 18,227     | 20,995     | 21,189     |
| Sub-total before operating lease expense                     | <b>236,442</b>    | 243,701    | 225,744    | 213,172    | 211,415    |
| Automobile operating lease expense                           | <b>5,988</b>      | 8,658      | 12,671     | 17,183     | 21,637     |
| <b>Total non-interest expense</b>                            | <b>242,430</b>    | 252,359    | 238,415    | 230,355    | 233,052    |
| Income before income taxes                                   | <b>96,631</b>     | 157,110    | 145,259    | 129,812    | 151,626    |
| Provision (benefit) for income taxes <sup>(2)</sup>          | <b>(60,815)</b>   | 45,506     | 40,803     | 29,239     | 43,052     |
| <b>Net income</b>  | <b>\$ 157,446</b> | \$ 111,604 | \$ 104,456 | \$ 100,573 | \$ 108,574 |



|   |                   |            |            |            |            |
|---|-------------------|------------|------------|------------|------------|
| Average common shares diluted                 | <b>240,896</b>    | 244,538    | 234,363    | 229,718    | 233,456    |
| <b>Per common share</b>                       |                   |            |            |            |            |
| Net income diluted                            | <b>\$ 0.65</b>    | \$ 0.46    | \$ 0.45    | \$ 0.44    | \$ 0.47    |
| Cash dividends declared                       | <b>0.250</b>      | 0.250      | 0.250      | 0.215      | 0.215      |
| Return on average total assets                | <b>1.75%</b>      | 1.25%      | 1.26%      | 1.22%      | 1.32%      |
| Return on average total shareholders equity   | <b>21.0</b>       | 14.9       | 15.5       | 15.5       | 16.5       |
| Net interest margin <sup>(3)</sup>            | <b>3.22</b>       | 3.34       | 3.32       | 3.34       | 3.31       |
| Efficiency ratio <sup>(4)</sup>               | <b>57.8</b>       | 58.1       | 58.3       | 57.0       | 57.4       |
| Effective tax rate                            | <b>(62.9)</b>     | 29.0       | 28.1       | 22.5       | 28.4       |
| <b>Revenue fully taxable equivalent (FTE)</b> |                   |            |            |            |            |
| Net interest income                           | <b>\$ 255,313</b> | \$ 262,195 | \$ 243,680 | \$ 243,676 | \$ 241,637 |
| FTE adjustment                                | <b>4,090</b>      | 3,984      | 3,836      | 3,837      | 3,734      |
| Net interest income <sup>(3)</sup>            | <b>259,403</b>    | 266,179    | 247,516    | 247,513    | 245,371    |
| Non-interest income                           | <b>97,910</b>     | 163,019    | 159,534    | 147,322    | 160,740    |
| <b>Total revenue <sup>(3)</sup></b>           | <b>\$ 357,313</b> | \$ 429,198 | \$ 407,050 | \$ 394,835 | \$ 406,111 |

(1) Includes \$57.5 million of securities impairment losses as of September 30, 2006, due to the planned review of the securities portfolio.

(2) Includes \$84.5 million benefit reflecting the resolution of a federal income tax audit of tax years 2002 and 2003.

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

- (4) Non-interest expense less amortization of intangibles divided by the sum of FTE net interest income and non-interest income excluding securities gains (losses).

**Table of Contents****Table 2 Selected Year to Date Income Statement Data**

| <i>(in thousands, except per share amounts)</i>              | Nine Months Ended September |             | Change    |         |
|--|-----------------------------|-------------|-----------|---------|
|  | 2006                        | 30,<br>2005 | Amount    | Percent |
| Interest income  | <b>\$1,525,678</b>          | \$1,199,289 | \$326,389 | 27.2%   |
| Interest expense   | <b>764,490</b>              | 480,554     | 283,936   | 59.1    |
| Net interest income  | <b>761,188</b>              | 718,735     | 42,453    | 5.9     |
| Provision for credit losses                                  | <b>49,447</b>               | 50,468      | (1,021)   | (2.0)   |
| <b>Net interest income after provision for credit losses</b> | <b>711,741</b>              | 668,267     | 43,474    | 6.5     |
| Service charges on deposit accounts                          | <b>137,165</b>              | 125,751     | 11,414    | 9.1     |
| Trust services   | <b>66,444</b>               | 56,980      | 9,464     | 16.6    |
| Brokerage and insurance income                               | <b>44,235</b>               | 40,518      | 3,717     | 9.2     |
| Bank owned life insurance income                             | <b>32,971</b>               | 30,347      | 2,624     | 8.6     |
| Other service charges and fees                               | <b>37,570</b>               | 32,860      | 4,710     | 14.3    |
| Mortgage banking income                                      | <b>36,021</b>               | 30,801      | 5,220     | 16.9    |
| Securities (losses) gains <sup>(1)</sup>                     | <b>(57,387)</b>             | 715         | (58,102)  | N.M.    |
| Gains on sales of automobile loans                           | <b>1,843</b>                | 756         | 1,087     | N.M.    |
| Other income   | <b>83,830</b>               | 55,751      | 28,079    | 50.4    |
| Sub-total before operating lease income                      | <b>382,692</b>              | 374,479     | 8,213     | 2.2     |
| Automobile operating lease income                            | <b>37,771</b>               | 110,481     | (72,710)  | (65.8)  |
| <b>Total non-interest income</b>                             | <b>420,463</b>              | 484,960     | (64,497)  | (13.3)  |
| Personnel costs  | <b>403,284</b>              | 365,547     | 37,737    | 10.3    |
| Net occupancy  | <b>54,002</b>               | 53,152      | 850       | 1.6     |
| Outside data processing and other services                   | <b>58,084</b>               | 54,945      | 3,139     | 5.7     |
| Equipment  | <b>51,761</b>               | 47,031      | 4,730     | 10.1    |
| Professional services  | <b>18,095</b>               | 27,129      | (9,034)   | (33.3)  |
| Marketing  | <b>25,521</b>               | 19,134      | 6,387     | 33.4    |
| Telecommunications   | <b>14,633</b>               | 14,195      | 438       | 3.1     |
| Printing and supplies  | <b>10,254</b>               | 9,489       | 765       | 8.1     |
| Amortization of intangibles                                  | <b>6,969</b>                | 611         | 6,358     | N.M.    |
| Other expense  | <b>63,284</b>               | 61,565      | 1,719     | 2.8     |
| Sub-total before operating lease expense                     | <b>705,887</b>              | 652,798     | 53,089    | 8.1     |
| Automobile operating lease expense                           | <b>27,317</b>               | 86,667      | (59,350)  | (68.5)  |
| <b>Total non-interest expense</b>                            | <b>733,204</b>              | 739,465     | (6,261)   | (0.8)   |
| Income before income taxes                                   | <b>399,000</b>              | 413,762     | (14,762)  | (3.6)   |
| Provision for income taxes <sup>(2)</sup>                    | <b>25,494</b>               | 102,244     | (76,750)  | (75.1)  |

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|   |                    |             |             |        |
|---|--------------------|-------------|-------------|--------|
| <b>Net income</b>                             | <b>\$ 373,506</b>  | \$ 311,518  | \$ 61,988   | 19.9%  |
| Average common shares diluted                 | <b>239,933</b>     | 234,727     | 5,206       | 2.2%   |
| <b>Per common share</b>                       |                    |             |             |        |
| Net income per common share diluted           | <b>\$ 1.56</b>     | \$ 1.33     | \$ 0.23     | 17.3%  |
| Cash dividends declared                       | <b>0.750</b>       | 0.630       | 0.120       | 19.0   |
| Return on average total assets                | <b>1.43%</b>       | 1.28%       | 0.15        | 11.7%  |
| Return on average total shareholders equity   | <b>17.2</b>        | 16.1        | 1.1         | 6.8    |
| Net interest margin <sup>(3)</sup>            | <b>3.29</b>        | 3.33        | (0.04)      | (1.2)  |
| Efficiency ratio <sup>(4)</sup>               | <b>58.1</b>        | 60.9        | (2.8)       | (4.6)  |
| Effective tax rate                            | <b>6.4</b>         | 24.7        | (18.3)      | (74.1) |
| <b>Revenue fully taxable equivalent (FTE)</b> |                    |             |             |        |
| Net interest income                           | <b>\$ 761,188</b>  | \$ 718,735  | \$ 42,453   | 5.9%   |
| FTE adjustment <sup>(3)</sup>                 | <b>11,910</b>      | 9,556       | 2,354       | 24.6   |
| Net interest income                           | <b>773,098</b>     | 728,291     | 44,807      | 6.2    |
| Non-interest income                           | <b>420,463</b>     | 484,960     | (64,497)    | (13.3) |
| <b>Total revenue</b>                          | <b>\$1,193,561</b> | \$1,213,251 | \$ (19,690) | (1.6)% |

N.M., not a meaningful value.

(1) Includes \$57.5 million of securities impairment losses as of September 30, 2006, due to the planned review of the securities portfolio.

(2) Includes \$84.5 million benefit reflecting the resolution of a federal income tax audit of tax years 2002 and 2003.

(3) On a fully taxable equivalent (FTE) basis

assuming a 35%  
tax rate.

- (4) Non-interest  
expense less  
amortization of  
intangibles  
divided by the  
sum of FTE net  
interest income  
and non-interest  
income  
excluding  
securities  
gains/(losses).

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### **Significant Factors Influencing Financial Performance Comparisons**

Earnings comparisons from the beginning of 2005 through the third quarter of 2006 were impacted by a number of factors, reflecting corporate actions, specific strategies, or changes in accounting practices. Those key factors are summarized below.

1. **Unizan Acquisition.** The merger with Unizan Financial Corp. (Unizan) was completed on March 1, 2006. At the time of acquisition, Unizan had assets of \$2.5 billion, including \$1.7 billion of loans, and core deposits of \$1.5 billion. This impacted 2006 quarterly and year-to-date reported results compared with pre-merger reporting periods as follows:

Increased certain reported period-end balance sheet and credit quality items (e.g., non-performing loans).

Increased reported average balance sheet, revenue, expense, and credit quality results (e.g., net charge-offs).

Increased reported non-interest expense items as a result of costs incurred as part of merger-integration activities, most notably employee retention bonuses, outside programming services related to systems conversions, and marketing expenses related to customer retention initiatives. These merger costs were \$1.0 million in the 2006 first quarter, \$2.6 million in the 2006 second quarter, and \$0.4 million in the 2006 third quarter, resulting in \$4.1 million of merger costs, year-to-date.

Given the impact of the merger on reported 2006 results, management believes that an understanding of the impacts of the merger is necessary to better understand underlying performance trends. When comparing post-merger period results to pre-merger periods, two terms relating to the impact of the Unizan merger on reported results are used:

**Merger-related** refers to amounts and percentage changes representing the impact attributable to the merger.

**Merger costs** represent expenses associated with merger integration activities.

Schedules, reflecting the estimated impact of the Unizan merger on our reported average balance sheet and income statement, can be found in Table 25 **Estimated Impact of Unizan Merger**.

2. **Mortgage servicing rights (MSRs) and related hedging.** Interest rate levels have generally been rising throughout this period, which has impacted the valuation of MSRs. MSR values are very sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be greatly reduced by prepayments. Prepayments usually increase when mortgage interest rates decline and decrease when mortgage interest rates rise. Thus, as interest rates decline, less future income is expected and the value of MSRs is reduced.

Prior to 2006, we recognized impairment when the valuation was less than the recorded book value. We recognized temporary impairment due to changes in interest rates through a valuation reserve and recorded a direct write-down of the book value of MSRs for other-than-temporary declines in valuation. Changes and fluctuations in interest rate levels between quarters resulted in some quarters reporting an MSR temporary impairment, with others reporting a recovery of previously recognized MSR temporary impairment. Such swings in MSR valuations have significantly impacted quarterly mortgage banking income trends throughout this period.

Beginning in 2006, we adopted Statement No. 156, which allowed us to carry MSRs at fair value. This resulted in a \$4.6 million pre-tax (\$0.01 per common share) positive impact in the 2006 first quarter. Under the fair value approach, servicing assets and liabilities are recorded at fair value at each reporting date. Changes in fair value between reporting dates are recorded as an increase or decrease in mortgage banking income, which is reflected in non-interest income in the consolidated statements of income. MSR assets are included in other assets. (*See Tables 3, 7, and 8.*)

We use trading account assets to offset MSR valuation changes. The valuations of trading securities we used generally reacted to interest rate changes in an opposite direction compared with changes in MSR valuations. As

a result, changes in interest rate levels that impact MSR valuations should result in corresponding offsetting, or partially offsetting trading gains or losses. As such, in quarters where an MSR impairment was recognized, changes to the fair market value of trading account assets typically resulted in a recognition of offsetting, or partially offsetting, trading gains, and vice versa. Trading gains or losses are a component of other non-interest income on the income statement.

**Table of Contents****3. Automobile leases originated through April 2002 are accounted for as automobile operating leases.**

Automobile leases originated before May 2002 are accounted for using the operating lease method of accounting because they do not qualify as direct financing leases. Automobile operating leases are carried in other assets with the related rental income, other revenue, and credit recoveries reflected as automobile operating lease income, a component of non-interest income. Under this accounting method, depreciation expenses, as well as other costs and charge-offs, are reflected as automobile operating lease expense, a component of non-interest expense. With no new automobile operating leases originated since April 2002, the automobile operating lease assets have declined rapidly. It is anticipated that the level of automobile operating lease assets and related automobile operating lease income and expense will decline to a point of diminished materiality at the end of 2006. However, until that point is reached, and since automobile operating lease income and expense represented a significant percentage of total non-interest income and expense, respectively, throughout these reporting periods, their downward trend influenced total revenue, total non-interest income, and total non-interest expense trends.

In contrast, automobile leases originated since April 2002 are accounted for as direct financing leases, an interest earning asset included in total loans and leases with the related income reflected as interest income and included in the calculation of the net interest margin. Credit charge-offs and recoveries are reflected in the allowance for loan and lease losses (ALLL), with related changes in the ALLL reflected in the provision for credit losses. To better understand overall trends in automobile lease exposure, it is helpful to compare trends in the combined total of direct financing leases plus automobile operating leases.

4. **Income tax items.** Various items impacted the effective tax rate for 2006 and 2005. For 2006, the third quarter included lower pre-tax income, an \$84.5 million (\$0.35 per common share) reduction of federal income tax expense from the release of tax reserves as a result of the resolution of the federal income tax audit for 2002 and 2003, as well as the recognition of a federal tax loss carryback. For 2005, federal income tax expense benefited by \$19.8 million (\$0.09 per common share) from the positive impact of a federal tax loss carry-back, partially offset by a \$5.0 million after tax (\$0.02 per common share) increase in tax expense from the repatriation of foreign earnings.
5. **Share-based Compensation.** Beginning in the 2006 first quarter, we adopted Statement No. 123R, *Share-based Payment*, which resulted in recognizing the impact of share-based compensation, primarily in the form of stock option grants, as personnel expense in our income statement. Adoption of stock option expensing added \$4.3 million to personnel expense in the 2006 first and second quarters, and \$4.9 million in the 2006 third quarter, totaling \$13.4 million for the first nine months of 2006. (See Note 10 to the unaudited condensed consolidated financial statements.)
6. **Other significant items influencing earnings performance comparisons.** Other significant items influencing performance comparisons included:

2006*Third Quarter*

\$57.5 million pre-tax (\$0.16 per common share) negative impact from securities impairment. Subsequent to the end of the quarter, the Company initiated a review of its investment securities portfolio. The objective of this review was to reposition the portfolio to optimize performance in light of changing economic conditions and other factors. Such repositioning will likely result in the sale of securities and the reinvestment into securities expected to improve the predictability of cash flows and reduce credit risk. A total of \$2.1 billion of securities, primarily consisting of U.S. Treasury, Agency securities, and mortgage-backed securities, as well as certain other asset-backed securities, were identified as other-than-temporarily impaired as a result of this review. At September 30, 2006, these securities had total unrealized losses of \$57.5 million (\$37.4 million after tax, or \$0.16 per common share), which has been recognized in the 2006 third quarter results. Management expects this repositioning will improve the net interest margin by 5-6 basis points in coming quarters.



\$2.1 million pre-tax (\$0.01 per common share) negative impact associated with the write-down of equity method investments.

*Second Quarter*

\$2.3 million pre-tax (\$0.01 per common share) positive impact from equity investment gains.

*First Quarter*

\$2.4 million pre-tax (\$0.01 per common share) negative impact, reflecting a cumulative adjustment to defer annual fees related to home equity loans.

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2005

*Second Quarter*

\$3.6 million pre-tax (\$0.01 per common share) of severance and other expenses associated with the consolidation of certain operations functions, including the closing of an item-processing center in Michigan. These expenses included \$2.0 million in severance-related personnel costs, \$0.8 million in net occupancy, \$0.5 million in equipment expenses, and \$0.3 million in other expenses.

\$2.1 million pre-tax (\$0.01 per common share) negative impact from the write-off of an equity investment.

*First Quarter*

\$6.4 million pre-tax (\$0.02 per common share) negative impact from a single, commercial credit charge-off. This resulted in an increase in net charge-offs and provision expense in that quarter.

\$2.0 million pre-tax (\$0.01 per common share) negative impact related to expenses associated with the SEC formal investigation and banking regulatory formal written agreements in effect at that time, and which were subsequently resolved.

Table 3 reflects the earnings impact of certain significant items for periods affected by this Discussion of Results of Operations:



|  |               |               |       |        |
|--|---------------|---------------|-------|--------|
| Investment securities impairment                           | <b>(57.5)</b> | <b>(0.16)</b> |       |        |
| Unizan merger-related costs                                | <b>(4.1)</b>  | <b>(0.01)</b> |       |        |
| Adjustment to defer home equity annual fees                | <b>(2.4)</b>  | <b>(0.01)</b> |       |        |
| Writedown of equity method investments                     | <b>(2.1)</b>  | <b>(0.01)</b> |       |        |
| Net impact of federal tax loss carry back <sup>(3)</sup>   |               |               | 19.8  | 0.09   |
| Single C&I charge-off impact, net of allocated reserves    |               |               | (6.4) | (0.02) |
| Net impact of repatriating foreign earnings <sup>(3)</sup> |               |               | (5.0) | (0.02) |
| Severance and consolidation expenses                       |               |               | (4.6) | (0.01) |
| SEC and regulatory-related expenses                        |               |               | (3.6) | (0.01) |
| Write-off of equity investment                             |               |               | (2.1) | (0.01) |

(1) See Significant Factors Influencing Financial Performance discussion.

(2) Pre-tax unless otherwise noted.

(3) After-tax.

**Table of Contents****Net Interest Income**

*(This section should be read in conjunction with Significant Factors 1, 3, and 6.)*

2006 Third Quarter versus 2005 Third Quarter

Fully taxable equivalent net interest income increased \$14.0 million, or 6% (\$17.7 million merger-related), from the year-ago quarter, reflecting the favorable impact of a \$2.6 billion, or 9%, increase in average earning assets, as the fully taxable equivalent net interest margin declined 9 basis points to 3.22%. Average total loans and leases increased \$1.9 billion, or 8% (\$1.7 billion merger-related). The remaining increase in average total loans and leases was \$0.2 billion, up less than 1% from the year-ago quarter, which primarily reflected growth in commercial loans, residential mortgages, and home equity loans, mostly offset by a decline in total average automobile loans and leases as we continued to sell a portion of that production.

Average total commercial loans increased \$1.4 billion, or 14% (\$0.8 billion merger-related). This growth reflected a \$0.9 billion, or 19%, increase in average middle market C&I loans, a \$0.3 billion, or 8%, increase in average commercial real estate loans, and a \$0.3 billion, or 12%, increase in average small business loans.

Average residential mortgages increased \$0.6 billion, or 14% (\$0.4 billion merger-related). Average home equity loans increased \$0.2 billion, or 5%, substantially all from the Unizan merger.

Compared with the year-ago quarter, average total automobile loans and leases decreased \$0.4 billion, or 10%, with the Unizan merger having no significant impact. The decrease reflected the combination of two factors: (1) continued softness in production levels over this period from low consumer demand and competitive pricing, and (2) the sale of automobile loans as we continued a program of selling a portion of current loan production. Average automobile operating lease assets declined \$0.2 billion, or 76%, as this portfolio continued to run off. Total automobile loan and lease exposure at quarter end was 15%, down from 19% a year ago.

Average total investment securities increased \$0.9 billion from the 2005 third quarter, attributed, in part, to securities purchased in the 2006 first quarter.

Average total core deposits in the 2006 third quarter increased \$2.0 billion, or 12% (\$1.5 billion merger-related), from the year-ago quarter. Most of the increase reflected higher average core certificates of deposit, which increased \$1.8 billion (\$0.6 billion merger-related) resulting from continued customer demand for higher, fixed rate deposit products. Average interest bearing demand deposits increased \$0.3 billion (\$0.2 billion merger-related) and average non-interest bearing deposits increased \$0.1 billion (\$0.2 billion merger-related). Average savings and other domestic time deposits declined \$0.2 billion despite \$0.5 billion of growth related to the Unizan merger.

2006 Third Quarter versus 2006 Second Quarter

Compared with the 2006 second quarter, fully taxable equivalent net interest income decreased \$6.8 million, or 3%. This primarily reflected the negative impact of a 12 basis point decline in the net interest margin to 3.22% as average total earning assets increased less than one percent. The decline in the net interest margin reflected a combination of factors, but primarily related to continued aggressive deposit pricing in the marketplace, the movement of lower cost deposits into higher cost certificates of deposit, and compression in home equity loan spreads.

Average total loans and leases increased \$0.1 billion, or less than 1%, from the 2006 second quarter.

Average total commercial loans increased slightly. This primarily reflected growth in average middle market C&I loans as utilization rates increased.

Average residential mortgages increased \$0.1 billion, or 3%, with average home equity loans increasing slightly. The growth in average residential mortgages and home equity loans was negatively impacted by a planned decline in home equity broker-originated production, and a continued focus on credit underwriting and pricing discipline despite aggressive price competition.

Compared with the 2006 second quarter, average total automobile loans and leases declined 2%. The decline

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reflected a combination of factors including low demand for leases, as well as sales of a portion of automobile loan and lease production. Average direct financing leases declined \$0.1 billion, or 6%. Direct financing lease production decreased 17% from the prior quarter; with the absolute level of production over the last several quarters remaining at historically low levels due to continued low consumer demand and competitive pricing. In contrast, average automobile loans increased 2% despite automobile loan production decreasing 3% from the prior quarter. Average automobile operating lease assets declined as this portfolio continued to run off with average balances approaching an immaterial level.

Average investment securities decreased \$0.1 billion, or 2%, from the 2006 second quarter.

Average total core deposits in the 2006 third quarter increased less than 1%, reflecting growth in average total commercial core deposits, mostly offset by a decline in average total consumer core deposits. Average core certificates of deposit increased \$0.3 billion, or 5%, reflecting the continued preference of customers for higher fixed rate certificates of deposit compared with lower rate savings and other time deposits, which declined 6%. This shift reflected the same factors impacting comparisons to the year-ago quarter noted above. Average interest bearing deposits increased 1%, whereas average non-interest bearing demand deposits declined 2%.

**Table of Contents****Table 4 Consolidated Quarterly Average Balance Sheets**

| Fully taxable equivalent basis<br>(in millions)                        | Average Balances |                |               |                | 2005<br>Third | Change<br>3Q06 vs 3Q05 |         |
|--|------------------|----------------|---------------|----------------|---------------|------------------------|---------|
|  | 2006<br>Third    | 2006<br>Second | 2006<br>First | 2005<br>Fourth |               | Amount                 | Percent |
| <b>Assets</b>  |                  |                |               |                |               |                        |         |
| Interest bearing deposits in banks                                     | \$ 75            | \$ 36          | \$ 24         | \$ 23          | \$ 23         | \$ 52                  | N.M.%   |
| Trading account securities   | 96               | 100            | 66            | 119            | 274           | (178)                  | (65.0)  |
| Federal funds sold and securities<br>purchased under resale agreements | 266              | 285            | 201           | 103            | 142           | 124                    | 87.3    |
| Loans held for sale  | 275              | 287            | 274           | 361            | 427           | (152)                  | (35.6)  |
| Investment securities:   |                  |                |               |                |               |                        |         |
| Taxable  | 4,364            | 4,494          | 4,138         | 3,802          | 3,523         | 841                    | 23.9    |
| Tax-exempt   | 581              | 556            | 548           | 540            | 537           | 44                     | 8.2     |
| Total investment securities  | 4,945            | 5,050          | 4,686         | 4,342          | 4,060         | 885                    | 21.8    |
| Loans and leases: <sup>(1)</sup>                                       |                  |                |               |                |               |                        |         |
| Commercial: <sup>(2)</sup>   |                  |                |               |                |               |                        |         |
| Middle market commercial and<br>industrial                             | 5,591            | 5,458          | 5,132         | 4,946          | 4,708         | 883                    | 18.8    |
| Middle market commercial real<br>estate:                               |                  |                |               |                |               |                        |         |
| Construction   | 1,122            | 1,243          | 1,454         | 1,675          | 1,720         | (598)                  | (34.8)  |
| Commercial   | 2,795            | 2,799          | 2,423         | 1,923          | 1,922         | 873                    | 45.4    |
| Middle market commercial real estate<br>Small business                 | 3,917            | 4,042          | 3,877         | 3,598          | 3,642         | 275                    | 7.6     |
|  | 2,531            | 2,456          | 2,121         | 2,230          | 2,251         | 280                    | 12.4    |
| Total commercial   | 12,039           | 11,956         | 11,130        | 10,774         | 10,601        | 1,438                  | 13.6    |
| Consumer:  |                  |                |               |                |               |                        |         |
| Automobile loans   | 2,079            | 2,044          | 1,994         | 2,018          | 2,078         | 1                      | 0.0     |
| Automobile leases  | 1,976            | 2,095          | 2,221         | 2,337          | 2,424         | (448)                  | (18.5)  |
| Automobile loans and leases  | 4,055            | 4,139          | 4,215         | 4,355          | 4,502         | (447)                  | (9.9)   |
| Home equity  | 5,041            | 5,029          | 4,833         | 4,781          | 4,801         | 240                    | 5.0     |
| Residential mortgage   | 4,748            | 4,629          | 4,306         | 4,165          | 4,157         | 591                    | 14.2    |
| Other loans  | 430              | 448            | 447           | 393            | 387           | 43                     | 11.1    |
| Total consumer   | 14,274           | 14,245         | 13,801        | 13,694         | 13,847        | 427                    | 3.1     |
| Total loans and leases   | 26,313           | 26,201         | 24,931        | 24,468         | 24,448        | 1,865                  | 7.6     |
| Allowance for loan and lease losses                                    | (291)            | (293)          | (283)         | (262)          | (256)         | (35)                   | (13.7)  |
| Net loans and leases   | 26,022           | 25,908         | 24,648        | 24,206         | 24,192        | 1,830                  | 7.6     |
| Total earning assets   | 31,970           | 31,959         | 30,182        | 29,416         | 29,374        | 2,596                  | 8.8     |

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|                                   |                 |          |          |          |          |         |        |
|-----------------------------------|-----------------|----------|----------|----------|----------|---------|--------|
| Automobile operating lease assets | <b>68</b>       | 105      | 159      | 216      | 287      | (219)   | (76.3) |
| Cash and due from banks           | <b>823</b>      | 832      | 813      | 770      | 898      | (75)    | (8.4)  |
| Intangible assets                 | <b>634</b>      | 638      | 362      | 218      | 217      | 417     | N.M.   |
| All other assets                  | <b>2,565</b>    | 2,449    | 2,256    | 2,256    | 2,219    | 346     | 15.6   |
| <b>Total Assets</b>               | <b>\$35,769</b> | \$35,690 | \$33,489 | \$32,614 | \$32,739 | \$3,030 | 9.3%   |

**Liabilities and Shareholders Equity**

Deposits:

|  |                 |          |          |          |          |         |        |
|--|-----------------|----------|----------|----------|----------|---------|--------|
| Demand deposits non-interest bearing                             | <b>\$ 3,509</b> | \$ 3,594 | \$ 3,436 | \$ 3,444 | \$ 3,406 | \$ 103  | 3.0%   |
| Demand deposits interest bearing                                 | <b>7,858</b>    | 7,778    | 7,562    | 7,496    | 7,539    | 319     | 4.2    |
| Savings and other domestic time deposits                         | <b>2,923</b>    | 3,106    | 3,095    | 2,984    | 3,095    | (172)   | (5.6)  |
| Core certificates of deposit <sup>(3)</sup>                      | <b>5,334</b>    | 5,083    | 4,389    | 3,891    | 3,557    | 1,777   | 50.0   |
| Total core deposits  | <b>19,624</b>   | 19,561   | 18,482   | 17,815   | 17,597   | 2,027   | 11.5   |
| Other domestic time deposits of \$100,000 or more <sup>(3)</sup> | <b>1,141</b>    | 1,086    | 938      | 927      | 871      | 270     | 31.0   |
| Brokered deposits and negotiable CDs                             | <b>3,307</b>    | 3,263    | 3,143    | 3,210    | 3,286    | 21      | 0.6    |
| Deposits in foreign offices                                      | <b>521</b>      | 474      | 465      | 490      | 462      | 59      | 12.8   |
| Total deposits   | <b>24,593</b>   | 24,384   | 23,028   | 22,442   | 22,216   | 2,377   | 10.7   |
| Short-term borrowings  | <b>1,660</b>    | 2,042    | 1,669    | 1,472    | 1,559    | 101     | 6.5    |
| Federal Home Loan Bank advances                                  | <b>1,349</b>    | 1,557    | 1,453    | 1,156    | 935      | 414     | 44.3   |
| Subordinated notes and other long-term debt                      | <b>3,921</b>    | 3,428    | 3,346    | 3,687    | 3,960    | (39)    | (1.0)  |
| Total interest bearing liabilities                               | <b>28,014</b>   | 27,817   | 26,060   | 25,313   | 25,264   | 2,750   | 10.9   |
| All other liabilities  | <b>1,276</b>    | 1,284    | 1,264    | 1,283    | 1,458    | (182)   | (12.5) |
| Shareholders equity  | <b>2,970</b>    | 2,995    | 2,729    | 2,574    | 2,611    | 359     | 13.7   |
| <b>Total Liabilities and Shareholders Equity</b>                 | <b>\$35,769</b> | \$35,690 | \$33,489 | \$32,614 | \$32,739 | \$3,030 | 9.3%   |

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

(2) The middle market C&I and CRE loan



balances in the first quarter of 2006 contain Unizan loan balances that were subject to reclassification when these loans were converted to Huntington's loan systems.

- (3) For the current and all prior periods, consumer CDs of \$100,000 or more have been reclassified from other domestic time deposits of \$100,000 or more to core certificates of deposit. Core certificates of deposit is comprised primarily of consumer certificates of deposit both over and under \$100,000. Other domestic time deposits of \$100,000 or more is comprised primarily of individual retirement accounts greater than \$100,000 and public fund certificates of deposit greater than \$100,000.



**Table of Contents****Table 5 Consolidated Quarterly Net Interest Margin Analysis**

|   | <b>Third</b> | Average Rates <sup>(2)</sup> |       |                      |       |
|---|--------------|------------------------------|-------|----------------------|-------|
|   |              | <b>2006</b><br>Second        | First | 2005<br>Fourth Third |       |
| Fully taxable equivalent basis <sup>(1)</sup>                       |              |                              |       |                      |       |
| <b>Assets</b>   |              |                              |       |                      |       |
| Interest bearing deposits in banks                                  | <b>5.23%</b> | 7.05%                        | 7.89% | 7.19%                | 5.07% |
| Trading account securities  | <b>4.32</b>  | 4.51                         | 2.94  | 4.53                 | 3.95  |
| Federal funds sold and securities purchased under resale agreements | <b>5.13</b>  | 4.75                         | 4.30  | 3.78                 | 3.41  |
| Loans held for sale   | <b>6.24</b>  | 6.23                         | 5.92  | 5.68                 | 5.43  |
| Investment securities:  |              |                              |       |                      |       |
| Taxable   | <b>5.49</b>  | 5.34                         | 5.04  | 4.70                 | 4.37  |
| Tax-exempt  | <b>6.80</b>  | 6.83                         | 6.71  | 6.77                 | 6.62  |
| Total investment securities   | <b>5.64</b>  | 5.51                         | 5.23  | 4.96                 | 4.67  |
| Loans and leases: <sup>(3)</sup>                                    |              |                              |       |                      |       |
| Commercial:   |              |                              |       |                      |       |
| Middle market commercial and industrial                             | <b>7.35</b>  | 7.26                         | 6.80  | 6.28                 | 5.87  |
| Middle market commercial real estate:                               |              |                              |       |                      |       |
| Construction  | <b>8.48</b>  | 8.01                         | 7.55  | 7.27                 | 6.58  |
| Commercial  | <b>7.87</b>  | 7.26                         | 6.78  | 6.46                 | 5.96  |
| Middle market commercial real estate                                | <b>8.05</b>  | 7.49                         | 7.07  | 6.84                 | 6.25  |
| Small business  | <b>7.27</b>  | 7.10                         | 6.67  | 6.43                 | 6.18  |
| Total commercial  | <b>7.56</b>  | 7.30                         | 6.87  | 6.50                 | 6.07  |
| Consumer:   |              |                              |       |                      |       |
| Automobile loans  | <b>6.62</b>  | 6.48                         | 6.40  | 6.26                 | 6.44  |
| Automobile leases   | <b>5.10</b>  | 5.01                         | 4.97  | 4.98                 | 4.94  |
| Automobile loans and leases   | <b>5.88</b>  | 5.74                         | 5.65  | 5.57                 | 5.63  |
| Home equity   | <b>7.60</b>  | 7.46                         | 6.88  | 6.82                 | 6.42  |
| Residential mortgage  | <b>5.46</b>  | 5.39                         | 5.34  | 5.31                 | 5.23  |
| Other loans   | <b>9.60</b>  | 9.41                         | 8.51  | 8.13                 | 7.95  |
| Total consumer  | <b>6.46</b>  | 6.35                         | 6.08  | 6.00                 | 5.85  |
| Total loans and leases  | <b>6.96</b>  | 6.79                         | 6.43  | 6.22                 | 5.94  |
| <b>Total earning assets</b>   | <b>6.73%</b> | 6.55%                        | 6.21% | 6.01%                | 5.72% |
| <b>Liabilities and Shareholders Equity</b>                          |              |                              |       |                      |       |
| Deposits:   |              |                              |       |                      |       |
| Demand deposits non-interest bearing                                |              | %                            | %     | %                    | %     |
| Demand deposits interest bearing                                    | <b>2.92</b>  | 2.62                         | 2.44  | 2.12                 | 1.87  |

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|  |              |       |       |       |       |
|--|--------------|-------|-------|-------|-------|
| Savings and other domestic time deposits                         | <b>1.75</b>  | 1.59  | 1.49  | 1.44  | 1.39  |
| Core certificates of deposit <sup>(4)</sup>                      | <b>4.40</b>  | 4.10  | 3.84  | 3.70  | 3.59  |
| Total core deposits  | <b>3.20</b>  | 2.89  | 2.65  | 2.41  | 2.20  |
| Other domestic time deposits of \$100,000 or more <sup>(4)</sup> | <b>5.18</b>  | 4.83  | 4.55  | 3.98  | 3.57  |
| Brokered deposits and negotiable CDs                             | <b>5.50</b>  | 5.12  | 4.69  | 4.20  | 3.66  |
| Deposits in foreign offices                                      | <b>3.12</b>  | 2.68  | 2.62  | 2.66  | 2.28  |
| Total deposits   | <b>3.66</b>  | 3.34  | 3.07  | 2.79  | 2.52  |
| Short-term borrowings  | <b>4.10</b>  | 4.12  | 3.57  | 3.11  | 2.74  |
| Federal Home Loan Bank advances                                  | <b>4.51</b>  | 4.34  | 3.99  | 3.37  | 3.08  |
| Subordinated notes and other long-term debt                      | <b>5.75</b>  | 5.67  | 5.22  | 4.72  | 4.20  |
| <b>Total interest bearing liabilities</b>                        | <b>4.02%</b> | 3.74% | 3.43% | 3.12% | 2.82% |
| Net interest rate spread   | <b>2.71%</b> | 2.81% | 2.78% | 2.89% | 2.90% |
| Impact of non-interest bearing funds on margin                   | <b>0.51</b>  | 0.53  | 0.54  | 0.45  | 0.41  |
| <b>Net interest margin</b>                                       | <b>3.22%</b> | 3.34% | 3.32% | 3.34% | 3.31% |

(1) Fully taxable equivalent (FTE) yields are calculated assuming a 35% tax rate. See Table 1 for the FTE adjustment.

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

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

(4) For the current and all prior periods, consumer CDs

of \$100,000 or more have been reclassified from other domestic time deposits of \$100,000 or more to core certificates of deposit. Core certificates of deposit is comprised primarily of consumer certificates of deposit both over and under \$100,000. Other domestic time deposits of \$100,000 or more is comprised primarily of individual retirement accounts greater than \$100,000 and public fund certificates of deposit greater than \$100,000.

**Table of Contents**2006 First Nine Months versus 2005 First Nine Months

Fully taxable equivalent net interest income increased \$44.8 million, or 6% (\$41.3 million merger-related), from the year-ago nine-month period. Earning assets grew \$2.1 billion, or 7%, and the fully taxable equivalent net interest margin declined 4 basis points to 3.29%. Average total loans and leases increased \$1.6 billion, or 6% (\$1.3 billion merger-related). This primarily reflected growth in commercial loans, residential mortgages, and home equity loans, partly offset by a decline in total average automobile loans and leases, as we continued to sell a portion of that production.

Average total commercial loans increased \$1.1 billion, or 11% (\$0.6 billion merger-related), from the year-ago nine-month period. The \$1.1 billion growth reflected a \$0.6 billion, or 13%, increase in average middle market C&I loans, a \$0.4 billion, or 10%, increase in average commercial real estate loans, and a \$0.1 billion, or 7%, increase in average small business loans. The middle market C&I and CRE loan balances in the first quarter of 2006 contain Unizan loan balances that were subject to reclassification when these loans were converted to Huntington's loan systems.

Average residential mortgages increased \$0.5 billion, or 13% (\$0.3 billion merger-related). Average home equity loans increased \$0.2 billion, or 5% (\$0.2 billion merger-related).

Compared with the year-ago nine-month period, average total automobile loans and leases decreased \$0.4 billion, or 8%, with Unizan having no material impact. The decrease reflected the combination of two factors: (1) low production levels over this period due to low consumer demand and competitive pricing, especially in automobile leases, and (2) sales of automobile loans as we continued selling a portion of current loan production. Average automobile operating lease assets declined \$0.3 billion, or 72%, as this portfolio continued to run off. Total automobile loan and lease exposure at quarter end was 15% of total loans and leases and automobile operating lease assets, down from 19% a year ago.

Average total investment securities increased \$0.8 billion from the 2005 first nine-month period, attributed in part to the securities purchased in the 2006 first quarter.

Average total core deposits in the 2006 first nine-month period increased \$1.8 billion, or 10% (\$1.2 billion merger-related), from the comparable year-ago period. All of the \$1.8 billion increase in average core deposits reflected a \$1.8 billion increase (\$0.5 billion merger-related) in average core certificates of deposits resulting from customer demand for higher, fixed rate deposit products. Average savings and other domestic time deposits declined \$0.2 billion, or 5%. Outflows from these accounts and into higher rate products, such as core certificates of deposit, were greater than the \$0.4 billion impact from savings account balances acquired in the Unizan merger. Average non-interest bearing demand deposits increased \$0.2 billion, or 5%, with the majority of this growth merger-related. Average interest-bearing demand deposits increased only slightly, despite a \$0.2 billion positive impact of such deposits acquired in the Unizan merger.

**Table of Contents****Table 6 Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis**

| Fully taxable equivalent basis <sup>(1)</sup><br>(in millions of dollars) | YTD Average Balances          |        |        |         | YTD Average Rates <sup>(2)</sup>   |       |
|---|-------------------------------|--------|--------|---------|------------------------------------|-------|
|   | Nine Months Ended Sept<br>30, |        | Change |         | Nine Months Ended<br>September 30, |       |
|   | 2006                          | 2005   | Amount | Percent | 2006                               | 2005  |
| <b>Assets</b>   |                               |        |        |         |                                    |       |
| Interest bearing deposits in banks  | \$ 44                         | \$ 22  | \$ 22  | 100.0%  | 6.16%                              | 4.32% |
| Trading account securities  | 84                            | 237    | (153)  | (64.6)  | 4.24                               | 4.00  |
| Federal funds sold and securities<br>purchased under resale<br>agreements | 251                           | 298    | (47)   | (15.8)  | 4.76                               | 2.79  |
| Loans held for sale   | 279                           | 303    | (24)   | (7.9)   | 6.13                               | 5.63  |
| Investment securities:  |                               |        |        |         |                                    |       |
| Taxable   | 4,333                         | 3,662  | 671    | 18.3    | 5.29                               | 4.09  |
| Tax-exempt  | 562                           | 453    | 109    | 24.1    | 6.78                               | 6.69  |
| Total investment securities   | 4,895                         | 4,115  | 780    | 19.0    | 5.46                               | 4.37  |
| Loans and leases: <sup>(3) (5)</sup>                                      |                               |        |        |         |                                    |       |
| Commercial:   |                               |        |        |         |                                    |       |
| Middle market commercial and<br>industrial                                | 5,398                         | 4,773  | 625    | 13.1    | 7.14                               | 5.52  |
| Middle market commercial real<br>estate:                                  |                               |        |        |         |                                    |       |
| Construction  | 1,272                         | 1,680  | (408)  | (24.3)  | 7.97                               | 6.06  |
| Commercial  | 2,674                         | 1,903  | 771    | 40.5    | 7.33                               | 5.58  |
| Middle market commercial real<br>estate                                   | 3,946                         | 3,583  | 363    | 10.1    | 7.54                               | 5.81  |
| Small business  | 2,371                         | 2,222  | 149    | 6.7     | 7.03                               | 6.00  |
| Total commercial  | 11,715                        | 10,578 | 1,137  | 10.7    | 7.25                               | 5.72  |
| Consumer:   |                               |        |        |         |                                    |       |
| Automobile loans  | 2,039                         | 2,052  | (13)   | (0.6)   | 6.51                               | 6.61  |
| Automobile leases   | 2,096                         | 2,451  | (355)  | (14.5)  | 5.02                               | 4.92  |
| Automobile loans and leases   | 4,135                         | 4,503  | (368)  | (8.2)   | 5.75                               | 5.69  |
| Home equity   | 4,969                         | 4,743  | 226    | 4.8     | 7.32                               | 6.04  |
| Residential mortgage  | 4,563                         | 4,053  | 510    | 12.6    | 5.40                               | 5.18  |
| Other loans   | 442                           | 379    | 63     | 16.6    | 9.00                               | 8.25  |
| Total consumer  | 14,109                        | 13,678 | 431    | 3.2     | 6.30                               | 5.73  |
| Total loans and leases  | 25,824                        | 24,256 | 1,568  | 6.5     | 6.73                               | 5.73  |
| Allowance for loan and lease<br>losses                                    | (289)                         | (269)  | (20)   | 7.4     |                                    |       |

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|  |                 |          |         |        |              |       |
|--|-----------------|----------|---------|--------|--------------|-------|
| Net loans and leases   | <b>25,535</b>   | 23,987   | 1,548   | 6.5    |              |       |
| Total earning assets   | <b>31,377</b>   | 29,231   | 2,146   | 7.3    | <b>6.51%</b> | 5.49% |
| Automobile operating lease assets                                | <b>110</b>      | 397      | (287)   | (72.3) |              |       |
| Cash and due from banks  | <b>823</b>      | 911      | (88)    | (9.7)  |              |       |
| Intangible assets  | <b>545</b>      | 218      | 327     | N.M.   |              |       |
| All other assets   | <b>2,425</b>    | 2,158    | 267     | 12.4   |              |       |
| <b>Total Assets</b>  | <b>\$34,991</b> | \$32,646 | \$2,345 | 7.2%   |              |       |
| <b>Liabilities and Shareholders Equity</b>                       |                 |          |         |        |              |       |
| Deposits:  |                 |          |         |        |              |       |
| Demand deposits non-interest bearing                             | <b>\$ 3,513</b> | \$ 3,358 | \$ 155  | 4.6%   | %            | %     |
| Demand deposits interest bearing                                 | <b>7,734</b>    | 7,712    | 22      | 0.3    | <b>2.67</b>  | 1.65  |
| Savings and other domestic time deposits                         | <b>3,041</b>    | 3,213    | (172)   | (5.4)  | <b>1.61</b>  | 1.33  |
| Core certificates of deposit <sup>(4)</sup>                      | <b>4,939</b>    | 3,146    | 1,793   | 57.0   | <b>4.13</b>  | 3.50  |
| Total core deposits  | <b>19,227</b>   | 17,429   | 1,798   | 10.3   | <b>2.92</b>  | 1.99  |
| Other domestic time deposits of \$100,000 or more <sup>(4)</sup> | <b>1,055</b>    | 903      | 152     | 16.8   | <b>4.87</b>  | 3.18  |
| Brokered deposits and negotiable CDs                             | <b>3,238</b>    | 3,088    | 150     | 4.9    | <b>5.11</b>  | 3.27  |
| Deposits in foreign offices                                      | <b>487</b>      | 446      | 41      | 9.2    | <b>2.82</b>  | 1.89  |
| Total deposits   | <b>24,007</b>   | 21,866   | 2,141   | 9.8    | <b>3.37</b>  | 2.26  |
| Short-term borrowings  | <b>1,790</b>    | 1,347    | 443     | 32.9   | <b>3.94</b>  | 2.23  |
| Federal Home Loan Bank advances                                  | <b>1,453</b>    | 1,088    | 365     | 33.5   | <b>4.28</b>  | 2.99  |
| Subordinated notes and other long-term debt                      | <b>3,570</b>    | 4,190    | (620)   | (14.8) | <b>5.55</b>  | 3.82  |
| Total interest bearing liabilities                               | <b>27,307</b>   | 25,133   | 2,174   | 8.6    | <b>3.74</b>  | 2.55  |
| All other liabilities  | <b>1,272</b>    | 1,569    | (297)   | (18.9) |              |       |
| Shareholders equity  | <b>2,899</b>    | 2,586    | 313     | 12.1   |              |       |
| <b>Total Liabilities and Shareholders Equity</b>                 | <b>\$34,991</b> | \$32,646 | \$2,345 | 7.2%   |              |       |
| Net interest rate spread   |                 |          |         |        | <b>2.77</b>  | 2.94  |
| Impact of non-interest bearing funds on margin                   |                 |          |         |        | <b>0.52</b>  | 0.39  |
| <b>Net interest margin</b>                                       |                 |          |         |        | <b>3.29%</b> | 3.33% |



- (1) Fully taxable equivalent (FTE) yields are calculated assuming a 35% tax rate.
- (2) Loan and lease and deposit average rates include impact of applicable derivatives and non-deferrable fees.
- (3) For purposes of this analysis, non-accrual loans are reflected in the average balances of loans.
- (4) For the current and all prior periods, consumer CDs of \$100,000 or more have been reclassified from other domestic time deposits of \$100,000 or more to core certificates of deposit. Core certificates of deposit is comprised primarily of consumer certificates of deposit both over and under \$100,000. Other domestic time deposits of

\$100,000 or more is comprised primarily of individual retirement accounts greater than \$100,000 and public fund certificates of deposit greater than \$100,000.

- (5) The middle market C&I and CRE loan balances in the first quarter of 2006 contain Unizan loan balances that were subject to reclassification when these loans were converted to Huntington's loan systems.

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**Provision for Credit Losses**

*(This section should be read in conjunction with Significant Factors 1, 3, and 6, and the Credit Risk section.)*

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

The provision for credit losses in the 2006 third quarter was \$14.2 million, down \$3.5 million from the year-ago quarter and down \$1.6 million for the 2006 second quarter. The current quarter benefited from improvements in the credit quality of the loan portfolio, including the payoff of our largest non-performing asset at June 30, 2006, the sale of a \$10.9 million of non-performing loans at the end of the quarter, and updates to the criteria we use to assess a commercial loan's probability of default. Non-performing loans decreased \$6.0 million, or 4%.

For the first nine months of 2006, the provision of credit losses was \$49.4 million, down \$1.0 million from the comparable year-ago period. The decline reflects general improved credit quality as discussed above and in the Credit Risk section.

**Non-Interest Income**

*(This section should be read in conjunction with Significant Factors 1, 2, 3, 4, and 6.)*

Table 7 reflects non-interest income detail for each of the past five quarters and for the first nine months of 2006 and 2005.

**Table of Contents****Table 7 Non-Interest Income**

| <i>(in thousands)</i>                    | <b>Third</b>     | <b>2006</b> |            | <b>2005</b> |            | <b>3Q06 vs 3Q05</b> |         |
|--|------------------|-------------|------------|-------------|------------|---------------------|---------|
|  |                  | Second      | First      | Fourth      | Third      | Amount              | Percent |
| Service charges on deposit accounts      | <b>\$ 48,718</b> | \$ 47,225   | \$ 41,222  | \$ 42,083   | \$ 44,817  | \$ 3,901            | 8.7%    |
| Trust services                           | <b>22,490</b>    | 22,676      | 21,278     | 20,425      | 19,671     | 2,819               | 14.3    |
| Brokerage and insurance income           | <b>14,697</b>    | 14,345      | 15,193     | 13,101      | 13,948     | 749                 | 5.4     |
| Bank owned life insurance income         | <b>12,125</b>    | 10,604      | 10,242     | 10,389      | 10,104     | 2,021               | 20.0    |
| Other service charges and fees           | <b>12,989</b>    | 13,072      | 11,509     | 11,488      | 11,449     | 1,540               | 13.5    |
| Mortgage banking (loss) income           | <b>(2,166)</b>   | 20,355      | 17,832     | 10,909      | 21,116     | (23,282)            | N.M.    |
| Securities (losses) gains <sup>(1)</sup> | <b>(57,332)</b>  | (35)        | (20)       | (8,770)     | 101        | (57,433)            | N.M.    |
| Gains on sales of automobile loans       | <b>863</b>       | 532         | 448        | 455         | 502        | 361                 | 71.9    |
| Other income                             | <b>36,946</b>    | 22,102      | 24,782     | 24,708      | 11,210     | 25,736              | N.M.    |
| Sub-total before operating lease income  | <b>89,330</b>    | 150,876     | 142,486    | 124,788     | 132,918    | (43,588)            | (32.8)  |
| Automobile operating lease income        | <b>8,580</b>     | 12,143      | 17,048     | 22,534      | 27,822     | (19,242)            | (69.2)  |
| <b>Total non-interest income</b>         | <b>\$ 97,910</b> | \$ 163,019  | \$ 159,534 | \$ 147,322  | \$ 160,740 | \$ (62,830)         | (39.1)% |

| <i>(in thousands)</i>                   | <b>Nine Months Ended Sept 30,</b> |             | <b>YTD 2006 vs 2005</b> |                |
|---|-----------------------------------|-------------|-------------------------|----------------|
|   | <b>2006</b>                       | <b>2005</b> | <b>Amount</b>           | <b>Percent</b> |
| Service charges on deposit accounts     | <b>\$ 137,165</b>                 | \$ 125,751  | \$ 11,414               | 9.1            |
| Trust services                          | <b>66,444</b>                     | 56,980      | 9,464                   | 16.6           |
| Brokerage and insurance income          | <b>44,235</b>                     | 40,518      | 3,717                   | 9.2            |
| Bank owned life insurance income        | <b>32,971</b>                     | 30,347      | 2,624                   | 8.6            |
| Other service charges and fees          | <b>37,570</b>                     | 32,860      | 4,710                   | 14.3           |
| Mortgage banking income                 | <b>36,021</b>                     | 30,801      | 5,220                   | 16.9           |
| Securities gains (losses)               | <b>(57,387)</b>                   | 715         | (58,102)                | N.M.           |
| Gains on sales of automobile loans      | <b>1,843</b>                      | 756         | 1,087                   | N.M.           |
| Other income                            | <b>83,830</b>                     | 55,751      | 28,079                  | 50.4           |
| Sub-total before operating lease income | <b>382,692</b>                    | 374,479     | 8,213                   | 2.2            |
| Automobile operating lease income       | <b>37,771</b>                     | 110,481     | (72,710)                | (65.8)         |

|                                  |                   |            |             |        |
|----------------------------------|-------------------|------------|-------------|--------|
| <b>Total non-interest income</b> | <b>\$ 420,463</b> | \$ 484,960 | \$ (64,497) | (13.3) |
|----------------------------------|-------------------|------------|-------------|--------|

N.M., not a meaningful value.

- (1) Includes  
 \$57.5 million of  
 securities  
 impairment  
 losses as of  
 September 30,  
 2006.

Table 8 details mortgage banking income and the net impact of MSR hedging activity. We record MSR valuation changes in mortgage banking income, whereas MSR hedge-related trading activity is recorded in other non-interest income, as well as in net interest income. Striking a mortgage banking income sub-total before MSR valuation adjustments provides a clearer understanding of the underlying trends in mortgage banking income associated with the primary business activities of origination, sales, and servicing. The net impact of MSR hedging analysis shows all of the MSR valuation changes and related hedging activity so that the net impact can be more easily seen, especially since the components are recorded in different income statement line items.

Mortgage banking income and the net impact of MSR hedging activities for each of the past five quarters and for the first nine months of 2006 and 2005, were as follows:

**Table of Contents****Table 8 Mortgage Banking Income and Net Impact of MSR Hedging**

| <i>(in thousands)</i>                                       | <b>2006</b>  | <b>2006</b>   | <b>2006</b>  | <b>2005</b>   | <b>2005</b>  | <b>3Q06 vs 3Q05</b> |                |
|---|--------------|---------------|--------------|---------------|--------------|---------------------|----------------|
| <i>(in thousands)</i>                                       | <b>Third</b> | <b>Second</b> | <b>First</b> | <b>Fourth</b> | <b>Third</b> | <b>Amount</b>       | <b>Percent</b> |
| <b>Mortgage Banking Income</b>                              |              |               |              |               |              |                     |                |
| Origination fees  | \$ 2,036     | \$ 2,177      | \$ 1,977     | \$ 1,979      | \$ 3,037     | \$ (1,001)          | (33.0)%        |
| Secondary marketing   | 1,034        | 4,914         | 2,022        | 3,346         | 3,408        | (2,374)             | (69.7)         |
| Servicing fees  | 6,077        | 5,995         | 5,925        | 5,791         | 5,532        | 545                 | 9.9            |
| Amortization of capitalized servicing <sup>(4)</sup>        | (4,484)      | (3,293)       | (3,532)      | (3,785)       | (4,626)      | 142                 | 3.1            |
| Other mortgage banking income                               | 3,887        | 2,281         | 2,227        | 3,193         | 3,308        | 579                 | 17.5           |
| Sub-total   | 8,550        | 12,074        | 8,619        | 10,524        | 10,659       | (2,109)             | (19.8)         |
| MSR valuation adjustment <sup>(3) (4)</sup>                 | (10,716)     | 8,281         | 9,213        | 385           | 10,457       | (21,173)            | N.M.           |
| Total mortgage banking (loss) income                        | \$ (2,166)   | \$ 20,355     | \$ 17,832    | \$ 10,909     | \$ 21,116    | \$ (23,282)         | N.M.%          |
| <b>Capitalized mortgage servicing rights <sup>(1)</sup></b> |              |               |              |               |              |                     |                |
| MSR allowance <sup>(1)</sup>                                | \$ 129,317   | \$ 136,244    | \$ 123,257   | \$ 91,259     | \$ 85,940    | \$ 43,377           | 50.5%          |
| Total mortgages serviced for others <sup>(1) (3)</sup>      | 7,994,000    | 7,725,000     | 7,585,000    | 7,276,000     | 7,081,000    | 913,000             | 12.9           |
| MSR % of investor servicing portfolio                       | 1.62%        | 1.76%         | 1.63%        | 1.25%         | 1.21%        | 0.41%               | 33.9           |
| <b>Net Impact of MSR Hedging</b>                            |              |               |              |               |              |                     |                |
| MSR valuation adjustment <sup>(3) (4)</sup>                 | \$ (10,716)  | \$ 8,281      | \$ 9,213     | \$ 385        | \$ 10,457    | \$ (21,173)         | N.M.%          |
| Net trading gains (losses) related to MSR hedging           | 10,678       | (6,739)       | (4,638)      | (2,091)       | (12,831)     | 23,509              | N.M.           |

|  |    |          |          |            |            |          |       |
|--|----|----------|----------|------------|------------|----------|-------|
| (2)  |    |          |          |            |            |          |       |
| Net interest income related to MSR hedging | 38 |          | 109      | 233        | (195)      | (83.7)   |       |
| Net impact of MSR hedging                  | \$ | \$ 1,542 | \$ 4,575 | \$ (1,597) | \$ (2,141) | \$ 2,141 | N.M.% |

| <i>(in thousands)</i>   | Nine Months Ended<br>September 30, |            | YTD 2006 vs 2005 |         |
|---|------------------------------------|------------|------------------|---------|
|   | 2006                               | 2005       | Amount           | Percent |
| <b>Mortgage Banking Income</b>                                    |                                    |            |                  |         |
| Origination fees  | \$ 6,190                           | \$ 8,802   | \$ (2,612)       | (29.7)% |
| Secondary marketing   | 7,970                              | 7,640      | 330              | 4.3     |
| Servicing fees  | 17,997                             | 16,390     | 1,607            | 9.8     |
| Amortization of capitalized servicing <sup>(4)</sup>              | (11,309)                           | (14,574)   | 3,265            | (22.4)  |
| Other mortgage banking income                                     | 8,395                              | 8,557      | (162)            | (1.9)   |
| Sub-total   | 29,243                             | 26,815     | 2,428            | 9.1     |
| MSR valuation adjustment <sup>(3)</sup> <sup>(4)</sup>            | 6,778                              | 3,986      | 2,792            | 70.0    |
| Total mortgage banking income                                     | \$ 36,021                          | \$ 30,801  | \$ 5,220         | 16.9%   |
| Capitalized mortgage servicing rights <sup>(1)</sup>              | \$ 129,317                         | \$ 85,940  | \$ 43,377        | 50.5%   |
| MSR allowance <sup>(1)</sup>                                      |                                    | (789)      | 789              | N.M.    |
| Total mortgages serviced for others <sup>(1)</sup> <sup>(3)</sup> | 7,994,000                          | 7,081,000  | 913,000          | 12.9    |
| MSR % of investor servicing portfolio                             | 1.62%                              | 1.21%      | 0.41%            | 33.9    |
| <b>Net Impact of MSR Hedging</b>                                  |                                    |            |                  |         |
| MSR valuation adjustment <sup>(3)</sup> <sup>(4)</sup>            | \$ 6,778                           | \$ 3,986   | \$ 2,792         | 70.0%   |
| Net trading gains (losses) related to MSR hedging <sup>(2)</sup>  | (699)                              | (11,286)   | 10,587           | (93.8)  |
| Net interest income related to MSR hedging                        | 38                                 | 1,579      | (1,541)          | (97.6)  |
| Net impact of MSR hedging   | \$ 6,117                           | \$ (5,721) | \$ 11,838        | N.M.%   |

N.M., not a meaningful value.

(1) At period end.

(2) Included in other non-interest income.

(3)

The first quarter of 2006 reflects the adoption of Statement No. 156, which records MSR's at fair value. Prior periods reflect temporary impairment or recovery, based on accounting for MSR's at the lower of cost or market.

- (4) The change in fair value for the period presented in note 6 to the financial statements included both the MSR valuation adjustment and amortization of capitalized servicing.



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2006 Third Quarter versus 2005 Third Quarter

Non-interest income decreased \$62.8 million from the year-ago quarter, including a \$19.2 million decline in automobile operating lease income. That portfolio continued to run off since no automobile operating leases have been originated since April 2002. Non-interest income before automobile operating lease income decreased \$43.6 million, or 33% despite an estimated \$7.2 million positive impact from the Unizan merger, reflecting:

\$57.3 million of investment securities losses in the current quarter, reflecting the \$57.5 million investment securities impairment (*see Significant Items*).

\$23.3 million decline in mortgage banking income, reflecting a \$10.7 million negative impact of MSR valuation adjustments in the current quarter compared with a positive \$10.5 million MSR valuation adjustment in the year-ago quarter. The current quarter's negative MSR valuation adjustment reflected in mortgage banking income was offset by net MSR-related trading gains recorded in other income (*see below*).

Partially offset by:

\$25.7 million increase in other income (\$2.1 million merger-related), primarily reflecting a \$23.5 million positive impact from MSR hedge-related trading activities as the current quarter included \$10.7 million of net trading gains compared with \$12.8 million of net trading losses in the year-ago quarter, partially offset by a \$2.1 million write down of certain equity method investments.

\$3.9 million, or 9% (\$1.6 million merger-related), increase in service charges on deposit accounts, reflecting a \$3.2 million, or 11%, increase in personal service charges, primarily NSF/OD, and a \$0.7 million, or 4%, increase in commercial service charge income.

\$2.8 million, or 14% (\$1.7 million merger-related), increase in trust services income, reflecting (1) a \$1.6 million increase in higher personal trust income, mostly merger-related, as managed assets increased 13%, (2) a \$0.8 million increase in fees from Huntington Funds, reflecting 9% fund asset growth, and (3) a \$0.4 million increase in institutional trust income due to higher servicing fees with over half of the growth being merger-related.

\$2.0 million increase in bank owned life insurance income.

\$1.5 million, or 13% (\$0.3 million merger-related), increase in other service charges and fees, primarily reflecting a \$1.2 million, or 15%, increase in fees generated by higher debit card volume.

2006 Third Quarter versus 2006 Second Quarter

Non-interest income decreased \$65.1 million from the 2006 second quarter including the impact of a \$3.6 million decline in automobile operating lease income as that portfolio continued to run off. Non-interest income before automobile operating lease income declined \$61.5 million reflecting:

\$57.3 million of investment securities losses in the current quarter, reflecting the \$57.5 million investment securities impairment (*see Significant Items*).

\$22.5 million decline in mortgage banking income, primarily reflecting a \$10.7 million negative impact of MSR valuation adjustments in the current quarter compared with a positive \$8.3 million MSR valuation adjustment in the prior quarter. The current quarter's negative MSR valuation adjustment was offset by net MSR-related trading gains recorded in other income (*see below*). Also contributing to the decrease in mortgage banking income from the second quarter was a \$3.9 million decline in secondary marketing income.

Partially offset by:

\$14.8 million increase in other income, primarily reflecting a \$17.4 million positive impact in MSR hedge-related trading activities as the current quarter included a \$10.7 million net trading gain compared with \$6.7 million of net trading losses in the prior quarter, partially offset by a \$2.1 million write down of certain equity method investments. The 2006 second quarter also benefited from \$2.3 million of equity investment gains.

\$1.5 million increase in bank owned life insurance income.

\$1.5 million, or 3%, increase in service charges on deposit accounts. This reflected a \$0.8 million, or 5%, increase in commercial service charges and a \$0.7 million, or 2%, increase in personal service charges.

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**2006 First Nine Months versus 2005 First Nine Months**

Non-interest income declined \$64.5 million from the year-ago nine-month period, reflecting a \$72.7 million decline in automobile operating lease income. Non-interest income before automobile operating lease income increased \$8.2 million, or 2% (\$16.7 million merger-related). The drivers of the \$8.2 million increase included: \$28.1 million increase (\$5.0 million merger-related) in other income, primarily reflecting a \$10.6 million positive impact in MSR hedge-related trading activities as the current period included only \$0.7 million of net trading losses compared with \$11.3 million of net trading losses in the year-ago period. Also contributing to the increase: \$4.3 million increase in equipment operating lease income, \$4.8 million of higher equity investment gains, net of writedowns, \$2.0 million growth in derivative trading income, \$1.9 million in higher loan servicing, and an increase in miscellaneous retail and commercial banking fee income, including higher safe deposit box and collection fees.

\$11.4 million, or 9% (\$3.7 million merger-related), increase in service charges on deposit accounts, reflecting a \$10.2 million, or 13%, increase in personal service charges, primarily NSF/OD and volume related.

\$9.5 million, or 17% (\$3.9 million merger-related), increase in trust services income, reflecting (1) a \$4.9 million increase in higher personal trust income, (2) a \$2.6 million increase in Huntington Fund fees, and (3) a \$1.6 million increase in institutional trust income.

\$5.2 million increase (\$0.6 million merger-related) in mortgage banking income, reflecting a \$2.8 million positive impact of MSR valuation adjustments for the first nine months of 2006 relative to the prior year period, as well as the positive impact of lower amortization of capitalized servicing and higher servicing fee income, partially offset by lower origination fees.

\$4.7 million, or 14% (\$0.7 million merger-related), increase in other service charges and fees, reflecting a \$3.8 million, or 16%, increase in fees generated by higher debit card volume.

\$3.7 million, or 9% (\$1.1 million merger-related), increase in brokerage and insurance income, reflecting higher brokerage income including a \$3.4 million, or 19%, increase in annuity fee income.

Partially offset by:

\$58.1 million increase in investment securities losses reflecting the \$57.5 million 2006 third quarter investment securities impairment (*see Significant Items*).

**Table of Contents****Non-Interest Expense**

(This section should be read in conjunction with Significant Factors 1, 3, 5, and 6.)

Table 9 reflects non-interest expense detail for each of the last five quarters and for the first nine months of 2006 and 2005.

**Table 9 Non-Interest Expense**

| <i>(in thousands)</i>                      | <b>Third</b>     | <b>2006</b> |           | <b>2005</b> |           | <b>3Q06 vs 3Q05</b> |         |
|--|------------------|-------------|-----------|-------------|-----------|---------------------|---------|
|  |                  | Second      | First     | Fourth      | Third     | Amount              | Percent |
| Salaries                                   | <b>\$105,144</b> | \$107,249   | \$101,458 | \$ 91,858   | \$ 93,209 | \$ 11,935           | 12.8%   |
| Benefits                                   | <b>28,679</b>    | 30,655      | 30,099    | 24,253      | 24,267    | 4,412               | 18.2    |
| Personnel costs                            | <b>133,823</b>   | 137,904     | 131,557   | 116,111     | 117,476   | 16,347              | 13.9%   |
| Net occupancy                              | <b>18,109</b>    | 17,927      | 17,966    | 17,940      | 16,653    | 1,456               | 8.7     |
| Outside data processing and other services | <b>18,664</b>    | 19,569      | 19,851    | 19,693      | 18,062    | 602                 | 3.3     |
| Equipment                                  | <b>17,249</b>    | 18,009      | 16,503    | 16,093      | 15,531    | 1,718               | 11.1    |
| Professional services                      | <b>6,438</b>     | 6,292       | 5,365     | 7,440       | 8,323     | (1,885)             | (22.6)  |
| Marketing                                  | <b>7,846</b>     | 10,374      | 7,301     | 7,145       | 6,364     | 1,482               | 23.3    |
| Telecommunications                         | <b>4,818</b>     | 4,990       | 4,825     | 4,453       | 4,512     | 306                 | 6.8     |
| Printing and supplies                      | <b>3,416</b>     | 3,764       | 3,074     | 3,084       | 3,102     | 314                 | 10.1    |
| Amortization of intangibles                | <b>2,902</b>     | 2,992       | 1,075     | 218         | 203       | 2,699               | N.M.    |
| Other expense                              | <b>23,177</b>    | 21,880      | 18,227    | 20,995      | 21,189    | 1,988               | 9.4     |
| Sub-total before operating lease expense   | <b>236,442</b>   | 243,701     | 225,744   | 213,172     | 211,415   | 25,027              | 11.8    |
| Automobile operating lease expense         | <b>5,988</b>     | 8,658       | 12,671    | 17,183      | 21,637    | (15,649)            | (72.3)  |
| <b>Total non-interest expense</b>          | <b>\$242,430</b> | \$252,359   | \$238,415 | \$230,355   | \$233,052 | \$ 9,378            | 4.0%    |

| <i>(in thousands)</i>                      | <b>Nine Months Ended</b>  |             | <b>YTD 2006 vs 2005</b> |                |
|--|---------------------------|-------------|-------------------------|----------------|
|  | <b>September 30, 2006</b> | <b>2005</b> | <b>Amount</b>           | <b>Percent</b> |
| Salaries                                   | <b>\$ 313,851</b>         | \$ 287,731  | \$ 26,120               | 9.1%           |
| Benefits                                   | <b>89,433</b>             | 77,816      | 11,617                  | 14.9           |
| Personnel costs                            | <b>403,284</b>            | 365,547     | 37,737                  | 10.3           |
| Net occupancy                              | <b>54,002</b>             | 53,152      | 850                     | 1.6            |
| Outside data processing and other services | <b>58,084</b>             | 54,945      | 3,139                   | 5.7            |
| Equipment                                  | <b>51,761</b>             | 47,031      | 4,730                   | 10.1           |
| Professional services                      | <b>18,095</b>             | 27,129      | (9,034)                 | (33.3)         |
| Marketing                                  | <b>25,521</b>             | 19,134      | 6,387                   | 33.4           |
| Telecommunications                         | <b>14,633</b>             | 14,195      | 438                     | 3.1            |

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|  |                |         |            |        |
|--|----------------|---------|------------|--------|
| Printing and supplies                    | <b>10,254</b>  | 9,489   | 765        | 8.1    |
| Amortization of intangibles              | <b>6,969</b>   | 611     | 6,358      | N.M.   |
| Other expense                            | <b>63,284</b>  | 61,565  | 1,719      | 2.8    |
| Sub-total before operating lease expense | <b>705,887</b> | 652,798 | 53,089     | 8.1    |
| Automobile operating lease expense       | <b>27,317</b>  | 86,667  | (59,350)   | (68.5) |
| <b>Total non-interest expense</b>        | <b>733,204</b> | 739,465 | \$ (6,261) | (0.8)% |

N.M., not a meaningful value.

2006 Third Quarter versus 2005 Third Quarter

While non-interest expense increased \$9.4 million, or 4%, from the year-ago quarter, automobile operating lease expense declined \$15.6 million as that portfolio continued to run off. Non-interest expense before automobile operating lease expense increased \$25.0 million, or 12%, from the year-ago quarter, with an estimated \$18.1 million attributable to Unizan (\$17.6 million merger-related plus \$0.4 million of merger costs). The primary drivers of the \$25.0 million increase were:

\$16.3 million, or 14%, increase in personnel expense with Unizan contributing \$7.9 million of the increase (\$7.7 million merger-related plus \$0.2 million of merger costs). The remaining \$8.5 million increase included \$4.9 million due to the expensing of share-based compensation, which began in 2006. Pension and health care expenses

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also increased.

\$2.7 million increase in the amortization of intangibles, substantially all merger-related.

\$2.0 million increase in other expense including \$3.0 million of merger-related expense.

\$1.7 million increase in equipment expense (\$0.5 million merger-related), reflecting higher depreciation associated with recent technology investments.

\$1.5 million in higher marketing expense (\$0.3 million merger-related), due primarily to expanded market research efforts.

\$1.5 million increase in net occupancy expense (\$1.3 million merger-related).

Partially offset by:

\$1.9 million decline in professional services. Though Unizan added \$1.5 million to current period expense, this was more than offset by lower collection and other legal expenses.

**2006 Third Quarter versus 2006 Second Quarter**

Non-interest expense decreased \$9.9 million from the 2006 second quarter including a \$2.7 million decline in automobile operating lease expense as that portfolio continued to run off. Non-interest expense before automobile operating lease expense declined \$7.3 million, or 3%, reflecting:

\$4.1 million, or 3%, decrease in personnel costs reflecting a combination of factors including lower FICA and incentive-based compensation.

\$2.5 million, or 24%, decline in marketing expense due to lower television commercial costs as the prior quarter included expenses for the up-front development cost of commercials.

Partially offset by:

\$1.3 million, or 6%, increase in other expense due to higher operational losses.

**2006 First Nine Months versus 2005 First Nine Months**

Non-interest expense decreased \$6.3 million, or 1%, from the year-ago nine-month period, reflecting a \$59.4 million decline in automobile operating lease expense as that portfolio continued to run off. Non-interest expense before automobile operating lease expense increased \$53.1 million, or 8%, with an estimated \$45.3 million attributable to Unizan (\$41.2 million merger-related plus \$4.1 million of merger costs). The primary drivers of the \$53.1 million increase were:

\$37.7 million, or 10%, increase in personnel expense with Unizan contributing \$19.1 million of the increase (\$18.0 million merger-related plus \$1.1 million of merger costs). The remaining increase of \$18.6 million reflected an increase of \$13.4 million due to expensing share-based compensation, which began in 2006, and the annual merit increases for exempt employees, partially offset by personnel expense synergies resulting from the Unizan merger.

\$6.4 million, or 33%, higher marketing expense with Unizan contributing \$1.4 million of the increase (\$0.6 million merger-related plus \$0.7 million of merger costs), due primarily to television commercial advertising, including up-front development costs incurred in the period.

\$6.4 million increase in the amortization of intangibles, related to the Unizan merger.

\$4.7 million, or 10%, increase in equipment expense with Unizan contributing \$1.2 million of the increase, primarily merger-related, reflecting higher depreciation expense.

\$3.1 million, or 5.7%, increase in outside data processing and other services with Unizan contributing \$2.8 million of the increase (\$1.2 million merger-related plus \$1.6 million of merger costs), reflecting outside contract programming and debit card processing expense.

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Partially offset by:

\$9.0 million, or 33%, decline in professional services. Although Unizan added \$3.6 million to 2006 nine-month expense (\$3.4 million merger-related plus \$0.1 million of merger costs), this was more than offset by lower consulting expense as the year-ago period included \$3.6 million of SEC and regulatory-related expenses, as well as a \$5.3 million decline in other consulting and collections costs.

**Automobile Operating Lease Assets**

*(This section should be read in conjunction with Significant Factor 3 and Lease Residual Risk section.)*

Automobile operating lease assets primarily represent automobile leases originated before May 2002. This automobile operating lease portfolio is running off over time since all automobile lease originations after April 2002 have been recorded as direct financing leases and are reported in the automobile loan and lease category in earning assets. As a result, the non-interest income and non-interest expense associated with the automobile operating lease portfolio has declined.

Automobile operating lease asset performance for each of the last five quarters and for the first nine months of 2006 and 2005 was as follows:

**Table 10 Automobile Operating Lease Performance**

| <i>(in thousands)</i>                                 | <b>Third</b>    | <b>2006<br/>Second</b> | <b>First</b> | <b>2005<br/>Fourth</b> | <b>2005<br/>Third</b> | <b>3Q06 vs 3Q05<br/>Amount</b> | <b>Percent</b> |
|---|-----------------|------------------------|--------------|------------------------|-----------------------|--------------------------------|----------------|
| <b>Balance Sheet:</b>                                 |                 |                        |              |                        |                       |                                |                |
| Average automobile operating lease assets outstanding | <b>\$68,223</b> | \$104,585              | \$159,073    | \$215,976              | \$287,308             | \$(219,085)                    | (76.3)%        |
| <b>Income Statement:</b>                              |                 |                        |              |                        |                       |                                |                |
| Net rental income                                     | <b>\$ 7,258</b> | \$ 10,678              | \$ 15,173    | \$ 19,866              | \$ 25,289             | \$ (18,031)                    | (71.3)%        |
| Fees  | <b>401</b>      | 669                    | 732          | 1,482                  | 1,419                 | (1,018)                        | (71.7)         |
| Recoveries early terminations                         | <b>921</b>      | 796                    | 1,143        | 1,186                  | 1,114                 | (193)                          | (17.3)         |
| <b>Total automobile operating lease income</b>        | <b>8,580</b>    | 12,143                 | 17,048       | 22,534                 | 27,822                | (19,242)                       | (69.2)         |
| Depreciation and residual losses at termination       | <b>5,494</b>    | 8,083                  | 11,501       | 15,680                 | 19,670                | (14,176)                       | (72.1)         |
| Losses early terminations                             | <b>494</b>      | 575                    | 1,170        | 1,503                  | 1,967                 | (1,473)                        | (74.9)         |
| <b>Total automobile operating lease expense</b>       | <b>5,988</b>    | 8,658                  | 12,671       | 17,183                 | 21,637                | (15,649)                       | (72.3)         |
| <b>Net earnings contribution</b>                      | <b>\$ 2,592</b> | \$ 3,485               | \$ 4,377     | \$ 5,351               | \$ 6,185              | \$ (3,593)                     | (58.1)%        |



| <i>(in thousands)</i>                                 | Nine Months Ended September |                  | YTD 2006 vs 2005   |                |
|---|-----------------------------|------------------|--------------------|----------------|
|   | 2006                        | 30,<br>2005      | Amount             | Percent        |
| <b>Balance Sheet:</b>                                 |                             |                  |                    |                |
| Average automobile operating lease assets outstanding | \$ 110,294                  | \$ 396,787       | \$ (286,493)       | (72.2)%        |
| <b>Income Statement:</b>                              |                             |                  |                    |                |
| Net rental income                                     | \$ 33,109                   | \$ 101,235       | \$ (68,126)        | (67.3)%        |
| Fees  | 1,802                       | 5,049            | (3,247)            | (64.3)         |
| Recoveries early terminations                         | 2,860                       | 4,197            | (1,337)            | (31.9)         |
| <b>Total automobile operating lease income</b>        | <b>37,771</b>               | <b>110,481</b>   | <b>(72,710)</b>    | <b>(65.8)</b>  |
| Depreciation and residual losses at termination       | 25,078                      | 79,136           | (54,058)           | (68.3)         |
| Losses early terminations                             | 2,239                       | 7,531            | (5,292)            | (70.3)         |
| <b>Total automobile operating lease expense</b>       | <b>27,317</b>               | <b>86,667</b>    | <b>(59,350)</b>    | <b>(68.5)</b>  |
| <b>Net earnings contribution</b>                      | <b>\$ 10,454</b>            | <b>\$ 23,814</b> | <b>\$ (13,360)</b> | <b>(56.1)%</b> |

**Table of Contents**2006 Third Quarter versus 2005 Third Quarter and 2006 Second Quarter

Average automobile operating lease assets in the 2006 third quarter were \$0.1 billion, down \$0.2 billion, or 76%, from the year-ago quarter and down 35% from the 2006 second quarter. This reflected the continued run-off of this portfolio as no new automobile operating leases have been originated since April 2002. Automobile operating lease asset balances will continue to decline through both depreciation and lease terminations. *(For a discussion of automobile operating lease accounting, residual value loss determination, and related residual value insurance, see Note 1, Significant Accounting Policies and the Lease Residual Risk section of the Company's 2005 Form 10-K.)*

Reflecting the continued run-off of automobile operating lease assets, the net earnings contribution from automobile operating lease assets was \$2.6 million in the 2006 third quarter, down \$3.6 million, or 58%, from the year-ago quarter and down \$0.9 million, or 26%, from the 2006 second quarter.

Automobile operating lease income, which totaled \$8.6 million in the 2006 third quarter, represented 9% of total non-interest income in the quarter. Automobile operating lease income was down \$19.2 million, or 69%, from the year-ago quarter and \$3.6 million, or 29%, from the 2006 second quarter, reflecting the decline in average automobile operating lease assets. Net rental income was down 71% and 32%, respectively, from the year-ago and 2006 second quarters. Fees declined 72% from the year-ago quarter and 40% from the prior quarter. Recoveries from early terminations decreased 17% from the year-ago quarter but increased 16% from the 2006 second quarter.

Automobile operating lease expense totaled \$6.0 million and represented 2% of total non-interest expense in the current quarter. Automobile operating lease expense was down \$15.6 million, or 72%, from the year-ago quarter and down \$2.7 million, or 31%, from the 2006 second quarter. Losses on early terminations, which are included in total automobile operating lease expense, declined 75% from the year-ago quarter and 14% from the prior quarter.

2006 First Nine Months versus 2005 First Nine Months

Average automobile operating lease assets in the 2006 first nine-month period were \$0.1 billion, down \$0.3 billion, or 72%, from the comparable year-ago period as this portfolio continued to run-off. Reflecting this decline in average automobile operating lease assets, the net earnings contribution from automobile operating lease assets was \$10.5 million in the 2006 first nine-month period, down \$13.4 million, or 56%, from the comparable year-ago period.

Automobile operating lease income, which totaled \$37.8 million for the 2006 first nine-month period, represented 9% of total non-interest income, and was down \$72.7 million, or 66%, from the comparable year-ago period. Net rental income was down \$68.1 million, or 67%. Fees declined \$3.2 million, or 64%, from the comparable year-ago period. Recoveries from early terminations were down 32% from the year-ago period. Operating lease expense totaled \$27.3 million, or 4%, of total non-interest expense, down \$59.4 million, or 68%, from the comparable year-ago nine-month period.

**Provision for Income Taxes**

*(This section should be read in conjunction with Significant Factor 4.)*

The provision for income taxes in the 2006 third quarter was a benefit of \$60.8 million. This reflected an \$84.5 million reduction of federal income tax expense related to the resolution of a federal income tax audit covering tax years 2002 and 2003 that resulted in the release of previously established federal income tax reserves, as well as the recognition of federal tax loss carry backs. The provisions for income taxes in the year-ago quarter and 2006 second quarter were \$43.1 million and \$45.5 million, respectively. The effective tax rate for the 2006 fourth quarter is expected to increase to a more typical rate just below 30%.

In the ordinary course of business, we operate in various taxing jurisdictions and are subject to income and non-income taxes. The effective tax rate is based in part on our interpretation of the relevant current tax laws. We believe the aggregate liabilities related to taxes are appropriately reflected in the consolidated financial statements. We review the appropriate tax treatment of all transactions taking into consideration statutory, judicial, and regulatory guidance in the context of our tax positions. In addition, we rely on various tax opinions, recent tax audits, and historical experience.

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We are subject to ongoing tax examinations in various jurisdictions. We believe that the resolution of these examinations will not have a significant adverse impact on our consolidated financial position or results of operations.

**RISK MANAGEMENT AND CAPITAL**

Risk identification and monitoring are key elements in overall risk management. We believe our primary risk exposures are credit, market, liquidity, and operational risk. Credit risk is the risk of loss due to adverse changes in borrowers' ability to meet their financial obligations under agreed upon terms. Market risk represents the risk of loss due to changes in the market value of assets and liabilities due to changes in interest rates, exchange rates, residual values, and equity prices. Liquidity risk arises from the possibility that funds may not be available to satisfy current or future commitments based on external macro market issues, investor perception of financial strength, and events unrelated to the company such as war, terrorism, or financial institution market specific issues. Operational risk arises from the inherent day-to-day operations of the company that could result in losses due to human error, inadequate or failed internal systems and controls, and external events.

We follow a formal policy to identify, measure, and document the key risks facing the company, how those risks can be controlled or mitigated, and how we monitor the controls to ensure that they are effective. Our chief risk officer is responsible for ensuring that appropriate systems of controls are in place for managing and monitoring operational risk across the company. Potential risk concerns are shared with the board of directors, as appropriate. Our internal audit department performs ongoing independent reviews of the risk management process and ensures the adequacy of documentation. The results of these reviews are reported regularly to the audit committee of the board of directors.

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

**Credit Risk**

Credit risk is the risk of loss due to adverse changes in borrowers' ability to meet their financial obligations under agreed upon terms. We are subject to credit risk in lending, trading, and investment activities. The nature and degree of credit risk is a function of the types of transactions, the structure of those transactions, and the parties involved. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. Credit risk is incidental to trading activities and represents a limited portion of the total risks associated with the investment portfolio. Credit risk is mitigated through a combination of credit policies and processes and portfolio diversification.

The maximum level of credit exposure to individual commercial borrowers is limited by policy guidelines based on the risk of default associated with the credit facilities extended to each borrower or related group of borrowers. All authority to grant commitments is delegated through the independent credit administration function and is monitored and regularly updated in a centralized database. Concentration risk is managed via limits on loan type, geography, industry, loan quality factors, and country limits. We have focused on extending credit to commercial customers with existing or expandable relationships within our primary markets.

The checks and balances in the credit process and the independence of the credit administration and risk management functions are designed to accurately assess the level of credit risk being accepted, facilitate the early recognition of credit problems when they do occur, and provide for effective problem asset management and resolution.

**Credit Exposure Mix**

*(This section should be read in conjunction with Significant Factors 3 and 6.)*

An overall corporate objective is to avoid undue portfolio concentrations. As shown in Table 11, at September 30, 2006, total credit exposure was \$26.4 billion. Of this amount, \$14.2 billion, or 54%, represented total consumer loans and leases and \$12.2 billion, or 46%, represented total commercial loans and leases.

**Table of Contents****Table 11 Credit Exposure Composition**

| <i>(in thousands)</i>                   |                                      |               | <b>2006</b>                     |        |                                  |        | 2005                                |        |                                      |        |
|---|--------------------------------------|---------------|---------------------------------|--------|----------------------------------|--------|-------------------------------------|--------|--------------------------------------|--------|
| <b>Category Type</b>                    | <b>September 30,<br/>(Unaudited)</b> |               | <b>June 30,<br/>(Unaudited)</b> |        | <b>March 31,<br/>(Unaudited)</b> |        | <b>December 31,<br/>(Unaudited)</b> |        | <b>September 30,<br/>(Unaudited)</b> |        |
| Commercial:                             |                                      |               |                                 |        |                                  |        |                                     |        |                                      |        |
| Middle market commercial and industrial | <b>\$ 5,751,178</b>                  | <b>21.8%</b>  | \$ 5,595,454                    | 21.2%  | \$ 5,288,710                     | 20.1%  | \$ 5,084,244                        | 20.6%  | \$ 4,790,680                         | 19.4%  |
| Middle market commercial real estate:   |                                      |               |                                 |        |                                  |        |                                     |        |                                      |        |
| Construction                            | <b>1,148,036</b>                     | <b>4.3</b>    | 1,173,454                       | 4.4    | 1,366,890                        | 5.2    | 1,521,897                           | 6.2    | 1,762,237                            | 7.1    |
| Commercial                              | <b>2,772,645</b>                     | <b>10.5</b>   | 2,731,684                       | 10.3   | 3,046,368                        | 11.6   | 2,015,498                           | 8.2    | 1,885,027                            | 7.6    |
| Middle market commercial real estate:   |                                      |               |                                 |        |                                  |        |                                     |        |                                      |        |
| Small business                          | <b>2,535,940</b>                     | <b>9.6</b>    | 2,531,176                       | 9.6    | 2,116,063                        | 8.1    | 2,223,740                           | 9.1    | 2,234,988                            | 9.1    |
| Total commercial                        | <b>12,207,799</b>                    | <b>46.2</b>   | 12,031,768                      | 45.5   | 11,818,031                       | 45.0   | 10,845,379                          | 44.1   | 10,672,932                           | 43.2   |
| Consumer:                               |                                      |               |                                 |        |                                  |        |                                     |        |                                      |        |
| Automobile loans                        | <b>2,105,623</b>                     | <b>8.0</b>    | 2,059,836                       | 7.8    | 2,053,777                        | 7.8    | 1,985,304                           | 8.1    | 2,063,285                            | 8.3    |
| Automobile leases                       | <b>1,910,257</b>                     | <b>7.2</b>    | 2,042,215                       | 7.7    | 2,154,883                        | 8.2    | 2,289,015                           | 9.3    | 2,381,004                            | 9.6    |
| Home equity                             | <b>5,019,101</b>                     | <b>19.0</b>   | 5,047,991                       | 19.1   | 4,955,343                        | 18.9   | 4,762,743                           | 19.3   | 4,796,474                            | 19.4   |
| Residential mortgage                    | <b>4,678,577</b>                     | <b>17.7</b>   | 4,739,814                       | 17.9   | 4,604,705                        | 17.5   | 4,193,139                           | 17.0   | 4,180,350                            | 16.9   |
| Other loans                             | <b>440,145</b>                       | <b>1.7</b>    | 432,957                         | 1.7    | 558,850                          | 2.1    | 396,586                             | 1.4    | 402,242                              | 1.6    |
| Total consumer                          | <b>14,153,703</b>                    | <b>53.6</b>   | 14,322,813                      | 54.2   | 14,327,558                       | 54.5   | 13,626,787                          | 55.1   | 13,823,355                           | 55.8   |
| Total loans and direct financing leases | <b>\$ 26,361,502</b>                 | <b>99.8</b>   | \$ 26,354,581                   | 99.7   | \$ 26,145,589                    | 99.5   | \$ 24,472,166                       | 99.2   | \$ 24,496,287                        | 99.0   |
| Automobile operating lease assets       | <b>54,551</b>                        | <b>0.2</b>    | 85,018                          | 0.3    | 128,111                          | 0.5    | 189,003                             | 0.8    | 247,389                              | 1.0    |
|   | <b>\$ 26,416,053</b>                 | <b>100.0%</b> | \$ 26,439,599                   | 100.0% | \$ 26,273,700                    | 100.0% | \$ 24,661,169                       | 100.0% | \$ 24,743,676                        | 100.0% |

|  |                     |               |                     |               |                     |               |                     |               |                     |               |
|--|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| <b>Total credit exposure</b>                   |                     |               |                     |               |                     |               |                     |               |                     |               |
| <b>Total automobile exposure<sup>(1)</sup></b> | <b>\$ 4,070,431</b> | <b>15.4%</b>  | <b>\$ 4,187,069</b> | <b>15.8%</b>  | <b>\$ 4,336,771</b> | <b>16.5%</b>  | <b>\$ 4,463,322</b> | <b>18.1%</b>  | <b>\$ 4,691,678</b> | <b>19.0%</b>  |
| <b>by Business Segment<sup>(2)</sup></b>       |                     |               |                     |               |                     |               |                     |               |                     |               |
| Regional Banking:                              |                     |               |                     |               |                     |               |                     |               |                     |               |
| Central Ohio                                   | <b>\$ 3,682,544</b> | <b>13.9%</b>  | <b>\$ 3,598,342</b> | <b>13.6%</b>  | <b>\$ 3,360,201</b> | <b>12.8%</b>  | <b>\$ 3,150,394</b> | <b>12.8%</b>  | <b>\$ 3,233,382</b> | <b>13.1%</b>  |
| Northern Ohio                                  | <b>2,656,635</b>    | <b>10.1</b>   | <b>2,660,450</b>    | <b>10.1</b>   | <b>2,552,570</b>    | <b>9.7</b>    | <b>2,522,854</b>    | <b>10.2</b>   | <b>2,580,925</b>    | <b>10.4</b>   |
| Southern Ohio                                  |                     |               |                     |               |                     |               |                     |               |                     |               |
| Kentucky                                       | <b>2,185,979</b>    | <b>8.3</b>    | <b>2,195,013</b>    | <b>8.3</b>    | <b>2,121,870</b>    | <b>8.1</b>    | <b>2,037,190</b>    | <b>8.3</b>    | <b>2,059,649</b>    | <b>8.3</b>    |
| Eastern Ohio                                   |                     |               |                     |               |                     |               |                     |               |                     |               |
| West Virginia <sup>(5)</sup>                   | <b>1,348,217</b>    | <b>5.1</b>    | <b>1,416,505</b>    | <b>5.4</b>    | <b>1,825,985</b>    | <b>6.9</b>    | <b>369,870</b>      | <b>1.5</b>    | <b>372,124</b>      | <b>1.5</b>    |
| West Michigan                                  | <b>2,443,495</b>    | <b>9.3</b>    | <b>2,397,525</b>    | <b>9.1</b>    | <b>2,372,563</b>    | <b>9.0</b>    | <b>2,363,162</b>    | <b>9.6</b>    | <b>2,369,800</b>    | <b>9.6</b>    |
| East Michigan                                  | <b>1,609,932</b>    | <b>6.1</b>    | <b>1,597,741</b>    | <b>6.0</b>    | <b>1,536,284</b>    | <b>5.8</b>    | <b>1,573,413</b>    | <b>6.4</b>    | <b>1,530,081</b>    | <b>6.2</b>    |
| West Virginia                                  | <b>1,086,757</b>    | <b>4.1</b>    | <b>1,053,464</b>    | <b>4.0</b>    | <b>968,333</b>      | <b>3.7</b>    | <b>970,953</b>      | <b>3.9</b>    | <b>948,847</b>      | <b>3.8</b>    |
| Indiana  | <b>962,216</b>      | <b>3.6</b>    | <b>953,776</b>      | <b>3.6</b>    | <b>977,589</b>      | <b>3.7</b>    | <b>1,025,807</b>    | <b>4.2</b>    | <b>958,119</b>      | <b>3.9</b>    |
| Mortgage and Equipment Leasing groups          | <b>3,611,416</b>    | <b>13.6</b>   | <b>3,590,621</b>    | <b>13.5</b>   | <b>3,478,835</b>    | <b>13.4</b>   | <b>3,493,461</b>    | <b>14.1</b>   | <b>3,477,995</b>    | <b>14.1</b>   |
| Regional Banking Dealer Sales                  | <b>19,587,191</b>   | <b>74.1</b>   | <b>19,463,437</b>   | <b>73.6</b>   | <b>19,194,230</b>   | <b>73.1</b>   | <b>17,507,104</b>   | <b>71.0</b>   | <b>17,530,922</b>   | <b>70.9</b>   |
| Private Financial and Capital Markets Group    | <b>5,011,186</b>    | <b>19.0</b>   | <b>5,167,300</b>    | <b>19.5</b>   | <b>5,347,052</b>    | <b>20.4</b>   | <b>5,429,997</b>    | <b>22.0</b>   | <b>5,492,235</b>    | <b>22.2</b>   |
| Treasury / Other                               | <b>1,817,676</b>    | <b>6.9</b>    | <b>1,808,862</b>    | <b>6.9</b>    | <b>1,732,418</b>    | <b>6.5</b>    | <b>1,724,068</b>    | <b>7.0</b>    | <b>1,720,519</b>    | <b>6.9</b>    |
| <b>Total credit exposure</b>                   | <b>\$26,416,053</b> | <b>100.0%</b> | <b>\$26,439,599</b> | <b>100.0%</b> | <b>\$26,273,700</b> | <b>100.0%</b> | <b>\$24,661,169</b> | <b>100.0%</b> | <b>\$24,743,676</b> | <b>100.0%</b> |

(1) Sum of automobile loans and leases and automobile operating lease assets.

- (2) Prior period amounts have been reclassified to conform to the current period business segment structure.
- (3) Includes operating lease inventory.
- (4) Periods prior to 2006 include certain banking offices previously reported in Northern Ohio.
- (5) The decline from the first quarter of 2006 is primarily the result of the Unizan system conversion and the classification of certain commercial loans.

**Table of Contents*****Commercial Credit***

Commercial credit approvals are based on the financial strength of the borrower, assessment of the borrower's management capabilities, industry sector trends, type of exposure, transaction structure, and the general economic outlook. While these are the primary factors considered, there are a number of other factors that may be considered in the decision process. There are two processes for approving credit risk exposures. The first involves a centralized loan approval process for the standard products and structures utilized in small business lending. In this centralized decision environment, individual credit authority is granted to certain individuals on a regional basis to preserve our local decision-making focus. The second, and more prevalent approach, involves individual approval of exposures. These approvals are consistent with the authority delegated to officers located in the geographic regions who are experienced in the industries and loan structures over which they have responsibility.

All C&I and CRE credit extensions are assigned internal risk ratings reflecting the borrower's probability-of-default and loss-in-event-of-default. This two-dimensional rating methodology, which has 192 individual loan grades, provides granularity in the portfolio management process. The probability-of-default is rated on a scale of 1-12 and is applied at the borrower level. The loss-in-event-of-default is rated on a 1-16 scale and is associated with each individual credit exposure based on the type of credit extension and the underlying collateral.

In commercial lending, ongoing credit management is dependent on the type and nature of the loan. In general, quarterly monitoring is normal for all significant exposures. The internal risk ratings are revised and updated with each periodic monitoring event. There is also extensive macro portfolio management analysis on an ongoing basis. Analysis of actual default experience indicated that the assigned probability of default was higher than our actual experience. Accordingly, during the 2006 third quarter, we updated the criteria used to assess the probability of default on commercial and industrial credits. The application of these updated criteria had no significant impact on the allowance for credit losses. We continually review and adjust such criteria based on actual experience, which may result in further changes to such criteria, in future periods.

In addition to the initial credit analysis initiated by the portfolio manager during the underwriting process, the loan review group performs independent credit reviews. The loan review group reviews individual loans and credit processes and conducts a portfolio review at each of the regions on a 15-month cycle, and the loan review group validates the risk grades on a minimum of 50% of the portfolio exposure.

Borrower exposures may be designated as watch list accounts when warranted by individual company performance, or by industry and environmental factors. Such accounts are subjected to additional quarterly reviews by the business line Management, the loan review group, and credit administration in order to adequately assess the borrower's credit status and to take appropriate action.

A specialized credit workout group manages problem credits and handles commercial recoveries, workouts, and problem loan sales, as well as the day-to-day management of relationships rated substandard or lower. The group is responsible for developing an action plan, assessing the risk rating, and determining the adequacy of the reserve, the accrual status, and the ultimate collectibility of the credits managed.

***Consumer Credit***

Consumer credit approvals are based on, among other factors, the financial strength of the borrower, type of exposure, and the transaction structure. Consumer credit decisions are generally made in a centralized environment utilizing decision models. There is also individual credit authority granted to certain individuals on a regional basis to preserve our local decision-making focus. Each credit extension is assigned a specific probability-of-default and loss-in-event-of-default. The probability-of-default is generally a function of the borrower's credit bureau score, while the loss-in-event-of-default is related to the type of collateral and the loan-to-value ratio associated with the credit extension.

In consumer lending, credit risk is managed from a loan type and vintage performance analysis. All portfolio segments are continuously monitored for changes in delinquency trends and other asset quality indicators. We make extensive use of portfolio assessment models to continuously monitor the quality of the portfolio and identify under-performing segments. This information is then incorporated into future origination strategies. The independent risk management group has a consumer process review component to ensure the effectiveness and efficiency of the consumer





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credit processes.

Home equity loans and lines consist of both first and second position collateral with underwriting criteria based on minimum FICO credit scores, debt/income ratios, and loan-to-value ratios. We offer closed-end, home equity loans with a fixed rate and level monthly payments and a variable-rate, interest-only home equity line of credit. At September 30, 2006, we had \$1.7 billion of home equity loans and \$3.3 billion of home equity lines of credit. The average loan-to-value ratio of our home equity portfolio (both loans and lines) was 77% at September 30, 2006. We do not originate home equity loans or lines that allow negative amortization, or have a loan-to-value ratio at origination greater than 100%. Home equity loans are generally fixed-rate with periodic principal and interest payments. We originated \$164 million of home equity loans in the third quarter 2006 with a weighted average loan-to-value ratio of 65% and a weighted average FICO score of 738. Home equity lines of credit generally have variable-rates of interest and do not require payment of principal during the 10-year revolving period of the line. During the third quarter of 2006, we originated \$322 million of home equity lines. The lines of credit originated during the quarter had a weighted average loan-to-value ratio of 75% and a weighted average FICO score of 741.

At September 30, 2006, we had \$4.7 billion of residential real estate loans. Adjustable-rate mortgages, primarily mortgages that have a fixed-rate for the first 3 to 5 years and then adjust annually, comprised 55% of this portfolio. We do not originate residential mortgage loans that (a) allow negative amortization, (b) have a loan-to-value ratio at origination greater than 100%, or (c) are option ARMs. Interest-only loans comprised \$0.9 billion, or 18%, of residential real estate loans at September 30, 2006. Interest only loans are underwritten to specific standards including minimum FICO credit scores, stressed debt-to-income ratios, and extensive collateral evaluation.

Collection action is initiated on an as needed basis through a centrally managed collection and recovery function. The collection group employs a series of collection methodologies designed to maintain a high level of effectiveness while maximizing efficiency. In addition to the retained consumer loan portfolio, the collection group is responsible for collection activity on all sold and securitized consumer loans and leases. *(See the Non-performing Assets section of Credit Risk, for further information regarding when consumer loans are placed on non-accrual status and when the balances are charged-off to the allowance for loan and lease losses.)*

**Non-Performing Assets (NPAs)**

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

NPAs consist of loans and leases that are no longer accruing interest, loans and leases that have been renegotiated to below market rates based upon financial difficulties of the borrower, and real estate acquired through foreclosure. Middle-market commercial and industrial (C&I), commercial real-estate (CRE), and small business loans are generally placed on non-accrual status when collection of principal or interest is in doubt or when the loan is 90-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.

Consumer loans and leases, excluding residential mortgages and home equity lines and leases, are not placed on non-accrual status but are charged-off in accordance with regulatory statutes, which is generally no more than 120-days past due. Residential mortgages and home equity loans and lines, while highly secured, are placed on non-accrual status within 180-days past due as to principal and 210-days past due as to interest, regardless of collateral. A charge-off on a residential mortgage loan is recorded when the loan has been foreclosed and the loan balance exceeds the fair value of the real estate. The fair value of the collateral, less the cost to sell, is then recorded as real estate owned.

When we believe the borrower's ability and intent to make periodic interest and principal payments resume and collectibility is no longer in doubt, the loan is returned to accrual status.

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Table 12 reflects period-end NPAs and past due loans and leases detail for each of the last five quarters.

**Table 12 Non-Performing Assets and Past Due Loans and Leases**

| <i>(in thousands)</i>   | 2006             |           |           | 2005         |               |
|---|------------------|-----------|-----------|--------------|---------------|
|   | September 30,    | June 30,  | March 31, | December 31, | September 30, |
| <b>Non-accrual loans and leases:</b>  |                  |           |           |              |               |
| Middle market commercial and industrial   | \$ 37,082        | \$ 45,713 | \$ 45,723 | \$ 28,888    | \$ 25,431     |
| Middle market commercial real estate  | 27,538           | 24,970    | 18,243    | 15,763       | 13,073        |
| Small business  | 21,356           | 27,328    | 28,389    | 28,931       | 26,098        |
| Residential mortgage  | 30,289           | 22,786    | 29,376    | 17,613       | 16,402        |
| Home equity   | 13,047           | 14,466    | 13,778    | 10,720       | 8,705         |
| <b>Total non-performing loans and leases</b>  | <b>129,312</b>   | 135,263   | 135,509   | 101,915      | 89,709        |
| <b>Other real estate, net:</b>  |                  |           |           |              |               |
| Residential   | 40,615           | 34,743    | 17,481    | 14,214       | 11,182        |
| Commercial  | 1,285            | 1,062     | 1,903     | 1,026        | 909           |
| <b>Total other real estate, net</b>   | <b>41,900</b>    | 35,805    | 19,384    | 15,240       | 12,091        |
| <b>Total non-performing assets</b>  | <b>\$171,212</b> | \$171,068 | \$154,893 | \$117,155    | \$101,800     |
| Non-performing loans and leases guaranteed by the U.S. government <sup>(1)</sup>          | \$ 33,676        | \$ 30,710 | \$ 18,256 | \$ 7,324     | \$ 6,812      |
| Non-performing loans and leases as a % of total loans and leases                          | 0.49%            | 0.51%     | 0.52%     | 0.42%        | 0.37%         |
| Non-performing assets as a % of total loans and leases and other real estate              | 0.65             | 0.65      | 0.59      | 0.48         | 0.42          |
| Accruing loans and leases past due 90 days or more <sup>(1)</sup>                         | \$ 62,054        | \$ 48,829 | \$ 52,297 | \$ 56,138    | \$ 50,780     |
| Accruing loans and leases past due 90 days or more as a percent of total loans and leases | 0.24%            | 0.19%     | 0.20%     | 0.23%        | 0.21%         |
| Allowance for Credit Losses (ACL) as a % of   | 456              | 403       | 425       | 454          | 497           |

non-guaranteed commercial  
non-performing assets

- (1) Beginning in the second quarter of 2006, OREO includes balances for foreclosures on loans serviced for GNMA, that were reported in 90 day past due loans and leases in prior periods. These balances are fully guaranteed by the US Government.

NPAs were \$171.2 million at September 30, 2006, and represented 0.65% of related assets, which was essentially unchanged from June 30, 2006, but up \$69.4 million from \$101.8 million, or 0.42% of related assets, at the end of the year-ago quarter. Contributing to the \$69.4 million increase in NPAs from the year-ago period were \$33.8 million of NPLs acquired at the time of the Unizan merger, as well as a \$29.8 million increase in other real estate owned (OREO). The increase in OREO included \$16.4 million increase in foreclosed mortgage loans fully guaranteed by the U.S. government, which prior to the 2006 second quarter were previously reported as over 90-day delinquent but still accruing loans. This change in reporting also contributed to the \$26.9 million increase in total NPLs guaranteed by the U.S. government, from \$6.8 million at the end of the 2005 third quarter to \$33.7 million at September 30, 2006. At September 30, 2006, 59% of total NPAs represented residential real estate assets and loans guaranteed by the U.S. Government, which have shown low loss experience historically. This compares favorably with the 42% level of such NPAs at the end of the year-ago quarter, and 53% at June 30, 2006.

NPLs, which exclude OREO, increased \$39.6 million from the year-earlier period to \$129.3 million at September

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30, 2006, with \$33.8 million of the increase represented by NPLs acquired in the Unizan merger. NPLs declined \$6.0 million, or 4%, from June 30, 2006. NPLs expressed as a percent of total loans and leases were 0.49% at September 30, 2006, up from 0.37% a year earlier, but down slightly from 0.51% at June 30, 2006.

Non-performing asset activity for each of the past five quarters ended September 30, 2006, and for the first nine months of 2006 and 2005 was as follows:

**Table 13 Non-Performing Assets Activity**

| <i>(in thousands)</i>                             |                   | <b>2006</b> |            |            | <b>2005</b> |
|---|-------------------|-------------|------------|------------|-------------|
|   | <b>Third</b>      | Second      | First      | Fourth     | Third       |
| <b>Non-performing assets, beginning of period</b> | <b>\$ 171,068</b> | \$ 154,893  | \$ 117,155 | \$ 101,800 | \$ 97,418   |
| New non-performing assets <sup>(1)</sup>          | <b>55,490</b>     | 52,498      | 53,768     | 52,553     | 37,570      |
| Acquired non-performing assets                    |                   |             | 33,843     |            |             |
| Returns to accruing status                        | <b>(11,880)</b>   | (12,143)    | (14,310)   | (3,228)    | (231)       |
| Loan and lease losses                             | <b>(14,143)</b>   | (6,826)     | (13,314)   | (9,063)    | (5,897)     |
| Payments  | <b>(16,709)</b>   | (12,892)    | (13,195)   | (21,329)   | (21,203)    |
| Sales   | <b>(12,614)</b>   | (4,462)     | (9,054)    | (3,578)    | (5,857)     |
| <b>Non-performing assets, end of period</b>       | <b>\$ 171,212</b> | \$ 171,068  | \$ 154,893 | \$ 117,155 | \$ 101,800  |

| <i>(in thousands)</i>                             | <b>Nine Months Ended September 30,</b> |            |
|---|--|------------|
|   | <b>2006</b>                            | 2005       |
| <b>Non-performing assets, beginning of period</b> | <b>\$ 117,155</b>                      | \$ 108,568 |
| New non-performing assets <sup>(1)</sup>          | <b>161,756</b>                         | 118,597    |
| Acquired non-performing assets                    | <b>33,843</b>                          |            |
| Returns to accruing status                        | <b>(38,333)</b>                        | (4,319)    |
| Loan and lease losses                             | <b>(34,283)</b>                        | (29,756)   |
| Payments  | <b>(42,796)</b>                        | (43,532)   |
| Sales   | <b>(26,130)</b>                        | (47,758)   |
| <b>Non-performing assets, end of period</b>       | <b>\$ 171,212</b>                      | \$ 101,800 |

<sup>(1)</sup> Beginning in the second quarter of 2006, OREO includes balances for foreclosures on loans serviced for GNMA, that were reported in 90 day past due loans and leases

in prior periods.  
These balances  
are fully  
guaranteed by  
the US  
Government.

***Allowances for Credit Losses (ACL)***

*(This section should be read in conjunction with Significant Factors 1 and 6.)*

We maintain two reserves, both of which are available to absorb probable credit losses: the allowance for loan and lease losses (ALLL) and the allowance for unfunded loan commitments and letters of credit (AULC). When summed together, these reserves constitute the total ACL. Our credit administration group is responsible for developing the methodology and determining the adequacy of the ACL.

The ALLL represents the estimate of probable losses inherent in the loan portfolio at the balance sheet date. Additions to the ALLL result from recording provision expense for loan losses or recoveries, while reductions reflect

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charge-offs, net of recoveries, or the sale of loans. The AULC is determined by applying the transaction reserve process to the unfunded portion of the portfolio adjusted by an applicable funding percentage.

We have an established process to determine the adequacy of the ACL that relies on a number of analytical tools and benchmarks. No single statistic or measurement, in itself, determines the adequacy of the allowance. The allowance is comprised of two components: the transaction reserve and the economic reserve.

**Transaction Reserve**

The transaction reserve component of the ACL includes both (a) an estimate of loss based on characteristics of each commercial and consumer loan or lease in the portfolio and (b) an estimate of loss based on an impairment review of each loan greater than \$500,000 that is considered to be impaired.

For middle market C&I, middle market CRE, and small business loans, the estimate of loss based on characteristics of each loan made through the use of a standardized loan grading system that is applied on an individual loan level and updated on a continuous basis. The reserve factors applied to these portfolios were developed based on internal credit migration models that track historical movements of loans between loan ratings over time and a combination of long-term average loss experience of our own portfolio and external industry data.

In the case of more homogeneous portfolios, such as consumer loans and leases, and residential mortgage loans, the determination of the transaction component is conducted at an aggregate, or pooled, level. For such portfolios, the development of the reserve factors includes the use of forecasting models to measure inherent loss in these portfolios.

We analyze each middle market C&I, CRE, or small business loan over \$500,000 for impairment when the loan is non-performing or has a grade of substandard or lower. The impairment tests are done in accordance with applicable accounting standards and regulations. For loans that are determined to be impaired, an estimate of loss is made for the amount of the impairment.

Models and analyses are updated frequently to capture the recent behavioral characteristics of the subject portfolios, as well as any changes in the loss mitigation or credit origination strategies. Adjustments to the reserve factors are made as needed based on observed results of the portfolio analytics.

**Economic Reserve**

Changes in the economic environment are a significant judgmental factor we consider in determining the appropriate level of the ACL. The economic reserve incorporates our determination of the impact of risks associated with the general economic environment on the portfolio. The economic reserve is designed to address economic uncertainties and is determined based on a variety of economic factors that are correlated to the historical performance of the loan portfolio. Because of this more quantitative approach to recognizing risks in the general economy, the economic reserve may fluctuate from period-to-period, subject to a minimum level specified by policy.

The methodology to determine the economic reserve is specifically tied to economic indices that have a high correlation to our historic charge-off variability. The indices currently in the model consist of the Real Consumer Spending, Consumer Confidence, ISM Manufacturing Index, and Non-Agriculture Job Creation in our core states of Ohio, Michigan, West Virginia, and Indiana. The indices and time frame may be adjusted as actual portfolio performance changes over time. The indices were changed during the first quarter of 2006. The changes did not have a material impact in the calculation. We have the capability to judgmentally adjust the calculated economic reserve amount by a maximum of +/- 20% to reflect, among other factors, differences in local versus national economic conditions. This adjustment capability is deemed necessary given the continuing uncertainty of forecasting economic environment changes.

This methodology allows for a more meaningful discussion of our view of the current economic conditions and the potential impact on credit losses. The continued use of quantitative methodologies for the transaction reserve and the introduction of the quantitative methodology for the economic component

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may have the impact of more period-to-period fluctuation in the absolute and relative level of the reserve than exhibited in prior-period results.

At September 30, 2006, the ALLL was \$280.2 million, which was \$26.2 million higher than \$253.9 million a year earlier, but \$7.4 million lower than \$287.5 million at June 30, 2006. Expressed as a percent of period-end loans and leases, the ALLL ratio at September 30, 2006, was 1.06%, up from 1.04% a year ago, but down slightly from 1.09% at June 30, 2006. The level of required loan loss reserves is determined using a highly quantitative methodology, which determines the required levels for both the transaction reserve and economic reserve components. Table 14 shows the change in the ALLL ratio and each reserve component for the 2006 second and third quarters, as well as the 2005 third quarter.

The decline in the transaction reserve component at September 30, 2006, from the end of the second quarter, primarily reflected the sale or payoffs of certain NPAs at losses below previously established specific reserve levels. This resulted in the release of excess specific reserves associated with these NPAs.

The ALLL as a percent of NPLs was 217% at September 30, 2006, down from 283% a year ago, but up from 213% at June 30, 2006. The ALLL as a percent of NPAs was 164% at September 30, 2006, down from 249% a year ago, and down slightly from 168% at June 30, 2006. At September 30, 2006, the AULC was \$39.3 million, up from \$38.1 million at the end of the year-ago quarter, and from \$38.9 million at June 30, 2006.

On a combined basis, the ACL as a percent of total loans and leases at September 30, 2006, was 1.21%, up from 1.19% a year ago, but down slightly from June 30, 2006. The ACL as a percent of NPAs was 187% at September 30, 2006, down from 287% a year earlier and 191% at June 30, 2006. The decline in the NPA coverage ratio reflected a number of factors, but especially the lower potential loss content of NPAs at the end of the current period compared with the prior year period as noted above, given the higher percentage of NPAs represented by residential real estate assets and U.S. Government guaranteed loans noted above.

Table 14 reflects activity in the ALLL and AULC for each of the last five quarters.

**Table of Contents****Table 14 Quarterly Credit Reserves Analysis**

| <i>(in thousands)</i>   | <b>2006</b>              |                      |              | <b>2005</b>   |              |
|---|--------------------------|----------------------|--------------|---------------|--------------|
|   | <b>Third</b>             | <b>Second</b>        | <b>First</b> | <b>Fourth</b> | <b>Third</b> |
| <b>Allowance for loan and lease losses, beginning of period</b>                           | <b>\$287,517</b>         | \$283,839            | \$268,347    | \$253,943     | \$254,784    |
| Acquired allowance for loan and lease losses  | <b>100<sup>(1)</sup></b> | 1,498 <sup>(1)</sup> | 22,187       |               |              |
| Loan and lease losses   | <b>(29,127)</b>          | (24,325)             | (33,405)     | (27,072)      | (25,830)     |
| Recoveries of loans previously charged off  | <b>7,888</b>             | 10,373               | 9,189        | 9,504         | 7,877        |
| Net loan and lease losses   | <b>(21,239)</b>          | (13,952)             | (24,216)     | (17,568)      | (17,953)     |
| Provision for loan and lease losses   | <b>13,774</b>            | 16,132               | 17,521       | 31,972        | 17,112       |
| <b>Allowance for loan and lease losses, end of period</b>                                 | <b>\$280,152</b>         | \$287,517            | \$283,839    | \$268,347     | \$253,943    |
| <b>Allowance for unfunded loan commitments and letters of credit, beginning of period</b> | <b>\$ 38,914</b>         | \$ 39,301            | \$ 36,957    | \$ 38,098     | \$ 37,511    |
| Acquired AULC   |                          |                      | 325          |               |              |
| Provision for unfunded loan commitments and letters of credit losses                      | <b>388</b>               | (387)                | 2,019        | (1,141)       | 587          |
| <b>Allowance for unfunded loan commitments and letters of credit, end of period</b>       | <b>\$ 39,302</b>         | \$ 38,914            | \$ 39,301    | \$ 36,957     | \$ 38,098    |
| <b>Total allowances for credit losses</b>   | <b>\$319,454</b>         | \$326,431            | \$323,140    | \$305,304     | \$292,041    |
| <b>Allowance for loan and lease losses (ALLL) as % of:</b>                                |                          |                      |              |               |              |
| Transaction reserve   | <b>0.86%</b>             | 0.89%                | 0.88%        | 0.89%         | 0.84%        |
| Economic reserve  | <b>0.20</b>              | 0.20                 | 0.21         | 0.21          | 0.20         |
| Total loans and leases  | <b>1.06%</b>             | 1.09%                | 1.09%        | 1.10%         | 1.04%        |
| Non-performing loans and leases (NPLs)  | <b>217</b>               | 213                  | 209          | 263           | 283          |
| Non-performing assets (NPAs)  | <b>164</b>               | 168                  | 183          | 229           | 249          |



**Total allowances for credit losses (ACL) as % of:**

|                                 |              |       |       |       |       |
|---------------------------------|--------------|-------|-------|-------|-------|
| Total loans and leases          | <b>1.21%</b> | 1.24% | 1.24% | 1.25% | 1.19% |
| Non-performing loans and leases | <b>247</b>   | 241   | 238   | 300   | 326   |
| Non-performing assets           | <b>187</b>   | 191   | 209   | 261   | 287   |

(1) Represents an adjustment of the allowance and corresponding adjustment to loan balances, resulting from the Unizan merger.

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Table 15 reflects activity in the ALLL and AULC for the first nine months of 2006 and 2005.

**Table 15 Year to Date Credit Reserves Analysis**

| <i>(in thousands)</i>   | Nine Months Ended September<br>30, |           |
|---|------------------------------------|-----------|
|   | <b>2006</b>                        | 2005      |
| <b>Allowance for loan and lease losses, beginning of period</b>                           | <b>\$268,347</b>                   | \$271,211 |
| Acquired allowance for loan and lease losses  | <b>23,784</b>                      |           |
| Loan and lease losses   | <b>(86,857)</b>                    | (88,776)  |
| Recoveries of loans previously charged off  | <b>27,451</b>                      | 26,287    |
| Net loan and lease losses   | <b>(59,406)</b>                    | (62,489)  |
| Provision for loan and lease losses   | <b>47,427</b>                      | 51,810    |
| Economic reserve transfer   |                                    | (6,253)   |
| Allowance of assets sold and securitized  |                                    | (336)     |
| <b>Allowance for loan and lease losses, end of period</b>                                 | <b>\$280,152</b>                   | \$253,943 |
| <b>Allowance for unfunded loan commitments and letters of credit, beginning of period</b> | <b>\$ 36,957</b>                   | \$ 33,187 |
| Acquired AULC   | <b>325</b>                         |           |
| Provision for unfunded loan commitments and letters of credit losses                      | <b>2,020</b>                       | (1,342)   |
| Economic reserve transfer   |                                    | 6,253     |
| <b>Allowance for unfunded loan commitments and letters of credit, end of period</b>       | <b>\$ 39,302</b>                   | \$ 38,098 |
| <b>Total allowances for credit losses</b>   | <b>\$319,454</b>                   | \$292,041 |
| <b>Allowance for loan and lease losses (ALLL) as % of:</b>                                |                                    |           |
| Transaction reserve   | <b>0.86%</b>                       | 0.84%     |
| Economic reserve  | <b>0.20</b>                        | 0.20      |
| Total loans and leases  | <b>1.06%</b>                       | 1.04%     |
| Non-performing loans and leases (NPLs)  | <b>217</b>                         | 283       |
| Non-performing assets (NPAs)  | <b>164</b>                         | 249       |
| <b>Total allowances for credit losses (ACL) as % of:</b>                                  |                                    |           |
| Total loans and leases  | <b>1.21%</b>                       | 1.19%     |
| Non-performing loans and leases   | <b>247</b>                         | 326       |
| Non-performing assets   | <b>187</b>                         | 287       |

**Table of Contents****Net Charge-offs***(This section should be read in conjunction with Significant Factors 1 and 6.)*

Table 16 reflects net loan and lease charge-off detail for each of the last five quarters.

**Table 16 Quarterly Net Charge-Off Analysis**

| <i>(in thousands)</i>                          | <b>Third</b>    | <b>2006<br/>Second</b> | <b>First</b> | <b>Fourth</b> | <b>2005<br/>Third</b> |
|--|-----------------|------------------------|--------------|---------------|-----------------------|
| <b>Net charge-offs by loan and lease type:</b> |                 |                        |              |               |                       |
| Commercial:                                    |                 |                        |              |               |                       |
| Middle market commercial and industrial        | <b>\$ 1,742</b> | \$ (484)               | \$ 6,887     | \$ (744)      | \$ (1,082)            |
| Middle market commercial real estate:          |                 |                        |              |               |                       |
| Construction                                   | <b>(2)</b>      | (161)                  | (241)        | (175)         | 495                   |
| Commercial                                     | <b>644</b>      | 1,557                  | 210          | 14            | 1,779                 |
| Middle market commercial real estate           | <b>642</b>      | 1,396                  | (31)         | (161)         | 2,274                 |
| Small business                                 | <b>4,451</b>    | 2,530                  | 3,709        | 4,465         | 3,062                 |
| Total commercial                               | <b>6,835</b>    | 3,442                  | 10,565       | 3,560         | 4,254                 |
| Consumer:                                      |                 |                        |              |               |                       |
| Automobile loans                               | <b>1,759</b>    | 1,172                  | 2,977        | 3,213         | 3,895                 |
| Automobile leases                              | <b>2,306</b>    | 1,758                  | 3,515        | 3,422         | 3,105                 |
| Automobile loans and leases                    | <b>4,065</b>    | 2,930                  | 6,492        | 6,635         | 7,000                 |
| Home equity                                    | <b>6,734</b>    | 4,776                  | 4,524        | 4,498         | 4,093                 |
| Residential mortgage                           | <b>876</b>      | 688                    | 715          | 941           | 522                   |
| Other loans                                    | <b>2,729</b>    | 2,116                  | 1,920        | 1,934         | 2,084                 |
| Total consumer                                 | <b>14,404</b>   | 10,510                 | 13,651       | 14,008        | 13,699                |
| <b>Total net charge-offs</b>                   | <b>\$21,239</b> | \$13,952               | \$24,216     | \$17,568      | \$17,953              |
| <b>Net charge-offs annualized percentages:</b> |                 |                        |              |               |                       |
| Commercial:                                    |                 |                        |              |               |                       |
| Middle market commercial and industrial        | <b>0.12%</b>    | (0.04)%                | 0.54%        | (0.06)%       | (0.09)%               |
| Middle market commercial real estate:          |                 |                        |              |               |                       |
| Construction                                   |                 | (0.05)                 | (0.07)       | (0.04)        | 0.12                  |
| Commercial                                     | <b>0.09</b>     | 0.22                   | 0.03         |               | 0.37                  |
|  | <b>0.07</b>     | 0.14                   |              | (0.02)        | 0.25                  |

|  |              |       |       |       |       |
|--|--------------|-------|-------|-------|-------|
| Middle market commercial real estate           |              |       |       |       |       |
| Small business                                 | <b>0.70</b>  | 0.41  | 0.70  | 0.80  | 0.54  |
| Total commercial                               | <b>0.23</b>  | 0.12  | 0.38  | 0.13  | 0.16  |
| Consumer:                                      |              |       |       |       |       |
| Automobile loans                               | <b>0.34</b>  | 0.23  | 0.60  | 0.64  | 0.75  |
| Automobile leases                              | <b>0.47</b>  | 0.34  | 0.63  | 0.59  | 0.51  |
| Automobile loans and leases                    | <b>0.40</b>  | 0.28  | 0.62  | 0.61  | 0.62  |
| Home equity                                    | <b>0.53</b>  | 0.38  | 0.37  | 0.38  | 0.34  |
| Residential mortgage                           | <b>0.07</b>  | 0.06  | 0.07  | 0.09  | 0.05  |
| Other loans                                    | <b>2.54</b>  | 1.89  | 1.72  | 1.97  | 2.15  |
| Total consumer                                 | <b>0.40</b>  | 0.30  | 0.40  | 0.41  | 0.40  |
| <b>Net charge-offs as a % of average loans</b> | <b>0.32%</b> | 0.21% | 0.39% | 0.29% | 0.29% |

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Table 17 reflects net loan and lease charge-off detail for the first nine months of 2006 and 2005.

**Table 17 Year To Date Net Charge-Off Analysis**

| <i>(in thousands)</i>                          | Nine Months Ended September<br>30, |           |
|--|------------------------------------|-----------|
|  | <b>2006</b>                        | 2005      |
| <b>Net charge-offs by loan and lease type:</b> |                                    |           |
| Commercial:                                    |                                    |           |
| Middle market commercial and industrial        | <b>\$ 8,145</b>                    | \$ 14,322 |
| Middle market commercial real estate:          |                                    |           |
| Construction                                   | <b>(404)</b>                       | 310       |
| Commercial                                     | <b>2,411</b>                       | 3,896     |
| Middle market commercial real estate           | <b>2,007</b>                       | 4,206     |
| Small business                                 | <b>10,690</b>                      | 7,486     |
| Total commercial                               | <b>20,842</b>                      | 26,014    |
| Consumer:                                      |                                    |           |
| Automobile loans                               | <b>5,908</b>                       | 8,775     |
| Automobile leases                              | <b>7,579</b>                       | 8,242     |
| Automobile loans and leases                    | <b>13,487</b>                      | 17,017    |
| Home equity                                    | <b>16,034</b>                      | 13,121    |
| Residential mortgage                           | <b>2,279</b>                       | 1,391     |
| Other loans                                    | <b>6,764</b>                       | 4,946     |
| Total consumer                                 | <b>38,564</b>                      | 36,475    |
| <b>Total net charge-offs</b>                   | <b>\$ 59,406</b>                   | \$ 62,489 |
| <b>Net charge-offs annualized percentages:</b> |                                    |           |
| Commercial:                                    |                                    |           |
| Middle market commercial and industrial        | <b>0.20%</b>                       | 0.40%     |
| Middle market commercial real estate:          |                                    |           |
| Construction                                   | <b>(0.04)</b>                      | 0.02      |
| Commercial                                     | <b>0.12</b>                        | 0.27      |
| Middle market commercial real estate           | <b>0.07</b>                        | 0.16      |
| Small business                                 | <b>0.60</b>                        | 0.45      |
| Total commercial                               | <b>0.24</b>                        | 0.33      |
| Consumer:                                      |                                    |           |
| Automobile loans                               | <b>0.39</b>                        | 0.57      |
| Automobile leases                              | <b>0.48</b>                        | 0.45      |

|  |              |       |
|--|--------------|-------|
| Automobile loans and leases                    | <b>0.43</b>  | 0.50  |
| Home equity                                    | <b>0.43</b>  | 0.37  |
| Residential mortgage                           | <b>0.07</b>  | 0.05  |
| Other loans                                    | <b>2.04</b>  | 1.74  |
| Total consumer                                 | <b>0.36</b>  | 0.36  |
| <b>Net charge-offs as a % of average loans</b> | <b>0.31%</b> | 0.34% |

**Table of Contents**2006 Third Quarter versus 2005 Third Quarter and 2006 Second Quarter

Total net charge-offs for the 2006 third quarter were \$21.2 million, or an annualized 0.32% of average total loans and leases. While this performance remained below the long-term targeted range of 0.35%-0.45%, it was higher than \$18.0 million, or an annualized 0.29%, in the year-ago quarter and \$14.0 million, or an annualized 0.21%, of average total loans and leases in the 2006 second quarter. The higher level of net charge-offs in the third quarter compared with the second quarter reflected \$2.3 million of charge-offs related to the sale of non-performing loans and for which reserves had been previously established. The lower level of net charge-offs in the 2006 second quarter also reflected higher recoveries in that period.

Total commercial net charge-offs in the third quarter were \$6.8 million, or an annualized 0.23%, up \$2.6 million from \$4.3 million, or an annualized 0.16%, in the year-ago quarter. Current period commercial net charge-offs included \$2.3 million related to the sale of non-performing commercial loans for which reserves had been previously established. Compared with the 2006 second quarter, current period total commercial net charge-offs increased \$3.4 million.

Total consumer net charge-offs in the current quarter were \$14.4 million, up \$0.7 million from \$13.7 million in the year-ago quarter. However, when expressed as an annualized percentage, total consumer net charge-offs in the 2006 third quarter were 0.40% of average related loans, unchanged from the year-ago quarter. Compared with the 2006 second quarter, total consumer net charge-offs increased \$3.9 million from \$10.5 million, with a 10 basis point increase in the annualized net charge-off ratio to 0.40% from 0.30% of average related loans, reflecting a \$2.0 million increase in home equity loan net charge-offs.

Home equity net charge-offs in the 2006 third-quarter were \$6.7 million, or an annualized 0.53%, up from \$4.1 million, or an annualized 0.34%, in the year-ago quarter, and from \$4.8 million, or an annualized 0.38%, in the prior quarter. The increase reflected a combination of factors, including softer housing market conditions, as well as higher net charge-offs associated with third-party originated and higher loan-to-value home equity loans, which over the last two-year period have been de-emphasized. We have been actively engaged in developing on-going loss mitigation strategies. As a result, we anticipate home equity net charge-offs to remain relatively consistent with 2006 third-quarter performance, although housing market conditions may continue to soften.

2006 First Nine Months versus 2005 First Nine Months

Total net charge-offs for the first nine months of 2006 were \$59.4 million, or an annualized 0.31% of average total loans and leases. This was down \$3.1 million, or 5%, from \$62.5 million, or an annualized 0.34%, in the comparable year-ago period.

Total commercial net charge-offs in the first nine-month period of 2006 were \$20.8 million, or an annualized 0.24%, down from \$26.0 million, or 0.33%, in the year-ago period.

Total consumer net charge-offs in the current nine-month period were \$38.6 million, or an annualized 0.36% of related loans, up from \$36.5 million in the year-ago period. While the dollar amount of total consumer net charge-offs increased 6% from the comparable year-ago period, on a relative basis, consumer net charge-offs were unchanged from the annualized 0.36% ratio a year ago. The increase in the dollar amount of total consumer net charge-offs from the year-ago period reflected higher home equity and residential mortgage net charge-offs and higher net charge-offs in the other loan category, partially offset by lower automobile loan and lease net charge-offs. Home equity net charge-offs were \$16.0 million, or an annualized 0.43% of related loans, up from \$13.1 million, or 0.37% in the year-ago period, and residential mortgage net charge-offs were \$2.3 million, or an annualized 0.07% of related loans, up from \$1.4 million, or 0.05% in the year-ago period. Other loan net charge-offs in the current nine-month period were \$6.8 million, or an annualized 2.04% of related loans, up from \$4.9 million, or 1.74%, in the year-ago period. Total automobile loan and lease net charge-offs in the 2006 nine-month period were \$13.5 million, or an annualized 0.43% of related loans and leases, down 21% from \$17.0 million, or 0.50%, in the year-ago nine-month period.

**Market Risk**

Market risk represents the risk of loss due to changes in market values of assets and liabilities. We incur market risk in the normal course of business through exposures to market interest rates, foreign exchange rates, equity prices, credit





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spreads, and expected lease residual values. We have identified two primary sources of market risk: interest rate risk and price risk. Interest rate risk is our primary market risk.

***Interest Rate Risk***

Interest rate risk results from timing differences in the repricings and maturities of assets and liabilities, and changes in relationships between market interest rates and the yields on assets and rates on liabilities, as well as from the impact of embedded options, such as borrowers' ability to prepay residential mortgage loans at any time and depositors' ability to terminate CDs before maturity.

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

Interest rate risk management is a dynamic process that encompasses monitoring loan and deposit flows, investment and funding activities, and assessing the impact of the changing market and business environments. Effective management of interest rate risk begins with understanding the interest rate characteristics of assets and liabilities and determining the appropriate interest rate risk posture given market expectations and policy objectives and constraints.

Interest rate risk modeling is performed monthly. Two broad approaches to modeling interest rate risk are employed: income simulation and economic value analysis. An income simulation analysis is used to measure the sensitivity of forecasted net interest income to changes in market rates over a one-year time horizon. Although bank owned life insurance and automobile operating lease assets are classified as non-interest earning assets, and the income from these assets is in non-interest income, these portfolios are included in the interest sensitivity analysis because both have attributes similar to fixed-rate interest earning assets. The economic value of equity (EVE) is calculated by subjecting the period-end balance sheet to changes in interest rates, and measuring the impact of the changes on the values of the assets and liabilities. EVE serves as a complement to income simulation modeling as it provides risk exposure estimates for time periods beyond the one-year simulation horizon. Similar to income simulation modeling, EVE analysis includes the risks of bank owned life insurance. EVE also considers the value sensitivity of the mortgage servicing asset and associated hedges.

The models used for these measurements take into account prepayment speeds on mortgage loans, mortgage-backed securities, and consumer installment loans, as well as cash flows of other loans and deposits. Balance sheet growth assumptions are also considered in the income simulation model. The models include the effects of derivatives, such as interest rate swaps, interest rate caps, floors, and other types of interest rate options, and account for changes in relationships among interest rates (basis risk).

During the second quarter of 2006, we completed a review of the behavior of our core deposits, given current market conditions, including the level of interest rates and competitive forces. The review was designed to improve our understanding of the rate responsiveness and balance runoff characteristics of these deposits. The review resulted in changes in assumptions regarding the projected rate responsiveness and balance behaviors of non-maturity deposits that are critical inputs to our asset-liability model. In general, we have concluded that the average lives of certain types of deposits are likely to be modestly shorter in the future than in the past. In addition, we believe that the responsiveness of deposit rates to changes in market interest rates will be higher in both rising and declining rate environments than it had been assumed to be previously. The changes in deposit assumptions resulted in a modeled increase in both NII and EVE exposures to rising rates.

The baseline scenario for income simulation analysis, with which all other scenarios are compared, is based on market interest rates implied by the prevailing yield curve as of the period end. Alternative interest rate scenarios are then compared with the baseline scenario. These alternative market rate scenarios include parallel rate shifts on both a gradual and immediate basis, movements in rates that alter the shape of the yield curve (e.g., flatter or steeper yield curve), and spot rates remaining unchanged for the entire measurement period. Scenarios are also developed to measure basis risk, such as the impact of LIBOR-based rates rising or falling faster than the prime rate.



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The simulations for evaluating short-term interest rate risk exposure are scenarios that model gradual 100 and 200 basis point increasing and decreasing parallel shifts in interest rates over the next 12-month period beyond the interest rate change implied by the current yield curve. The table below shows the results of the scenarios as of September 30, 2006 and June 30, 2006.

**Table 18 Net Interest Income at Risk**

| Basis point change scenario | Net Interest Income at Risk (%) |              |              |              |
|-----------------------------|---------------------------------|--------------|--------------|--------------|
|                             | -200                            | -100         | +100         | +200         |
| <b>September 30, 2006</b>   | <b>+0.3%</b>                    | <b>+0.1%</b> | <b>-0.3%</b> | <b>-0.9%</b> |
| June 30, 2006               | +2.1%                           | +2.0%        | -0.5%        | -0.8%        |

The primary simulations for EVE risk assume an immediate and parallel increase in rates of +/- 100 and +/- 200 basis points beyond any interest rate change implied by the current yield curve. The table below outlines the results compared to the previous quarter.

**Table 19 Economic Value of Equity at Risk**

| Basis point change scenario | Economic Value of Equity at Risk (%) |              |              |              |
|-----------------------------|--------------------------------------|--------------|--------------|--------------|
|                             | -200                                 | -100         | +100         | +200         |
| <b>September 30, 2006</b>   | <b>+0.9%</b>                         | <b>+1.5%</b> | <b>-4.4%</b> | <b>-9.9%</b> |
| June 30, 2006               | +2.9%                                | +3.1%        | -5.4%        | -11.1%       |

**Price Risk**

Price risk represents the risk of loss arising from adverse movements in the prices of financial instruments that are carried at fair value and are subject to mark-to-market accounting. We have price risk from trading securities, which includes instruments to hedge MSRs. We also have price risk from securities owned through our broker-dealer activities, the foreign exchange positions, investments in private equity limited partnerships and marketable equity securities held by our insurance subsidiaries. We have established loss limits on the trading portfolio and on the amount of foreign exchange exposure that can be maintained and the amount of marketable equity securities that can be held by the insurance subsidiaries.

**Liquidity Risk**

The objective of effective liquidity management is to ensure that cash flow needs can be met on a timely basis at a reasonable cost under both normal operating conditions and unforeseen circumstances. The liquidity of the Bank, our primary subsidiary, is used to originate loans and leases and to repay deposit and other liabilities as they become due or are demanded by customers. Liquidity risk arises from the possibility that funds may not be available to satisfy current or future commitments based on external macro market issues, asset and liability activities, investor perception of financial strength, and events unrelated to the company such as war, terrorism, or financial institution market specific issues.

Liquidity policies and limits are established by our board of directors, with operating limits set by our Market Risk Committee (MRC), based upon analyses of the ratio of loans to deposits, the percentage of assets funded with non-core or wholesale funding and the amount of liquid assets available to cover non-core funds maturities. In addition, guidelines are established to ensure diversification of wholesale funding by type, source, and maturity and provide sufficient balance sheet liquidity to cover 100% of wholesale funds maturing within a six-month time period. A contingency funding plan is in place, which includes forecasted sources and uses of funds under various scenarios in order to prepare for unexpected liquidity

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shortages, including the implications of any rating changes. Our MRC meets monthly to identify and monitor liquidity issues, provide policy guidance, and oversee adherence to, and the maintenance of, an evolving contingency funding plan. We believe that sufficient liquidity exists to meet the funding needs of the Bank and the parent company.

For each of the nine month periods ended September 30, 2005 and 2006, federal income taxes paid exceeded the amount of income tax provision. For federal income taxes, we defer taxable gains when certain leased vehicles are sold, usually at the end of the lease term, by entering into a like-kind exchange for new vehicles under lease. The decline in lease originations reduced our ability to defer these taxable gains, resulting in taxable gains recognized for federal income taxes in each of these nine-month periods.

For financial reporting, the residual value of the vehicle generally approximates the proceeds we receive, resulting in no significant gain or loss.

**Table of Contents****Table 20 Deposit Composition**

| <i>(in thousands)</i>                                      | <b>September 30,<br/>(Unaudited)</b> |               | <b>2006</b>                     |        | <b>March 31,<br/>(Unaudited)</b> |        | <b>2005</b>         |        | <b>September 30,<br/>(Unaudited)</b> |        |
|--|--------------------------------------|---------------|---------------------------------|--------|----------------------------------|--------|---------------------|--------|--------------------------------------|--------|
|  |                                      |               | <b>June 30,<br/>(Unaudited)</b> |        |                                  |        | <b>December 31,</b> |        |                                      |        |
| <b>By Type</b>   |                                      |               |                                 |        |                                  |        |                     |        |                                      |        |
| Demand deposits  |                                      |               |                                 |        |                                  |        |                     |        |                                      |        |
| Non-interest bearing                                       | <b>\$ 3,480,888</b>                  | <b>14.1%</b>  | \$ 3,530,828                    | 14.4%  | \$ 3,776,790                     | 15.4%  | \$ 3,390,044        | 15.1%  | \$ 3,361,749                         | 15.0%  |
| Demand deposits interest bearing                           | <b>7,921,405</b>                     | <b>32.0</b>   | 7,702,311                       | 31.3   | 7,676,818                        | 31.3   | 7,380,044           | 32.9   | 7,481,019                            | 33.5   |
| Savings and other domestic time deposits                   | <b>3,011,268</b>                     | <b>12.2</b>   | 3,125,513                       | 12.7   | 3,585,840                        | 14.6   | 3,094,136           | 13.8   | 3,186,354                            | 14.3   |
| Core certificates of deposit <sup>(1)</sup>                | <b>5,313,473</b>                     | <b>21.5</b>   | 5,171,410                       | 21.0   | 4,949,259                        | 20.2   | 3,988,474           | 17.8   | 3,684,313                            | 16.5   |
| <b>Total core deposits</b>                                 | <b>19,727,034</b>                    | <b>79.8</b>   | 19,530,062                      | 79.4   | 19,988,707                       | 81.5   | 17,852,698          | 79.6   | 17,713,435                           | 79.3   |
| Other  |                                      |               |                                 |        |                                  |        |                     |        |                                      |        |
| Domestic time deposits of \$100,000 or more <sup>(1)</sup> | <b>1,259,719</b>                     | <b>5.1</b>    | 1,111,154                       | 4.5    | 1,033,447                        | 4.2    | 886,493             | 4.0    | 954,019                              | 4.3    |
| Brokered deposits and negotiable CDs                       | <b>3,183,489</b>                     | <b>12.9</b>   | 3,475,032                       | 14.1   | 3,081,211                        | 12.5   | 3,199,796           | 14.3   | 3,228,083                            | 14.4   |
| Deposits in foreign offices                                | <b>568,153</b>                       | <b>2.2</b>    | 476,684                         | 2.0    | 451,798                          | 1.8    | 470,688             | 2.1    | 453,585                              | 2.0    |
| <b>Total deposits</b>                                      | <b>\$ 24,738,395</b>                 | <b>100.0%</b> | \$ 24,592,932                   | 100.0% | \$ 24,555,163                    | 100.0% | \$ 22,409,675       | 100.0% | \$ 22,349,122                        | 100.0% |
| <b>Total core deposits:</b>                                |                                      |               |                                 |        |                                  |        |                     |        |                                      |        |
| Commercial   | <b>\$ 6,214,462</b>                  | <b>31.5%</b>  | \$ 5,906,817                    | 30.2%  | \$ 5,994,233                     | 30.0%  | \$ 5,352,053        | 30.0%  | \$ 5,424,728                         | 30.6%  |
| Personal   | <b>13,512,572</b>                    | <b>68.5</b>   | 13,623,245                      | 69.8   | 13,994,474                       | 70.0   | 12,500,645          | 70.0   | 12,288,707                           | 69.4   |
| <b>Total core deposits</b>                                 | <b>\$ 19,727,034</b>                 | <b>100.0%</b> | \$ 19,530,062                   | 100.0% | \$ 19,988,707                    | 100.0% | \$ 17,852,698       | 100.0% | \$ 17,713,435                        | 100.0% |

| By Business Segment <sup>(2)</sup>    |                      |               |                      |               |                      |               |                      |               |                      |               |  |
|---------------------------------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|--|
| Regional Banking:                     |                      |               |                      |               |                      |               |                      |               |                      |               |  |
| Central Ohio                          | \$ 4,884,052         | 19.7%         | \$ 4,753,677         | 19.3%         | \$ 5,056,754         | 20.6%         | \$ 4,520,594         | 20.2%         | \$ 4,424,543         | 19.8%         |  |
| Northern Ohio                         | 3,662,243            | 14.8          | 3,536,794            | 14.4          | 3,594,515            | 14.6          | 3,498,463            | 15.6          | 3,461,841            | 15.5          |  |
| Southern Ohio                         |                      |               |                      |               |                      |               |                      |               |                      |               |  |
| Kentucky                              | 2,212,366            | 8.9           | 2,226,385            | 9.1           | 2,233,220            | 9.1           | 1,951,322            | 8.7           | 1,914,856            | 8.6           |  |
| Eastern Ohio                          |                      |               |                      |               |                      |               |                      |               |                      |               |  |
| West                                  | 1,738,913            | 7.0           | 1,757,964            | 7.1           | 1,762,395            | 7.2           | 577,912              | 2.6           | 582,615              | 2.6           |  |
| Michigan                              | 2,941,889            | 11.9          | 2,798,498            | 11.4          | 2,830,635            | 11.5          | 2,790,787            | 12.5          | 2,779,510            | 12.4          |  |
| East Michigan                         | 2,354,689            | 9.5           | 2,259,497            | 9.2           | 2,259,497            | 9.2           | 2,263,898            | 10.1          | 2,301,627            | 10.3          |  |
| West Virginia                         | 1,513,206            | 6.1           | 1,512,351            | 6.1           | 1,533,274            | 6.2           | 1,463,592            | 6.5           | 1,428,090            | 6.4           |  |
| Indiana                               | 847,824              | 3.4           | 828,787              | 3.4           | 809,176              | 3.3           | 728,193              | 3.2           | 772,183              | 3.5           |  |
| Mortgage and equipment leasing groups | 146,075              | 0.6           | 165,807              | 0.7           | 153,444              | 0.6           | 161,866              | 0.7           | 177,026              | 0.8           |  |
| Regional Banking                      | 20,301,257           | 82.1          | 19,839,760           | 80.7          | 20,232,910           | 82.4          | 17,956,627           | 80.1          | 17,842,291           | 79.8          |  |
| Dealer Sales                          | 58,918               | 0.2           | 60,513               | 0.2           | 63,573               | 0.3           | 65,237               | 0.3           | 72,393               | 0.3           |  |
| Private financial and Capital Markets |                      |               |                      |               |                      |               |                      |               |                      |               |  |
| Group                                 | 1,144,731            | 4.6           | 1,217,627            | 5.0           | 1,177,469            | 4.8           | 1,179,915            | 5.3           | 1,199,855            | 5.4           |  |
| Treasury / Other <sup>(3)</sup>       | 3,233,489            | 13.1          | 3,475,032            | 14.1          | 3,081,211            | 12.5          | 3,207,896            | 14.3          | 3,234,583            | 14.5          |  |
| <b>Total deposits</b>                 | <b>\$ 24,738,395</b> | <b>100.0%</b> | <b>\$ 24,592,932</b> | <b>100.0%</b> | <b>\$ 24,555,163</b> | <b>100.0%</b> | <b>\$ 22,409,675</b> | <b>100.0%</b> | <b>\$ 22,349,122</b> | <b>100.0%</b> |  |

(1) For the current and all prior periods, consumer CDs of \$100,000 or more have been reclassified from other domestic time deposits of \$100,000 or more to core certificates of deposit. Core certificates of deposit is comprised

primarily of consumer certificates of deposit both over and under \$100,000. Other domestic time deposits of \$100,000 or more is comprised primarily of individual retirement accounts greater than \$100,000 and public fund certificates of deposit greater than \$100,000.

- (2) Prior period amounts have been reclassified to conform to the current period business segment structure.
- (3) Comprised largely of brokered deposits and negotiable CDs.
- (4) Periods prior to 2006 include certain branch offices previously reported in Northern Ohio.

**Table of Contents****Credit Ratings**

Credit ratings by the three major credit rating agencies are an important component of our liquidity profile. Among other factors, the credit ratings are based on financial strength, credit quality and concentrations in the loan portfolio, the level and volatility of earnings, capital adequacy, the quality of management, the liquidity of the balance sheet, the availability of a significant base of core retail and commercial deposits, and our ability to access a broad array of wholesale funding sources. Adverse changes in these factors could result in a negative change in credit ratings and impact not only the ability to raise funds in the capital markets, but also the cost of these funds. In addition, certain financial on- and off-balance sheet arrangements contain credit rating triggers that could increase funding needs if a negative rating change occurs. Letter of credit commitments for marketable securities, interest rate swap collateral agreements, and certain asset securitization transactions contain credit rating provisions. (See the *Liquidity Risks* section in Part 1 of the 2005 Form 10-K for additional discussion.)

Credit ratings as of September 30, 2006, for the parent company and the Bank remain unchanged from December 31, 2005, and were as follows:

**Table 21 Credit Ratings**

|   | September 30, 2006           |                       |            |         |
|---|------------------------------|-----------------------|------------|---------|
|   | Senior<br>Unsecured<br>Notes | Subordinated<br>Notes | Short-Term | Outlook |
| <b>Huntington Bancshares Incorporated</b> |                              |                       |            |         |
| Moody's Investor Service                  | A3                           | Baal                  | P-2        | Stable  |
| Standard and Poor's                       | BBB+                         | BBB                   | A-2        | Stable  |
| Fitch Ratings                             | A                            | A-                    | F1         | Stable  |
| <b>The Huntington National Bank</b>       |                              |                       |            |         |
| Moody's Investor Service                  | A2                           | A3                    | P-1        | Stable  |
| Standard and Poor's                       | A-                           | BBB+                  | A-2        | Stable  |
| Fitch Ratings                             | A                            | A-                    | F1         | Stable  |

**Off-Balance Sheet Arrangements**

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

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

Table 22 provides certain information about our standby letters of credit:

**Table 22 Standby Letters of Credit**

| (in millions)                                  | 2006           |         |         |         | 2005   |
|--|----------------|---------|---------|---------|--------|
|  | Third          | Second  | First   | Fourth  | Third  |
| Total outstanding                              | <b>\$1,136</b> | \$1,121 | \$1,095 | \$1,079 | \$959  |
| Percent collateralized                         | <b>45%</b>     | 44%     | 49%     | 48%     | 47%    |
| Income recognized from issuance <sup>(1)</sup> | <b>\$ 3.0</b>  | \$ 3.0  | \$ 3.0  | \$ 3.0  | \$ 2.6 |
| Carrying amount of deferred revenue            | <b>3.6</b>     | 3.6     | 5.3     | 4.0     | 3.1    |

(1) Revenue is in other



non-interest  
income on the  
consolidated  
statement of  
income.

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We enter into forward contracts relating to the mortgage banking business. At September 30, 2006, December 31, 2005, and September 30, 2005, we had commitments to sell residential real estate loans of \$314.2 million, \$348.3 million, and \$566.8 million, respectively. These contracts mature in less than one year.

Through our credit process, we monitor the credit risks of outstanding standby letters of credit. When it is probable that a standby letter of credit will be drawn and not repaid in full, losses are recognized in provision for credit losses. We do not believe that off-balance sheet arrangements will have a material impact on our liquidity or capital resources.

**Operational Risk**

As with all companies, there is risk inherent in the day-to-day operations that could result in losses due to human error, inadequate or failed internal systems and controls, and external events. Our Risk Management Group through a combination of business units and centralized processes, has the responsibility to manage the risk for the company through a process that assesses the overall level of risk on a regular basis and identifies specific risks and the steps being taken to control them. Furthermore, a system of committees is established to provide guidance over the process and escalate potential concerns to senior Management on the Operational Risk Committee, executive Management on the Risk Management Committee, and the Risk Committee of the Board of Directors, as appropriate.

We continue to develop and enhance policies and procedures to control the elements of risk found in our processes. While we are not able to eliminate risk completely, our goal is to minimize the impact of a risk event and to be prepared to cover the result of it through insurance, earnings, and capital.

An enterprise risk group performs certain overarching operational risk activities. These include monitoring adherence to corporate policies governing risk, business continuity programs to assure that operations to serve our customers continue during emergency situations, and information security to monitor and address electronic and sensitive information threats for the company.

**Capital**

Capital is managed both at the Bank and on a consolidated basis. Capital levels are maintained based on regulatory capital requirements and the economic capital required to support credit, market, liquidity, and operational risks inherent in our business, and to provide the flexibility needed for future growth and new business opportunities. We place significant emphasis on the maintenance of a strong capital position, which promotes investor confidence, provides access to the national markets under favorable terms, and enhances business growth and acquisition opportunities. The importance of managing capital is also recognized and we continually strive to maintain an appropriate balance between capital adequacy and providing attractive returns to shareholders.

Shareholders' equity totaled \$3.1 billion at September 30, 2006. This balance represented a \$0.6 billion increase from December 31, 2005. The growth in shareholders' equity resulted from the issuance of shares valued at \$0.6 billion in connection with the acquisition of Unizan; retention of net income after dividends declared to shareholders, netting to \$0.2 billion and an increase in accumulated other comprehensive income of \$0.1 billion, partially offset by the impact of shares repurchased of \$0.3 billion. The increase in accumulated other comprehensive income resulted from an increase in unrealized net gains on investment securities at September 30, 2006, compared with unrealized net losses on investment securities at December 31, 2005.

We evaluate several measures of capital, along with the customary three primary regulatory ratios: Tier 1 Risk-based Capital, Total Risk-based Capital, and Tier 1 Leverage.

The Federal Reserve Board sets minimum capital ratio requirements for bank holding companies. In the calculation of the risk-based capital ratios, risk weightings are assigned to certain asset and off-balance sheet items such as interest rate swaps, loan commitments, and securitizations. Our Tier 1 Risk-based Capital, Total Risk-based Capital, Tier 1 Leverage ratios and risk-adjusted assets for the past five quarters are shown in Table 23 and were well in excess of minimum levels established for well capitalized institutions of 6.00%, 10.00%, and 5.00%, respectively.

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The Bank is primarily supervised and regulated by the OCC, which establishes regulatory capital guidelines for banks similar to those established for bank holding companies by the Federal Reserve Board. At September 30, 2006, the Bank had regulatory capital ratios in excess of well capitalized regulatory minimums.

At September 30, 2006, the tangible equity to assets ratio was 7.13%, down from 7.39% a year ago but up from 6.46% at June 30, 2006. At September 30, 2006, the tangible equity to risk-weighted assets ratio was 7.97%, down from 8.19% at the end of the year-ago quarter but up from 7.29% at June 30, 2006.

The decline in capital ratios from the year-ago period reflected the repurchase of 18.1 million shares over this 12-month period. However, during the quarter, no shares of common stock were repurchased in accordance with the terms of the 6.0 million share accelerated share repurchase program announced May 25, 2006. Under terms of that program, no additional open market purchases could be made until that program expired at the end of September 2006. There are currently 6.9 million shares remaining available under the current share repurchase authorization announced April 20, 2006. The company may make additional share purchases from time-to-time in the open market or through privately negotiated transactions depending on market conditions.

**Table 23 Capital Adequacy**

| <i>(in millions)</i>                            | <b>September<br/>30,</b> | <b>2006</b> |          |           | <b>2005</b>     |                  |
|---|--------------------------|-------------|----------|-----------|-----------------|------------------|
|   |                          | <b>30,</b>  | June 30, | March 31, | December<br>31, | September<br>30, |
| Total risk-weighted assets                      | <b>\$31,337</b>          | \$31,614    | \$31,298 | \$29,599  | \$29,352        |                  |
| Tier 1 leverage ratio                           | <b>7.99%</b>             | 7.62%       | 8.53%    | 8.34%     | 8.50%           |                  |
| Tier 1 risk-based capital ratio                 | <b>8.95</b>              | 8.45        | 8.94     | 9.13      | 9.42            |                  |
| Total risk-based capital ratio                  | <b>12.81</b>             | 12.29       | 12.91    | 12.42     | 12.70           |                  |
| Tangible equity / asset ratio                   | <b>7.13</b>              | 6.46        | 6.97     | 7.19      | 7.39            |                  |
| Tangible equity / risk-weighted<br>assets ratio | <b>7.97</b>              | 7.29        | 7.80     | 7.91      | 8.19            |                  |
| Average equity / average assets                 | <b>8.30</b>              | 8.39        | 8.15     | 7.89      | 7.97            |                  |

On July 18, 2006, the board of directors declared a quarterly cash dividend on our common stock of \$0.25 per common share payable October 2, 2006, to shareholders of record on September 15, 2006. Subsequent to the end of the 2006 third quarter, on October 17, 2006, the board of directors declared a quarterly cash dividend on our common stock of \$0.25 per common share, payable January 2, 2007, to shareholders of record on December 15, 2006.

**Table of Contents****Table 24 Quarterly Common Stock Summary**

| <i>(in thousands, except per share amounts)</i> |                  | <b>2006</b> |           |           | 2005      |
|---|------------------|-------------|-----------|-----------|-----------|
|   | <b>Third</b>     | Second      | First     | Fourth    | Third     |
| <b>Common stock price, per share</b>            |                  |             |           |           |           |
| High <sup>(1)</sup>                             | <b>\$ 24.820</b> | \$ 24.410   | \$ 24.750 | \$ 24.640 | \$ 25.410 |
| Low <sup>(1)</sup>                              | <b>23.000</b>    | 23.120      | 22.560    | 20.970    | 22.310    |
| Close   | <b>23.930</b>    | 23.580      | 24.130    | 23.750    | 22.470    |
| Average closing price                           | <b>23.942</b>    | 23.732      | 23.649    | 23.369    | 24.227    |
| <b>Dividends, per share</b>                     |                  |             |           |           |           |
| Cash dividends declared on common stock         | <b>\$ 0.250</b>  | \$ 0.250    | \$ 0.250  | \$ 0.215  | \$ 0.215  |
| <b>Common shares outstanding</b>                |                  |             |           |           |           |
| Average basic                                   | <b>237,672</b>   | 241,729     | 230,968   | 226,699   | 229,830   |
| Average diluted                                 | <b>240,896</b>   | 244,538     | 234,363   | 229,718   | 233,456   |
| Ending  | <b>237,921</b>   | 237,361     | 245,183   | 224,106   | 229,006   |
| Book value per share                            | <b>\$ 13.15</b>  | \$ 12.38    | \$ 12.56  | \$ 11.41  | \$ 11.45  |
| Tangible book value per share                   | <b>10.50</b>     | 9.70        | 9.95      | 10.44     | 10.50     |
| <b>Common share repurchases</b>                 |                  |             |           |           |           |
| Number of shares repurchased                    |                  | 8,100       | 4,831     | 5,175     | 2,598     |

<sup>(1)</sup> High and low stock prices are intra-day quotes obtained from NASDAQ.

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**ESTIMATING THE FINANCIAL IMPACT DUE TO THE UNIZAN MERGER**

Given the impact of the merger on reported 2006 results, management believes that an understanding of the impacts of the merger is necessary to better understand underlying performance trends. When comparing post-merger period results to pre-merger periods, two terms relating to the impact of the Unizan merger on reported results are used:

Merger-related refers to amounts and percentage changes representing the impact attributable to the merger.

Merger costs represent expenses associated with merger integration activities.

The following methodology has been implemented to estimate the approximate effect of the Unizan merger used to determine merger-related impacts.

**Balance Sheet Items**

For loans and leases, as well as core deposits, balances as of the acquisition date are pro-rated to the post-merger period being used in the comparison. For example, to estimate the impact on 2006 first quarter average balances, one-third of the closing date balance was used as those balances were in reported results for only one month of the quarter. Full quarter and year-to-date estimated impacts for subsequent periods were developed using this same pro-rata methodology. This methodology assumes acquired balances will remain constant over time.

**Income Statement Items**

For income statement line items, Unizan's actual full year results for 2005 were used for pro-rating the impact on post-merger periods. For example, to estimate the 2006 first quarter impact of the merger on personnel costs, one-twelfth of Unizan's full-year 2005 personnel costs was used. Full quarter and year-to-date estimated impacts for subsequent periods were developed using this same pro-rata methodology. This results in an approximate impact since the methodology does not adjust for any unusual items or seasonal factors in Unizan's 2005 reported results, or synergies realized since the merger date. The one exception to this methodology relates to the amortization of intangibles expense where the actual post-merger amount was used.

Table 25 provides detail of changes to selected reported results to quantify the estimated impact of the Unizan merger and the impact of all other factors using this methodology:

**Table of Contents****Table 25 Estimated Impact of Unizan Merger  
2006 Third Quarter versus 2005 Third Quarter**

| Average Loans and Deposits<br>(in millions) | Third Quarter   |                 | Change         |              | Unizan            | Other           |               |
|---|-----------------|-----------------|----------------|--------------|-------------------|-----------------|---------------|
|   | 2006            | 2005            | Amount         | Percent      | Merger<br>Related | Merger<br>Costs | Amount        |
| <b>Loans</b>                                |                 |                 |                |              |                   |                 |               |
| Middle-market C&I                           | \$ 5,591        | \$ 4,708        | \$ 883         | 18.8%        | \$ 70             | \$              | \$ 813        |
| Middle-market CRE                           | 3,917           | 3,642           | 275            | 7.6          | 723               |                 | (448)         |
| Small business                              | 2,531           | 2,251           | 280            | 12.4         |                   |                 | 280           |
| <b>Total commercial</b>                     | <b>12,039</b>   | <b>10,601</b>   | <b>1,438</b>   | <b>13.6</b>  | <b>793</b>        |                 | <b>645</b>    |
| <b>Automobile loans and leases</b>          |                 |                 |                |              |                   |                 |               |
| Automobile loans and leases                 | 4,055           | 4,502           | (447)          | (9.9)        | 71                |                 | (518)         |
| Home equity                                 | 5,041           | 4,801           | 240            | 5.0          | 223               |                 | 17            |
| Residential mortgage                        | 4,748           | 4,157           | 591            | 14.2         | 409               |                 | 182           |
| Other consumer                              | 430             | 387             | 43             | 11.1         | 167               |                 | (124)         |
| <b>Total consumer</b>                       | <b>14,274</b>   | <b>13,847</b>   | <b>427</b>     | <b>3.1</b>   | <b>870</b>        |                 | <b>(443)</b>  |
| <b>Total loans</b>                          | <b>\$26,313</b> | <b>\$24,448</b> | <b>\$1,865</b> | <b>7.6%</b>  | <b>\$1,663</b>    | <b>\$</b>       | <b>\$ 202</b> |
| <b>Deposits</b>                             |                 |                 |                |              |                   |                 |               |
| Demand deposits non-interest bearing        | \$ 3,509        | \$ 3,406        | \$ 103         | 3.0%         | \$ 173            | \$              | \$ (70)       |
| Demand deposits interest bearing            | 7,858           | 7,539           | 319            | 4.2          | 243               |                 | 76            |
| Savings and other domestic time deposits    | 2,923           | 3,095           | (172)          | (5.6)        | 511               |                 | (683)         |
| Core certificates of deposit                | 5,334           | 3,557           | 1,777          | 50.0         | 620               |                 | 1,157         |
| <b>Total core deposits</b>                  | <b>19,624</b>   | <b>17,597</b>   | <b>2,027</b>   | <b>11.5</b>  | <b>1,547</b>      |                 | <b>480</b>    |
| <b>Other deposits</b>                       | <b>4,969</b>    | <b>4,619</b>    | <b>350</b>     | <b>7.6</b>   | <b>180</b>        |                 | <b>170</b>    |
| <b>Total deposits</b>                       | <b>\$24,593</b> | <b>\$22,216</b> | <b>\$2,377</b> | <b>10.7%</b> | <b>\$1,727</b>    | <b>\$</b>       | <b>\$ 650</b> |
| <b>Selected Income Statement Categories</b> |                 |                 |                |              |                   |                 |               |
| (in thousands)                              | Third Quarter   |                 | Change         |              | Unizan            | Other           |               |
|   | 2006            | 2005            | Amount         | Percent      | Merger<br>Related | Merger<br>Costs | Amount        |
| Net interest income FTE                     | \$259,403       | \$245,371       | \$ 14,032      | 5.7%         | \$17,694          | \$              | \$ (3,662)    |
| Service charges on deposit accounts         | \$ 48,718       | \$ 44,817       | \$ 3,901       | 8.7%         | \$ 1,578          | \$              | \$ 2,323      |
| Trust services                              | 22,490          | 19,671          | 2,819          | 14.3         | 1,653             |                 | 1,166         |

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|   |            |            |             |         |           |        |             |
|---|------------|------------|-------------|---------|-----------|--------|-------------|
| Brokerage and insurance income                      | 14,697     | 13,948     | 749         | 5.4     | 456       |        | 293         |
| Bank owned life insurance income                    | 12,125     | 10,104     | 2,021       | 20.0    | 786       |        | 1,235       |
| Other service charges and fees                      | 12,989     | 11,449     | 1,540       | 13.5    | 309       |        | 1,231       |
| Mortgage banking income (loss)                      | (2,166)    | 21,116     | (23,282)    | N.M.    | 258       |        | (23,540)    |
| Securities gains (losses)                           | (57,332)   | 101        | (57,433)    | N.M.    |           |        | (57,433)    |
| Gains on sales of automobile loans                  | 863        | 502        | 361         | 71.9    |           |        | 361         |
| Other income  | 36,946     | 11,210     | 25,736      | N.M.    | 2,136     |        | 23,600      |
| Sub-total before automobile operating lease income  | 89,330     | 132,918    | (43,588)    | (32.8)  | 7,176     |        | (50,764)    |
| Automobile operating lease income                   | 8,580      | 27,822     | (19,242)    | (69.2)  |           |        | (19,242)    |
| Total non-interest income                           | \$ 97,910  | \$ 160,740 | \$ (62,830) | (39.1)% | \$ 7,176  | \$     | \$ (70,006) |
| Personnel costs                                     | \$ 133,823 | \$ 117,476 | \$ 16,347   | 13.9%   | \$ 7,725  | \$ 159 | \$ 8,463    |
| Net occupancy                                       | 18,109     | 16,653     | 1,456       | 8.7     | 1,290     | (86)   | 252         |
| Outside data processing and other services          | 18,664     | 18,062     | 602         | 3.3     | 501       | 259    | (158)       |
| Equipment   | 17,249     | 15,531     | 1,718       | 11.1    | 516       |        | 1,202       |
| Professional services                               | 6,438      | 8,323      | (1,885)     | (22.6)  | 1,473     | 29     | (3,387)     |
| Marketing   | 7,846      | 6,364      | 1,482       | 23.3    | 267       |        | 1,215       |
| Telecommunications                                  | 4,818      | 4,512      | 306         | 6.8     | 366       | 33     | (93)        |
| Printing and supplies                               | 3,416      | 3,102      | 314         | 10.1    |           | 48     | 266         |
| Amortization of intangibles                         | 2,902      | 203        | 2,699       | N.M.    | 2,694     |        | 5           |
| Other expense                                       | 23,177     | 21,189     | 1,988       | 9.4     | 3,027     |        | (1,039)     |
| Sub-total before automobile operating lease expense | 236,442    | 211,415    | 25,027      | 11.8    | 17,859    | 442    | 6,726       |
| Automobile operating lease expense                  | 5,988      | 21,637     | (15,649)    | (72.3)  |           |        | (15,649)    |
| Total non-interest expense                          | \$ 242,430 | \$ 233,052 | \$ 9,378    | 4.0%    | \$ 17,859 | \$ 442 | \$ (8,923)  |

**Table of Contents****Table 25 Estimated Impact of Unizan Merger  
2006 Third Quarter versus 2006 Second Quarter**

| <b>Average Loans and Deposits</b><br><i>(in millions)</i>            | Third           | Second          | Change        |             | Unizan            | Unizan          | Other         |
|--|-----------------|-----------------|---------------|-------------|-------------------|-----------------|---------------|
|  | Quarter<br>2006 | Quarter<br>2006 | Amount        | Percent     | Merger<br>Related | Merger<br>Costs | Amount        |
| <b>Loans</b>   |                 |                 |               |             |                   |                 |               |
| Middle-market C&I  | \$ 5,591        | \$ 5,458        | \$ 133        | 2.4%        | \$                | \$              | \$ 133        |
| Middle-market CRE  | 3,917           | 4,042           | (125)         | (3.1)       |                   |                 | (125)         |
| Small business   | 2,531           | 2,456           | 75            | 3.1         |                   |                 | 75            |
| <b>Total commercial</b>  | <b>12,039</b>   | <b>11,956</b>   | <b>83</b>     | <b>0.7</b>  |                   |                 | <b>83</b>     |
| <br>   |                 |                 |               |             |                   |                 |               |
| Automobile loans and leases  | 4,055           | 4,139           | (84)          | (2.0)       |                   |                 | (84)          |
| Home equity  | 5,041           | 5,029           | 12            | 0.2         |                   |                 | 12            |
| Residential mortgage   | 4,748           | 4,629           | 119           | 2.6         |                   |                 | 119           |
| Other consumer   | 430             | 448             | (18)          | (4.0)       |                   |                 | (18)          |
| <b>Total consumer</b>  | <b>14,274</b>   | <b>14,245</b>   | <b>29</b>     | <b>0.2</b>  |                   |                 | <b>29</b>     |
| <b>Total loans</b>   | <b>\$26,313</b> | <b>\$26,201</b> | <b>\$ 112</b> | <b>0.4%</b> | <b>\$</b>         | <b>\$</b>       | <b>\$ 112</b> |
| <br>   |                 |                 |               |             |                   |                 |               |
| <b>Deposits</b>  |                 |                 |               |             |                   |                 |               |
| Demand deposits non-interest bearing                                 | \$ 3,509        | \$ 3,594        | \$ (85)       | (2.4)%      | \$                | \$              | \$ (85)       |
| Demand deposits interest bearing                                     | 7,858           | 7,778           | 80            | 1.0         |                   |                 | 80            |
| Savings and other domestic time deposits                             | 2,923           | 3,106           | (183)         | (5.9)       |                   |                 | (183)         |
| Core certificates of deposit   | 5,334           | 5,083           | 251           | 4.9         |                   |                 | 251           |
| <b>Total core deposits</b>   | <b>19,624</b>   | <b>19,561</b>   | <b>63</b>     | <b>0.3</b>  |                   |                 | <b>63</b>     |
| <b>Other deposits</b>  | <b>4,969</b>    | <b>4,823</b>    | <b>146</b>    | <b>3.0</b>  |                   |                 | <b>146</b>    |
| <b>Total deposits</b>  | <b>\$24,593</b> | <b>\$24,384</b> | <b>\$ 209</b> | <b>0.9%</b> | <b>\$</b>         | <b>\$</b>       | <b>\$ 209</b> |
| <br>   |                 |                 |               |             |                   |                 |               |
| <b>Selected Income Statement Categories</b><br><i>(in thousands)</i> |                 |                 |               |             |                   |                 |               |
| Net interest income FTE  | \$259,403       | \$266,179       | \$ (6,776)    | (2.5)%      | \$                | \$              | \$ (6,776)    |
| <br>   |                 |                 |               |             |                   |                 |               |
| Service charges on deposit accounts                                  | \$ 48,718       | \$ 47,225       | \$ 1,493      | 3.2%        | \$                | \$              | \$ 1,493      |
| Trust services   | 22,490          | 22,676          | (186)         | (0.8)       |                   |                 | (186)         |
| Brokerage and insurance income                                       | 14,697          | 14,345          | 352           | 2.5         |                   |                 | 352           |



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|   |            |            |             |         |         |        |             |
|---|------------|------------|-------------|---------|---------|--------|-------------|
| Bank owned life insurance income                    | 12,125     | 10,604     | 1,521       | 14.3    |         |        | 1,521       |
| Other service charges and fees                      | 12,989     | 13,072     | (83)        | (0.6)   |         |        | (83)        |
| Mortgage banking income (loss)                      | (2,166)    | 20,355     | (22,521)    | N.M.    |         |        | (22,521)    |
| Securities gains (losses)                           | (57,332)   | (35)       | (57,297)    | N.M.    |         |        | (57,297)    |
| Gains on sales of automobile loans                  | 863        | 532        | 331         | 62.2    |         |        | 331         |
| Other income  | 36,946     | 22,102     | 14,844      | 67.2    |         |        | 14,844      |
| Sub-total before automobile operating lease income  | 89,330     | 150,876    | (61,546)    | (40.8)  |         |        | (61,546)    |
| Automobile operating lease income                   | 8,580      | 12,143     | (3,563)     | (29.3)  |         |        | (3,563)     |
| Total non-interest income                           | \$ 97,910  | \$ 163,019 | \$ (65,109) | (39.9)% | \$      | \$     | \$ (65,109) |
| Personnel costs                                     | \$ 133,823 | \$ 137,904 | \$ (4,081)  | (3.0)%  | \$      | \$ 159 | \$ (4,240)  |
| Net occupancy                                       | 18,109     | 17,927     | 182         | 1.0     |         | (86)   | 268         |
| Outside data processing and other services          | 18,664     | 19,569     | (905)       | (4.6)   |         | 259    | (1,164)     |
| Equipment   | 17,249     | 18,009     | (760)       | (4.2)   |         |        | (760)       |
| Professional services                               | 6,438      | 6,292      | 146         | 2.3     |         | 29     | 117         |
| Marketing   | 7,846      | 10,374     | (2,528)     | (24.4)  |         |        | (2,528)     |
| Telecommunications                                  | 4,818      | 4,990      | (172)       | (3.4)   |         | 33     | (205)       |
| Printing and supplies                               | 3,416      | 3,764      | (348)       | (9.2)   |         | 48     | (396)       |
| Amortization of intangibles                         | 2,902      | 2,992      | (90)        | (3.0)   | (92)    |        | 2           |
| Other expense                                       | 23,177     | 21,880     | 1,297       | 5.9     |         |        | 1,297       |
| Sub-total before automobile operating lease expense | 236,442    | 243,701    | (7,259)     | (3.0)   | (92)    | 442    | (7,609)     |
| Automobile operating lease expense                  | 5,988      | 8,658      | (2,670)     | (30.8)  |         |        | (2,670)     |
| Total non-interest expense                          | \$ 242,430 | \$ 252,359 | \$ (9,929)  | (3.9)%  | \$ (92) | \$ 442 | \$ (10,279) |

**Table of Contents****Table 25 Estimated Impact of Unizan Merger  
2006 Nine Months versus 2005 Nine Months**

| <b>Average Loans and Deposits</b><br><i>(in millions)</i>            | Nine Months Ended<br>September 30, |                 | Change         |             | Unizan<br>Merger |                 | Other         |
|--|------------------------------------|-----------------|----------------|-------------|------------------|-----------------|---------------|
|  | 2006                               | 2005            | Amount         | Percent     | Related          | Merger<br>Costs | Amount        |
| <b>Loans</b>   |                                    |                 |                |             |                  |                 |               |
| Middle-market C&I  | \$ 5,398                           | \$ 4,773        | \$ 625         | 13.1%       | \$ 55            | \$              | \$ 570        |
| Middle-market CRE  | 3,946                              | 3,583           | 363            | 10.1        | 563              |                 | (200)         |
| Small business   | 2,371                              | 2,222           | 149            | 6.7         |                  |                 | 149           |
| <b>Total commercial</b>  | <b>11,715</b>                      | <b>10,578</b>   | <b>1,137</b>   | <b>10.7</b> | <b>618</b>       |                 | <b>519</b>    |
| <br>   |                                    |                 |                |             |                  |                 |               |
| Automobile loans and leases  | 4,135                              | 4,503           | (368)          | (8.2)       | 55               |                 | (423)         |
| Home equity  | 4,969                              | 4,743           | 226            | 4.8         | 173              |                 | 53            |
| Residential mortgage   | 4,563                              | 4,053           | 510            | 12.6        | 318              |                 | 192           |
| Other consumer   | 442                                | 379             | 63             | 16.6        | 130              |                 | (67)          |
| <b>Total consumer</b>  | <b>14,109</b>                      | <b>13,678</b>   | <b>431</b>     | <b>3.2</b>  | <b>676</b>       |                 | <b>(245)</b>  |
| <br>   |                                    |                 |                |             |                  |                 |               |
| <b>Total loans</b>   | <b>\$25,824</b>                    | <b>\$24,256</b> | <b>\$1,568</b> | <b>6.5%</b> | <b>\$1,294</b>   | <b>\$</b>       | <b>\$ 274</b> |
| <br>   |                                    |                 |                |             |                  |                 |               |
| <b>Deposits</b>  |                                    |                 |                |             |                  |                 |               |
| Demand deposits non-interest bearing                                 | \$ 3,513                           | \$ 3,358        | \$ 155         | 4.6%        | \$ 135           | \$              | \$ 20         |
| Demand deposits interest bearing                                     | 7,734                              | 7,712           | 22             | 0.3         | 189              |                 | (167)         |
| Savings and other domestic time deposits                             | 3,041                              | 3,213           | (172)          | (5.4)       | 397              |                 | (569)         |
| Core certificates of deposit   | 4,939                              | 3,146           | 1,793          | 57.0        | 482              |                 | 1,311         |
| <b>Total core deposits</b>   | <b>19,227</b>                      | <b>17,429</b>   | <b>1,798</b>   | <b>10.3</b> | <b>1,203</b>     |                 | <b>595</b>    |
| <br>   |                                    |                 |                |             |                  |                 |               |
| Other deposits   | 4,780                              | 4,437           | 343            | 7.7         | 140              |                 | 203           |
| <b>Total deposits</b>  | <b>\$24,007</b>                    | <b>\$21,866</b> | <b>\$2,141</b> | <b>9.8%</b> | <b>\$1,343</b>   | <b>\$</b>       | <b>\$ 798</b> |
| <br>   |                                    |                 |                |             |                  |                 |               |
| <b>Selected Income Statement Categories</b><br><i>(in thousands)</i> |                                    |                 |                |             |                  |                 |               |
|  |                                    |                 |                |             |                  |                 |               |
| Net interest income FTE  | \$773,098                          | 728,291         | 44,807         | 6.2%        | \$41,286         | \$              | \$ 3,521      |
| <br>   |                                    |                 |                |             |                  |                 |               |
| Service charges on deposit accounts                                  | \$137,165                          | \$125,751       | \$ 11,414      | 9.1%        | \$ 3,682         | \$              | \$ 7,732      |
| Trust services   | 66,444                             | 56,980          | 9,464          | 16.6        | 3,857            |                 | 5,607         |
| Brokerage and insurance income                                       | 44,235                             | 40,518          | 3,717          | 9.2         | 1,064            |                 | 2,653         |

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|   |           |           |            |         |          |         |            |
|---|-----------|-----------|------------|---------|----------|---------|------------|
| Bank owned life insurance income                    | 32,971    | 30,347    | 2,624      | 8.6     | 1,834    |         | 790        |
| Other service charges and fees                      | 37,570    | 32,860    | 4,710      | 14.3    | 721      |         | 3,989      |
| Mortgage banking income (loss)                      | 36,021    | 30,801    | 5,220      | 16.9    | 602      |         | 4,618      |
| Securities gains (losses)                           | (57,387)  | 715       | (58,102)   | N.M.    |          |         | (58,102)   |
| Gains on sales of automobile loans                  | 1,843     | 756       | 1,087      | N.M.    |          |         | 1,087      |
| Other income  | 83,830    | 55,751    | 28,079     | 50.4    | 4,984    |         | 23,095     |
| Sub-total before automobile operating lease income  | 382,692   | 374,479   | 8,213      | 2.2     | 16,744   |         | (8,531)    |
| Automobile operating lease income                   | 37,771    | 110,481   | (72,710)   | (65.8)  |          |         | (72,710)   |
| Total non-interest income                           | \$420,463 | \$484,960 | \$(64,497) | (13.3)% | \$16,744 | \$      | \$(81,241) |
| Personnel costs                                     | \$403,284 | \$365,547 | \$ 37,737  | 10.3%   | \$18,025 | \$1,068 | \$ 18,644  |
| Net occupancy                                       | 54,002    | 53,152    | 850        | 1.6     | 3,010    | 174     | (2,334)    |
| Outside data processing and other services          | 58,084    | 54,945    | 3,139      | 5.7     | 1,169    | 1,596   | 374        |
| Equipment   | 51,761    | 47,031    | 4,730      | 10.1    | 1,204    | 45      | 3,481      |
| Professional services                               | 18,095    | 27,129    | (9,034)    | (33.3)  | 3,437    | 131     | (12,602)   |
| Marketing   | 25,521    | 19,134    | 6,387      | 33.4    | 623      | 734     | 5,030      |
| Telecommunications                                  | 14,633    | 14,195    | 438        | 3.1     | 854      | 148     | (564)      |
| Printing and supplies                               | 10,254    | 9,489     | 765        | 8.1     |          | 158     | 607        |
| Amortization of intangibles                         | 6,969     | 611       | 6,358      | N.M.    | 6,348    |         | 10         |
| Other expense                                       | 63,284    | 61,565    | 1,719      | 2.8     | 7,063    | 38      | (5,382)    |
| Sub-total before automobile operating lease expense | 705,887   | 652,798   | 53,089     | 8.1     | 41,733   | 4,092   | 7,264      |
| Automobile operating lease expense                  | 27,317    | 86,667    | (59,350)   | (68.5)  |          |         | (59,350)   |
| Total non-interest expense                          | \$733,204 | \$739,465 | \$( 6,261) | (0.8)%  | \$41,733 | \$4,092 | \$(52,086) |

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**LINES OF BUSINESS DISCUSSION**

This section reviews financial performance from a line of business perspective and should be read in conjunction with the Discussion of Results of Operations and other sections for a full understanding of consolidated financial performance.

We have three distinct lines of business: Regional Banking, Dealer Sales, and the Private Financial and Capital Markets Group (PFCMG). A fourth segment includes our Treasury function and other unallocated assets, liabilities, revenue, and expense. Lines of business results are determined based upon our management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around our organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions. The prior year results have been updated to reflect the consolidation of certain collection activities within Dealer Sales and the transfer of certain credit administration activities to Treasury/Other from Regional Banking. An overview of this system is provided below, along with a description of each segment and discussion of financial results.

**Use of Operating Earnings to Measure Segment Performance**

We use earnings on an operating basis, rather than on a GAAP (reported) basis, to measure underlying performance trends for each business segment. Operating earnings represent reported earnings adjusted to exclude the impact of the significant items. Analyzing earnings on an operating basis is very helpful in assessing underlying performance trends, a critical factor used to determine the success of strategies and future earnings capabilities. For the three and nine months ended September 30, 2006 and 2005, operating earnings were the same as reported earnings.

**Funds Transfer Pricing**

We use a centralized funds transfer pricing (FTP) methodology to attribute appropriate net interest income to the business segments. The Treasury/Other business segment charges (credits) an internal cost of funds for assets held in (or pays for funding provided by) each line of business. The FTP rate is based on prevailing market interest rates for comparable duration assets (or liabilities). Deposits of an indeterminate maturity receive an FTP credit based on vintage-based pool rate. Other assets, liabilities, and capital are charged (credited) with a four-year moving average FTP rate. The intent of the FTP methodology is to eliminate all interest rate risk from the lines of business by providing matched duration funding of assets and liabilities. The result is to centralize the financial impact and management of interest rate and liquidity risk in Treasury/Other where it can be monitored and managed.

**Table of Contents****Regional Banking**

*(This section should be read in conjunction with Significant Factors 1,2,5, and 6.)*

**Objectives, Strategies, and Priorities**

Our Regional Banking line of business provides traditional banking products and services to consumer, small business, and commercial customers located in eight operating regions within the five states of Ohio, Michigan, West Virginia, Indiana, and Kentucky. It provides these services through a banking network of 372 branches, over 1,000 ATMs, plus online and telephone banking channels. Each region is further divided into Retail and Commercial Banking units. Retail products and services include home equity loans and lines of credit, first mortgage loans, direct installment loans, small business loans, personal and business deposit products, as well as sales of investment and insurance services. Retail Banking accounts for 60% and 78% of total Regional Banking average loans and deposits, respectively. Commercial Banking serves middle market commercial banking relationships, which use a variety of banking products and services including, but not limited to, commercial loans, international trade, cash management, leasing, interest rate protection products, capital market alternatives, 401(k) plans, and mezzanine investment capabilities.

We have a business model that emphasizes the delivery of a complete set of banking products and services offered by larger banks, but distinguished by local decision-making with regard to price and terms of these products. Our strategy has been to focus on building a deeper relationship with our customers by providing Simply the Best service experience. This focus on service requires state-of-the-art platform technology in our branches, award-winning retail and business websites for our customers, extensive development of our associates, and internal processes that empower our local bankers to serve our customers better. We expect the combination of local decision-making and

Simply the Best service will continue to improve our competitive position and drive revenue and earnings growth.

**2006 First Nine Months versus 2005 First Nine Months**

Regional Banking contributed \$260.6 million, or 70%, of our net operating earnings for the first nine months of 2006, up \$45.9 million from the comparable year-ago period. This improved performance primarily reflected an \$83.6 million, or 15%, increase in fully taxable equivalent net interest income. Non-interest income increased \$31.6 million, or 14%, from the year-ago period. Non-interest expense increased \$41.0 million, or 9%, from the year-ago nine-month period. Regional Banking's ROA was 1.72%, up from 1.56% in the first nine months of 2005, with a ROE of 30.9%, up from 28.6%.

Fully taxable equivalent net interest income grew \$83.6 million, or 15%, from the year-ago nine-month period, reflecting a higher net interest margin and growth in loans and deposits. The net interest margin for the first nine months of 2006 was 4.61%, up 18 basis points, from 4.43% in the comparable year-ago period, primarily reflecting the benefit of the credit for deposits generated as interest rates increased, partially offset by lower consumer loan spreads, resulting from a more competitive lending environment and the negative impact of a flatter yield curve. Average total loans and leases increased across most regions with the Unizan merger primarily impacting the newly created Eastern Ohio region, and to a lesser degree, the Central Ohio and Southern Ohio/Kentucky regions:

**Regional Banking Average Loans & Leases**

| <i>(in millions of dollars)</i> | Nine months<br>ended<br>September 30,<br>2006 | Change from<br>Nine months<br>ended<br>September 30,<br>2005 |
|---------------------------------|---|--|
| <b>Region</b>                   |   |  |
| Central Ohio                    | \$ 3,476                                      | 10%  |
| Northern Ohio                   | 2,601   | 3  |
| Southern Ohio / Kentucky        | 2,161   | 6  |
| Eastern Ohio                    | 1,254   | N.M.   |
| West Michigan                   | 2,386   | 2  |

|                                       |                  |            |
|---------------------------------------|------------------|------------|
| East Michigan                         | 1,569            | 6          |
| West Virginia                         | 1,016            | 2          |
| Indiana                               | 982              | (1)        |
| Mortgage and equipment leasing groups | 3,519            | 5          |
| <b>Total loans and leases</b>         | <b>\$ 18,964</b> | <b>10%</b> |

N.M., not a meaningful value.

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Average commercial loans for the first nine months of 2006 increased 12% compared to a year ago. Residential mortgages increased 13%, despite a 17% decline in closed loan origination volume. Home equity loans and lines of credit increased 5% compared to the year-ago period.

Growth in average deposits was also broad-based with the Unizan merger primarily impacting the newly created Eastern Ohio region, and to a lesser degree, the Central Ohio and Southern Ohio/Kentucky regions:

**Regional Banking Average Deposits**

| <i>(in millions of dollars)</i>       | Nine months<br>ended<br>September 30,<br>2006 | Change from<br>Nine months<br>ended<br>September 30,<br>2005 |
|---------------------------------------|---|--|
| <b>Region</b>                         |   |  |
| Central Ohio                          | \$ 4,730                                      | 5%   |
| Northern Ohio                         | 3,587   | 3  |
| Southern Ohio / Kentucky              | 2,166   | 21   |
| Eastern Ohio                          | 1,502   | N.M.   |
| West Michigan                         | 2,833   | 7  |
| East Michigan                         | 2,273   |  |
| West Virginia                         | 1,489   | 7  |
| Indiana                               | 798   | 10   |
| Mortgage and equipment leasing groups | 177   | (10)   |
| <b>Total deposits</b>                 | <b>\$ 19,555</b>                              | <b>11%</b>   |

N.M., not a meaningful value.

Average total deposits increased \$2.0 billion, or 11% (\$1.3 billion merger-related), for the first nine months of 2006 versus the comparable year ago period. The increase in average deposits reflected 45% growth in domestic time deposits, partially offset by a 9% decrease in savings deposits. Non-interest bearing deposits grew 6% from the year-ago period.

Many of the key operating performance drivers improved compared with 2005. Since we focus on developing relationships, we monitor the cross-sell ratio as an indicator of our sales performance. This ratio measures success in selling multiple products to households. In Retail Banking, the 90-day cross-sell ratio increased 1% over the prior-year period. However, the small business cross-sell ratio decreased 5%. In addition, customer bases continued to expand. Period-end Retail Banking non-interest bearing checking account (DDA) households totaled 560,526 and increased 44,688 (36,343 merger-related), or 9%, from the year-ago period, with the number of small business DDA relationships up 6,506 (4,635 merger-related), or 12%. The DDA is viewed as the primary banking relationship account as most additional services are cross-sold to customers after first establishing a DDA account. In addition, the number of online consumer banking customers at September 30, 2006, grew 19% to 285,493 customers, which represented a relatively high 48% penetration of Retail Banking households and indicated a deepening relationship with those customers.

The growth in revenue was accomplished without significant increases in Regional Banking's expense base. Regional Banking's efficiency ratio decreased to 52.5% from 54.9% in the year-ago period.

**Table of Contents****Table 26 Regional Banking<sup>(d)</sup>**

|  |                  | 2006      |           | 2005      |           | 2006             | 2005      | 2006 vs. 2005 |         |
|--|------------------|-----------|-----------|-----------|-----------|------------------|-----------|---------------|---------|
|  | Third            | Second    | First     | Fourth    | Third     | 9 Months         | 9 Months  | Amount        | Percent |
| <b>INCOME STATEMENT</b><br><i>(in thousands of dollars)</i>  |                  |           |           |           |           |                  |           |               |         |
| Net interest income  | <b>\$224,157</b> | \$227,473 | \$208,080 | \$203,345 | \$197,270 | <b>\$659,710</b> | \$576,068 | \$ 83,642     | 14.5%   |
| Provision for credit losses                                  | <b>10,286</b>    | 14,844    | 10,390    | 19,323    | 10,888    | <b>35,520</b>    | 31,923    | 3,597         | 11.3    |
| <b>Net interest income after provision for credit losses</b> | <b>213,871</b>   | 212,629   | 197,690   | 184,022   | 186,382   | <b>624,190</b>   | 544,145   | 80,045        | 14.7    |
| Service charges on deposit accounts                          | <b>47,564</b>    | 46,093    | 40,188    | 41,999    | 43,780    | <b>133,845</b>   | 123,378   | 10,467        | 8.5     |
| Brokerage and insurance income                               | <b>4,362</b>     | 4,785     | 3,861     | 3,901     | 3,961     | <b>13,008</b>    | 12,029    | 979           | 8.1     |
| Trust services   | <b>348</b>       | 250       | 214       | 376       | 197       | <b>812</b>       | 538       | 274           | 50.9    |
| Mortgage banking   | <b>8,826</b>     | 12,346    | 8,886     | 10,767    | 10,775    | <b>30,058</b>    | 27,415    | 2,643         | 9.6     |
| Other service charges and fees                               | <b>12,854</b>    | 12,933    | 11,390    | 11,357    | 11,325    | <b>37,177</b>    | 32,497    | 4,680         | 14.4    |
| Other income   | <b>15,399</b>    | 16,352    | 13,253    | 13,687    | 10,892    | <b>45,004</b>    | 32,475    | 12,529        | 38.6    |
| Total non-interest income before securities gains            | <b>89,353</b>    | 92,759    | 77,792    | 82,087    | 80,930    | <b>259,904</b>   | 228,332   | 31,572        | 13.8    |
| Securities gains   |                  |           |           |           |           |                  | 18        | (18)          | (100.0) |
| <b>Total non-interest income</b>                             | <b>89,353</b>    | 92,759    | 77,792    | 82,087    | 80,930    | <b>259,904</b>   | 228,350   | 31,554        | 13.8    |
| Personnel costs  | <b>69,329</b>    | 69,714    | 64,915    | 59,618    | 60,739    | <b>203,958</b>   | 183,078   | 20,880        | 11.4    |
| Other expense  | <b>94,380</b>    | 107,531   | 77,233    | 86,968    | 84,433    | <b>279,144</b>   | 259,049   | 20,095        | 7.8     |
| <b>Total non-interest expense</b>                            | <b>163,709</b>   | 177,245   | 142,148   | 146,586   | 145,172   | <b>483,102</b>   | 442,127   | 40,975        | 9.3     |



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|  |                  |           |           |           |           |                  |           |           |       |
|--|------------------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-------|
| Income before income taxes                 | <b>139,515</b>   | 128,143   | 133,334   | 119,523   | 122,140   | <b>400,992</b>   | 330,368   | 70,624    | 21.4  |
| Provision for income taxes <sup>(2)</sup>  | <b>48,830</b>    | 44,850    | 46,667    | 41,833    | 42,749    | <b>140,347</b>   | 115,629   | 24,718    | 21.4  |
| <b>Net income operating <sup>(1)</sup></b> | <b>\$ 90,685</b> | \$ 83,293 | \$ 86,667 | \$ 77,690 | \$ 79,391 | <b>\$260,645</b> | \$214,739 | \$ 45,906 | 21.4% |

**Revenue fully taxable equivalent (FTE)**

|  |                  |           |           |           |           |                  |           |           |       |
|--|------------------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-------|
| Net interest income                      | <b>\$224,157</b> | \$227,473 | \$208,080 | \$203,345 | \$197,270 | <b>\$659,710</b> | \$576,068 | \$ 83,642 | 14.5% |
| Tax equivalent adjustment <sup>(2)</sup> | <b>255</b>       | 255       | 247       | 251       | 261       | <b>757</b>       | 805       | (48)      | (6.0) |

|                           |                |         |         |         |         |                |         |        |      |
|---------------------------|----------------|---------|---------|---------|---------|----------------|---------|--------|------|
| Net interest income (FTE) | <b>224,412</b> | 227,728 | 208,327 | 203,596 | 197,531 | <b>660,467</b> | 576,873 | 83,594 | 14.5 |
| Non-interest income       | <b>89,353</b>  | 92,759  | 77,792  | 82,087  | 80,930  | <b>259,904</b> | 228,350 | 31,554 | 13.8 |

|                            |                  |           |           |           |           |                  |           |           |       |
|----------------------------|------------------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-------|
| <b>Total revenue (FTE)</b> | <b>\$313,765</b> | \$320,487 | \$286,119 | \$285,683 | \$278,461 | <b>\$920,371</b> | \$805,223 | \$115,148 | 14.3% |
|----------------------------|------------------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-------|

|   |                  |           |           |           |           |                  |           |           |       |
|---|------------------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-------|
| <b>Total revenue excluding securities gains (FTE)</b> | <b>\$313,765</b> | \$320,487 | \$286,119 | \$285,683 | \$278,461 | <b>\$920,371</b> | \$805,205 | \$115,166 | 14.3% |
|---|------------------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-------|

**SELECTED AVERAGE BALANCES**  
(in millions of dollars)

**Loans:**

|  |                 |          |          |          |          |                 |          |        |        |
|--|-----------------|----------|----------|----------|----------|-----------------|----------|--------|--------|
| Commercial Middle market commercial and industrial | <b>\$ 4,231</b> | \$ 4,044 | \$ 3,746 | \$ 3,673 | \$ 3,567 | <b>\$ 4,011</b> | \$ 3,542 | \$ 469 | 13.2%  |
| Middle market commercial real estate               |                 |          |          |          |          |                 |          |        |        |
| Construction                                       | <b>1,109</b>    | 1,227    | 1,432    | 1,631    | 1,648    | <b>1,255</b>    | 1,621    | (366)  | (22.6) |
| Commercial   | <b>2,547</b>    | 2,558    | 2,200    | 1,687    | 1,643    | <b>2,437</b>    | 1,613    | 824    | 51.1   |
| Small business loans                               | <b>2,531</b>    | 2,456    | 2,121    | 2,230    | 2,251    | <b>2,371</b>    | 2,222    | 149    | 6.7    |
|  | <b>10,418</b>   | 10,285   | 9,499    | 9,221    | 9,109    | <b>10,074</b>   | 8,998    | 1,076  | 12.0   |

Total  
commercial

Consumer

|                                 |                  |                  |                  |                  |                  |                  |                  |                 |              |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|--------------|
| Auto loans                      |                  |                  |                  |                  |                  |                  |                  |                 |              |
| indirect                        | 2                | 2                | 2                | 2                | 3                | 2                | 3                | (1)             | (33.3)       |
| Home equity                     |                  |                  |                  |                  |                  |                  |                  |                 |              |
| loans & lines of                |                  |                  |                  |                  |                  |                  |                  |                 |              |
| credit                          | 4,694            | 4,691            | 4,503            | 4,454            | 4,474            | 4,631            | 4,420            | 211             | 4.8          |
| Residential                     |                  |                  |                  |                  |                  |                  |                  |                 |              |
| mortgage                        | 4,111            | 4,016            | 3,708            | 3,581            | 3,574            | 3,947            | 3,486            | 461             | 13.2         |
| Other loans                     | 296              | 316              | 318              | 266              | 266              | 310              | 268              | 42              | 15.7         |
| Total consumer                  | 9,103            | 9,025            | 8,531            | 8,303            | 8,317            | 8,890            | 8,177            | 713             | 8.7          |
| <b>Total loans &amp; leases</b> | <b>\$ 19,521</b> | <b>\$ 19,310</b> | <b>\$ 18,030</b> | <b>\$ 17,524</b> | <b>\$ 17,426</b> | <b>\$ 18,964</b> | <b>\$ 17,175</b> | <b>\$ 1,789</b> | <b>10.4%</b> |

**Deposits:**

|                       |                  |                  |                  |                  |                  |                  |                  |                 |              |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|--------------|
| Non-interest          |                  |                  |                  |                  |                  |                  |                  |                 |              |
| bearing deposits      | \$ 3,296         | \$ 3,368         | \$ 3,221         | \$ 3,196         | \$ 3,165         | \$ 3,295         | \$ 3,105         | \$ 190          | 6.1%         |
| Interest bearing      |                  |                  |                  |                  |                  |                  |                  |                 |              |
| demand                |                  |                  |                  |                  |                  |                  |                  |                 |              |
| deposits              | 7,116            | 7,029            | 6,806            | 6,754            | 6,796            | 6,985            | 6,966            | 19              | 0.3          |
| Savings               |                  |                  |                  |                  |                  |                  |                  |                 |              |
| deposits              | 2,240            | 2,456            | 2,535            | 2,423            | 2,534            | 2,409            | 2,651            | (242)           | (9.1)        |
| Domestic time         |                  |                  |                  |                  |                  |                  |                  |                 |              |
| deposits              | 6,937            | 6,617            | 5,673            | 5,169            | 4,789            | 6,413            | 4,431            | 1,982           | 44.7         |
| Foreign time          |                  |                  |                  |                  |                  |                  |                  |                 |              |
| deposits              | 469              | 447              | 442              | 459              | 432              | 453              | 413              | 40              | 9.7          |
| <b>Total deposits</b> | <b>\$ 20,058</b> | <b>\$ 19,917</b> | <b>\$ 18,677</b> | <b>\$ 18,001</b> | <b>\$ 17,716</b> | <b>\$ 19,555</b> | <b>\$ 17,566</b> | <b>\$ 1,989</b> | <b>11.3%</b> |

N.M., not a  
meaningful value.

(1) Operating basis,  
see Lines of  
Business section  
for definition.

(2) Calculated  
assuming a 35%  
tax rate.

**Table of Contents****Table 26 Regional Banking<sup>(4)</sup>**

|  | Third           | 2006<br>Second | First    | 2005<br>Fourth | 2005<br>Third | 2006<br>9 Months | 2005<br>9 Months | 2006 vs. 2005<br>Amount | 2006 vs. 2005<br>Percent |
|--|-----------------|----------------|----------|----------------|---------------|------------------|------------------|-------------------------|--------------------------|
| <b>PERFORMANCE METRICS</b>                         |                 |                |          |                |               |                  |                  |                         |                          |
| Return on average assets                           | <b>1.71%</b>    | 1.63%          | 1.81%    | 1.63%          | 1.67%         | <b>1.72%</b>     | 1.56%            | 0.16%                   |                          |
| Return on average equity                           | <b>29.9</b>     | 29.5           | 33.6     | 30.0           | 30.7          | <b>30.9</b>      | 28.6             | 2.3                     |                          |
| Net interest margin                                | <b>4.51</b>     | 4.68           | 4.64     | 4.53           | 4.41          | <b>4.61</b>      | 4.43             | 0.18                    |                          |
| Efficiency ratio                                   | <b>52.2</b>     | 55.3           | 49.7     | 51.3           | 52.1          | <b>52.5</b>      | 54.9             | (2.4)                   |                          |
| <b>CREDIT QUALITY</b> (in thousands of dollars)    |                 |                |          |                |               |                  |                  |                         |                          |
| <b>Net charge-offs by loan type</b>                |                 |                |          |                |               |                  |                  |                         |                          |
| Commercial Middle market commercial and industrial | <b>\$ 814</b>   | \$(1,957)      | \$ 5,368 | \$(2,623)      | \$(1,432)     | <b>\$ 4,225</b>  | \$12,122         | \$(7,897)               | (65.1)%                  |
| Middle market commercial real estate               | <b>587</b>      | 1,401          | 175      | \$ 14          | 2,280         | <b>2,163</b>     | 4,461            | (2,298)                 | (51.5)                   |
| Small business loans                               | <b>4,451</b>    | 2,530          | 3,709    | 4,465          | 3,062         | <b>10,690</b>    | 7,486            | 3,204                   | 42.8                     |
| Total commercial                                   | <b>5,852</b>    | 1,974          | 9,252    | 1,856          | 3,910         | <b>17,078</b>    | 24,069           | (6,991)                 | (29.0)                   |
| Consumer Auto loans                                | <b>(6)</b>      | (14)           | (48)     | (9)            | (4)           | <b>(68)</b>      | 38               | (106)                   | N.M.                     |
| Home equity loans & lines of credit                | <b>5,934</b>    | 4,512          | 4,232    | 4,233          | 4,070         | <b>14,678</b>    | 13,002           | 1,676                   | 12.9                     |
| Residential mortgage                               | <b>876</b>      | 688            | 715      | 941            | 522           | <b>2,279</b>     | 1,220            | 1,059                   | 86.8                     |
| Other loans  | <b>2,491</b>    | 2,013          | 1,307    | 1,633          | 1,871         | <b>5,811</b>     | 4,174            | 1,637                   | 39.2                     |
| Total consumer                                     | <b>9,295</b>    | 7,199          | 6,206    | 6,798          | 6,459         | <b>22,700</b>    | 18,434           | 4,266                   | 23.1                     |
| <b>Total net charge-offs</b>                       | <b>\$15,147</b> | \$ 9,173       | \$15,458 | \$ 8,654       | \$10,369      | <b>\$39,778</b>  | \$42,503         | \$(2,725)               | (6.4)%                   |
| <b>Net charge-offs annualized percentages</b>      |                 |                |          |                |               |                  |                  |                         |                          |

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|   |               |         |        |         |         |               |       |         |        |
|---|---------------|---------|--------|---------|---------|---------------|-------|---------|--------|
| Commercial<br>Middle market<br>commercial and<br>industrial         | <b>0.08%</b>  | (0.19)% | 0.58%  | (0.28)% | (0.16)% | <b>0.14%</b>  | 0.46% | (0.32)% |        |
| Middle market<br>commercial real<br>estate                          | <b>0.06</b>   | 0.15    | 0.02   |         | 0.27    | <b>0.08</b>   | 0.18  | (0.10)  |        |
| Small business<br>loans   | <b>0.70</b>   | 0.41    | 0.71   | 0.79    | 0.54    | <b>0.60</b>   | 0.45  | 0.15    |        |
| <b>Total commercial</b>   | <b>0.22</b>   | 0.08    | 0.40   | 0.08    | 0.17    | <b>0.23</b>   | 0.36  | (0.13)  |        |
| Consumer<br>Auto loans  | <b>(1.19)</b> | (2.81)  | (9.73) | (1.79)  | (0.53)  | <b>(4.55)</b> | 1.69  | (6.24)  |        |
| Home equity loans<br>& lines of credit                              | <b>0.50</b>   | 0.39    | 0.38   | 0.38    | 0.36    | <b>0.42</b>   | 0.39  | 0.03    |        |
| Residential<br>mortgage   | <b>0.08</b>   | 0.07    | 0.08   | 0.10    | 0.06    | <b>0.08</b>   | 0.05  | 0.03    |        |
| Other loans   | <b>3.34</b>   | 2.56    | 1.67   | 2.44    | 2.79    | <b>2.51</b>   | 2.08  | 0.43    |        |
| <b>Total consumer</b>   | <b>0.41</b>   | 0.32    | 0.30   | 0.32    | 0.31    | <b>0.34</b>   | 0.30  | 0.04    |        |
| <b>Total net<br/>charge-offs</b>                                    | <b>0.31%</b>  | 0.19%   | 0.35%  | 0.20%   | 0.24%   | <b>0.28%</b>  | 0.33% | (0.05)% |        |
| <b>Non-performing<br/>assets (NPA) (in<br/>millions of dollars)</b> |               |         |        |         |         |               |       |         |        |
| Middle market<br>commercial and<br>industrial                       | \$ 33         | \$ 41   | \$ 42  | \$ 23   | \$ 23   | \$ 33         | \$ 23 | \$ 10   | 43.5%  |
| Middle market<br>commercial real<br>estate                          | 28            | 25      | 18     | 16      | 13      | 28            | 13    | 15      | N.M.   |
| Small business<br>loans   | 21            | 27      | 29     | 29      | 26      | 21            | 26    | (5)     | (19.2) |
| Residential<br>mortgage   | 28            | 22      | 28     | 18      | 16      | 28            | 16    | 12      | 75.0   |
| Home equity   | 13            | 14      | 14     | 11      | 9       | 13            | 9     | 4       | 44.4   |
| <b>Total non-accrual<br/>loans</b>                                  | <b>123</b>    | 129     | 131    | 97      | 87      | <b>123</b>    | 87    | 36      | 41.4   |
| Renegotiated loans  |               |         |        |         |         |               |       |         | N.M.   |
| <b>Total<br/>non-performing<br/>loans (NPL)</b>                     | <b>123</b>    | 129     | 131    | 97      | 87      | <b>123</b>    | 87    | 36      | 41.4   |
| Other real estate,<br>net (OREO)                                    | 42            | 36      | 19     | 15      | 11      | 42            | 11    | 31      | N.M.   |

|   |        |        |        |        |        |        |        |        |       |
|---|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| <b>Total non-performing assets</b>                      | \$ 165 | \$ 165 | \$ 150 | \$ 112 | \$ 98  | \$ 165 | \$ 98  | \$ 67  | 68.4% |
| <b>Accruing loans past due 90 days or more</b>          | \$ 52  | \$ 41  | \$ 44  | \$ 41  | \$ 42  | \$ 52  | \$ 42  | \$ 10  | 23.8% |
| <b>Allowance for loan and lease losses (ALLL) (eop)</b> | \$ 230 | \$ 235 | \$ 228 | \$ 213 | \$ 200 | \$ 230 | \$ 200 | \$ 30  | 15.0% |
| ALLL as a % of total loans and leases                   | 1.17%  | 1.21%  | 1.19%  | 1.22%  | 1.14%  | 1.17%  | 1.14%  | 0.03%  |       |
| ALLL as a % of NPLs                                     | 187.0  | 182.2  | 174.0  | 219.6  | 229.9  | 187.0  | 229.9  | (42.9) |       |
| ALLL + OREO as a % of NPAs                              | 164.8  | 164.2  | 164.7  | 203.6  | 215.3  | 164.8  | 215.3  | (50.5) |       |
| NPLs as a % of total loans and leases                   | 0.63   | 0.66   | 0.68   | 0.55   | 0.50   | 0.63   | 0.50   | 0.13   |       |
| NPAs as a % of total loans and leases + OREO            | 0.84   | 0.85   | 0.78   | 0.64   | 0.56   | 0.84   | 0.56   | 0.28   |       |

N.M., not a meaningful value.

eop End of Period  
(1) Operating basis, see Lines of Business section for definition.

**Table of Contents****Table 26 Regional Banking<sup>(4)</sup>**

|   | 2006<br>Third   | 2006<br>Second | 2006<br>First | 2005<br>Fourth | 2005<br>Third | 2006<br>9 Months | 2005<br>9 Months | 2006 vs. 2005<br>Amount | 2006 vs. 2005<br>Percent |
|---|-----------------|----------------|---------------|----------------|---------------|------------------|------------------|-------------------------|--------------------------|
| <b>SUPPLEMENTAL DATA</b>  |                 |                |               |                |               |                  |                  |                         |                          |
| # employees full-time equivalent ( <i>eop</i> )                         | <b>4,779</b>    | 4,939          | 4,891         | 4,529          | 4,514         | <b>4,779</b>     | 4,514            | 265                     | 5.9%                     |
| <b>Retail Banking</b>   |                 |                |               |                |               |                  |                  |                         |                          |
| Average loans ( <i>in millions</i> )                                    | <b>\$ 5,998</b> | \$ 5,984       | \$ 5,511      | \$ 5,163       | \$ 5,173      | <b>\$ 5,837</b>  | \$ 5,113         | \$ 724                  | 14.2%                    |
| Average deposits ( <i>in millions</i> )                                 | <b>12,982</b>   | 13,141         | 12,256        | 11,691         | 11,612        | <b>12,795</b>    | 11,543           | 1,252                   | 10.8                     |
| # employees full-time equivalent ( <i>eop</i> )                         | <b>3,586</b>    | 3,572          | 3,541         | 3,245          | 3,270         | <b>3,586</b>     | 3,270            | 316                     | 9.66                     |
| # banking offices ( <i>eop</i> )  | <b>372</b>      | 370            | 375           | 334            | 338           | <b>372</b>       | 338              | 34                      | 10.1                     |
| # ATMs ( <i>eop</i> )   | <b>1,004</b>    | 1,002          | 998           | 944            | 906           | <b>1,004</b>     | 906              | 98                      | 10.8                     |
| # DDA households ( <i>eop</i> ) <sup>(2)</sup>                          | <b>560,526</b>  | 557,103        | 517,277       | 514,690        | 515,838       | <b>560,526</b>   | 515,838          | 44,688                  | 8.7                      |
| # New relationships 90-day cross-sell ( <i>average</i> ) <sup>(2)</sup> | <b>2.75</b>     | 2.83           | 2.81          | 2.93           | 2.71          | <b>2.80</b>      | 2.76             | 0.04                    | 1.3                      |
| # on-line customers ( <i>eop</i> ) <sup>(2)</sup>                       | <b>285,493</b>  | 276,709        | 260,890       | 245,143        | 239,848       | <b>285,493</b>   | 239,848          | 45,645                  | 19.0                     |
| % on-line retail household penetration ( <i>eop</i> ) <sup>(2)</sup>    | <b>48%</b>      | 47%            | 48%           | 45%            | 44%           | <b>48%</b>       | 44%              | 4%                      |                          |
| <b>Small Business</b>   |                 |                |               |                |               |                  |                  |                         |                          |
| Average loans ( <i>in millions</i> )                                    | <b>\$ 2,531</b> | \$ 2,456       | \$ 2,121      | \$ 2,230       | \$ 2,251      | <b>\$ 2,371</b>  | \$ 2,222         | \$ 149                  | 6.7%                     |
| Average deposits ( <i>in millions</i> )                                 | <b>2,543</b>    | 2,429          | 2,172         | 2,192          | 2,152         | <b>2,383</b>     | 2,070            | 313                     | 15.1                     |
| # employees full-time equivalent ( <i>eop</i> )                         | <b>311</b>      | 313            | 291           | 269            | 267           | <b>311</b>       | 267              | 44                      | 16.5                     |
| # business DDA relationships ( <i>eop</i> ) <sup>(2)</sup>              | <b>60,341</b>   | 60,086         | 54,828        | 53,998         | 53,835        | <b>60,341</b>    | 53,835           | 6,506                   | 12.1                     |
| # New relationships 90-day cross-sell ( <i>average</i> ) <sup>(2)</sup> | <b>2.28</b>     | 2.32           | 2.16          | 2.23           | 2.28          | <b>2.25</b>      | 2.38             | (0.13)                  | (5.3)                    |
| <b>Commercial Banking</b>   |                 |                |               |                |               |                  |                  |                         |                          |

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|   |                 |          |          |          |          |                 |          |          |        |
|---|-----------------|----------|----------|----------|----------|-----------------|----------|----------|--------|
| Average loans ( <i>in millions</i> )                                | \$ <b>7,890</b> | \$ 7,846 | \$ 7,408 | \$ 7,124 | \$ 7,002 | \$ <b>7,717</b> | \$ 6,902 | \$ 815   | 11.8%  |
| Average deposits ( <i>in millions</i> )                             | <b>4,361</b>    | 4,170    | 4,099    | 3,927    | 3,746    | <b>4,211</b>    | 3,767    | 444      | 11.8   |
| # employees full-time equivalent ( <i>eop</i> )                     | <b>475</b>      | 468      | 473      | 432      | 431      | <b>475</b>      | 431      | 44       | 10.2   |
| # customers ( <i>eop</i> ) <sup>(2)</sup>                           | <b>5,611</b>    | 6,041    | 4,914    | 4,636    | 4,805    | <b>5,611</b>    | 4,805    | 806      | 16.8   |
| <b>Mortgage Banking</b>   |                 |          |          |          |          |                 |          |          |        |
| Average loans ( <i>in millions</i> ) <sup>(3)</sup>                 | \$ <b>3,101</b> | \$ 3,023 | \$ 2,991 | \$ 3,007 | \$ 3,000 | \$ <b>3,039</b> | \$ 2,938 | \$ 101   | 3.4%   |
| Average deposits ( <i>in millions</i> )                             | <b>172</b>      | 177      | 150      | 191      | 206      | <b>166</b>      | 186      | (20)     | (10.8) |
| # employees full-time equivalent ( <i>eop</i> )                     | <b>552</b>      | 587      | 586      | 583      | 546      | <b>552</b>      | 546      | 6        | 1.09   |
| Closed loan volume ( <i>in millions</i> ) <sup>(2)</sup>            | \$ <b>705</b>   | \$ 831   | \$ 596   | \$ 712   | \$ 918   | \$ <b>2,131</b> | \$ 2,572 | \$ (440) | (17.1) |
| Portfolio closed loan volume ( <i>in millions</i> ) <sup>(2)</sup>  | <b>271</b>      | 354      | 184      | 248      | 274      | <b>808</b>      | 1,034    | (226)    | (21.9) |
| Agency delivery volume ( <i>in millions</i> ) <sup>(2)</sup>        | <b>393</b>      | 400      | 355      | 500      | 472      | <b>1,149</b>    | 1,189    | (40)     | (3.4)  |
| Total servicing portfolio ( <i>in millions</i> ) <sup>(2)</sup>     | <b>12,818</b>   | 12,612   | 11,714   | 11,582   | 11,456   | <b>12,818</b>   | 11,456   | 1,362    | 11.9   |
| Portfolio serviced for others ( <i>in millions</i> ) <sup>(2)</sup> | <b>7,994</b>    | 7,725    | 7,386    | 7,276    | 7,081    | <b>7,994</b>    | 7,081    | 913      | 12.9   |
| Mortgage servicing rights ( <i>in millions</i> ) <sup>(2)</sup>     | <b>129.3</b>    | 136.2    | 121.3    | 91.3     | 85.9     | <b>129.3</b>    | 85.9     | 43.4     | 50.5   |

N.M., not a meaningful value.

N/A Not Available.

eop End of Period.

(1) Operating basis, see Lines of Business section for definition.

(2) Periods prior to 2Q06 exclude Unizan.

- (3) Unizan  
mortgage loans  
in Retail  
Banking.

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**Table of Contents****Dealer Sales**

*(See Significant Factors 3, 5, and the Automobile Operating Lease Asset section.)*

**Objectives, Strategies, and Priorities**

Our Dealer Sales line of business provides a variety of banking products and services to more than 3,500 automotive dealerships within our primary banking markets, as well as in Arizona, Florida, Georgia, North Carolina, Pennsylvania, South Carolina, and Tennessee. Dealer Sales finances the purchase of automobiles by customers of the automotive dealerships; purchases automobiles from dealers and simultaneously leases the automobiles to consumers under long-term operating or direct finance leases; finances the dealerships' floor plan inventories, real estate, or working capital needs; and provides other banking services to the automotive dealerships and their owners. Competition from the financing divisions of automobile manufacturers and from other financial institutions is intense. Dealer Sales' production opportunities are directly impacted by the general automotive sales business, including programs initiated by manufacturers to enhance and increase sales directly. We have been in this line of business for over 50 years.

The Dealer Sales strategy has been to focus on developing relationships with the dealership through its finance department, general manager, and owner. An underwriter who understands each local market makes loan decisions, though we prioritize maintaining pricing discipline over market share. To manage our credit exposure, we sell up to 50% of our originated loans.

Automobile lease accounting significantly impacts the presentation of Dealer Sales' financial results. Automobile leases originated prior to May 2002 are accounted for as automobile operating leases, with leases originated since April 2002 accounted for as direct financing leases. This accounting treatment impacts a number of Dealer Sales' financial performance results and trends including net interest income, non-interest income, and non-interest expense. Residual values on leased automobiles, including the accounting for residual value losses, are also an important factor in the overall profitability of automobile leases.

**2006 First Nine Months versus 2005 First Nine Months**

Dealer Sales contributed \$49.9 million, or 13%, of our net operating earnings for the first nine months of 2006, down \$4.1 million from the same period a year ago. This primarily reflected the negative impacts of a lower net contribution from automobile operating lease assets and a decline in net interest income, partially offset by the benefits of a lower provision for credit losses, growth in non-interest income before automobile operating lease income, and a decline in non-interest expense before automobile operating lease expense. Dealer Sales' ROA was 1.24%, up from 1.20% for the first nine months of 2005, with a ROE of 23.7%, up from 19.9% for the year-ago period.

Automobile operating lease income and automobile operating lease expense continued to decline as that portfolio continued to run off. As a result, the net earnings contribution from automobile operating leases in the first nine months of 2006 was \$10.5 million (\$37.8 million in automobile operating lease income offset by \$27.3 million in automobile operating lease expense), down \$13.3 million, or 56%, from the year-ago period's net contribution of \$23.8 million (\$110.5 million in automobile operating lease income offset by \$86.7 million in automobile operating lease expense). Average automobile operating lease assets declined 72% from the comparable year-ago period.

Net interest income declined \$8.4 million, or 8%, from the year-ago nine-month period, reflecting a 6% decline in average loans and leases, as well as a 7 basis point decline in the net interest margin to 2.63% from 2.70%. The decline in average loans and leases reflected the continued program of selling up to 50% of automobile loan and lease originations.

The decline in the net interest margin continued to reflect aggressive pricing competition combined with increases in funding costs over the last two years on new automobile loan and lease originations. We expect Dealer Sales' net interest margin to be somewhat lower than the total Company's, as this line of business does not have lower cost deposit balances to offset loan and lease funding costs. This business is directly impacted by the general automotive sales business in the Midwest, as well as programs initiated by manufacturers to enhance and increase sales.

During the first nine months of 2006 compared with the same 2005 period, new car sales in the Midwest, as well as on a national basis, remained soft with the domestic auto manufacturers continuing to post sizeable reductions in sales volumes. In contrast, Dealer Sales' automobile loan originations were up 11% over last year, supported by more used

car financing than in the year-ago period. On the other hand, automobile leasing has become a sales focus for all

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manufacturers, and as a result, we have experienced a 42% reduction in automobile lease production in the first nine months of 2006 compared with last year, primarily as a result of special leasing programs offered by manufacturers.

The average length of an automobile loan continued to increase slightly from prior year levels, while the length of an automobile lease remained stable. Profitability of originated automobile loans and leases improved as funding costs stabilized, and our focus on profitable business remained intact despite intense pricing competition.

The provision for credit losses for the first nine months of 2006 decreased \$7.4 million, or 44%, from the same year-ago period. This decrease primarily reflected lower net charge-offs, which declined \$3.8 million and were an annualized 0.37% of average total automobile loans and leases for 2006, compared with 0.45% in 2005. Credit risk in the automobile loan and lease portfolio continued to decline compared to last year.

Non-interest income before automobile operating lease income reflected an increase in other income and brokerage and insurance income. Other income increased \$3.2 million, reflecting higher servicing income and gains on sales of automobile loans, due to our ongoing program of selling up to 50% of our automobile loan and lease current production. Loans sold totaled \$574 million during the first nine months of 2006 compared with \$267 million in 2005. Brokerage and insurance income increased \$0.6 million, reflecting improved revenue from the sale of a debt cancellation protection product to automobile loan and lease customers, as well as a reduction in claims filed under this product.

Non-interest expense before automobile operating lease expense reflected declines in other non-interest expenses, partially offset by a slight increase in personnel costs. Other expenses declined \$4.5 million, or 10%, primarily due to lower automobile lease residual value-related costs and collection-related legal costs, while personnel expenses increased \$0.2 million, or 1%.

**Table of Contents****Table 27 Dealer Sales<sup>(1)</sup>**

|  | 2006          |           |           | 2005      |           | 2006<br>9<br>Months | 2005<br>9 Months | 2006 vs. 2005 |         |
|--|---------------|-----------|-----------|-----------|-----------|---------------------|------------------|---------------|---------|
|  | Third         | Second    | First     | Fourth    | Third     |                     |                  | Amount        | Percent |
| <b>INCOME STATEMENT</b><br><i>(in thousands of dollars)</i>  |               |           |           |           |           |                     |                  |               |         |
| Net interest income  | \$ 32,540     | \$ 34,784 | \$ 34,831 | \$ 34,940 | \$ 35,816 | \$ 102,155          | \$ 110,586       | \$ (8,431)    | (7.6)%  |
| Provision for credit losses                                  | 2,652         | (949)     | 7,762     | 9,035     | 5,488     | 9,465               | 16,887           | (7,422)       | (44.0)  |
| <b>Net interest income after provision for credit losses</b> | <b>29,888</b> | 35,733    | 27,069    | 25,905    | 30,328    | <b>92,690</b>       | 93,699           | (1,009)       | (1.1)   |
| Automobile operating lease income                            | 8,580         | 12,143    | 17,048    | 22,534    | 27,822    | 37,771              | 110,481          | (72,710)      | (65.8)  |
| Service charges on deposit accounts                          | 167           | 192       | 129       | 131       | 154       | 488                 | 489              | (1)           | (0.2)   |
| Brokerage and insurance income                               | 837           | 983       | 1,545     | 1,238     | 1,158     | 3,365               | 2,798            | 567           | 20.3    |
| Trust services   | 1             |           | 1         | 1         | 1         | 2                   | 2                |               |         |
| Mortgage banking   | 21            | 22        | 15        | 18        | 20        | 58                  | 49               | 9             | 18.4    |
| Other service charges and fees                               | 1             | 1         | 1         | 1         | 1         | 3                   | 3                |               |         |
| Other income   | 10,679        | 8,175     | 8,253     | 8,241     | 9,327     | 27,107              | 23,890           | 3,217         | 13.5    |
| Total non-interest income before securities gains            | 20,286        | 21,516    | 26,992    | 32,164    | 38,483    | 68,794              | 137,712          | (68,918)      | (50.0)  |
| Securities gains   |               |           |           |           |           |                     |                  |               | N.M.    |
| <b>Total non-interest income</b>                             | <b>20,286</b> | 21,516    | 26,992    | 32,164    | 38,483    | <b>68,794</b>       | 137,712          | (68,918)      | (50.0)  |
| Automobile operating lease expense                           | 5,988         | 8,658     | 12,671    | 17,183    | 21,637    | 27,317              | 86,667           | (59,350)      | (68.5)  |
| Personnel costs  | 5,270         | 5,454     | 5,495     | 5,180     | 5,054     | 16,219              | 15,983           | 236           | 1.5     |

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|   |                  |           |           |           |           |                   |            |             |         |
|---|------------------|-----------|-----------|-----------|-----------|-------------------|------------|-------------|---------|
| Other expense   | <b>13,555</b>    | 13,991    | 13,614    | 16,789    | 16,573    | <b>41,160</b>     | 45,702     | (4,542)     | (9.9)   |
| <b>Total non-interest expense</b>                         | <b>24,813</b>    | 28,103    | 31,780    | 39,152    | 43,264    | <b>84,696</b>     | 148,352    | (63,656)    | (42.9)  |
| Income before income taxes                                | <b>25,361</b>    | 29,146    | 22,281    | 18,917    | 25,547    | <b>76,788</b>     | 83,059     | (6,271)     | (7.6)   |
| Provision for income taxes <sup>(2)</sup>                 | <b>8,876</b>     | 10,201    | 7,798     | 6,621     | 8,941     | <b>26,875</b>     | 29,070     | (2,195)     | (7.6)   |
| <b>Net income operating <sup>(1)</sup></b>                | <b>\$ 16,485</b> | \$ 18,945 | \$ 14,483 | \$ 12,296 | \$ 16,606 | <b>\$ 49,913</b>  | \$ 53,989  | \$ (4,076)  | (7.5)%  |
| <b>Revenue fully taxable equivalent (FTE)</b>             |                  |           |           |           |           |                   |            |             |         |
| Net interest income                                       | <b>\$ 32,540</b> | \$ 34,784 | \$ 34,831 | \$ 34,940 | \$ 35,816 | <b>\$ 102,155</b> | \$ 110,586 | \$ (8,431)  | (7.6)%  |
| Tax equivalent adjustment <sup>(2)</sup>                  |                  |           |           |           |           |                   |            |             | N.M.    |
| Net interest income (FTE)                                 | <b>32,540</b>    | 34,784    | 34,831    | 34,940    | 35,816    | <b>102,155</b>    | 110,586    | (8,431)     | (7.6)   |
| Non-interest income                                       | <b>20,286</b>    | 21,516    | 26,992    | 32,164    | 38,483    | <b>68,794</b>     | 137,712    | (68,918)    | (50.0)  |
| <b>Total revenue (FTE)</b>                                | <b>\$ 52,826</b> | \$ 56,300 | \$ 61,823 | \$ 67,104 | \$ 74,299 | <b>\$ 170,949</b> | \$ 248,298 | \$ (77,349) | (31.2)% |
| <b>Total revenue excluding securities gains (FTE)</b>     | <b>\$ 52,826</b> | \$ 56,300 | \$ 61,823 | \$ 67,104 | \$ 74,299 | <b>\$ 170,949</b> | \$ 248,298 | \$ (77,349) | (31.2)% |
| <b>SELECTED AVERAGE BALANCES</b> (in millions of dollars) |                  |           |           |           |           |                   |            |             |         |
| <b>Loans:</b>   |                  |           |           |           |           |                   |            |             |         |
| Commercial Middle market commercial and industrial        | <b>\$ 776</b>    | \$ 853    | \$ 834    | \$ 728    | \$ 642    | <b>\$ 821</b>     | \$ 739     | \$ 82       | 11.1%   |
| Middle market commercial real estate                      |                  |           |           |           |           |                   |            |             |         |

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|  |                 |                 |                 |                 |                 |                 |                 |                 |                |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Construction Commercial                  | 17              | 19              | 15              | 3<br>24         | 7<br>57         | 6<br>17         | (6)<br>61       | (100)<br>(44)   | (72.1)         |
| Total commercial                         | 793             | 872             | 849             | 755             | 706             | 838             | 806             | 32              | 4.0            |
| Consumer Auto leases indirect            | 1,976           | 2,095           | 2,221           | 2,337           | 2,424           | 2,096           | 2,451           | (355)           | (14.5)         |
| Auto loans indirect                      | 2,077           | 2,042           | 1,992           | 2,016           | 2,075           | 2,037           | 2,049           | (12)            | (0.6)          |
| Home equity loans & lines of credit      |                 |                 |                 |                 |                 |                 |                 |                 | N.M.           |
| Other loans                              | 126             | 125             | 121             | 117             | 111             | 124             | 101             | 23              | 22.8           |
| Total consumer                           | 4,179           | 4,262           | 4,334           | 4,470           | 4,610           | 4,257           | 4,601           | (344)           | (7.5)          |
| <b>Total loans &amp; leases</b>          | <b>\$ 4,972</b> | <b>\$ 5,134</b> | <b>\$ 5,183</b> | <b>\$ 5,225</b> | <b>\$ 5,316</b> | <b>\$ 5,095</b> | <b>\$ 5,407</b> | <b>\$ (312)</b> | <b>(5.8)%</b>  |
| <b>Automobile operating lease assets</b> | <b>\$ 68</b>    | <b>\$ 105</b>   | <b>\$ 159</b>   | <b>\$ 216</b>   | <b>\$ 287</b>   | <b>\$ 110</b>   | <b>\$ 397</b>   | <b>\$ (287)</b> | <b>(72.3)%</b> |
| <b>Deposits:</b>                         |                 |                 |                 |                 |                 |                 |                 |                 |                |
| Non-interest bearing deposits            | \$ 52           | \$ 52           | \$ 52           | \$ 57           | \$ 66           | \$ 52           | \$ 65           | \$ (13)         | (20.0)%        |
| Interest bearing demand deposits         | 2               | 2               | 2               | 2               | 2               | 2               | 3               | (1)             | (33.3)         |
| Foreign time deposits                    | 4               | 2               | 4               | 4               | 4               | 3               | 3               |                 |                |
| <b>Total deposits</b>                    | <b>\$ 58</b>    | <b>\$ 56</b>    | <b>\$ 58</b>    | <b>\$ 63</b>    | <b>\$ 72</b>    | <b>\$ 57</b>    | <b>\$ 71</b>    | <b>\$ (14)</b>  | <b>(19.7)%</b> |

N.M., not a meaningful value.

(1) Operating basis, see Lines of Business section for definition.

(2) Calculated assuming a 35% tax rate.

**Table of Contents****Table 27 Dealer Sales<sup>(1)</sup>**

|  | 2006            |          |          | 2005     |          | 2006<br>9<br>Months | 2005<br>9<br>Months | 2006 vs. 2005 |         |
|--|-----------------|----------|----------|----------|----------|---------------------|---------------------|---------------|---------|
|  | Third           | Second   | First    | Fourth   | Third    |                     |                     | Amount        | Percent |
| <b>PERFORMANCE METRICS</b>                         |                 |          |          |          |          |                     |                     |               |         |
| Return on average assets                           | <b>1.25%</b>    | 1.40%    | 1.06%    | 0.87%    | 1.13%    | <b>1.24%</b>        | 1.20%               | 0.04%         |         |
| Return on average equity                           | <b>31.9</b>     | 23.9     | 18.1     | 14.5     | 18.8     | <b>23.7</b>         | 19.9                | 3.8           |         |
| Net interest margin                                | <b>2.55</b>     | 2.67     | 2.68     | 2.61     | 2.62     | <b>2.63</b>         | 2.70                | (0.07)        |         |
| Efficiency ratio                                   | <b>47.0</b>     | 49.9     | 51.4     | 58.3     | 58.2     | <b>49.5</b>         | 59.7                | (10.2)        |         |
| <b>CREDIT QUALITY</b> (in thousands of dollars)    |                 |          |          |          |          |                     |                     |               |         |
| <b>Net charge-offs by loan type</b>                |                 |          |          |          |          |                     |                     |               |         |
| Commercial Middle market commercial and industrial | \$ (13)         | \$ (23)  | \$ (110) | \$ 941   | \$ 491   | \$ (146)            | \$ 491              | \$ (637)      | N.M.%   |
| Middle market commercial real estate               |                 |          |          |          |          |                     |                     |               | N.M.    |
| Total commercial                                   | (13)            | (23)     | (110)    | 941      | 491      | (146)               | 491                 | (637)         | N.M.    |
| Consumer   |                 |          |          |          |          |                     |                     |               |         |
| Auto leases  | <b>2,306</b>    | 1,758    | 3,515    | 3,422    | 3,105    | <b>7,579</b>        | 8,242               | (663)         | (8.0)   |
| Auto loans   | <b>1,765</b>    | 1,186    | 3,025    | 3,222    | 3,899    | <b>5,976</b>        | 8,737               | (2,761)       | (31.6)  |
| Home equity loans & lines of credit                |                 |          |          | 18       |          |                     |                     |               | N.M.    |
| Other loans  | <b>242</b>      | 123      | 494      | 269      | 185      | <b>859</b>          | 602                 | 257           | 42.7    |
| Total consumer                                     | <b>4,313</b>    | 3,067    | 7,034    | 6,931    | 7,189    | <b>14,414</b>       | 17,581              | (3,167)       | (18.0)  |
| <b>Total net charge-offs</b>                       | <b>\$ 4,300</b> | \$ 3,044 | \$ 6,924 | \$ 7,872 | \$ 7,680 | <b>\$ 14,268</b>    | \$ 18,072           | \$ (3,804)    | (21.0)% |
| <b>Net charge-offs annualized percentages</b>      |                 |          |          |          |          |                     |                     |               |         |

|   |               |               |               |              |              |               |              |                |              |   |    |   |    |   |    |     |         |
|---|---------------|---------------|---------------|--------------|--------------|---------------|--------------|----------------|--------------|---|----|---|----|---|----|-----|---------|
| Commercial<br>Middle market<br>commercial and<br>industrial         | (0.01)%       | (0.01)%       | (0.05)%       | 0.51%        | 0.30%        | (0.02)%       | 0.09%        | (0.11)%        |              |   |    |   |    |   |    |     |         |
| Middle market<br>commercial real<br>estate                          |               |               |               |              |              |               |              |                |              |   |    |   |    |   |    |     |         |
| <b>Total commercial</b>   | <b>(0.01)</b> | <b>(0.01)</b> | <b>(0.05)</b> | <b>0.49</b>  | <b>0.28</b>  | <b>(0.02)</b> | <b>0.08</b>  | <b>(0.10)</b>  |              |   |    |   |    |   |    |     |         |
| Consumer  |               |               |               |              |              |               |              |                |              |   |    |   |    |   |    |     |         |
| Auto leases   | <b>0.46</b>   | 0.34          | 0.64          | 0.58         | 0.51         | <b>0.48</b>   | 0.45         | 0.03           |              |   |    |   |    |   |    |     |         |
| Auto loans  | <b>0.34</b>   | 0.23          | 0.62          | 0.63         | 0.75         | <b>0.39</b>   | 0.57         | (0.18)         |              |   |    |   |    |   |    |     |         |
| Home equity loans<br>& lines of credit                              | <b>N.M.</b>   | N.M.          | N.M.          | N.M.         | N.M.         | <b>N.M.</b>   | N.M.         | N.M.           |              |   |    |   |    |   |    |     |         |
| Other loans   | <b>0.76</b>   | 0.39          | 1.66          | 0.91         | 0.66         | <b>0.93</b>   | 0.80         | 0.13           |              |   |    |   |    |   |    |     |         |
| <b>Total consumer</b>   | <b>0.41</b>   | <b>0.29</b>   | <b>0.66</b>   | <b>0.62</b>  | <b>0.62</b>  | <b>0.45</b>   | <b>0.51</b>  | <b>(0.06)</b>  |              |   |    |   |    |   |    |     |         |
| <b>Total net<br/>charge-offs</b>                                    | <b>0.34%</b>  | <b>0.24%</b>  | <b>0.54%</b>  | <b>0.60%</b> | <b>0.57%</b> | <b>0.37%</b>  | <b>0.45%</b> | <b>(0.08)%</b> |              |   |    |   |    |   |    |     |         |
| <b>Non-performing<br/>assets (NPA) (in<br/>millions of dollars)</b> |               |               |               |              |              |               |              |                |              |   |    |   |    |   |    |     |         |
| Middle market<br>commercial and<br>industrial                       | \$            | \$            | \$            | \$           | \$           | 1             | \$           | 1              | (1) (100.0)% |   |    |   |    |   |    |     |         |
| Middle market<br>commercial real<br>estate                          |               |               |               |              |              |               |              |                | N.M.         |   |    |   |    |   |    |     |         |
| <b>Total non-accrual<br/>loans</b>                                  |               |               |               |              |              | 1             |              | 1              | (1) (100.0)  |   |    |   |    |   |    |     |         |
| Renegotiated loans  |               |               |               |              |              |               |              |                | N.M.         |   |    |   |    |   |    |     |         |
| <b>Total<br/>non-performing<br/>loans (NPL)</b>                     |               |               |               |              |              | 1             |              | 1              | (1) (100.0)  |   |    |   |    |   |    |     |         |
| Other real estate,<br>net (OREO)                                    |               |               |               |              |              |               |              |                | N.M.         |   |    |   |    |   |    |     |         |
| <b>Total<br/>non-performing<br/>assets</b>                          | \$            | \$            | \$            | \$           | \$           | 1             | \$           | 1              | (1) (100.0)% |   |    |   |    |   |    |     |         |
| <b>Accruing loans<br/>past due 90 days<br/>or more</b>              | \$            | 6             | \$            | 6            | \$           | 5             | \$           | 10             | \$           | 8 | \$ | 6 | \$ | 8 | \$ | (2) | (25.0)% |



**Allowance for  
loan and lease  
losses (ALLL)  
(eop)**

|  |    |              |    |       |    |       |    |       |    |       |    |              |    |       |    |         |         |
|--|----|--------------|----|-------|----|-------|----|-------|----|-------|----|--------------|----|-------|----|---------|---------|
|  | \$ | 35           | \$ | 37    | \$ | 40    | \$ | 39    | \$ | 39    | \$ | 35           | \$ | 39    | \$ | (4)     | (10.3)% |
| ALLL as a % of<br>total loans and<br>leases        |    | <b>0.71%</b> |    | 0.73% |    | 0.77% |    | 0.74% |    | 0.74% |    | <b>0.71%</b> |    | 0.74% |    | (0.03)% |         |
| ALLL as a % of<br>NPLs                             |    | <b>N.M.</b>  |    | N.M.  |    | N.M.  |    | N.M.  |    | N.M.  |    | <b>N.M.</b>  |    | N.M.  |    | N.M.    |         |
| ALLL + OREO as<br>a % of NPAs                      |    | <b>N.M.</b>  |    | N.M.  |    | N.M.  |    | N.M.  |    | N.M.  |    | <b>N.M.</b>  |    | N.M.  |    | N.M.    |         |
| NPLs as a % of<br>total loans and<br>leases        |    |              |    |       |    |       |    |       |    | 0.02  |    |              |    | 0.02  |    | (0.02)  |         |
| NPAs as a % of<br>total loans and<br>leases + OREO |    |              |    |       |    |       |    |       |    | 0.02  |    |              |    | 0.02  |    | (0.02)  |         |

N.M., not a meaningful value.  
eop End of Period.

(1) Operating basis,  
see Lines of  
Business section  
for definition.

**Table of Contents****Table 27 Dealer Sales<sup>(1)</sup>**

|  | <b>2006</b>     |          |          | 2005     |          | <b>2006</b>               | 2005        | 2006 vs. 2005 |         |
|--|-----------------|----------|----------|----------|----------|---------------------------|-------------|---------------|---------|
|  | <b>Third</b>    | Second   | First    | Fourth   | Third    | <b>9</b><br><b>Months</b> | 9<br>Months | Amount        | Percent |
| <b>SUPPLEMENTAL DATA</b>               |                 |          |          |          |          |                           |             |               |         |
| # employees full-time equivalent (eop) | <b>342</b>      | 348      | 355      | 369      | 365      | <b>342</b>                | 365         | (23)          | (6.3)%  |
| <b>Automobile loans</b>                |                 |          |          |          |          |                           |             |               |         |
| Production (in millions)               | <b>\$ 453.5</b> | \$ 467.6 | \$ 416.3 | \$ 301.0 | \$ 469.3 | <b>\$ 1,337.4</b>         | \$ 1,201.8  | 135.6         | 11.3%   |
| % Production new vehicles              | <b>49.6%</b>    | 49.5%    | 47.2%    | 53.0%    | 64.5%    | <b>48.8%</b>              | 56.9%       | (8.1)%        |         |
| Average term (in months)               | <b>69.0</b>     | 68.3     | 67.6     | 65.5     | 65.1     | <b>68.3</b>               | 65.1        | 3.2           |         |
| <b>Automobile leases</b>               |                 |          |          |          |          |                           |             |               |         |
| Production (in millions)               | <b>\$ 90.7</b>  | \$ 109.1 | \$ 73.9  | \$ 95.2  | \$ 118.7 | <b>\$ 273.7</b>           | \$ 470.9    | (197.2)       | (41.9)% |
| % Production new vehicles              | <b>96.3%</b>    | 97.2%    | 97.0%    | 98.5%    | 98.8%    | <b>96.8%</b>              | 98.7%       | (1.8)%        |         |
| Average term (in months)               | <b>52.8</b>     | 53.1     | 53.1     | 52.3     | 54.6     | <b>53.0</b>               | 53.6        | (0.6)         |         |
| Average residual % eop End of Period.  | <b>41.1%</b>    | 41.5%    | 41.7%    | 42.6%    | 39.8%    | <b>41.4%</b>              | 41.5%       | (0.1)%        |         |

(1) Operating basis, see Lines of Business section for definition.

**Table of Contents****Private Financial and Capital Markets Group***(See Significant Factors 1 and 5.)****Objectives, Strategies, and Priorities***

The Private Financial and Capital Markets Group (PFCMG) provides products and services designed to meet the needs of higher net worth customers. Revenue is derived through the sale of trust, asset management, investment advisory, brokerage, insurance, and private banking products and services. It also focuses on financial solutions for corporate and institutional customers that include investment banking, sales and trading of securities, mezzanine capital financing, and risk management products. To serve high net worth customers, a unique distribution model is used that employs a single, unified sales force to deliver products and services mainly through Regional Banking distribution channels. PFCMG provides investment management and custodial services to our 29 proprietary mutual funds, including 10 variable annuity funds, which represented approximately \$3.8 billion in assets under management at September 30, 2006. The Huntington Investment Company (HIC) offers brokerage and investment advisory services to both Regional Banking and PFCMG customers through more than 100 licensed investment sales representatives and 600 licensed personal bankers. PFCMG's insurance entities provide a complete array of insurance products including individual life insurance products ranging from basic term life insurance, to estate planning, group life and health insurance, property and casualty insurance, mortgage title insurance, and reinsurance for payment protection products. Income and related expenses from the sale of brokerage and insurance products is shared with the line of business that generated the sale or provided the customer referral, most notably Regional Banking.

PFCMG's primary goals are to consistently increase assets under management by offering innovative products and services that are responsive to our clients' changing financial needs and to grow the balance sheet mainly through increased loan volume achieved through improved cross-selling efforts. To grow managed assets, the Huntington Investment Company sales team has been utilized as the distribution source for trust and investment management. Additionally, PFCMG has been successful in introducing innovative investment management products.

***2006 First Nine Months versus 2005 First Nine Months***

PFCMG contributed \$40.9 million, or 11%, of our net earnings for the first nine months of 2006, up \$6.0 million, or 17%, from the comparable year-ago period. The improvement reflected a \$17.2 million increase in fully taxable equivalent revenue, partially offset by a \$2.8 million increase in the provision for credit losses and a \$5.1 million increase in total non-interest expense. The ROA and ROE for the first nine months of 2006 were 2.60% and 36.2%, respectively, compared with 2.38% and 35.9%, respectively, for the first nine months of 2005.

The overall improvement in performance for the 2006 first nine months was largely the result of continued success in the trust and asset management business. . Approximately \$80 million in new Huntington Asset Management Accounts (HAMA), which are primarily sold through HIC, have been opened since September 30, 2005. We also expanded our trust presence in the Florida market by opening two new offices in mid-year 2005. By September 30, 2006, total managed assets for these two offices exceeded \$200 million. New trust offices were also opened in Dayton and Indianapolis in the second quarter 2006. The solid investment performance of the Huntington proprietary mutual funds was reflected in strong growth in fund assets. In addition, five of the eight equity funds eligible for rating had an overall Morningstar 4 Star or 5 Star rating and one fixed income fund had a Morningstar 5 Star rating.

Our results for the first nine months of 2006 also reflected the benefit of a favorable \$4.2 million valuation adjustment in the Capital Markets hedge fund portfolio. This contrasts with a negative \$1.3 million hedge fund valuation adjustment for the comparable period in 2005.

Non-interest expense increased \$5.1 million, or 5%, from the first nine months of 2005, largely due to increased expenses from the Unizan acquisition, the opening of the new trust offices in 2005 and 2006, and shared-based compensation expense.

**Table of Contents****Table 28 Private and Capital Markets Group<sup>1)</sup>**

|  | 2006          |           |           | 2005      |           | 2006           | 2005      | 2006 vs. 2005 |         |
|--|---------------|-----------|-----------|-----------|-----------|----------------|-----------|---------------|---------|
|  | Third         | Second    | First     | Fourth    | Third     | 9<br>Months    | 9 Months  | Amount        | Percent |
| <b>INCOME STATEMENT</b><br><i>(in thousands of dollars)</i>  |               |           |           |           |           |                |           |               |         |
| Net interest income  | \$ 19,356     | \$ 18,037 | \$ 17,569 | \$ 18,451 | \$ 18,559 | \$ 54,962      | \$ 54,959 | \$ 3          | 0.0%    |
| Provision for credit losses                                  | 1,224         | 1,850     | 1,388     | 2,473     | 1,323     | 4,462          | 1,658     | 2,804         | N.M.    |
| <b>Net interest income after provision for credit losses</b> | <b>18,132</b> | 16,187    | 16,181    | 15,978    | 17,236    | <b>50,500</b>  | 53,301    | (2,801)       | (5.3)   |
| Service charges on deposit accounts                          | 967           | 924       | 889       | 961       | 950       | 2,780          | 2,721     | 59            | 2.2     |
| Brokerage and insurance income                               | 9,497         | 8,602     | 9,723     | 7,961     | 8,828     | 27,822         | 25,689    | 2,133         | 8.3     |
| Trust services   | 22,141        | 22,426    | 21,063    | 20,048    | 19,473    | 65,630         | 56,440    | 9,190         | 16.3    |
| Mortgage banking   | (297)         | (291)     | (280)     | (261)     | (137)     | (868)          | (648)     | (220)         | 34.0    |
| Other service charges and fees                               | 134           | 138       | 118       | 130       | 123       | 390            | 360       | 30            | 8.3     |
| Other income   | 4,012         | 7,383     | 9,402     | 6,928     | 5,000     | 20,797         | 14,751    | 6,046         | 41.0    |
| Total non-interest income before securities gains            | 36,454        | 39,182    | 40,915    | 35,767    | 34,237    | 116,551        | 99,313    | 17,238        | 17.4    |
| Securities gains   | 21            | (43)      | (21)      | (3)       | 21        | (43)           | 73        | (116)         | N.M.    |
| <b>Total non-interest income</b>                             | <b>36,475</b> | 39,139    | 40,894    | 35,764    | 34,258    | <b>116,508</b> | 99,386    | 17,122        | 17.2    |
| Personnel costs  | 21,919        | 22,418    | 20,353    | 18,834    | 18,562    | 64,690         | 56,749    | 7,941         | 14.0    |
| Other expense  | 13,409        | 15,698    | 10,358    | 13,322    | 14,227    | 39,465         | 42,290    | (2,825)       | (6.7)   |
| <b>Total non-interest</b>                                    | <b>35,328</b> | 38,116    | 30,711    | 32,156    | 32,789    | <b>104,155</b> | 99,039    | 5,116         | 5.2     |

**expense**

|  |                  |           |           |           |           |                  |           |          |       |
|--|------------------|-----------|-----------|-----------|-----------|------------------|-----------|----------|-------|
| Income before income taxes                 | <b>19,279</b>    | 17,210    | 26,364    | 19,586    | 18,705    | <b>62,853</b>    | 53,648    | 9,205    | 17.2  |
| Provision for income taxes <sup>(2)</sup>  | <b>6,748</b>     | 6,024     | 9,227     | 6,855     | 6,547     | <b>21,999</b>    | 18,777    | 3,222    | 17.2  |
| <b>Net income operating <sup>(1)</sup></b> | <b>\$ 12,531</b> | \$ 11,186 | \$ 17,137 | \$ 12,731 | \$ 12,158 | <b>\$ 40,854</b> | \$ 34,871 | \$ 5,983 | 17.2% |

**Revenue fully taxable equivalent (FTE)**

|   |                  |           |           |           |           |                   |            |           |       |
|---|------------------|-----------|-----------|-----------|-----------|-------------------|------------|-----------|-------|
| Net interest income                                   | <b>\$ 19,356</b> | \$ 18,037 | \$ 17,569 | \$ 18,451 | \$ 18,559 | <b>\$ 54,962</b>  | \$ 54,959  | \$ 3      | 0.0%  |
| Tax equivalent adjustment <sup>(2)</sup>              | <b>88</b>        | 133       | 101       | 129       | 104       | <b>322</b>        | 237        | 85        | 35.9  |
| Net interest income (FTE)                             | <b>19,444</b>    | 18,170    | 17,670    | 18,580    | 18,663    | <b>55,284</b>     | 55,196     | 88        | 0.2   |
| Non-interest income                                   | <b>36,475</b>    | 39,139    | 40,894    | 35,764    | 34,258    | <b>116,508</b>    | 99,386     | 17,122    | 17.2  |
| <b>Total revenue (FTE)</b>                            | <b>\$ 55,919</b> | \$ 57,309 | \$ 58,564 | \$ 54,344 | \$ 52,921 | <b>\$ 171,792</b> | \$ 154,582 | \$ 17,210 | 11.1% |
| <b>Total revenue excluding securities gains (FTE)</b> | <b>\$ 55,898</b> | \$ 57,352 | \$ 58,585 | \$ 54,347 | \$ 52,900 | <b>\$ 171,835</b> | \$ 154,509 | \$ 17,326 | 11.2% |

**SELECTED AVERAGE BALANCES** (in millions of dollars)**Loans:**

|  |               |        |        |        |        |               |        |       |        |
|--|---------------|--------|--------|--------|--------|---------------|--------|-------|--------|
| Commercial Middle market commercial and industrial | <b>\$ 584</b> | \$ 561 | \$ 552 | \$ 545 | \$ 499 | <b>\$ 566</b> | \$ 492 | \$ 74 | 15.0%  |
| Middle market commercial real estate               |               |        |        |        |        |               |        |       |        |
| Construction                                       | <b>13</b>     | 16     | 22     | 41     | 65     | <b>17</b>     | 53     | (36)  | (67.9) |
| Commercial   | <b>231</b>    | 222    | 208    | 212    | 222    | <b>220</b>    | 229    | (9)   | (3.9)  |
|  | <b>828</b>    | 799    | 782    | 798    | 786    | <b>803</b>    | 774    | 29    | 3.7    |

Total  
commercial

Consumer  
Home equity  
loans & lines of  
credit

|            |     |     |     |     |            |     |    |     |
|------------|-----|-----|-----|-----|------------|-----|----|-----|
| <b>347</b> | 338 | 330 | 327 | 327 | <b>338</b> | 323 | 15 | 4.6 |
|------------|-----|-----|-----|-----|------------|-----|----|-----|

Residential

mortgage

|            |     |     |     |     |            |     |    |     |
|------------|-----|-----|-----|-----|------------|-----|----|-----|
| <b>637</b> | 613 | 598 | 584 | 583 | <b>616</b> | 567 | 49 | 8.6 |
|------------|-----|-----|-----|-----|------------|-----|----|-----|

Other loans

|          |   |   |    |    |          |    |     |        |
|----------|---|---|----|----|----------|----|-----|--------|
| <b>8</b> | 7 | 8 | 10 | 10 | <b>8</b> | 10 | (2) | (20.0) |
|----------|---|---|----|----|----------|----|-----|--------|

Total consumer

|            |     |     |     |     |            |     |    |     |
|------------|-----|-----|-----|-----|------------|-----|----|-----|
| <b>992</b> | 958 | 936 | 921 | 920 | <b>962</b> | 900 | 62 | 6.9 |
|------------|-----|-----|-----|-----|------------|-----|----|-----|

**Total loans &  
leases**

|                 |          |          |          |          |                 |          |       |      |
|-----------------|----------|----------|----------|----------|-----------------|----------|-------|------|
| <b>\$ 1,820</b> | \$ 1,757 | \$ 1,718 | \$ 1,719 | \$ 1,706 | <b>\$ 1,765</b> | \$ 1,674 | \$ 91 | 5.4% |
|-----------------|----------|----------|----------|----------|-----------------|----------|-------|------|

**Deposits:**

Non-interest

|                  |               |        |        |        |        |               |        |         |         |
|------------------|---------------|--------|--------|--------|--------|---------------|--------|---------|---------|
| bearing deposits | <b>\$ 161</b> | \$ 174 | \$ 163 | \$ 191 | \$ 175 | <b>\$ 166</b> | \$ 188 | \$ (22) | (11.7%) |
|------------------|---------------|--------|--------|--------|--------|---------------|--------|---------|---------|

Interest bearing

|                 |            |     |     |     |     |            |     |   |     |
|-----------------|------------|-----|-----|-----|-----|------------|-----|---|-----|
| demand deposits | <b>740</b> | 747 | 754 | 740 | 741 | <b>747</b> | 743 | 4 | 0.5 |
|-----------------|------------|-----|-----|-----|-----|------------|-----|---|-----|

Savings deposits

|           |    |    |    |    |           |    |     |        |
|-----------|----|----|----|----|-----------|----|-----|--------|
| <b>35</b> | 34 | 38 | 41 | 41 | <b>36</b> | 42 | (6) | (14.3) |
|-----------|----|----|----|----|-----------|----|-----|--------|

Domestic time

|          |            |     |     |     |     |            |     |    |      |
|----------|------------|-----|-----|-----|-----|------------|-----|----|------|
| deposits | <b>186</b> | 168 | 176 | 169 | 159 | <b>177</b> | 138 | 39 | 28.3 |
|----------|------------|-----|-----|-----|-----|------------|-----|----|------|

Foreign time

|          |           |    |    |    |    |           |    |   |     |
|----------|-----------|----|----|----|----|-----------|----|---|-----|
| deposits | <b>20</b> | 21 | 19 | 20 | 18 | <b>20</b> | 19 | 1 | 5.3 |
|----------|-----------|----|----|----|----|-----------|----|---|-----|

|                       |                 |          |          |          |          |                 |          |       |      |
|-----------------------|-----------------|----------|----------|----------|----------|-----------------|----------|-------|------|
| <b>Total deposits</b> | <b>\$ 1,142</b> | \$ 1,144 | \$ 1,150 | \$ 1,161 | \$ 1,134 | <b>\$ 1,146</b> | \$ 1,130 | \$ 16 | 1.4% |
|-----------------------|-----------------|----------|----------|----------|----------|-----------------|----------|-------|------|

N.M., not a meaningful value.

(1) Operating basis, see Lines of Business section for definition.

(2) Calculated assuming a 35% tax rate.

Table of Contents**Table 28 Private Financial and Capital Markets Group<sup>(1)</sup>**

|   | 2006            |          | 2005     |          | 2006     | 2005            | 2006 vs. 2005 |          |            |
|---|-----------------|----------|----------|----------|----------|-----------------|---------------|----------|------------|
|   | Third           | Second   | First    | Fourth   | Third    | 9 Months        | 9 Months      | Amount   | Percentage |
| <b>PERFORMANCE METRICS</b>                      |                 |          |          |          |          |                 |               |          |            |
| Return on average assets                        | <b>2.28%</b>    | 2.13%    | 3.45%    | 2.51%    | 2.40%    | <b>2.60%</b>    | 2.38%         | 0.22%    |            |
| Return on average equity                        | <b>34.3</b>     | 26.7     | 50.0     | 38.3     | 36.8     | <b>36.2</b>     | 35.9          | 0.3      |            |
| Net interest margin                             | <b>4.03</b>     | 3.94     | 3.97     | 4.07     | 4.12     | <b>3.98</b>     | 4.18          | (0.20)   |            |
| Efficiency ratio                                | <b>63.2</b>     | 66.5     | 52.4     | 59.2     | 62.0     | <b>60.6</b>     | 64.1          | (3.5)    |            |
| <b>CREDIT QUALITY (in thousands of dollars)</b> |                 |          |          |          |          |                 |               |          |            |
| <b>Charge-offs by loan type</b>                 |                 |          |          |          |          |                 |               |          |            |
| <b>Commercial</b>                               |                 |          |          |          |          |                 |               |          |            |
| Middle market commercial and industrial         | <b>\$ 941</b>   | \$ 1,496 | \$ 1,629 | \$ 938   | \$ (141) | <b>\$ 4,066</b> | \$ 1,709      | \$ 2,357 | N.M.       |
| Middle market commercial real estate            | <b>55</b>       | (5)      | (206)    | (175)    | (6)      | <b>(156)</b>    | (255)         | 99       | (38)       |
| Total commercial                                | <b>996</b>      | 1,491    | 1,423    | 763      | (147)    | <b>3,910</b>    | 1,454         | 2,456    | N.M.       |
| <b>Consumer</b>                                 |                 |          |          |          |          |                 |               |          |            |
| Home equity loans & lines of credit             | <b>800</b>      | 264      | 292      | 247      | 23       | <b>1,356</b>    | 119           | 1,237    | N.M.       |
| Residential mortgage                            |                 |          |          |          |          |                 | 171           | (171)    | (100)      |
| Other loans                                     | <b>(4)</b>      | (20)     | 119      | 32       | 28       | <b>95</b>       | 170           | (75)     | (44)       |
| Total consumer                                  | <b>796</b>      | 244      | 411      | 279      | 51       | <b>1,451</b>    | 460           | 991      | N.M.       |
| <b>Total net charge-offs</b>                    | <b>\$ 1,792</b> | \$ 1,735 | \$ 1,834 | \$ 1,042 | \$ (96)  | <b>\$ 5,361</b> | \$ 1,914      | \$ 3,447 | N.M.       |
| <b>Charge-offs annualized percentages</b>       |                 |          |          |          |          |                 |               |          |            |
| <b>Commercial</b>                               |                 |          |          |          |          |                 |               |          |            |
| Middle market commercial and industrial         | <b>0.64%</b>    | 1.07%    | 1.20%    | 0.68%    | (0.11)%  | <b>0.96%</b>    | 0.46%         | 0.50%    |            |
| Middle market commercial real estate            | <b>0.09</b>     | (0.01)   | (0.36)   | (0.27)   | (0.01)   | <b>(0.09)</b>   | (0.12)        | 0.03     |            |
| Total commercial                                | <b>0.48</b>     | 0.75     | 0.74     | 0.38     | (0.07)   | <b>0.65</b>     | 0.25          | 0.40     |            |
| <b>Consumer</b>                                 |                 |          |          |          |          |                 |               |          |            |
| Home equity loans & lines of credit             | <b>0.91</b>     | 0.31     | 0.36     | 0.30     | 0.03     | <b>0.54</b>     | 0.05          | 0.49     |            |
| Residential mortgage                            |                 |          |          |          |          |                 | 0.04          | (0.04)   |            |
| Other loans                                     | <b>(0.20)</b>   | (1.15)   | 6.03     | 1.27     | 1.11     | <b>1.59</b>     | 2.27          | (0.68)   |            |
| Total consumer                                  | <b>0.32</b>     | 0.10     | 0.18     | 0.12     | 0.02     | <b>0.20</b>     | 0.07          | 0.13     |            |
| <b>Total net charge-offs</b>                    | <b>0.39%</b>    | 0.40%    | 0.43%    | 0.24%    | (0.02)%  | <b>0.41%</b>    | 0.15%         | 0.26%    |            |

**Non-performing assets (NPA) (in millions of dollars)**

|  |              |              |              |              |              |              |              |             |             |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Off-balance sheet commercial and industrial                            | \$ 4         | \$ 5         | \$ 4         | \$ 5         | \$ 2         | \$ 4         | \$ 2         | \$ 2        | 100         |
| Off-balance sheet commercial real estate                               |              |              |              |              |              |              |              |             | N.M.        |
| Residential mortgage   | 2            | 1            | 1            |              |              | 2            |              | 2           | N.M.        |
| Private equity   |              |              |              |              |              |              |              |             | N.M.        |
| <b>Total non-accrual loans</b>   | <b>6</b>     | <b>6</b>     | <b>5</b>     | <b>5</b>     | <b>2</b>     | <b>6</b>     | <b>2</b>     | <b>4</b>    | <b>N.M.</b> |
| Renegotiated loans   |              |              |              |              |              |              |              |             | N.M.        |
| <b>Total non-performing loans (NPL)</b>                                | <b>6</b>     | <b>6</b>     | <b>5</b>     | <b>5</b>     | <b>2</b>     | <b>6</b>     | <b>2</b>     | <b>4</b>    | <b>N.M.</b> |
| Off-balance sheet real estate, net (OREO)                              |              |              |              |              | 1            |              | 1            | (1)         | (100)       |
| <b>Total non-performing assets</b>                                     | <b>\$ 6</b>  | <b>\$ 6</b>  | <b>\$ 5</b>  | <b>\$ 5</b>  | <b>\$ 3</b>  | <b>\$ 6</b>  | <b>\$ 3</b>  | <b>\$ 3</b> | <b>100</b>  |
| <b>Loans past due 90 days or more</b>                                  | <b>\$ 4</b>  | <b>\$ 2</b>  | <b>\$ 3</b>  | <b>\$ 5</b>  | <b>\$ 1</b>  | <b>\$ 4</b>  | <b>\$ 1</b>  | <b>\$ 3</b> | <b>N.M.</b> |
| <b>Allowance for loan and lease losses (ALLL)</b>                      | <b>\$ 15</b> | <b>\$ 16</b> | <b>\$ 16</b> | <b>\$ 16</b> | <b>\$ 15</b> | <b>\$ 15</b> | <b>\$ 15</b> | <b>\$</b>   |             |
| ALLL as a % of total loans and leases                                  | <b>0.83%</b> | 0.88%        | 0.93%        | 0.93%        | 0.87%        | <b>0.83%</b> | 0.87%        | (0.04%      |             |
| ALLL as a % of NPLs  | <b>250.0</b> | 266.7        | 320.0        | 320.0        | N.M.         | <b>250.0</b> | N.M.         | N.M.        |             |
| ALLL + OREO as a % of NPAs   | <b>250.0</b> | 266.7        | 320.0        | 320.0        | N.M.         | <b>250.0</b> | N.M.         | N.M.        |             |
| Loans past due 90 days or more as a % of total loans and leases        | <b>0.33</b>  | 0.33         | 0.29         | 0.29         | 0.12         | <b>0.33</b>  | 0.12         | 0.21        |             |
| Loans past due 90 days or more as a % of total loans and leases + OREO | <b>0.33</b>  | 0.33         | 0.29         | 0.29         | 0.17         | <b>0.33</b>  | 0.17         | 0.16        |             |

N.M., not a meaningful value.

Period End of Period.

(1) Operating basis, see Lines of Business section for definition.



**Table of Contents****Table 28 Private Financial and Capital Markets Group<sup>(1)</sup>**

|  | 2006             |           | 2005      |           | 2006      | 2005              | 2006 vs. 2005 |          |         |
|--|------------------|-----------|-----------|-----------|-----------|-------------------|---------------|----------|---------|
|  | Third            | Second    | First     | Fourth    | Third     | 9 Months          | 9 Months      | Amount   | Percent |
| <b>PRIVATE FINANCIAL SUPPLEMENTAL DATA</b>                       |                  |           |           |           |           |                   |               |          |         |
| # employees  |                  |           |           |           |           |                   |               |          |         |
| Full-time equivalent (FTE) employees (2)                         | <b>792</b>       | 781       | 766       | 722       | 721       | <b>792</b>        | 721           | 71       | 9.8%    |
| # licensed bankers   | <b>658</b>       | 641       | 600       | 661       | 640       | <b>658</b>        | 640           | 18       | 2.8     |
| <b>Brokerage and Insurance Income (in thousands)</b>             |                  |           |           |           |           |                   |               |          |         |
| Mutual fund revenue  | \$ <b>1,309</b>  | \$ 1,487  | \$ 1,301  | \$ 1,007  | \$ 1,354  | \$ <b>4,097</b>   | \$ 4,489      | \$ (392) | (8.7)%  |
| Annuities revenue  | <b>6,821</b>     | 7,265     | 7,593     | 6,090     | 6,294     | <b>21,679</b>     | 18,251        | 3,428    | 18.8    |
| 12b-1 fees   | <b>654</b>       | 615       | 615       | 750       | 615       | <b>1,884</b>      | 1,875         | 9        | 0.5     |
| Discount brokerage commissions and other                         | <b>1,166</b>     | 1,203     | 1,304     | 1,119     | 1,003     | <b>3,673</b>      | 3,381         | 292      | 8.6     |
| Total retail investment sales                                    | <b>9,950</b>     | 10,570    | 10,813    | 8,966     | 9,266     | <b>31,333</b>     | 27,996        | 3,337    | 11.9    |
| Investment banking fees  |                  |           |           |           |           |                   |               |          | N.M.    |
| Insurance fees and revenue                                       | <b>3,853</b>     | 2,756     | 2,685     | 2,793     | 3,403     | <b>9,294</b>      | 9,266         | 28       | 0.3     |
| <b>Total brokerage and insurance income</b>                      | <b>13,803</b>    | 13,326    | 13,498    | \$ 11,759 | 12,669    | <b>40,627</b>     | 37,262        | \$ 3,365 | 9.0     |
| Fee sharing  | <b>4,369</b>     | 4,794     | 3,866     | 3,907     | 3,963     | <b>13,029</b>     | 12,036        | 993      | 8.3     |
| <b>Total brokerage and insurance income (net of fee sharing)</b> | <b>\$ 9,434</b>  | \$ 8,532  | \$ 9,632  | \$ 7,852  | \$ 8,706  | <b>\$ 27,598</b>  | \$ 25,226     | \$ 2,372 | 9.4%    |
| Mutual fund sales volume (in thousands) (3)                      | <b>\$ 51,614</b> | \$ 50,115 | \$ 38,794 | \$ 32,498 | \$ 47,343 | <b>\$ 140,523</b> | \$ 151,230    | (10,707) | (7.1)%  |
|  | <b>134,184</b>   | 140,312   | 147,165   | 119,628   | 123,880   | <b>421,661</b>    | 364,235       | 57,426   | 15.8    |

Annuities sales  
volume (in  
thousands) <sup>(3)</sup>

**Trust Services  
Income (in  
thousands)**

|   |                  |                  |                  |                  |                  |                  |                  |                 |              |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|--------------|
| Personal trust<br>revenue                                       | \$ 10,665        | \$ 11,067        | \$ 10,274        | \$ 9,435         | \$ 9,104         | \$ 32,006        | \$ 27,117        | \$ 4,889        | 18.0%        |
| Huntington funds<br>revenue                                     | 7,608            | 7,418            | 7,135            | 6,975            | 6,851            | 22,161           | 19,533           | 2,628           | 13.5         |
| Institutional trust<br>revenue                                  | 3,086            | 3,061            | 2,849            | 2,806            | 2,700            | 8,996            | 7,437            | 1,559           | 21.0         |
| Corporate trust<br>revenue                                      | 1,076            | 1,095            | 987              | 1,193            | 997              | 3,158            | 2,841            | 317             | 11.2         |
| Other trust revenue   |                  |                  |                  |                  |                  |                  |                  |                 | N.M.         |
| <b>Total trust services<br/>income</b>                          | <b>22,435</b>    | <b>22,641</b>    | <b>21,245</b>    | <b>\$ 20,409</b> | <b>19,652</b>    | <b>66,321</b>    | <b>56,928</b>    | <b>\$ 9,393</b> | <b>16.5</b>  |
| Fee sharing   | 294              | 215              | 182              | 361              | 179              | 691              | 488              | 203             | 41.6         |
| <b>Total trust services<br/>income (net of fee<br/>sharing)</b> | <b>\$ 22,141</b> | <b>\$ 22,426</b> | <b>\$ 21,063</b> | <b>\$ 20,048</b> | <b>\$ 19,473</b> | <b>\$ 65,630</b> | <b>\$ 56,440</b> | <b>\$ 9,190</b> | <b>16.3%</b> |

**Assets Under  
Management (eop)  
(in billions) <sup>(3)</sup>**

|  |                |                |                |                |                |                |                |               |             |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|-------------|
| Personal trust   | \$ 6.4         | \$ 6.4         | \$ 5.6         | \$ 5.5         | \$ 5.7         | \$ 6.4         | \$ 5.7         | \$ 0.7        | 13.1%       |
| Huntington funds   | 3.8            | 3.7            | 3.6            | 3.5            | 3.5            | 3.8            | 3.5            | 0.3           | 7.3         |
| Institutional trust  | 0.9            | 1.2            | 1.1            | 1.1            | 1.0            | 0.9            | 1.0            | (0.1)         | (12.5)      |
| Corporate trust  | 0.0            | 0.0            | 0.0            | 0.0            |                | 0.0            |                | 0.0           | N.M.        |
| Haberer  | 0.8            | 0.8            | 0.7            | 0.6            | 0.6            | 0.8            | 0.6            | 0.1           | 22.2        |
| Other  |                |                |                |                |                |                |                |               | N.M.        |
| <b>Total assets under<br/>management</b>                         | <b>\$ 11.9</b> | <b>\$ 12.0</b> | <b>\$ 10.9</b> | <b>\$ 10.8</b> | <b>\$ 10.8</b> | <b>\$ 11.9</b> | <b>\$ 10.8</b> | <b>\$ 1.1</b> | <b>9.7%</b> |
| <b>Total Trust Assets<br/>(eop) (in billions) <sup>(3)</sup></b> |                |                |                |                |                |                |                |               |             |
| Personal trust   | \$ 10.6        | \$ 10.2        | \$ 9.4         | \$ 9.3         | \$ 9.4         | \$ 10.6        | \$ 9.4         | \$ 1.2        | 12.8%       |
| Huntington funds   | 3.8            | 3.7            | 3.6            | 3.5            | 3.5            | 3.8            | 3.5            | 0.3           | 7.3         |
| Institutional trust  | 30.1           | 29.9           | 28.7           | 28.1           | 27.8           | 30.1           | 27.8           | 2.3           | 8.3         |
| Corporate trust  | 5.1            | 4.7            | 4.6            | 4.7            | 4.8            | 5.1            | 4.8            | 0.3           | 6.3         |
| <b>Total trust assets</b>  | <b>\$ 49.6</b> | <b>\$ 48.5</b> | <b>\$ 46.2</b> | <b>\$ 45.6</b> | <b>\$ 45.5</b> | <b>\$ 49.6</b> | <b>\$ 45.5</b> | <b>\$ 4.1</b> | <b>8.9%</b> |

**Mutual Fund Data**

(3)

# Huntington mutual

funds (eop) <sup>(4)</sup>**29**      29      29      29      29      29      29Sales penetration <sup>(5)</sup>**4.8%**      4.9%      5.4%      4.4%      5.0%      5.0%      **5.0%**      %

Revenue penetration

(whole dollars) <sup>(6)</sup>\$ **3,441**    \$ 3,369    \$ 3,902    \$ 3,094    \$ 3,209    \$ 3,513    \$ 3,183    \$ 330    10.4%

Profit penetration

(whole dollars) <sup>(7)</sup>**1,147**      1,032      1,629      1,150      1,250      1,240      1,165      75      6.4

Average sales per

licensed banker

(whole dollars)

annualized

**58,591**      64,459      59,716      53,402      55,886      60,865      56,667      4,198      7.4

Average revenue per

licensed banker

(whole dollars)

annualized

**2,777**      3,098      2,874      2,526      2,511      2,914      2,517      397      15.8

N.M., not a meaningful value.

eop End of Period.

(1) Operating basis, see Lines of Business section for definition.

(2) Includes Capital Markets employees.

(3) Periods prior to 2Q06 exclude Unizan.

(4) Includes variable annuity funds.

(5) Sales (dollars invested) of mutual funds and annuities divided by bank's retail deposits.

(6) Investment program revenue per million of the bank's retail deposits.

(7) Contribution of investment program to pretax profit per million of the bank's retail deposits.

Contribution is difference between program revenue and program expenses.

**Table of Contents****Treasury/Other***(See Significant Factors 1,2,4,5, and 6.)****Objectives, Strategies, and Priorities***

The Treasury/Other line of business includes revenue and expense related to assets, liabilities, and equity that are not directly assigned or allocated to one of the other three business segments. Assets in this segment include investment securities and bank owned life insurance.

Net interest income includes the net impact of administering our investment securities portfolios as part of overall liquidity management. A match-funded transfer pricing system is used to attribute appropriate funding interest income and interest expense to other business segments. As such, net interest income includes the net impact of any over or under allocations arising from centralized management of interest rate risk. Furthermore, net interest income includes the net impact of derivatives used to hedge interest rate sensitivity.

Non-interest income includes miscellaneous fee income not allocated to other business segments, including bank owned life insurance income. Fee income also includes asset revaluations not allocated to other business segments including the valuation adjustment of MSRs to fair value, as well as any investment securities and trading assets gains or losses.

Non-interest expense includes certain corporate administrative and other miscellaneous expenses not allocated to other business segments.

The provision for income taxes for each of the other business segments is calculated at a statutory 35% tax rate, though our overall effective tax rate is lower. As a result, Treasury/Other reflects a credit for income taxes representing the difference between the actual effective tax rate and the statutory tax rate used to allocate income taxes to the other segments.

**2006 First Nine Months versus 2005 First Nine Months**

Treasury/Other contributed \$22.1 million, or 6%, of our net earnings for the first nine months of 2006, compared with \$7.9 million, or 3%, in the comparable year-ago period. Performance between periods was heavily influenced by the \$84.5 million tax-expense reduction, partially offset by the \$57.5 million investment securities impairment in the 2006 third quarter, neither of which were allocated to other lines of business.

Net interest income for the first nine months of 2006 was a negative \$55.6 million compared with negative net interest income of \$22.9 million in year-ago quarter. This \$32.8 million decline resulted from higher interest expense attributable to the increase in market rates and in the credit provided to other lines of business for their non-interest bearing sources of funding. The decline was partially offset by the net impact of a 19% increase in investment securities balances.

Non-interest income for the first nine months of 2006 was a negative \$24.7 million, a \$44.3 million decline from the comparable year-ago period. This reflected the \$57.5 million of losses from securities impairment. This negative was partially offset by a \$2.8 million increase in mortgage banking income, including the impact of adopting fair market value hedging for mortgage servicing rights. The year-ago period benefited from a gain on sale of an equity investment.

Non-interest expense increased \$11.3 million compared to the first nine months of 2005, with most of the increase due to higher corporate administrative and other miscellaneous expenses not allocated to other business segments.

The third quarter provision for income taxes was impacted by the release of \$84.5 million previously established federal income tax reserve and the recognition of federal income tax loss carry backs.

**Table of Contents****Table 29 Treasury/Other<sup>(1)</sup>**

|  | 2006             |                   | 2005               |                   | 2006            | 2005             | 2006 vs. 2005   |                  |               |
|--|------------------|-------------------|--------------------|-------------------|-----------------|------------------|-----------------|------------------|---------------|
|  | Third            | Second            | First              | Fourth            | Third           | 9 Months         | 9 Months        | Amount           | Percent       |
| <b>INCOME STATEMENT</b> (in thousands of dollars)            |                  |                   |                    |                   |                 |                  |                 |                  |               |
| Net interest income  | \$ (20,740)      | \$ (18,099)       | \$ (16,800)        | \$ (13,060)       | \$ (10,008)     | \$ (55,639)      | \$ (22,878)     | \$ (32,761)      | N.M. %        |
| Provision for credit losses                                  |                  |                   |                    |                   |                 |                  |                 |                  | N.M.          |
| <b>Net interest income after provision for credit losses</b> | <b>(20,740)</b>  | <b>(18,099)</b>   | <b>(16,800)</b>    | <b>(13,060)</b>   | <b>(10,008)</b> | <b>(55,639)</b>  | <b>(22,878)</b> | <b>(32,761)</b>  | <b>N.M.</b>   |
| Service charges on deposit accounts                          | 20               | 16                | 16                 | (1,008)           | (67)            | 52               | (837)           | 889              | N.M.          |
| Brokerage and insurance income                               | 1                | (25)              | 64                 | 1                 | 1               | 40               | 2               | 38               | N.M.          |
| Mortgage banking   | (10,716)         | 8,278             | 9,211              | 385               | 10,458          | 6,773            | 3,985           | 2,788            | 70.0          |
| Bank owned life insurance income                             | 12,125           | 10,604            | 10,242             | 10,389            | 10,104          | 32,971           | 30,347          | 2,624            | 8.6           |
| Other income   | 7,719            | (9,276)           | (5,678)            | (3,693)           | (13,507)        | (7,235)          | (14,609)        | 7,374            | (50.5)        |
| Total non-interest income before securities gains            | 9,149            | 9,597             | 13,855             | 6,074             | 6,989           | 32,601           | 18,888          | 13,713           | 72.6          |
| Securities gains   | (57,353)         | 8                 | 1                  | (8,767)           | 80              | (57,344)         | 624             | (57,968)         | N.M.          |
| <b>Total non-interest income</b>                             | <b>(48,204)</b>  | <b>9,605</b>      | <b>13,856</b>      | <b>(2,693)</b>    | <b>7,069</b>    | <b>(24,743)</b>  | <b>19,512</b>   | <b>(44,255)</b>  | <b>N.M.</b>   |
| <b>Total non-interest expense</b>                            | <b>18,580</b>    | <b>8,895</b>      | <b>33,776</b>      | <b>12,461</b>     | <b>11,827</b>   | <b>61,251</b>    | <b>49,947</b>   | <b>11,304</b>    | <b>22.6</b>   |
| Income before income taxes                                   | (87,524)         | (17,389)          | (36,720)           | (28,214)          | (14,766)        | (141,633)        | (53,313)        | (88,320)         | N.M.          |
| Provision for income taxes <sup>(2)</sup>                    | (125,269)        | (15,569)          | (22,889)           | (26,070)          | (15,185)        | (163,727)        | (61,232)        | (102,495)        | N.M.          |
| <b>Net income operating</b> <sup>(1)</sup>                   | <b>\$ 37,745</b> | <b>\$ (1,820)</b> | <b>\$ (13,831)</b> | <b>\$ (2,144)</b> | <b>\$ 419</b>   | <b>\$ 22,094</b> | <b>\$ 7,919</b> | <b>\$ 14,175</b> | <b>N.M. %</b> |

**Revenue fully taxable equivalent (FTE)**

|  |             |             |             |             |             |             |             |             |       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------|
| Net interest income                      | \$ (20,740) | \$ (18,099) | \$ (16,800) | \$ (13,060) | \$ (10,008) | \$ (55,639) | \$ (22,878) | \$ (32,761) | N.M.% |
| Tax equivalent adjustment <sup>(2)</sup> | 3,747       | 3,596       | 3,488       | 3,457       | 3,369       | 10,831      | 8,514       | 2,317       | 27.2  |

**Net interest income (FTE)**

|                           |          |          |          |         |         |          |          |          |      |
|---------------------------|----------|----------|----------|---------|---------|----------|----------|----------|------|
| Net interest income (FTE) | (16,993) | (14,503) | (13,312) | (9,603) | (6,639) | (44,808) | (14,364) | (30,444) | N.M. |
|---------------------------|----------|----------|----------|---------|---------|----------|----------|----------|------|

**Non-interest income**

|                     |          |       |        |         |       |          |        |          |      |
|---------------------|----------|-------|--------|---------|-------|----------|--------|----------|------|
| Non-interest income | (48,204) | 9,605 | 13,856 | (2,693) | 7,069 | (24,743) | 19,512 | (44,255) | N.M. |
|---------------------|----------|-------|--------|---------|-------|----------|--------|----------|------|

**Total revenue (FTE)**

|                     |             |            |        |             |        |             |          |             |       |
|---------------------|-------------|------------|--------|-------------|--------|-------------|----------|-------------|-------|
| Total revenue (FTE) | \$ (65,197) | \$ (4,898) | \$ 544 | \$ (12,296) | \$ 430 | \$ (69,551) | \$ 5,148 | \$ (74,699) | N.M.% |
|---------------------|-------------|------------|--------|-------------|--------|-------------|----------|-------------|-------|

**Total revenue excluding securities gains (FTE)**

|  |            |            |        |            |        |             |          |             |       |
|--|------------|------------|--------|------------|--------|-------------|----------|-------------|-------|
| Total revenue excluding securities gains (FTE) | \$ (7,844) | \$ (4,906) | \$ 543 | \$ (3,529) | \$ 350 | \$ (12,207) | \$ 4,524 | \$ (16,731) | N.M.% |
|--|------------|------------|--------|------------|--------|-------------|----------|-------------|-------|

**SELECTED AVERAGE BALANCES (in millions of dollars)**

|            |          |          |          |          |          |          |          |        |       |
|------------|----------|----------|----------|----------|----------|----------|----------|--------|-------|
| Securities | \$ 4,911 | \$ 5,025 | \$ 4,659 | \$ 4,266 | \$ 3,980 | \$ 4,866 | \$ 4,087 | \$ 779 | 19.1% |
|------------|----------|----------|----------|----------|----------|----------|----------|--------|-------|

**Deposits:**

|   |       |       |       |       |       |       |       |     |      |
|---|-------|-------|-------|-------|-------|-------|-------|-----|------|
| Brokered time deposits and negotiable CDs | 3,307 | 3,263 | 3,143 | 3,210 | 3,286 | 3,238 | 3,088 | 150 | 4.9% |
| Foreign time deposits                     | 28    | 4     |       | 7     | 8     | 11    | 11    |     |      |

**Total deposits**

|                |          |          |          |          |          |          |          |        |      |
|----------------|----------|----------|----------|----------|----------|----------|----------|--------|------|
| Total deposits | \$ 3,335 | \$ 3,267 | \$ 3,143 | \$ 3,217 | \$ 3,294 | \$ 3,249 | \$ 3,099 | \$ 150 | 4.8% |
|----------------|----------|----------|----------|----------|----------|----------|----------|--------|------|

**PERFORMANCE METRICS****Return on average assets**

|                          |       |         |         |         |       |       |       |       |  |
|--------------------------|-------|---------|---------|---------|-------|-------|-------|-------|--|
| Return on average assets | 2.05% | (0.10)% | (0.85)% | (0.14)% | 0.03% | 0.41% | 0.17% | 0.24% |  |
|--------------------------|-------|---------|---------|---------|-------|-------|-------|-------|--|

**Return on average equity**

|                          |      |       |       |       |     |     |     |     |  |
|--------------------------|------|-------|-------|-------|-----|-----|-----|-----|--|
| Return on average equity | 10.6 | (0.5) | (4.6) | (0.8) | 0.2 | 2.2 | 1.0 | 1.2 |  |
|--------------------------|------|-------|-------|-------|-----|-----|-----|-----|--|

**Net interest margin**

|                     |        |        |        |        |        |        |        |        |  |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| Net interest margin | (1.28) | (1.08) | (1.11) | (0.85) | (0.60) | (1.16) | (0.42) | (0.74) |  |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--|

**Efficiency ratio**

|                  |      |      |      |      |      |      |      |      |  |
|------------------|------|------|------|------|------|------|------|------|--|
| Efficiency ratio | N.M. | N.M. | N.M. | N.M. | N.M. | N.M. | N.M. | N.M. |  |
|------------------|------|------|------|------|------|------|------|------|--|

**SUPPLEMENTAL DATA****# employees full-time equivalent (FTE)**

|  |       |       |       |       |       |       |       |    |      |
|--|-------|-------|-------|-------|-------|-------|-------|----|------|
| # employees full-time equivalent (FTE) | 2,019 | 2,007 | 2,066 | 1,982 | 1,986 | 2,019 | 1,986 | 33 | 1.7% |
|--|-------|-------|-------|-------|-------|-------|-------|----|------|

N.M., not a meaningful value.

eop End of Period.

(1) Operating basis, see Lines of Business section for definition.

(2) Reconciling difference between company's actual effective tax rate and 35% tax rate allocated to each business segment.

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**Table of Contents****Table 30- Total Company <sup>(1)</sup>**

|  | 2006           |            | 2005       |            |            | 2006           | 2005       | 2006 vs. 2005 |         |
|--|----------------|------------|------------|------------|------------|----------------|------------|---------------|---------|
|  | Third          | Second     | First      | Fourth     | Third      | 9 Months       | 9 Months   | Amount        | Percent |
| <b>INCOME STATEMENT</b>                                      |                |            |            |            |            |                |            |               |         |
| <i>(in thousands of dollars)</i>                             |                |            |            |            |            |                |            |               |         |
| Net interest income  | \$ 255,313     | \$ 262,195 | \$ 243,680 | \$ 243,676 | \$ 241,637 | \$ 761,188     | \$ 718,735 | \$ 42,453     | 5.9%    |
| Provision for credit losses                                  | 14,162         | 15,745     | 19,540     | 30,831     | 17,699     | 49,447         | 50,468     | (1,021)       | (2.0)   |
| <b>Net interest income after provision for credit losses</b> | <b>241,151</b> | 246,450    | 224,140    | 212,845    | 223,938    | <b>711,741</b> | 668,267    | 43,474        | 6.5     |
| Automobile operating lease income                            | 8,580          | 12,143     | 17,048     | 22,534     | 27,822     | 37,771         | 110,481    | (72,710)      | (65.8)  |
| Service charges on deposit accounts                          | 48,718         | 47,225     | 41,222     | 42,083     | 44,817     | 137,165        | 125,751    | 11,414        | 9.1     |
| Brokerage and insurance income                               | 14,697         | 14,345     | 15,193     | 13,101     | 13,948     | 44,235         | 40,518     | 3,717         | 9.2     |
| Trust services   | 22,490         | 22,676     | 21,278     | 20,425     | 19,671     | 66,444         | 56,980     | 9,464         | 16.6    |
| Mortgage banking   | (2,166)        | 20,355     | 17,832     | 10,909     | 21,116     | 36,021         | 30,801     | 5,220         | 16.9    |
| Bank owned life insurance income                             | 12,125         | 10,604     | 10,242     | 10,389     | 10,104     | 32,971         | 30,347     | 2,624         | 8.6     |
| Other service charges and fees                               | 12,989         | 13,072     | 11,509     | 11,488     | 11,449     | 37,570         | 32,860     | 4,710         | 14.3    |
| Other income   | 37,809         | 22,634     | 25,230     | 25,163     | 11,712     | 85,673         | 56,507     | 29,166        | 51.6    |
| Total non-interest income before securities gains            | 155,242        | 163,054    | 159,554    | 156,092    | 160,639    | 477,850        | 484,245    | (6,395)       | (1.3)   |
| Securities gains   | (57,332)       | (35)       | (20)       | (8,770)    | 101        | (57,387)       | 715        | (58,102)      | N.M.    |
| <b>Total non-interest income</b>                             | <b>97,910</b>  | 163,019    | 159,534    | 147,322    | 160,740    | <b>420,463</b> | 484,960    | (64,497)      | (13.3)  |
|  | 5,988          | 8,658      | 12,671     | 17,183     | 21,637     | 27,317         | 86,667     | (59,350)      | (68.5)  |



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|   |                   |            |            |            |            |                     |              |             |        |  |
|---|-------------------|------------|------------|------------|------------|---------------------|--------------|-------------|--------|--|
| Automobile operating lease expense                    |                   |            |            |            |            |                     |              |             |        |  |
| Personnel costs                                       | <b>133,823</b>    | 137,904    | 131,557    | 116,111    | 117,476    | <b>403,284</b>      | 365,547      | 37,737      | 10.3   |  |
| Other expense   | <b>102,619</b>    | 105,797    | 94,187     | 97,061     | 93,939     | <b>302,603</b>      | 287,251      | 15,352      | 5.3    |  |
| <b>Total non-interest expense</b>                     | <b>242,430</b>    | 252,359    | 238,415    | 230,355    | 233,052    | <b>733,204</b>      | 739,465      | (6,261)     | (0.8)  |  |
| Income before income taxes                            | <b>96,631</b>     | 157,110    | 145,259    | 129,812    | 151,626    | <b>399,000</b>      | 413,762      | (14,762)    | (3.6)  |  |
| Provision for income taxes                            | <b>(60,815)</b>   | 45,506     | 40,803     | 29,239     | 43,052     | <b>25,494</b>       | 102,244      | (76,750)    | (75.1) |  |
| <b>Net income operating</b> <sup>(1)</sup>            | <b>\$ 157,446</b> | \$ 111,604 | \$ 104,456 | \$ 100,573 | \$ 108,574 | <b>\$ 373,506</b>   | \$ 311,518   | \$ 61,988   | 19.9%  |  |
| <b>Revenue fully taxable equivalent (FTE)</b>         |                   |            |            |            |            |                     |              |             |        |  |
| Net interest income                                   | <b>\$ 255,313</b> | \$ 262,195 | \$ 243,680 | \$ 243,676 | \$ 241,637 | <b>\$ 761,188</b>   | \$ 718,735   | \$ 42,453   | 5.9%   |  |
| Tax equivalent adjustment <sup>(2)</sup>              | <b>4,090</b>      | 3,984      | 3,836      | 3,837      | 3,734      | <b>11,910</b>       | 9,556        | 2,354       | 24.6   |  |
| Net interest income (FTE)                             | <b>259,403</b>    | 266,179    | 247,516    | 247,513    | 245,371    | <b>773,098</b>      | 728,291      | 44,807      | 6.2    |  |
| Non-interest income                                   | <b>97,910</b>     | 163,019    | 159,534    | 147,322    | 160,740    | <b>420,463</b>      | 484,960      | (64,497)    | (13.3) |  |
| <b>Total revenue (FTE)</b>                            | <b>\$ 357,313</b> | \$ 429,198 | \$ 407,050 | \$ 394,835 | \$ 406,111 | <b>\$ 1,193,561</b> | \$ 1,213,251 | \$ (19,690) | (1.6)% |  |
| <b>Total revenue excluding securities gains (FTE)</b> | <b>\$ 414,645</b> | \$ 429,233 | \$ 407,070 | \$ 403,605 | \$ 406,010 | <b>\$ 1,250,948</b> | \$ 1,212,536 | \$ 38,412   | 3.2%   |  |
| <b>SELECTED AVERAGE BALANCES</b>                      |                   |            |            |            |            |                     |              |             |        |  |
| <i>(in millions of dollars)</i>                       |                   |            |            |            |            |                     |              |             |        |  |
| <b>Loans:</b>   |                   |            |            |            |            |                     |              |             |        |  |
| Commercial Middle market commercial and               | <b>\$ 5,591</b>   | \$ 5,458   | \$ 5,132   | \$ 4,946   | \$ 4,708   | <b>\$ 5,398</b>     | \$ 4,773     | \$ 625      | 13.1%  |  |

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|  |                  |           |           |           |           |                  |           |          |         |  |
|--|------------------|-----------|-----------|-----------|-----------|------------------|-----------|----------|---------|--|
| industrial                               |                  |           |           |           |           |                  |           |          |         |  |
| Middle market                            |                  |           |           |           |           |                  |           |          |         |  |
| commercial real                          |                  |           |           |           |           |                  |           |          |         |  |
| estate                                   |                  |           |           |           |           |                  |           |          |         |  |
| Construction                             | <b>1,122</b>     | 1,243     | 1,454     | 1,675     | 1,720     | <b>1,272</b>     | 1,680     | (408)    | (24.3)  |  |
| Commercial                               | <b>2,795</b>     | 2,799     | 2,423     | 1,923     | 1,922     | <b>2,674</b>     | 1,903     | 771      | 40.5    |  |
| Small business                           |                  |           |           |           |           |                  |           |          |         |  |
| loans                                    | <b>2,531</b>     | 2,456     | 2,121     | 2,230     | 2,251     | <b>2,371</b>     | 2,222     | 149      | 6.7     |  |
| Total                                    |                  |           |           |           |           |                  |           |          |         |  |
| commercial                               | <b>12,039</b>    | 11,956    | 11,130    | 10,774    | 10,601    | <b>11,715</b>    | 10,578    | 1,137    | 10.7    |  |
| Consumer                                 |                  |           |           |           |           |                  |           |          |         |  |
| Auto leases                              |                  |           |           |           |           |                  |           |          |         |  |
| indirect                                 | <b>1,976</b>     | 2,095     | 2,221     | 2,337     | 2,424     | <b>2,096</b>     | 2,451     | (355)    | (14.5)  |  |
| Auto loans                               |                  |           |           |           |           |                  |           |          |         |  |
| indirect                                 | <b>2,079</b>     | 2,044     | 1,994     | 2,018     | 2,078     | <b>2,039</b>     | 2,052     | (13)     | (0.6)   |  |
| Home equity                              |                  |           |           |           |           |                  |           |          |         |  |
| loans & lines of                         |                  |           |           |           |           |                  |           |          |         |  |
| credit                                   | <b>5,041</b>     | 5,029     | 4,833     | 4,781     | 4,801     | <b>4,969</b>     | 4,743     | 226      | 4.8     |  |
| Residential                              |                  |           |           |           |           |                  |           |          |         |  |
| mortgage                                 | <b>4,748</b>     | 4,629     | 4,306     | 4,165     | 4,157     | <b>4,563</b>     | 4,053     | 510      | 12.6    |  |
| Other loans                              | <b>430</b>       | 448       | 447       | 393       | 387       | <b>442</b>       | 379       | 63       | 16.6    |  |
| Total consumer                           | <b>14,274</b>    | 14,245    | 13,801    | 13,694    | 13,847    | <b>14,109</b>    | 13,678    | 431      | 3.2     |  |
| <b>Total loans &amp; leases</b>          | <b>\$ 26,313</b> | \$ 26,201 | \$ 24,931 | \$ 24,468 | \$ 24,448 | <b>\$ 25,824</b> | \$ 24,256 | \$ 1,568 | 6.5%    |  |
| <b>Automobile operating lease assets</b> | <b>\$ 68</b>     | \$ 105    | \$ 159    | \$ 216    | \$ 287    | <b>\$ 110</b>    | \$ 397    | \$ (287) | (72.3)% |  |
| <b>Deposits:</b>                         |                  |           |           |           |           |                  |           |          |         |  |
| Non-interest                             |                  |           |           |           |           |                  |           |          |         |  |
| bearing deposits                         | <b>\$ 3,509</b>  | \$ 3,594  | \$ 3,436  | \$ 3,444  | \$ 3,406  | <b>\$ 3,513</b>  | \$ 3,358  | \$ 155   | 4.6%    |  |
| Interest bearing                         |                  |           |           |           |           |                  |           |          |         |  |
| demand                                   |                  |           |           |           |           |                  |           |          |         |  |
| deposits                                 | <b>7,858</b>     | 7,778     | 7,562     | 7,496     | 7,539     | <b>7,734</b>     | 7,712     | 22       | 0.3     |  |
| Savings                                  |                  |           |           |           |           |                  |           |          |         |  |
| deposits                                 | <b>2,275</b>     | 2,490     | 2,573     | 2,464     | 2,575     | <b>2,445</b>     | 2,693     | (248)    | (9.2)   |  |
| Domestic time                            |                  |           |           |           |           |                  |           |          |         |  |
| deposits                                 | <b>7,123</b>     | 6,785     | 5,849     | 5,338     | 4,948     | <b>6,590</b>     | 4,569     | 2,021    | 44.2    |  |
| Brokered time                            |                  |           |           |           |           |                  |           |          |         |  |
| deposits and                             |                  |           |           |           |           |                  |           |          |         |  |
| negotiable CDs                           | <b>3,307</b>     | 3,263     | 3,143     | 3,210     | 3,286     | <b>3,238</b>     | 3,088     | 150      | 4.9     |  |
| Foreign time                             |                  |           |           |           |           |                  |           |          |         |  |
| deposits                                 | <b>521</b>       | 474       | 465       | 490       | 462       | <b>487</b>       | 446       | 41       | 9.2     |  |
| <b>Total deposits</b>                    | <b>\$ 24,593</b> | \$ 24,384 | \$ 23,028 | \$ 22,442 | \$ 22,216 | <b>\$ 24,007</b> | \$ 21,866 | \$ 2,141 | 9.8%    |  |

N.M., not a meaningful value.

- (1) Operating basis, see Lines of Business section for definition.
  - (2) Calculated assuming a 35% tax rate.
-

**Table of Contents****Table 30 Total Company<sup>(1)</sup>**

|   | 2006             |                  | 2005             |                  |                  | 2006             | 2005             | 2006 vs. 2005     |               |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|---------------|
|   | Third            | Second           | First            | Fourth           | Third            | 9 Months         | 9 Months         | Amount            | Percent       |
| <b>PERFORMANCE METRICS</b>                      |                  |                  |                  |                  |                  |                  |                  |                   |               |
| Return on average assets                        | 1.75%            | 1.25%            | 1.26%            | 1.22%            | 1.32%            | 1.43%            | 1.28%            | 0.15%             |               |
| Return on average equity                        | 21.0             | 14.9             | 15.5             | 15.5             | 16.5             | 17.2             | 16.1             | 1.1               |               |
| Net interest margin                             | 3.22             | 3.34             | 3.32             | 3.34             | 3.31             | 3.29             | 3.33             | (0.04)            |               |
| Efficiency ratio                                | 57.8             | 58.1             | 58.3             | 57.0             | 57.4             | 58.1             | 60.9             | (2.8)             |               |
| <b>CREDIT QUALITY (in thousands of dollars)</b> |                  |                  |                  |                  |                  |                  |                  |                   |               |
| <b>Net charge-offs by loan type</b>             |                  |                  |                  |                  |                  |                  |                  |                   |               |
| Commercial                                      |                  |                  |                  |                  |                  |                  |                  |                   |               |
| Middle market commercial and industrial         | \$ 1,742         | \$ (484)         | \$ 6,887         | \$ (744)         | \$ (1,082)       | \$ 8,145         | \$ 14,322        | \$ (6,177)        | (43.1)%       |
| Middle market commercial real estate            | 642              | 1,396            | (31)             | (161)            | 2,274            | 2,007            | 4,206            | (2,199)           | (52.3)        |
| Small business loans                            | 4,451            | 2,530            | 3,709            | 4,465            | 3,062            | 10,690           | 7,486            | 3,204             | 42.8          |
| Total commercial                                | 6,835            | 3,442            | 10,565           | 3,560            | 4,254            | 20,842           | 26,014           | (5,172)           | (19.9)        |
| Consumer  |                  |                  |                  |                  |                  |                  |                  |                   |               |
| Auto leases                                     | 2,306            | 1,758            | 3,515            | 3,422            | 3,105            | 7,579            | 8,242            | (663)             | (8.0)         |
| Auto loans                                      | 1,759            | 1,172            | 2,977            | 3,213            | 3,895            | 5,908            | 8,775            | (2,867)           | (32.7)        |
| Home equity loans & lines of credit             | 6,734            | 4,776            | 4,524            | 4,498            | 4,093            | 16,034           | 13,121           | 2,913             | 22.2          |
| Residential mortgage                            | 876              | 688              | 715              | 941              | 522              | 2,279            | 1,391            | 888               | 63.8          |
| Other loans                                     | 2,729            | 2,116            | 1,920            | 1,934            | 2,084            | 6,765            | 4,946            | 1,819             | 36.8          |
| Total consumer                                  | 14,404           | 10,510           | 13,651           | 14,008           | 13,699           | 38,565           | 36,475           | 2,090             | 5.7           |
| <b>Total net charge-offs</b>                    | <b>\$ 21,239</b> | <b>\$ 13,952</b> | <b>\$ 24,216</b> | <b>\$ 17,568</b> | <b>\$ 17,953</b> | <b>\$ 59,407</b> | <b>\$ 62,489</b> | <b>\$ (3,082)</b> | <b>(4.9)%</b> |

**Net charge-offs  
annualized  
percentages**

|   |              |         |       |         |         |              |       |         |
|---|--------------|---------|-------|---------|---------|--------------|-------|---------|
| Commercial<br>Middle market<br>commercial and<br>industrial | <b>0.12%</b> | (0.04)% | 0.54% | (0.06)% | (0.09)% | <b>0.20%</b> | 0.40% | (0.20)% |
| Middle market<br>commercial real<br>estate                  | <b>0.07</b>  | 0.14    |       | (0.02)  | 0.25    | <b>0.07</b>  | 0.16  | (0.09)  |
| Small business<br>loans                                     | <b>0.70</b>  | 0.41    | 0.70  | 0.80    | 0.54    | <b>0.60</b>  | 0.45  | 0.15    |
| Total commercial  | <b>0.23</b>  | 0.12    | 0.38  | 0.13    | 0.16    | <b>0.24</b>  | 0.33  | (0.09)  |
| Consumer  |              |         |       |         |         |              |       |         |
| Auto leases   | <b>0.47</b>  | 0.34    | 0.63  | 0.59    | 0.51    | <b>0.48</b>  | 0.45  | 0.03    |
| Auto loans  | <b>0.34</b>  | 0.23    | 0.60  | 0.64    | 0.75    | <b>0.39</b>  | 0.57  | (0.18)  |
| Home equity loans<br>& lines of credit                      | <b>0.53</b>  | 0.38    | 0.38  | 0.38    | 0.34    | <b>0.43</b>  | 0.37  | 0.06    |
| Residential<br>mortgage                                     | <b>0.07</b>  | 0.06    | 0.07  | 0.09    | 0.05    | <b>0.07</b>  | 0.05  | 0.02    |
| Other loans   | <b>2.54</b>  | 1.89    | 1.72  | 1.97    | 2.15    | <b>2.04</b>  | 1.74  | 0.30    |
| Total consumer  | <b>0.40</b>  | 0.30    | 0.40  | 0.41    | 0.40    | <b>0.36</b>  | 0.36  |         |
| <b>Total net<br/>charge-offs</b>                            | <b>0.32%</b> | 0.21%   | 0.39% | 0.29%   | 0.29%   | <b>0.31%</b> | 0.34% | (0.03)% |

**Non-performing  
assets (NPA) (in  
millions of dollars)**

|   |            |       |       |       |       |            |       |       |        |
|---|------------|-------|-------|-------|-------|------------|-------|-------|--------|
| Middle market<br>commercial and<br>industrial | \$ 37      | \$ 46 | \$ 46 | \$ 28 | \$ 26 | \$ 37      | \$ 26 | \$ 11 | 42.3%  |
| Middle market<br>commercial real<br>estate    | 28         | 25    | 18    | 16    | 13    | 28         | 13    | 15    | N.M.   |
| Small business<br>loans                       | 21         | 27    | 29    | 29    | 26    | 21         | 26    | (5)   | (19.2) |
| Residential<br>mortgage                       | 30         | 23    | 29    | 18    | 16    | 30         | 16    | 14    | 87.5   |
| Home equity                                   | 13         | 14    | 14    | 11    | 9     | 13         | 9     | 4     | 44.4   |
| <b>Total non-accrual<br/>loans</b>            | <b>129</b> | 135   | 136   | 102   | 90    | <b>129</b> | 90    | 39    | 43.3   |
| Renegotiated loans                            |            |       |       |       |       |            |       |       | N.M.   |
| <b>Total<br/>non-performing</b>               | <b>129</b> | 135   | 136   | 102   | 90    | <b>129</b> | 90    | 39    | 43.3   |

|   |               |        |        |        |        |               |        |        |       |  |
|---|---------------|--------|--------|--------|--------|---------------|--------|--------|-------|--|
| <b>loans (NPL)</b>  |               |        |        |        |        |               |        |        |       |  |
| Other real estate,<br>net (OREO)                                | <b>42</b>     | 36     | 19     | 15     | 12     | <b>42</b>     | 12     | 30     | N.M.  |  |
| <b>Total<br/>non-performing<br/>assets</b>                      | <b>\$ 171</b> | \$ 171 | \$ 155 | \$ 117 | \$ 102 | <b>\$ 171</b> | \$ 102 | \$ 69  | 67.6% |  |
| <b>Accruing loans<br/>past due 90 days or<br/>more</b>          | <b>\$ 62</b>  | \$ 49  | \$ 52  | \$ 56  | \$ 51  | <b>\$ 62</b>  | \$ 51  | \$ 11  | 21.6% |  |
| <b>Allowance for loan<br/>and lease losses<br/>(ALLL) (eop)</b> | <b>\$ 280</b> | \$ 288 | \$ 284 | \$ 268 | \$ 254 | <b>\$ 280</b> | \$ 254 | \$ 26  | 10.2% |  |
| ALLL as a % of<br>total loans and<br>leases                     | <b>1.06%</b>  | 1.09%  | 1.09%  | 1.10%  | 1.04%  | <b>1.06%</b>  | 1.04%  | 0.02%  |       |  |
| ALLL as a % of<br>NPLs  | <b>217.0</b>  | 213.0  | 209.0  | 263.0  | 283.0  | <b>217.0</b>  | 283.0  | (66.0) |       |  |
| ALLL + OREO as a<br>% of NPAs                                   | <b>188.3</b>  | 189.5  | 195.5  | 241.9  | 260.8  | <b>188.3</b>  | 260.8  | (72.5) |       |  |
| NPLs as a % of<br>total loans and<br>leases                     | <b>0.49</b>   | 0.51   | 0.52   | 0.42   | 0.37   | <b>0.49</b>   | 0.37   | 0.12   |       |  |
| NPAs as a % of<br>total loans and<br>leases + OREO              | <b>0.65</b>   | 0.65   | 0.59   | 0.48   | 0.42   | <b>0.65</b>   | 0.42   | 0.23   |       |  |
| <b>SUPPLEMENTAL<br/>DATA</b>                                    |               |        |        |        |        |               |        |        |       |  |
| # employees<br>full-time equivalent                             | <b>8,077</b>  | 8,075  | 8,078  | 7,602  | 7,586  | <b>8,077</b>  | 7,586  | 491    | 6.5%  |  |

N.M., not a meaningful value.

eop End of Period.

(1) Operating basis, see  
Lines of Business  
section for  
definition.

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**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Quantitative and qualitative disclosures for the current period can be found in the Market Risk section of this report, which includes changes in market risk exposures from disclosures presented in Huntington's 2005 Form 10-K.

**Item 4. Controls and Procedures**

Huntington's Management, with the participation of its Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of Huntington's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon such evaluation, Huntington's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, Huntington's disclosure controls and procedures were effective.

There have not been any changes in Huntington's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, Huntington's internal control over financial reporting.

**PART II. OTHER INFORMATION**

In accordance with the instructions to Part II, the other specified items in this part have been omitted because they are not applicable or the information has been previously reported.

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**Item 6. Exhibits**

(a) Exhibits

3. (i)(a). Articles of Restatement of Charter, Articles of Amendment to Articles of Restatement of Charter, and Articles Supplementary previously filed as Exhibit 3(i) to Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference.
- (i)(b). Articles of Amendment to Articles of Restatement of Charter previously filed as Exhibit 3(i)(c) to Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, and incorporated herein by reference.
- (ii). Amended and Restated Bylaws as of July 16, 2002 previously filed as Exhibit 3(ii) to Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, and incorporated herein by reference.
4. Instruments defining the Rights of Security Holders reference is made to Articles Fifth, Eighth, and Tenth of Articles of Restatement of Charter, as amended and supplemented. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.
- 10.(a). Restricted Stock Unit Grant Notice with three year vesting previously filed as Exhibit 99.1 to Current Report on Form 8-K dated July 24, 2006, and incorporated herein by reference.
- (b). Restricted Stock Unit Grant Notice with six month vesting previously filed as Exhibit 99.2 to Current Report on Form 8-K dated July 24, 2006, and incorporated herein by reference.
- (c). Restricted Stock Unit Deferral Agreement previously filed as Exhibit 99.3 to Current Report on Form 8-K dated July 24, 2006, and incorporated herein by reference.
- (d). Director Deferred Stock Award Notice previously filed as Exhibit 99.4 to Current Report on Form 8-K dated July 24, 2006, and incorporated herein by reference.
- 31.(a). Rule 13a 14(a) Certification Chief Executive Officer.
- (b). Rule 13a 14(a) Certification Chief Financial Officer.
- 32.(a). Section 1350 Certification Chief Executive Officer.
- (b). Section 1350 Certification Chief Financial Officer.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Huntington Bancshares Incorporated**  
(Registrant)

Date: November 9, 2006

/s/ Thomas E. Hoaglin

Thomas E. Hoaglin  
Chairman, Chief Executive Officer and  
President

Date: November 9, 2006

/s/ Donald R. Kimble

Donald R. Kimble  
Chief Financial Officer