HUNTINGTON BANCSHARES INC/MD
Form 10-Q
November 10, 2008

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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, 2008
Commission File Number 1-34073
Huntington Bancshares Incorporated

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

41 South High Street, Columbus, Ohio 43287
Registrant s telephone number **(614) 480-8300**

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

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

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

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

There were 366,050,446 shares of Registrant s common stock ($0.01 par value) outstanding on October 31, 2008.

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Part 1. Financial Information

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, including our bank subsidiary, The Huntington National Bank (the Bank), organized in 1866, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance service programs, and other financial products and services. Our banking offices are located in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. Selected financial service activities are also conducted in other states including: Auto Finance and Dealer Services offices in Arizona, Florida, Nevada, New Jersey, New York, Tennessee, and Texas; Private Financial and Capital Markets Group offices in Florida; and Mortgage Banking offices in Maryland and New Jersey. Huntington Insurance offers retail and commercial insurance agency services in Ohio, Pennsylvania, Michigan, Indiana, and West Virginia. International banking services are available through the headquarters office in Columbus and a limited purpose office located in both the Cayman Islands and Hong Kong.

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) 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. This discussion and analysis provides updates to the MD&A appearing in our 2007 Annual Report on Form 10-K (2007 Form 10-K), which should be read in conjunction with this discussion and analysis.

Our discussion is divided into key segments:

Introduction - Provides overview comments on important matters including risk factors, acquisitions, and other items. 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 Items section that summarizes key issues helpful for understanding performance trends, including our acquisition of Sky Financial Group, Inc. (Sky Financial) and our relationship with Franklin Credit Management Corporation (Franklin). 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 obtain funding, and related performance. In addition, there is a discussion of guarantees and/or commitments made for items such as standby letters of credit and commitments to sell loans, and a discussion that reviews the adequacy of capital, including regulatory capital requirements.

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

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

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including certain plans, expectations, goals, and projections, which are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Actual results could differ materially from those contained or implied by such statements for a variety of factors including: (a) deterioration in the loan portfolio could be worse than expected due to a number of factors such as the

underlying value of the collateral could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected; (b) changes in economic conditions; (c) movements in interest rates and spreads; (d) competitive pressures on product pricing and services; (e) success and timing of other business strategies; (f) the nature, extent, and timing of governmental actions and reforms; and (g) extended disruption of vital infrastructure. The Emergency Economic Stabilization Act of 2008 (EESA) passed on October 3, 2008, could have an undetermined material impact on company performance depending on rules of participation that have yet to be finalized. Additional factors that could cause results to differ materially from those described above can be found in Huntington s 2007 Form 10-K, and documents subsequently filed by Huntington with the Securities and Exchange Commission (SEC).

All forward-looking statements speak only as of the date they are made and are based on information available at that time. 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 except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, readers of this document are cautioned against placing undue reliance on such statements.

Risk Factors

We, like other financial companies, are subject to a number of risks that may adversely affect our financial condition or results of operation, many of which are outside of our direct control, though efforts are made to manage those risks while optimizing returns. Among the risks assumed are: (1) credit risk, which is the risk of loss due to loan and lease customers or other counterparties not being able to meet their financial obligations under agreed upon terms, (2) market risk, which is the risk of loss due to changes in the market value of assets and liabilities due to changes in market interest rates, foreign exchange rates, equity prices, and credit spreads, (3) liquidity risk, which is the risk of loss due to the possibility that funds may not be available to satisfy current or future commitments based on external macro market issues, investor and customer perception of financial strength, and events unrelated to the company such as war, terrorism, or financial institution market specific issues, and (4) operational risk, which is the risk of loss due to human error, inadequate or failed internal systems and controls, violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards, and external influences such as market conditions, fraudulent activities, disasters, and security risks. *(See Risk Management and Capital discussion for additional information regarding risk factors.)* Additionally, more information on risk is set forth below, and under the heading Risk Factors included in Item 1A of our 2007 Annual Report on Form 10-K for the year ended December 31, 2007, and subsequent filings with the SEC.

Emergency Economic Stabilization Act of 2008

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (EESA) was enacted. EESA enables the federal government, under terms and conditions to be developed by the Secretary of the Treasury, to insure troubled assets, including mortgage-backed securities, and collect premiums from participating financial institutions. EESA includes, among other provisions: (a) the $700 billion Troubled Assets Relief Program (TARP), under which the Secretary of the Treasury is authorized to purchase, insure, hold, and sell a wide variety of financial instruments, particularly those that are based on or related to residential or commercial mortgages originated or issued on or before March 14, 2008; and (b) an increase in the amount of deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC). Both of these specific provisions are discussed in the below sections.

We continue to evaluate the key provisions of EESA, as well as the related accounting, tax, and business issues and their impact on Huntington s consolidated financial statements. At this time, we are uncertain as to the total impact EESA, other legislation, regulations, and pronouncements that may be enacted or adopted in response to the current worldwide economic uncertainty, may have on our financial condition, results of operations, liquidity, and stock price.

Troubled Assets Relief Program (TARP)

Under the TARP, the Department of Treasury has authorized a voluntary capital purchase program (CPP) to purchase up to $250 billion of senior preferred shares of qualifying financial institutions that elect to participate by November 14, 2008. A company that participates must adopt certain standards for executive compensation, including (a) prohibiting golden parachute payments as defined in EESA to senior Executive Officers; (b) requiring recovery of any compensation paid to senior Executive Officers based on criteria that is later proven to be materially inaccurate; and (c) prohibiting incentive compensation that encourages unnecessary and excessive risks that threaten the value of the financial institution.

On October 27, 2008, we announced that the Department of Treasury had preliminarily approved our application to participate in the TARP voluntary CPP. Our participation is subject to the standard terms and conditions of the program. We have been approved for approximately $1.4 billion in capital that will take the form of non-voting cumulative preferred stock that would pay cash dividends at the rate of 5% per annum for the first five years, and then pay cash dividends at the rate of 9% per annum thereafter. In addition, the Department of Treasury will receive warrants to purchase shares of our common stock having an aggregate market price equal to 15% of the preferred stock amount. The expected proceeds of the $1.4 billion would be allocated to the preferred stock and additional paid-in-capital. Any resulting discount on the preferred stock would be amortized, resulting in additional dilution to our common stock. The exercise price for the warrant, and the market price for determining the number of shares of common stock subject to the warrants, would be determined on the date of the preferred investment (calculated on a 20-trading day trailing average). The warrants would be immediately exercisable, in whole or in part, over a term of 10 years. The warrants would be included in our diluted average common shares outstanding.

Federal Deposit Insurance Corporation (FDIC)

The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if any FDIC insured bank or savings association fails. All participants are assessed quarterly deposit insurance premiums.

As a participating FDIC insured bank, we were assessed quarterly deposit insurance premiums totaling $18.1 million for the first nine-month period of 2008. However, we received a one-time assessment credit from the FDIC *(see Business discussion in the 2007 Form 10-K*) which substantially offset our year-to-date 2008 deposit insurance premium and, therefore, only $1.8 million of deposit insurance premium expense was recognized for the first nine-month period of 2008. At September 30, 2008, our remaining assessment credit available to offset future FDIC insurance premiums was $0.2 million.

On October 7, 2008, the FDIC requested comment on a proposed rule that would increase the rates banks pay for deposit insurance. Specifically, the assessment rate schedule would be raised by 7 basis points (annualized) beginning January 1, 2009. The FDIC has also proposed changing the way the system measures risk among insured institutions in order to require riskier institutions to pay a larger assessment. Based on these proposed changes, as well as the full consumption of the one-time assessment credit (discussed above), we anticipate that our full-year 2009 deposit insurance premium expense will increase approximately $44 million compared with our expected full-year 2008 deposit insurance premium expense.

EESA temporarily raised the limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. Separate from EESA, in October 2008, the FDIC also announced the Temporary Liquidity Guarantee Program. Under one component of this program, the FDIC temporarily provides unlimited coverage for non-interest bearing transaction deposit accounts through December 31, 2009. The limits return to $100,000 on January 1, 2010. *(See Bank Liquidity discussion for additional details regarding the Temporary Liquidity Guarantee Program.)*

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 2007 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. The most significant accounting estimates and their related application are discussed in our 2007 Form

10-K. The following discussion provides an update of our accounting estimates related to goodwill. Also, based on recent market developments, we now consider the results of our other-than-temporary-impairment (OTTI) analysis of securities available-for-sale to be a significant estimate.

Goodwill

We account for goodwill in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The reporting units are tested for impairment annually as of October 1, to determine whether any goodwill impairment exists. Goodwill is also tested for impairment on an interim basis if an event occurs or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Impairment losses, if any, would be reflected in non-interest expense.

We apply judgment in assessing goodwill for impairment. Estimates of fair value are based primarily on the market capitalization of Huntington, adjusted for a control premium. Also considered are projections of cash flows considering historical and anticipated future results, and general economic and market conditions. Changes in market capitalization, certain judgments, and projections could result in a significantly different estimate of the fair value of the reporting units and could result in an impairment of goodwill.

As a result of the continued economic weakness across our Midwest markets, our stock price declined significantly during the first six-month period of 2008. Therefore, we performed an interim impairment test of our goodwill as of June 30, 2008. Based upon the results of the test, no impairment to goodwill was required. No factors occurred during the 2008 third quarter that required an additional impairment test.

Securities

As described in Note 1 of the Notes to Consolidated Financial Statements in our 2007 Form 10-K, investments are reviewed quarterly for indicators of OTTI. This determination requires significant judgment. In making this judgment, we evaluate, among other factors, the expected cash flows of the security, the duration and extent to which the fair value of an investment is less than its cost, the historical and implicit volatility of the security, and our intent and ability to hold the investment until recovery, which may be maturity.

During the current quarter, we recognized OTTI of $76.6 million in our Alt-A mortgage loan-backed portfolio *(see Investment Portfolio discussion within the Credit Risk section)*. Given the continued disruption in the financial markets, we may be required to recognize additional OTTI losses in future periods with respect to these or other securities held in our available-for-sale portfolio. Also, we have experienced an increase in unrealized losses primarily as a result of wider liquidity spreads on our asset-backed securities. At September 30, 2008, unrealized losses on our asset-backed securities totaled $209.2 million, up from unrealized losses of $35.2 million at December 31, 2007 and unrealized losses of $4.2 million at September 30, 2007.

The amount and timing of any additional impairment recognized will depend on the severity and duration of the decline in fair value of the securities, our estimation of the anticipated recovery period, and the expected cash flows of the security. *(See Note 4 in the Notes to Unaudited Condensed Consolidated Financial Statements for additional discussion.)*

Recent Accounting Pronouncements and Developments

Note 2 to the Unaudited Condensed Consolidated Financial Statements discusses new accounting policies adopted during 2008 and the expected impact of accounting policies recently issued but not yet required to be adopted. To the extent the adoption of new accounting standards materially affect financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section of this MD&A and the Notes to the Unaudited Condensed Consolidated Financial Statements.

Acquisition of Sky Financial

The merger with Sky Financial was completed on July 1, 2007. At the time of acquisition, Sky Financial had assets of $16.8 billion, including $13.3 billion of loans, and total deposits of $12.9 billion. The impact of this acquisition has been included in our consolidated results since July 1, 2007. As a result of this acquisition, we have a significant loan relationship with Franklin. This relationship is discussed in greater detail in the Significant Items and Commercial Credit sections of this report.

Given the significant impact of the merger on year-to-date reported results, we believe that an understanding of the impacts of the merger and certain post-merger restructuring activities is necessary to better understand the underlying performance trends. When comparing post-merger period results to premerger periods, we use the following terms when discussing financial performance:

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

Merger and restructuring costs represent non-interest expenses primarily associated with merger integration activities, including severance expense for key executive personnel.

Non-merger-related refers to performance not attributable to the merger, and includes merger efficiencies, which represent non-interest expense reductions realized as a result of the merger.

After completion of the merger, we combined Sky Financial s operations with ours, and as such, we could no longer separately monitor the subsequent individual results of Sky Financial. As a result, the following methodologies were implemented to estimate the approximate effect of the Sky Financial merger used to determine merger-related impacts. Certain tables and comments contained within our discussion and analysis provide detail of changes to reported results to quantify the estimated impact of the Sky Financial merger using this methodology. Only year-to-date comparisons are impacted by the Sky Financial acquisition in this MD&A, as all quarterly periods presented are post-merger.

Balance Sheet Items

For average loans and leases, as well as average deposits, Sky Financial s balances as of June 30, 2007, adjusted for purchase accounting adjustments, and transfers of loans to loans held-for-sale, were used in the comparison. To estimate the impact on 2008 year-to-date average balances, it was assumed that the June 30, 2007 balances, as adjusted, remained constant over time.

Income Statement Items

Sky Financial s actual results for the first six months of 2007, adjusted for the impact of unusual items and purchase accounting adjustments, were determined. This six-month adjusted amount was divided by two to estimate a quarterly impact. The quarterly amount was then multiplied by three to arrive at a year-to-date amount. This methodology does not adjust for any market related changes, or seasonal factors in Sky Financial s 2007 six-month results. Nor does it consider any revenue or expense synergies realized since the merger date. The one exception to this methodology of holding the estimated annual impact constant relates to the amortization of intangibles expense where the amount is known and is therefore used.

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DISCUSSION OF RESULTS OF OPERATIONS

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

Summary

We reported 2008 third quarter net income of $75.1 million representing earnings per common share of $0.17. These results compared with net income of $101.4 million, or $0.25 per common share, in the 2008 second quarter. Comparisons with the prior quarter were significantly impacted by a number of factors that are discussed later in the Significant Items section.

During the 2008 third quarter, the primary focus within our industry continued to be credit quality. The economy remained weak in our markets and continued to put stress on our borrowers. Our expectation is that the economy will remain under stress, and that no improvement will be seen until well into 2009.

Given the current economic conditions, the decline in credit quality performance during the current quarter was anticipated, and the results were consistent with our expectations. Net charge-offs and provision levels continued to be elevated, however the increases were manageable. During the 2008 third quarter, the allowance for credit losses (ACL) increased 10 basis points from the prior quarter to 1.90% of total loans and leases. Nonaccrual loans (NALs) increased $50.9 million, or 10%, reflecting increased NALs in our commercial real estate (CRE) loans to single family home builders, and within our commercial and industrial (C&I) portfolio related to businesses that support residential development.

Our period end capital levels were strong. Our tangible equity ratio improved 8 basis points to 5.98% compared with the prior quarter, and is near our 6.00%-6.25% targeted range. This quarter s performance permitted us to build capital levels even more, and we believe that we are well positioned given the current stresses in the financial markets. We expect our capital position will be strengthened further with our participation in the Department of Treasury s voluntary CPP under TARP *(see Risk Factors discussion within the Introduction section)*. Additionally, our period-end liquidity position was strong, as we have conservatively managed our liquidity position at both the parent company and bank levels. At September 30, 2008, the parent company had sufficient cash for operations and does not have any debt maturities for several years. Further, the Bank has a very manageable level of debt maturities during the next 12-month period.

The loan restructuring associated with our relationship with Franklin, completed during the 2007 fourth quarter, continued to perform consistent with the terms of the restructuring agreement. Cash flows exceeded the required debt service, the loans continued to perform with interest accruing, and there were no charge-offs or related provision for credit losses related to this credit during the quarter. Our exposure to Franklin declined $36 million, or 3%, compared with the prior quarter. We remain comfortable with our credit assumptions regarding the overall performance of this portfolio.

Fully taxable net interest income in the 2008 third quarter decreased $1.4 million, or less than 1%, compared with the prior quarter. This decrease was primarily the result of a $0.6 billion, or 1%, decline in average total earning assets, as the net interest margin was unchanged from the prior quarter at 3.29%.

Non-interest income in the 2008 third quarter decreased $68.6 million, or 29%, compared with the prior quarter. Comparisons with the prior quarter were affected by Significant Items *(see Significant Items)* that resulted in a net charge of $58.5 million. Mortgage banking income, after considering the impact of MSR hedging results *(see Significant Items)*, declined 51% primarily relating to lower origination activity, and trust services income declined 6% reflecting the impact of lower market values on asset management revenues.

Expenses continue to be well controlled, with our efficiency ratio improving to 50.3% for the current quarter. Non-interest expense in the 2008 third quarter decreased $38.8 million, or 10%, compared with the prior quarter. Comparisons with the prior quarter were affected by Significant Items *(see Significant Items)* that resulted in a net positive impact of $19.2 million, and reduced restructuring/merger costs that resulted in a net positive impact of $14.6 million. Considering the impact of both of these items, the remaining components of non-interest expense decreased $5.1 million, or 1%, primarily reflecting a decline in personnel expense due to merger efficiencies.

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Table 1 Selected Quarterly Income Statement Data[1]

	2008			2007	
(in thousands, except per share amounts)	**Third**	Second	First	Fourth	Third
Interest income	**$685,728**	$696,675	$753,411	$ 814,398	$851,155
Interest expense	**297,092**	306,809	376,587	431,465	441,522
Net interest income	**388,636**	389,866	376,824	382,933	409,633
Provision for credit losses	**125,392**	120,813	88,650	512,082	42,007
Net interest income (loss) after provision for credit losses	**263,244**	269,053	288,174	(129,149)	367,626
Service charges on deposit accounts	**80,508**	79,630	72,668	81,276	78,107
Trust services	**30,952**	33,089	34,128	35,198	33,562
Brokerage and insurance income	**34,309**	35,694	36,560	30,288	28,806
Other service charges and fees	**23,446**	23,242	20,741	21,891	21,045
Bank owned life insurance income	**13,318**	14,131	13,750	13,253	14,847
Mortgage banking income (loss)	**10,302**	12,502	(7,063)	3,702	9,629
Securities (losses) gains	**(73,790)**	2,073	1,429	(11,551)	(13,152)
Other income (loss) [2]	**48,812**	36,069	63,539	(3,500)	31,830
Total non-interest income	**167,857**	236,430	235,752	170,557	204,674
Personnel costs	**184,827**	199,991	201,943	214,850	202,148
Outside data processing and other services	**32,386**	30,186	34,361	39,130	40,600
Net occupancy	**25,215**	26,971	33,243	26,714	33,334
Equipment	**22,102**	25,740	23,794	22,816	23,290
Amortization of intangibles	**19,463**	19,327	18,917	20,163	19,949
Marketing	**7,049**	7,339	8,919	16,175	13,186
Professional services	**13,405**	13,752	9,090	14,464	11,273
Telecommunications	**6,007**	6,864	6,245	8,513	7,286
Printing and supplies	**4,316**	4,757	5,622	6,594	4,743
Other expense [2]	**24,226**	42,876	28,347	70,133	29,754
Total non-interest expense	**338,996**	377,803	370,481	439,552	385,563
Income (loss) before income taxes	**92,105**	127,680	153,445	(398,144)	186,737
Provision (benefit) for income taxes	**17,042**	26,328	26,377	(158,864)	48,535
Net income (loss)	**$ 75,063**	$101,352	$127,068	$(239,280)	$138,202
Dividends declared on preferred shares	**12,091**	11,151			
Net income (loss) applicable to common shares	**$ 62,972**	$ 90,201	$127,068	$(239,280)	$138,202

Average common shares basic	**366,124**	366,206	366,235	366,119	365,895
Average common shares diluted[3]	**367,361**	367,234	367,208	366,119	368,280
Per common share					
Net income (loss) basic	**$ 0.17**	$ 0.25	$ 0.35	$ (0.65)	$ 0.38
Net income (loss) diluted	**0.17**	0.25	0.35	(0.65)	0.38
Cash dividends declared	**0.1325**	0.1325	0.2650	0.2650	0.2650
Return on average total assets	**0.55%**	0.73%	0.93%	(1.74)%	1.02%
Return on average total shareholders equity	**4.7**	6.4	8.7	(15.3)	8.8
Return on average tangible shareholders equity [4]	**11.6**	15.0	22.0	(30.7)	19.7
Net interest margin [5]	**3.29**	3.29	3.23	3.26	3.52
Efficiency ratio [6]	**50.3**	56.9	57.0	73.5	57.7
Effective tax rate (benefit)	**18.5**	20.6	17.2	(39.9)	26.0
Revenue fully taxable equivalent (FTE)					
Net interest income	**$388,636**	$389,866	$376,824	$ 382,933	$409,633
FTE adjustment	**5,451**	5,624	5,502	5,363	5,712
Net interest income [5]	**394,087**	395,490	382,326	388,296	415,345
Non-interest income	**167,857**	236,430	235,752	170,557	204,674
Total revenue [5]	**$561,944**	$631,920	$618,078	$ 558,853	$620,019

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

(2) Automobile operating lease income and expense is included in

Other Income and Other Expense , respectively.

(3) For the three-month period ended September 30, 2008, and the three-month period ended June 30, 2008, the impact of the convertible preferred stock issued in April of 2008 totaling 47.6 million shares and 39.8 million shares, respectively, were excluded from the diluted share calculations. They were excluded because the results would have been higher than basic earnings per common share (anti-dilutive) for the periods.

(4) Net income excluding expense for amortization of intangibles for the period divided by average tangible shareholders equity. Average tangible shareholders

equity equals average total stockholders equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.

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

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

(in thousands, except per share amounts)	Nine Months Ended September 30, 2008	2007	Change Amount	Percent
Interest income	**$2,135,814**	$1,928,565	$207,249	10.7%
Interest expense	**980,488**	1,009,986	(29,498)	(2.9)
Net interest income	**1,155,326**	918,579	236,747	25.8
Provision for credit losses	**334,855**	131,546	203,309	N.M.
Net interest income after provision for credit losses	**820,471**	787,033	33,438	4.2
Service charges on deposit accounts	**232,806**	172,917	59,889	34.6
Trust services	**98,169**	86,220	11,949	13.9
Brokerage and insurance income	**106,563**	62,087	44,476	71.6
Other service charges and fees	**67,429**	49,176	18,253	37.1
Bank owned life insurance income	**41,199**	36,602	4,597	12.6
Mortgage banking income	**15,741**	26,102	(10,361)	(39.7)
Securities losses	**(70,288)**	(18,187)	(52,101)	286.5
Other income [2]	**148,420**	91,127	57,293	62.9
Total non-interest income	**640,039**	506,044	133,995	26.5
Personnel costs	**586,761**	471,978	114,783	24.3
Outside data processing and other services	**96,933**	88,115	8,818	10.0
Net occupancy	**85,429**	72,659	12,770	17.6
Equipment	**71,636**	58,666	12,970	22.1
Amortization of intangibles	**57,707**	29,868	27,839	93.2
Marketing	**23,307**	25,856	(2,549)	(9.9)
Professional services	**36,247**	15,989	20,258	N.M.
Telecommunications	**19,116**	11,657	7,459	64.0
Printing and supplies	**14,695**	24,988	(10,293)	(41.2)
Other expense [2]	**95,449**	72,514	22,935	31.6
Total non-interest expense	**1,087,280**	872,290	214,990	24.6
Income before income taxes	**373,230**	420,787	(47,557)	(11.3)
Provision for income taxes	**69,747**	106,338	(36,591)	(34.4)
Net income	**$ 303,483**	$ 314,449	$ (10,966)	(3.5)%
Dividends declared on preferred shares	**23,242**		23,242	
Net income applicable to common shares	**$ 280,241**	$ 314,449	$ (34,208)	(10.9)%
Average common shares basic	**366,188**	279,171	87,017	31.2

Average common shares diluted (3)	**367,268**	282,014	85,254	30.2%
Per common share				
Net income per common share basic	**$ 0.77**	$ 1.13	$ (0.36)	(31.9)%
Net income per common share diluted	**0.76**	1.12	(0.36)	(32.1)
Cash dividends declared	**0.530**	0.795	(0.265)	(33.3)
Return on average total assets	**0.74%**	1.02%	(0.28)%	
Return on average total shareholders equity	**6.6**	10.3	(3.7)	
Return on average tangible shareholders equity (4)	**15.9**	16.8	(0.9)	
Net interest margin (5)	**3.27**	3.40	(0.13)	
Efficiency ratio (6)	**54.7**	58.2	(3.5)	
Effective tax rate (5)	**18.7**	25.3	(6.6)	
Revenue fully taxable equivalent (FTE)				
Net interest income	**$1,155,326**	$ 918,579	$236,747	25.8%
FTE adjustment (5)	**16,577**	13,886	2,691	19.4
Net interest income	**1,171,903**	932,465	239,438	25.7
Non-interest income	**640,039**	506,044	133,995	26.5
Total revenue	**$1,811,942**	$1,438,509	$373,433	26.0%

N.M., not a meaningful value.

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

(2) Automobile operating lease income and expense is included in Other Income and Other Expense , respectively.

(3)

For the nine-month period ended September 30, 2008, the impact of the convertible preferred stock issued in April of 2008 totaling 29.1 million shares was excluded in the diluted share calculation. It was excluded because the result would have been higher than basic earnings per common share (anti-dilutive) for the period.

(4) Net income excluding expense of amortization of intangibles (net of tax) for the period divided by average tangible common shareholders equity. Average tangible common shareholders equity equals average total common shareholders equity less average intangible assets and goodwill. Expense for amortization of

intangibles and average intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.

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

(6) 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 Items

Definition of Significant Items

Certain components of the income statement are naturally subject to more volatility than others. As a result, readers of this report may view such items differently in their assessment of underlying or core earnings performance compared with their expectations and/or any implications resulting from them on their assessment of future performance trends.

Therefore, we believe the disclosure of certain Significant Items affecting current and prior period results aids readers of this report in better understanding corporate performance so that they can ascertain for themselves what, if any, items they may wish to include or exclude from their analysis of performance, within the context of determining how that performance differed from their expectations, as well as how, if at all, to adjust their estimates of future performance accordingly.

To this end, we have adopted a practice of listing as Significant Items in our external disclosure documents, including earnings press releases, investor presentations, reports on Forms 10-Q and 10-K, individual and/or particularly volatile items that impact the current period results by $0.01 per share or more. Our adopted practice methodology is outlined in the MD&A section appearing in our 2007 Form 10-K.

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons from the beginning of 2007 through the 2008 third quarter were impacted by a number of significant items summarized below.

1. **Sky Financial Acquisition.** The merger with Sky Financial was completed on July 1, 2007. The impacts of Sky Financial on the 2008 year-to-date reported results compared with the 2007 year-to-date reported results are as follows:

   Increased the absolute level of 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 and post-merger restructuring activities, most notably employee retention bonuses, outside programming services related to systems conversions, and marketing expenses related to customer retention initiatives. These net merger and restructuring costs were $14.6 million in the 2008 second quarter, $7.3 million in the 2008 first quarter, $44.4 million in the 2007 fourth quarter, $32.3 million in the 2007 third quarter, $7.6 million in the 2007 second quarter, and $0.8 million in the 2007 first quarter.

2. **Franklin Relationship Restructuring.** Performance for the 2007 fourth quarter included a $423.6 million ($0.75 per common share based upon the quarterly average outstanding diluted common shares) negative impact related to our Franklin relationship acquired in the Sky Financial acquisition. On December 28, 2007, the loans associated with Franklin were restructured, resulting in a $405.8 million provision for credit losses and a $17.9 million reduction of net interest income. The net interest income reduction reflected the placement of the Franklin loans on nonaccrual status from November 16, 2007, until December 28, 2007.

3. **Visaâ Initial Public Offering (IPO).** Performance for the 2008 first quarter included the positive impact of $37.5 million ($0.07 per common share) related to the Visa® IPO occurring in March of 2008. This impact was comprised of two components: (a) $25.1 million gain, recorded in other non-interest income, resulting from the proceeds of the IPO, and (b) $12.4 million partial reversal of the 2007 fourth quarter accrual of $24.9 million ($0.04 per common share) for indemnification charges against Visa®, recorded in other non-interest expense.

4. **Mortgage Servicing Rights (MSRs) and Related Hedging.** Included in total net market-related losses are net losses or gains from our MSRs and the related hedging. Additional information regarding MSRs is located under the Market Risk heading of the Risk Management and Capital section. Net income included the following net impact of MSR hedging activity *(see Table 11)*:

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(in thousands, except per common share)

Period	Net interest income	Non-interest income	Pretax income	Net income	Per common share
1Q 07	$	$ (2,018)	$ (2,018)	$ (1,312)	$ (0.01)
2Q 07	248	(4,998)	(4,750)	(3,088)	(0.01)
3Q 07	2,357	(6,002)	(3,645)	(2,369)	(0.01)
4Q 07	3,192	(11,766)	(8,574)	(5,573)	(0.02)
2007	$ 5,797	$ (24,784)	$ (18,987)	$ (12,342)	$ (0.04)
1Q 08	$ 5,934	$ (24,706)	$ (18,772)	$ (12,202)	$ (0.03)
2Q 08	9,364	(10,697)	(1,333)	(866)	
3Q 08	8,368	(6,468)	1,900	1,235	
2008 *(year-to-date)*	$ 23,666	$ (41,871)	$ (18,205)	$ (11,833)	$ (0.03)

Effective with the 2008 second quarter, we engaged an independent party to provide improved analytical tools and insight to enhance our strategies with the objective to decrease the volatility from MSR fair value changes.

5. **Other Net Market-Related Gains or Losses.** Other net market-related gains or losses included gains and losses related to the following market-driven activities: gains and losses from public and private equity investing included in other non-interest income, net securities gains and losses, net gains and losses from the sale of loans included in other non-interest income, and the impact from the extinguishment of debt included in other non-interest expense. Total net market-related losses also include the net impact of MSRs and related hedging *(see item 4 above)*. Net income included the following impact from other net market-related losses:

(in thousands, except per common share)

Period	Securities gains/ (losses)	Equity investments	Net gain / (loss) on loans sold	Debt extinguish-ment	Pretax income	Net income	Per common share
1Q 07	$ 104	$ (8,530)	$	$	$ (8,426)	$ (5,477)	$ (0.02)
2Q 07	(5,139)	2,301		4,090	1,252	814	
3Q 07	(13,900)	(4,387)		3,968	(14,319)	(9,307)	(0.03)
4Q 07	(11,551)	(9,393)	(34,003)		(54,947)	(35,716)	(0.09)
2007	$ (30,486)	$ (20,009)	$ (34,003)	$ 8,058	$ (76,440)	$ (49,686)	$ (0.16)
1Q 08	$ 1,429	$ (2,668)	$	$	$ (1,239)	$ (805)	$
2Q 08	2,073	(4,609)	(5,131)	2,177	(5,490)	(3,569)	(0.01)
3Q 08	(73,790)	3,399		21,364	(49,027)	(31,868)	(0.08)

2008 *(year-to-date)*	$(70,288)	$ (3,878)	$ (5,131)	$23,541	$(55,756)	$(36,241)	$(0.09)

The 2008 third quarter securities losses total included an OTTI adjustment of $76.6 million in our Alt-A mortgage loan-backed portfolio *(see Investment Portfolio discussion within the Credit Risk section).*

6. **Other Significant Items Influencing Earnings Performance Comparisons.** In addition to the items discussed separately in this section, a number of other items impacted financial results. These included:

<u>2008 Third Quarter</u>

$3.7 million ($0.01 per common share) increase to provision for income taxes, representing an increase to the previously established capital loss carry-forward valuation allowance related to the current quarter s decline in value of Visa® shares held.

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2008 Second Quarter

$3.4 million ($0.01 per common share) benefit to provision for income taxes, representing a reduction to the previously established capital loss carry-forward valuation allowance related to the value of Visa® shares held.

2008 First Quarter

$11.1 million ($0.03 per common share) benefit to provision for income taxes, representing a reduction to the previously established capital loss carry-forward valuation allowance as a result of the 2008 first quarter Visa® IPO.

$11.0 million ($0.02 per common share) of asset impairment, including (a) $5.9 million venture capital loss included in other non-interest income, (b) $2.6 million charge off of a receivable included in other non-interest expense, and (c) $2.5 million write-down of leasehold improvements in our Cleveland main office included in net occupancy expense.

2007 Fourth Quarter

$8.9 million ($0.02 per common share) negative impact primarily due to increases to litigation reserves on existing cases included in other non-interest expense.

2007 First Quarter

$1.9 million ($0.01 per common share) negative impact primarily due to increases to litigation reserves on existing cases included in other non-interest expense.

Table 3 reflects the earnings impact of the above-mentioned significant items for periods affected by this Results of Operations discussion:

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Table 3 Significant Items Influencing Earnings Performance Comparison[1]

	Three Months Ended					
	September 30, 2008		June 30, 2008		September 30, 2007	
(in millions)	**After-tax**	**EPS**	After-tax	EPS	After-tax	EPS
Net income reported earnings	**$75.1**		$101.4		$138.2	
Earnings per share, after tax		**$ 0.17**		$ 0.25		$ 0.38
Change from prior quarter $		**(0.08)**		(0.10)		0.04
Change from prior quarter %		**(32.0)%**		(28.6)%		11.8%
Change from a year-ago $		**$(0.21)**		$(0.09)		$(0.27)
Change from a year-ago %		**(55.3)%**		(26.5)%		(41.5)%
Significant items - favorable (unfavorable) impact:	**Earnings (2)**	**EPS**	Earnings (2)	EPS	Earnings (2)	EPS
Net market-related losses	**$(47.1)**	**$(0.08)**	$ (6.8)	$(0.01)	$(18.0)	$(0.03)
Deferred tax valuation allowance (provision) benefit [3]	**(3.7)**	**(0.01)**	3.4	0.01		
Merger and restructuring costs			(14.6)	(0.03)	(32.3)	(0.06)

	Nine Months Ended			
	September 30, 2008		September 30, 2007	
(in millions)	**After-tax**	**EPS**	After-tax	EPS
Net income reported earnings	**$303.5**		$314.4	
Earnings per share, after tax		**$ 0.76**		$ 1.12
Change from a year-ago $		**(0.36)**		(0.44)
Change from a year-ago %		**(32.1)%**		(28.2)%
Significant items - favorable (unfavorable) impact:	**Earnings (2)**	**EPS**	Earnings (2)	EPS
Aggregate impact of Visa® IPO	**$ 37.5**	**$ 0.07**	$	$
Deferred tax valuation allowance benefit [3]	**10.8**	**0.03**		
Net market-related losses	**(74.0)**	**(0.13)**	(31.9)	(0.07)
Merger and restructuring costs	**(21.8)**	**(0.04)**	(40.7)	(0.09)
Asset impairment	**(11.0)**	**(0.02)**		
Litigation losses			(1.9)	

(1) Refer to the Significant Items section

for additional discussion regarding these items.

(2) Pre-tax unless otherwise noted.

(3) After-tax.

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Net Interest Income / Average Balance Sheet

(This section should be read in conjunction with Significant Items 1, 2, and 4.)

2008 Third Quarter versus 2007 Third Quarter

Fully taxable equivalent net interest income decreased $21.3 million, or 5%, from the year-ago quarter. This reflected the unfavorable impact of a 23 basis point decline in the net interest margin to 3.29%, with 8 basis points of the decline reflecting the 2007 fourth quarter restructuring of the Franklin credit. The negative impact from the decline in the net interest margin was partially offset by a $0.8 billion, or 2%, increase in average earning assets. The increase in average earning assets, reflected growth in average loans and leases, partially offset by a decline in other earnings assets.

Table 4 details the increases in average loans and leases and average deposits.

Table 4 Average Loans/Leases and Deposits 2008 Third Quarter vs. 2007 Third Quarter

	Third Quarter		Change	
(in thousands)	**2008**	2007	Amount	Percent
Net interest income FTE	**$394,087**	$415,345	$(21,258)	(5.1)%
Average Loans and Deposits				
(in millions)				
Loans/Leases				
Commercial and industrial	**$ 13,629**	$ 13,036	$ 593	4.5%
Commercial real estate	**9,816**	8,980	836	9.3
Total commercial	**23,445**	22,016	1,429	6.5
Automobile loans and leases	**4,624**	4,354	270	6.2
Home equity	**7,453**	7,468	(15)	(0.2)
Residential mortgage	**4,812**	5,456	(644)	(11.8)
Other consumer	**670**	534	136	25.5
Total consumer	**17,559**	17,812	(253)	(1.4)
Total loans	**$ 41,004**	$ 39,828	$ 1,176	3.0%
Deposits				
Demand deposits non-interest bearing	**$ 5,080**	$ 5,384	$ (304)	(5.6)%
Demand deposits interest bearing	**4,005**	3,808	197	5.2
Money market deposits	**5,860**	6,869	(1,009)	(14.7)
Savings and other domestic time deposits	**4,911**	5,127	(216)	(4.2)
Core certificates of deposit	**11,883**	10,451	1,432	13.7
Total core deposits	**31,739**	31,639	100	0.3
Other deposits	**6,064**	6,013	51	0.8
Total deposits	**$ 37,803**	$ 37,652	$ 151	0.4%

The $1.2 billion, or 3%, increase in average total loans and leases primarily reflected:

$1.4 billion, or 6%, increase in average total commercial loans, with growth reflected in both C&I and CRE loans. The $0.8 billion, or 9%, increase in average CRE loans was primarily to existing borrowers with a focus on traditional income producing property types and was not related to the single family home builder segment. The $0.6 billion, or 5%, growth in C&I loans reflected a combination of originations to existing borrowers and originations to new high credit quality customers. We have been able to attract new relationships that historically dealt exclusively with competitors. These house account types of relationships are typically the highest quality borrowers and bring the added benefit of significant new deposit and other non-credit relationships.

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Partially offset by:

- $0.3 billion, or 1%, decrease in average total consumer loans. This reflected a $0.6 billion, or 12%, decline in residential mortgages, reflecting loan sales in prior quarters. Average home equity loans were little changed. Partially offsetting the decline was a $0.3 billion, or 6%, growth in average automobile loans and leases. The increase was exclusively in the automobile loan segment, and we are confident in the underwriting strategies employed that generated the growth as our 2008 originations have shown lower levels of risk.

The $0.2 billion increase in average total deposits reflected growth in both average total core deposits, and to a lesser degree, other deposits. Changes from the year-ago period reflected the continuation of customers transferring funds from lower rate to higher rate accounts like certificates of deposits as short-term rates have fallen. Specifically, average core certificates of deposit increased $1.4 billion, or 14%, whereas average money market deposits and savings and other domestic time deposits decreased $1.0 billion and $0.2 billion, respectively. Average interest bearing demand deposits increased $0.2 billion, or 5%, whereas average non-interest bearing demand deposits declined $0.3 billion, or 6%, again reflecting customer preference for interest bearing accounts.

2008 Third Quarter versus 2008 Second Quarter

Compared with the 2008 second quarter, fully taxable equivalent net interest income decreased $1.4 million. This reflected a $0.6 billion, or 1%, decline in average earning assets, as the net interest margin was unchanged at 3.29%.

Table 5 details the slight decreases in average loans and leases and average deposits.

Table 5 Average Loans/Leases and Deposits 2008 Third Quarter vs. 2008 Second Quarter

	2008		Change	
(in thousands)	**Third Quarter**	Second Quarter	Amount	Percent
Net interest income FTE	**$394,087**	$395,490	$(1,403)	(0.4)%
Average Loans and Deposits				
(in millions)				
Loans/Leases				
Commercial and industrial	**$ 13,629**	$ 13,631	$ (2)	(0.0)%
Commercial real estate	**9,816**	9,601	215	2.2
Total commercial	**23,445**	23,232	213	0.9
Automobile loans and leases	**4,624**	4,551	73	1.6
Home equity	**7,453**	7,365	88	1.2
Residential mortgage	**4,812**	5,178	(366)	(7.1)
Other consumer	**670**	699	(29)	(4.1)
Total consumer	**17,559**	17,793	(234)	(1.3)
Total loans	**$ 41,004**	$ 41,025	$ (21)	(0.1)%
Deposits				
Demand deposits non-interest bearing	**$ 5,080**	$ 5,061	$ 19	0.4%
Demand deposits interest bearing	**4,005**	4,086	(81)	(2.0)
Money market deposits	**5,860**	6,267	(407)	(6.5)
Savings and other domestic time deposits	**4,911**	5,047	(136)	(2.7)

Core certificates of deposit	**11,883**	10,950	933	8.5
Total core deposits	**31,739**	31,411	328	1.0
Other deposits	**6,064**	6,616	(552)	(8.3)
Total deposits	**$ 37,803**	$ 38,027	$ (224)	(0.6)%

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Average total loans and leases were essentially unchanged between quarters. However, average total commercial loans increased 1%, reflecting 2% growth in CRE loans, as total average C&I loans were little changed. The current quarter s CRE growth was comprised primarily of new or increased loan facilities to existing borrowers. This growth was not associated with the single family home builder segment as exposure to this segment declined during the quarter. Average total consumer loans decreased $0.2 billion, or 1%, reflecting a $0.4 billion, or 7%, decline in average residential mortgages due to a full quarter s impact of $473 million of the residential mortgages sold in the prior quarter. Average automobile loans and leases increased 2%, with average home equity loans increasing 1%. We remain very comfortable with our origination strategies in the consumer segments, and are confident that we are continuing to lend to high quality borrowers.

Average total deposits were $37.8 billion, down $0.2 billion, or 1%, from the prior quarter and reflected:

- $0.6 billion, or 8%, decrease in average non-core deposits, primarily reflecting a decline in brokered deposits.

Partially offset by:

- $0.3 billion, or 1%, increase in average total core deposits. The primary driver of the change was growth in higher rate core certificates of deposit, partially offset by a decline in lower rate money market accounts.

Tables 6 and 7 reflect quarterly average balance sheets and rates earned and paid on interest-earning assets and interest-bearing liabilities.

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Table 6 Consolidated Quarterly Average Balance Sheets

Fully taxable equivalent basis *(in millions)*	Average Balances **2008** **Third**	Second	First	2007 Fourth	Third	Change 3Q08 vs 3Q07 Amount	Percent
Assets							
Interest bearing deposits in banks	**$ 321**	$ 256	$ 293	$ 324	$ 292	$ 29	9.9%
Trading account securities	**992**	1,243	1,186	1,122	1,149	(157)	(13.7)
Federal funds sold and securities purchased under resale agreements	**363**	566	769	730	557	(194)	(34.8)
Loans held for sale	**274**	501	565	493	419	(145)	(34.6)
Investment securities:							
Taxable	**3,975**	3,971	3,774	3,807	3,951	24	0.6
Tax-exempt	**712**	717	703	689	675	37	5.5
Total investment securities	**4,687**	4,688	4,477	4,496	4,626	61	1.3
Loans and leases: (1)							
Commercial:							
Commercial and industrial	**13,629**	13,631	13,343	13,270	13,036	593	4.5
Commercial real estate:							
Construction	**2,090**	2,038	2,014	1,892	1,815	275	15.2
Commercial	**7,726**	7,563	7,273	7,161	7,165	561	7.8
Commercial real estate	**9,816**	9,601	9,287	9,053	8,980	836	9.3
Total commercial	**23,445**	23,232	22,630	22,323	22,016	1,429	6.5
Consumer:							
Automobile loans	**3,856**	3,636	3,309	3,052	2,931	925	31.6
Automobile leases	**768**	915	1,090	1,272	1,423	(655)	(46.0)
Automobile loans and leases	**4,624**	4,551	4,399	4,324	4,354	270	6.2
Home equity	**7,453**	7,365	7,274	7,297	7,468	(15)	(0.2)
Residential mortgage	**4,812**	5,178	5,351	5,437	5,456	(644)	(11.8)
Other loans	**670**	699	713	728	534	136	25.5
Total consumer	**17,559**	17,793	17,737	17,786	17,812	(253)	(1.4)
Total loans and leases	**41,004**	41,025	40,367	40,109	39,828	1,176	3.0
Allowance for loan and lease losses	**(731)**	(654)	(630)	(474)	(475)	(256)	(53.9)
Net loans and leases	**40,273**	40,371	39,737	39,635	39,353	920	2.3
Total earning assets	**47,641**	48,279	47,657	47,274	46,871	770	1.6

Cash and due from banks	**925**	943	1,036	1,098	1,111	(186)	(16.7)
Intangible assets	**3,441**	3,449	3,472	3,440	3,337	104	3.1
All other assets	**3,384**	3,522	3,350	3,142	3,124	260	8.3
Total Assets	**$54,660**	$55,539	$54,885	$54,480	$53,968	$ 692	1.3%
Liabilities and Shareholders Equity							
Deposits:							
Demand deposits non-interest bearing	**$ 5,080**	$ 5,061	$ 5,034	$ 5,218	$ 5,384	$ (304)	(5.6)%
Demand deposits interest bearing	**4,005**	4,086	3,934	3,929	3,808	197	5.2
Money market deposits	**5,860**	6,267	6,753	6,845	6,869	(1,009)	(14.7)
Savings and other domestic deposits	**4,911**	5,047	5,004	5,012	5,127	(216)	(4.2)
Core certificates of deposit	**11,883**	10,950	10,790	10,666	10,451	1,432	13.7
Total core deposits	**31,739**	31,411	31,515	31,670	31,639	100	0.3
Other domestic deposits of $100,000 or more	**1,991**	2,145	1,989	1,739	1,584	407	25.7
Brokered deposits and negotiable CDs	**3,025**	3,361	3,542	3,518	3,728	(703)	(18.9)
Deposits in foreign offices	**1,048**	1,110	885	748	701	347	49.5
Total deposits	**37,803**	38,027	37,931	37,675	37,652	151	0.4
Short-term borrowings	**2,131**	2,854	2,772	2,489	2,542	(411)	(16.2)
Federal Home Loan Bank advances	**3,139**	3,412	3,389	3,070	2,553	586	23.0
Subordinated notes and other long-term debt	**4,382**	3,928	3,814	3,875	3,912	470	12.0
Total interest bearing liabilities	**42,375**	43,160	42,872	41,891	41,275	1,100	2.7
All other liabilities	**884**	963	1,104	1,160	1,103	(219)	(19.9)
Shareholders equity	**6,321**	6,355	5,875	6,211	6,206	115	1.9
Total Liabilities and Shareholders Equity	**$54,660**	$55,539	$54,885	$54,480	$53,968	$ 692	1.3%

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

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Table 7 Consolidated Quarterly Net Interest Margin Analysis

	Average Rates (2)				
	2008			2007	
Fully taxable equivalent basis (1)	**Third**	Second	First	Fourth	Third
Assets					
Interest bearing deposits in banks	**2.17%**	2.77%	3.97%	4.30%	4.69%
Trading account securities	**5.45**	5.13	5.27	5.72	6.01
Federal funds sold and securities purchased under resale agreements	**2.02**	2.08	3.07	4.59	5.26
Loans held for sale	**6.54**	5.98	5.41	5.86	5.13
Investment securities:					
Taxable	**5.54**	5.50	5.71	5.98	6.09
Tax-exempt	**6.80**	6.77	6.75	6.74	6.78
Total investment securities	**5.73**	5.69	5.88	6.10	6.19
Loans and leases: (3)					
Commercial:					
Commercial and industrial	**5.46**	5.53	6.32	6.92	7.70
Commercial real estate:					
Construction	**4.69**	4.81	5.86	7.24	7.70
Commercial	**5.33**	5.47	6.27	7.09	7.63
Commercial real estate	**5.19**	5.32	6.18	7.12	7.65
Total commercial	**5.35**	5.45	6.27	7.00	7.68
Consumer:					
Automobile loans	**7.13**	7.12	7.25	7.31	7.25
Automobile leases	**5.70**	5.59	5.53	5.52	5.56
Automobile loans and leases	**6.89**	6.81	6.82	6.78	6.70
Home equity	**6.19**	6.43	7.21	7.81	7.94
Residential mortgage	**5.83**	5.78	5.86	5.88	6.06
Other loans	**9.71**	9.98	10.43	10.91	11.48
Total consumer	**6.41**	6.48	6.84	7.10	7.17
Total loans and leases	**5.80**	5.89	6.51	7.05	7.45
Total earning assets	**5.77%**	5.85%	6.40%	6.88%	7.25%
Liabilities and Shareholders Equity					
Deposits:					
Demand deposits non-interest bearing	**%**	%	%	%	%
Demand deposits interest bearing	**0.51**	0.55	0.82	1.14	1.53
Money market deposits	**1.66**	1.76	2.83	3.67	3.78

Savings and other domestic deposits	**1.74**	1.83	2.27	2.54	2.54
Core certificates of deposit	**4.05**	4.37	4.68	4.83	4.98
Total core deposits	**2.57**	2.67	3.18	3.55	3.69
Other domestic deposits of $100,000 or more	**3.47**	3.77	4.38	5.00	4.89
Brokered deposits and negotiable CDs	**3.37**	3.38	4.43	5.24	5.42
Deposits in foreign offices	**1.49**	1.66	2.16	3.27	3.29
Total deposits	**2.66**	2.78	3.36	3.80	3.94
Short-term borrowings	**1.42**	1.66	2.78	3.74	4.10
Federal Home Loan Bank advances	**2.92**	3.01	3.94	5.03	5.31
Subordinated notes and other long-term debt	**4.29**	4.21	5.12	5.93	6.15
Total interest bearing liabilities	**2.79%**	2.85%	3.53%	4.09%	4.24%
Net interest rate spread	**2.98%**	3.00%	2.87%	2.79%	3.01%
Impact of non-interest bearing funds on margin	**0.31**	0.29	0.36	0.47	0.51
Net interest margin	**3.29%**	3.29%	3.23%	3.26%	3.52%

(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.

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2008 First Nine Months versus 2007 First Nine Months

Fully taxable equivalent net interest income increased $239.4 million, or 26%, from the first nine-month period of 2007. This reflected the favorable impact of an $11.2 billion, or 31%, increase in average earning assets. The increase in average earning assets, with $9.9 billion representing an increase in average loans and leases, was partially offset by a 13 basis point decline in the net interest margin to 3.27%. The increase in average earning assets, including loans and leases, was primarily Sky Financial merger-related.

Table 8 details the estimated merger-related impacts to our average loans and leases and average deposits.

Table 8 Average Loans/Leases and Deposits Estimated Merger Related Impacts 2008 First Nine Months vs. 2007 First Nine Months

	Nine Months Ended September 30,		Change		Merger Related	Non-merger Related	
(in thousands)	**2008**	2007	Amount	Percent		Amount	Percent (1)
Net interest income FTE	**$ 1,171,903**	$ 932,463	$ 239,440	25.7%	$ 303,184	$ (63,744)	(5.2)%
Average Loans and Deposits *(in millions)*							
Loans							
Commercial and industrial	**$ 13,535**	$ 9,748	$ 3,787	38.8%	$ 3,183	$ 604	4.7%
Commercial real estate	**9,568**	6,051	3,517	58.1	2,647	870	10.0
Total commercial	**23,103**	15,799	7,304	46%	5,830	1,474	6.8
Automobile loans and leases	**4,525**	4,048	477	11.8%	288	189	4.4
Home equity	**7,364**	5,794	1,570	27.1	1,590	(20)	(0.3)
Residential mortgage	**5,113**	4,771	342	7.2	741	(399)	(7.2)
Other consumer	**695**	461	234	50.8	95	139	25.0
Total consumer	**17,697**	15,074	2,623	17.4	2,714	(91)	(0.5)
Total loans	**$ 40,800**	$ 30,873	$ 9,927	32.2%	$ 8,544	$ 1,383	3.5%
Deposits							
Demand deposits non-interest bearing	**$ 5,058**	$ 4,175	$ 883	21.1%	$ 1,219	$ (336)	(6.2)%
Demand deposits interest bearing	**4,008**	2,859	1,149	40.2	973	176	4.6
Money market deposits	**6,292**	5,946	346	5.8	664	(318)	(4.8)
Savings and other domestic time	**4,987**	3,660	1,327	36.3	1,729	(402)	(7.5)

deposits							
Core certificates of deposit	**11,210**	7,183	4,027	56.1	3,087	940	9.2
Total core deposits	**31,555**	23,823	7,732	32.5	7,672	60	0.2
Other deposits	**6,366**	5,017	1,349	26.9	895	454	7.7
Total deposits	**$ 37,921**	$ 28,840	$ 9,081	31.5%	$ 8,567	$ 514	1.4%

(1) Calculated as non-merger related / (prior period + merger-related)

The $1.4 billion, or 4%, non-merger-related increase in average total loans and leases primarily reflected:

- $1.5 billion, or 7%, growth in average total commercial loans, with growth reflected in both the C&I and CRE portfolios. The growth in CRE loans was primarily to existing borrowers with a focus on traditional income producing property types and was not related to the single family home builder segment. The growth in C&I loans reflected a combination of originations to existing borrowers and originations to new high quality borrowers.

Partially offset by:

- $0.1 billion, or 1%, decline in total average consumer loans reflecting a $0.4 billion, or 7%, decline in residential mortgages, due to loan sales. This decrease was partially offset by a $0.2 billion, or 4%, increase in average automobile loans and leases reflecting higher automobile loan originations.

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The $0.5 billion, or 1%, non-merger-related increase in average total deposits reflected a $0.5 billion, or 8%, growth in other deposits. These deposits were primarily other domestic time deposits of $100,000 or more reflecting increases in commercial and public fund deposits. Changes from the comparable year-ago period also reflected customers transferring funds from lower rate to higher rate accounts like certificates of deposit as short-term rates had fallen.

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Table 9 Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis

Fully taxable equivalent basis [1] *(in millions of dollars)*	YTD Average Balances Nine Months Ended Sept 30, **2008**	2007	Change Amount	Percent	YTD Average Rates [2] Nine Months Ended September 30, **2008**	2007
Assets						
Interest bearing deposits in banks	**$ 290**	$ 187	$ 103	55.1%	**2.96%**	4.93%
Trading account securities	**1,139**	480	659	N.M.	**5.26**	5.94
Federal funds sold and securities purchased under resale agreements	**565**	545	20	3.7	**2.52**	5.26
Loans held for sale	**446**	318	128	40.3	**5.86**	5.61
Investment securities:						
Taxable	**3,907**	3,601	306	8.5	**5.58**	6.11
Tax-exempt	**711**	632	79	12.5	**6.77**	6.71
Total investment securities	**4,618**	4,233	385	9.1	**5.76**	6.20
Loans and leases: [3]						
Commercial:						
Commercial and industrial	**13,535**	9,748	3,787	38.8	**5.79**	7.52
Commercial real estate:						
Construction	**2,047**	1,412	635	45.0	**5.14**	7.88
Commercial	**7,521**	4,639	2,882	62.1	**5.68**	7.56
Commercial real estate	**9,568**	6,051	3,517	58.1	**5.56**	7.64
Total commercial	**23,103**	15,799	7,304	46.2	**5.68**	7.57
Consumer:						
Automobile loans	**3,601**	2,492	1,109	44.5	**7.16**	7.11
Automobile leases	**924**	1,556	(632)	(40.6)	**5.60**	5.38
Automobile loans and leases	**4,525**	4,048	477	11.8	**6.85**	6.44
Home equity	**7,364**	5,794	1,570	27.1	**6.60**	7.72
Residential mortgage	**5,113**	4,771	342	7.2	**5.83**	5.76
Other loans	**695**	461	234	50.8	**10.05**	10.88
Total consumer	**17,697**	15,074	2,623	17.4	**6.58**	6.85
Total loans and leases	**40,800**	30,873	9,927	32.2	**6.08**	7.22
Allowance for loan and lease losses	**(672)**	(351)	(321)	91.5		
Net loans and leases	**40,128**	30,522	9,606	31.5		
Total earning assets	**47,858**	36,636	11,222	30.6	**6.01%**	7.08%

Cash and due from banks	**968**	925	43	4.6		
Intangible assets	**3,454**	1,540	1,914	N.M.		
All other assets	**3,419**	2,670	749	28.1		
Total Assets	**$55,027**	$41,420	$13,607	32.9%		
Liabilities and Shareholders Equity						
Deposits:						
Demand deposits non-interest bearing	**$ 5,058**	$ 4,175	$ 883	21.1%	%	%
Demand deposits interest bearing	**4,008**	2,859	1,149	40.2	**0.62**	1.36
Money market deposits	**6,292**	5,946	346	5.8	**2.11**	4.00
Savings and other domestic time deposits	**4,987**	3,660	1,327	36.3	**1.95**	2.02
Core certificates of deposit	**11,210**	7,183	4,027	56.1	**4.36**	4.86
Total core deposits	**31,555**	23,823	7,732	32.5	**2.80**	3.56
Other domestic time deposits of $100,000 or more	**2,042**	1,266	776	61.3	**3.87**	5.14
Brokered deposits and negotiable CDs	**3,309**	3,146	163	5.2	**3.75**	5.48
Deposits in foreign offices	**1,015**	605	410	67.8	**1.75**	3.16
Total deposits	**37,921**	28,840	9,081	31.5	**2.93**	3.88
Short-term borrowings	**2,584**	2,163	421	19.5	**1.99**	4.29
Federal Home Loan Bank advances	**3,312**	1,675	1,637	97.7	**3.30**	4.97
Subordinated notes and other long-term debt	**4,043**	3,624	419	11.6	**4.52**	5.96
Total interest bearing liabilities	**42,802**	32,127	10,675	33.2	**3.05**	4.20
All other liabilities	**983**	1,018	(35)	(3.4)		
Shareholders equity	**6,184**	4,100	2,084	50.8		
Total Liabilities and Shareholders Equity	**$55,027**	$41,420	$13,607	32.9%		
Net interest rate spread					**2.96**	2.88
Impact of non-interest bearing funds on margin					**0.31**	0.52
Net interest margin					**3.27%**	3.40%

N.M., not a meaningful value.

(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.

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Provision for Credit Losses

(This section should be read in conjunction with Significant Item 2 and the Credit Risk section.)

The provision for credit losses is the expense necessary to maintain the allowance for loan and lease losses (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 and letters of credit.

The provision for credit losses in the 2008 third quarter was $125.4 million, up $4.6 million from the prior quarter, and exceeded net charge-offs by $41.6 million. The provision for credit losses in the current quarter was $83.4 million higher than in the year-ago quarter. The provision for credit losses in the first nine-month period of 2008 was $334.9 million, an increase of $203.3 million from $131.5 million in the comparable year-ago period. The reported provision for credit losses for the first nine-month period of 2008 exceeded net charge-offs by $137.4 million *(see Credit Quality discussion)*.

Non-Interest Income

(This section should be read in conjunction with Significant Items 1, 3, 4, 5, and 6.)

Table 10 reflects non-interest income for each of the past five quarters:

Table 10 Non-Interest Income

	2008			2007	
(in thousands)	**Third**	Second	First	Fourth	Third
Service charges on deposit accounts	**$ 80,508**	$ 79,630	$ 72,668	$ 81,276	$ 78,107
Trust services	**30,952**	33,089	34,128	35,198	33,562
Brokerage and insurance income	**34,309**	35,694	36,560	30,288	28,806
Other service charges and fees	**23,446**	23,242	20,741	21,891	21,045
Bank owned life insurance income	**13,318**	14,131	13,750	13,253	14,847
Mortgage banking income (loss)	**10,302**	12,502	(7,063)	3,702	9,629
Securities (losses) gains	**(73,790)**	2,073	1,429	(11,551)	(13,152)
Other income (loss)	**48,812**	36,069	63,539	(3,500)	31,830
Total non-interest income	**$167,857**	$236,430	$235,752	$170,557	$204,674

	Nine Months Ended September 30,		**Change YTD 2008 vs 2007**	
(in thousands)	**2008**	2007	Amount	Percent
Service charges on deposit accounts	**$232,806**	$172,917	$ 59,889	34.6%
Trust services	**98,169**	86,220	11,949	13.9
Brokerage and insurance income	**106,563**	62,087	44,476	71.6
Other service charges and fees	**67,429**	49,176	18,253	37.1
Bank owned life insurance income	**41,199**	36,602	4,597	12.6
Mortgage banking income	**15,741**	26,102	(10,361)	(39.7)
Securities losses	**(70,288)**	(18,187)	(52,101)	N.M.
Other income	**148,420**	91,127	57,293	62.9
Total non-interest income	**$640,039**	$506,044	$133,995	26.5%

Table 11 details mortgage banking income and the net impact of MSR hedging activity for each of the past five quarters:

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Table 11 Mortgage Banking Income and Net Impact of MSR Hedging

	2008			2007		3Q08 vs 3Q07	
(in thousands, except as noted)	**Third**	Second	First	Fourth	Third	Amount	Percent
Mortgage Banking Income							
Origination and secondary marketing	**$ 7,647**	$ 13,098	$ 9,332	$ 5,879	$ 8,375	$ (728)	(8.7)%
Servicing fees	**11,838**	11,166	10,894	11,405	10,811	1,027	9.5
Amortization of capitalized servicing (1)	**(6,234)**	(7,024)	(6,914)	(5,929)	(6,571)	337	5.1
Other mortgage banking income	**3,519**	5,959	4,331	4,113	3,016	503	16.7
Sub-total	**16,770**	23,199	17,643	15,468	15,631	1,139	7.3
MSR valuation adjustment (1)	**(10,251)**	39,031	(18,093)	(21,245)	(9,863)	(388)	3.9
Net trading gains (losses) related to MSR hedging	**3,783**	(49,728)	(6,613)	9,479	3,861	(78)	(2.0)
Total mortgage banking income (loss)	**$ 10,302**	$ 12,502	$ (7,063)	$ 3,702	$ 9,629	$ 673	7.0%
Average trading account securities used to hedge MSRs *(in millions)*	**$ 941**	$ 1,190	$ 1,139	$ 1,073	$ 1,102	$ (161)	(14.6)%
Capitalized mortgage servicing rights (2)	**230,398**	240,024	191,806	207,894	228,933	1,465	0.6
Total mortgages serviced for others *(in millions)* (2)	**15,741**	15,770	15,138	15,088	15,073	668	4.4
MSR % of investor servicing portfolio	**1.46%**	1.52%	1.27%	1.38%	1.52%	(0.06)%	(3.6)
Net Impact of MSR Hedging							
MSR valuation adjustment (1)	**$ (10,251)**	$ 39,031	$ (18,093)	$ (21,245)	$ (9,863)	$ (388)	3.9%
Net trading gains (losses) related to MSR hedging	**3,783**	(49,728)	(6,613)	9,479	3,861	(78)	(2.0)
Net interest income related to MSR hedging	**8,368**	9,364	5,934	3,192	2,357	6,011	N.M.
Net impact of MSR hedging	**$ 1,900**	$ (1,333)	$ (18,772)	$ (8,574)	$ (3,645)	$5,545	N.M.%

YTD 2008 vs 2007

(in thousands, except as noted)	Nine Months Ended September 30, **2008**	2007	Amount	Percent
Mortgage Banking Income				
Origination and secondary marketing	$ 30,077	$ 20,086	$ 9,991	49.7%
Servicing fees	33,898	24,607	9,291	37.8
Amortization of capitalized servicing [(1)]	(20,172)	(14,658)	(5,514)	37.6
Other mortgage banking income	13,809	9,085	4,724	52.0
Sub-total	57,612	39,120	18,492	47.3
MSR valuation adjustment [(1)]	10,687	5,114	5,573	N.M.
Net trading losses related to MSR hedging	(52,558)	(18,132)	(34,426)	N.M.
Total mortgage banking income	$ 15,741	$ 26,102	$(10,361)	(39.7)%
Average trading account securities used to hedge MSRs *(in millions)*	$ 1,089	$ 433	$ 656	N.M.%
Capitalized mortgage servicing rights [(2)]	230,398	228,933	1,465	0.6%
Total mortgages serviced for others *(in millions)* [(2)]	15,741	15,073	668	4.4
MSR % of investor servicing portfolio	1.46%	1.52%	(0.06)	(14.9)%
Net Impact of MSR Hedging				
MSR valuation adjustment [(1)]	$ 10,687	$ 5,114	$ 5,573	N.M.%
Net trading losses related to MSR hedging	(52,558)	(18,132)	(34,426)	N.M.
Net interest income related to MSR hedging	23,666	2,605	21,061	N.M.
Net impact of MSR hedging	$ (18,205)	$ (10,413)	$ (7,792)	74.8%

N.M., not a meaningful value.

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

(2) At period end.

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2008 Third Quarter versus 2007 Third Quarter

Non-interest income decreased $36.8 million, or 18%, from the year-ago quarter.

Table 12 Non-Interest Income 2008 Third Quarter vs. 2007 Third Quarter

	Third Quarter		Change		Change attributable to: Significant	Other	
(in thousands)	**2008**	2007	Amount	Percent	Items	Amount	Percent
Service charges on deposit accounts	**$ 80,508**	$ 78,107	$ 2,401	3.1%	$	$ 2,401	3.1%
Trust services	**30,952**	33,562	(2,610)	(7.8)		(2,610)	(7.8)
Brokerage and insurance income	**34,309**	28,806	5,503	19.1		5,503	19.1
Other service charges and fees	**23,446**	21,045	2,401	11.4		2,401	11.4
Bank owned life insurance income	**13,318**	14,847	(1,529)	(10.3)		(1,529)	(10.3)
Mortgage banking income	**10,302**	9,629	673	7.0	(466) (1)	1,139	11.8
Securities losses	**(73,790)**	(13,152)	(60,638)	N.M.	(60,638) (2)		0.0
Other income	**48,812**	31,830	16,982	53.4	7,786(2)	9,196	28.9
Total non-interest income	**$ 167,857**	$ 204,674	$ (36,817)	(18.0)%	$ (53,318)	$ 16,501	8.1%

N.M., not a Meaningful Value.

(1) Refer to Significant Item #4 of the Significant Items discussion.

(2) Refer to Significant Item #5 of the Significant Items discussion.

Of the $36.8 million, or 18%, decrease in total non-interest income, $53.3 million came from Significant Items *(see Significant Items discussion)*. The remaining $16.5 million, or 8%, increase reflected:

- $9.2 million, or 29%, increase in other income, reflecting higher operating lease income, partially offset by declines in official check processing, merchant services, and derivatives income.

- $5.5 million, or 19%, increase in brokerage and insurance income, reflecting growth in annuity sales and the 2007 fourth quarter acquisition of an insurance agency.

$2.4 million, or 3%, increase in service charges on deposit accounts, primarily reflecting strong growth in commercial service charges, partially offset by a decline in personal service charge income.

$2.4 million, or 11%, increase in other service charges and fees, reflecting higher debit card volume.

Partially offset by:

$2.6 million, or 8%, decline in trust services income, reflecting the impact of lower market values on asset management revenues.

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2008 Third Quarter versus 2008 Second Quarter

Non-interest income decreased $68.6 million, or 29%, from the second quarter.

Table 13 Non-Interest Income 2008 Third Quarter vs. 2008 Second Quarter

					Change attributable to:		
	Third Quarter	Second Quarter	Change		Significant	Other	
(in thousands)	**2008**	2008	Amount	Percent	Items	Amount	Percent
Service charges on deposit accounts	**$ 80,508**	$ 79,630	$ 878	1.1%	$	$ 878	1.1%
Trust services	**30,952**	33,089	(2,137)	(6.5)		(2,137)	(6.5)
Brokerage and insurance income	**34,309**	35,694	(1,385)	(3.9)		(1,385)	(3.9)
Other service charges and fees	**23,446**	23,242	204	0.9		204	0.9
Bank owned life insurance income	**13,318**	14,131	(813)	(5.8)		(813)	(5.8)
Mortgage banking income	**10,302**	12,502	(2,200)	(17.6)	4,229(1)	(6,429)	(51.4)
Securities (losses) gains	**(73,790)**	2,073	(75,863)	N.M.	(75,863)(2)		0.0
Other income	**48,812**	36,069	12,743	35.3	13,139(2)	(396)	(1.1)
Total non-interest income	**$167,857**	$236,430	$(68,573)	(29.0)%	$(58,495)	$(10,078)	(4.3)%

N.M., not a meaningful value.

(1) Refer to Significant Item #4 of the Significant Items discussion.

(2) Refer to Significant Item #5 of the Significant Items discussion.

The $68.6 million decrease in total non-interest income included a net charge of $58.5 million from Significant Items *(see Significant Items discussion)*. The remaining $10.1 million, or 4%, decline reflected:

$6.4 million, or 51%, decline in mortgage banking income, primarily reflecting a 35% decline in origination activity, and lower gains on loan sales.

$2.1 million, or 6%, decline in trust services income, reflecting the impact of lower market values on asset management revenues.

$1.4 million, or 4%, decline in brokerage and insurance income, primarily reflecting seasonally lower insurance contingency fees.

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2008 First Nine Months versus 2007 First Nine Months

Non-interest income for the first nine-month period of 2008 increased $134.0 million from the comparable year-ago period.

Table 14 Non-Interest Income Estimated Merger Related Impact 2008 First Nine Months vs. 2007 First Nine Months

	Nine Months Ended September 30,		Change			Change attributable to:		
						Significant	Other	
(in thousands)	**2008**	2007	Amount	Percent	Merger Related	Items	Amount	Percent [1]
Service charges on deposit accounts	**$232,806**	$172,917	$ 59,889	34.6%	$ 48,220		$11,669	5.3%
Trust services	**98,169**	86,220	11,949	13.9	14,018		(2,069)	(2.1)
Brokerage and insurance income	**106,563**	62,087	44,476	71.6	34,122		10,354	10.8
Other service charges and fees	**67,429**	49,176	18,253	37.1	11,600		6,653	10.9
Bank owned life insurance income	**41,199**	36,602	4,597	12.6	3,614		983	2.4
Mortgage banking income	**15,741**	26,102	(10,361)	(39.7)	12,512	(28,853)[2]	5,980	15.5
Securities losses	**(70,288)**	(18,187)	(52,101)	286.5	566	(52,667)[3]		
Other income	**148,420**	91,127	57,293	62.9	12,780	20,794[4]	23,719	22.8
Total non-interest income	**$640,039**	$506,044	$133,995	26.5%	$137,432	$(60,726)	$57,289	8.9%

(1) Calculated as other / (prior period + merger-related)

(2) Refer to Significant Item #4 of the Significant Items discussion.

(3) Refer to Significant Item #5 of the Significant

Items discussion.

(4) Refer to Significant Items #3, #5, and #6 of the Significant Items discussion.

The $134.0 million increase in total non-interest income reflected the $137.4 million of merger-related impacts, and the net charge of $60.7 million from Significant Items *(see Significant Items discussion)*. The remaining $57.3 million, or 9%, increase included:

$23.7 million, or 23%, increase in other income, reflecting primarily higher operating lease income.