

HUNTINGTON BANCSHARES INC/MD

Form 10-Q

October 26, 2007

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
QUARTERLY PERIOD ENDED **September 30, 2007**  
Commission File Number **0-2525**  
**Huntington Bancshares Incorporated****

|                                                                                                          |                                                              |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <b>Maryland</b><br>(State or other jurisdiction of<br>incorporation or organization)                     | <b>31-0724920</b><br>(I.R.S. Employer<br>Identification No.) |
| <b>41 South High Street, Columbus, Ohio 43287</b><br>Registrant's telephone number <b>(614) 480-8300</b> |                                                              |

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 365,898,439 shares of Registrant's common stock (\$0.01 par value) outstanding on September 30, 2007.

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**Huntington Bancshares Incorporated**  
INDEX

**Part I. Financial Information**

|                 |                                                                                                                                          |    |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------|----|
| <u>Item 1.</u>  | <u>Financial Statements (Unaudited)</u>                                                                                                  |    |
|                 | <u>Condensed Consolidated Balance Sheets at September 30, 2007, December 31, 2006, and September 30, 2006</u>                            | 59 |
|                 | <u>Condensed Consolidated Statements of Income for the three-month and nine-month periods ended September 30, 2007 and 2006</u>          | 60 |
|                 | <u>Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine-month periods ended September 30, 2007 and 2006</u> | 61 |
|                 | <u>Condensed Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2007 and 2006</u>                      | 62 |
|                 | <u>Notes to Unaudited Condensed Consolidated Financial Statements</u>                                                                    | 63 |
| <u>Item 2.</u>  | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                                             | 3  |
| <u>Item 3.</u>  | <u>Quantitative and Qualitative Disclosures about Market Risk</u>                                                                        | 80 |
| <u>Item 4.</u>  | <u>Controls and Procedures</u>                                                                                                           | 80 |
| <u>Item 4T.</u> | <u>Controls and Procedures</u>                                                                                                           | 80 |

**Part II. Other Information**

|                   |                 |    |
|-------------------|-----------------|----|
| <u>Item 6.</u>    | <u>Exhibits</u> | 81 |
| <u>Signatures</u> |                 | 82 |
|                   | <u>EX-10.5</u>  |    |
|                   | <u>EX-10.6</u>  |    |
|                   | <u>EX-10.7</u>  |    |
|                   | <u>EX-12.1</u>  |    |
|                   | <u>EX-31.1</u>  |    |
|                   | <u>EX-31.2</u>  |    |
|                   | <u>EX-32.1</u>  |    |
|                   | <u>EX-32.2</u>  |    |

**Table of Contents**

**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, reinsurance of private mortgage insurance, reinsurance of credit life and disability insurance, and other insurance and financial products and services. Our banking offices are located in Ohio, Michigan, Indiana, Pennsylvania, West Virginia, and Kentucky. Selected financial service activities are also conducted in other states including: Dealer Sales offices in Arizona, Florida, Georgia, Nevada, New Jersey, New York, North Carolina, South Carolina, and Tennessee; Private Financial and Capital Markets Group offices in Florida; and Mortgage Banking offices in Maryland and New Jersey. Sky Insurance offers retail and commercial insurance agency services, through offices in Ohio, Pennsylvania, and Indiana. 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 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 2006 Annual Report on Form 10-K (2006 Form 10-K), as updated by the information contained in this report, 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 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** - Provides an overview of financial performance for each of our major lines of business and provides additional discussion of trends underlying consolidated financial performance.

**Forward-Looking Statements**

This report, including MD&A, contains certain forward-looking statements, including certain plans, expectations, goals, and projections, and including statements about the benefits of the merger between Huntington and Sky Financial, which are subject to numerous assumptions, risks, and uncertainties.

Actual results could differ materially from those contained or implied by such statements for a variety of factors including: the expected merger efficiencies and any revenue synergies from the merger may not be fully realized within the expected timeframes; disruption from the merger may make it more difficult to maintain relationships with clients, associates, or suppliers; changes in economic conditions; movements in interest rates; competitive pressures on product pricing and services; success and timing of other business strategies; the nature, extent, and timing of governmental actions and reforms; and extended disruption of vital infrastructure. Additional factors that could cause

results to differ materially

## **Table of Contents**

from those described above can be found in our 2006 Annual Report on Form 10-K, and documents subsequently filed with the Securities and Exchange Commission (SEC).

All 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 except as required by federal securities laws.

### **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, 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. Refer to the Risk Management and Capital section for additional information regarding risk factors. Additionally, more information on risk is set forth under the heading Risk Factors included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006, and subsequent filings with the SEC.

### **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 2006 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.

### **Acquisition of Sky Financial**

The merger with Sky Financial Group Inc. (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. Sky Financial results were fully included in our consolidated results for the full 2007 third quarter, and will impact all quarters thereafter. Additionally, during the 2007 third quarter, Sky Bank and Sky Trust, National Association ( Sky Trust ), merged into the Bank and systems integration was completed. As a result, performance comparisons of 2007 third quarter and 2007 nine-month performance to prior periods are affected as Sky Financial results were not included in the prior periods. Comparisons of the 2007 third quarter and 2007 nine-month performance compared with prior periods are impacted as follows:

Increased the absolute level of reported average balance sheet, revenue, expense, and the absolute level of certain credit quality results (e.g., amount of net charge-offs).

Increased the absolute level of reported non-interest expense items because of costs incurred as part of merger integration activities, most notably employee retention bonuses, outside programming services related to systems conversions, occupancy expenses, and marketing expenses related to customer retention initiatives. These net merger costs were \$32.3 million in the 2007 third quarter.

Given the significant impact of the merger on reported 2007 results, we believe that an understanding of the impacts of the merger is necessary to understand better 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.

4

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**Table of Contents**

Merger costs represent non-interest expenses primarily associated with merger integration activities.

Non-merger related refers to performance not attributable to the merger and include:

Merger efficiencies, which represent non-interest expense reductions realized as a result of the merger.

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

**Balance Sheet Items**

For loans and leases, as well as total deposits, Sky Financial's balances as of June 30, 2007, adjusted for purchase accounting adjustments, and transfers of loans to loans held-for-sale, are used in the comparison. To estimate the impact on 2007 third quarter average balances, it was assumed that the June 30, 2007 balances, as adjusted, remained constant throughout the 2007 third quarter and will remain constant in all subsequent periods.

**Income Statement Items**

For income statement line 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 amount. This results in an approximate quarterly impact, as the methodology does not adjust for any unusual items, 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. This same estimated amount will also be used in all subsequent quarterly reporting periods. The one exception to this methodology of holding the estimated quarterly impact constant relates to the amortization of intangibles expense where the amount is known and is therefore used.

Certain tables 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.

**DISCUSSION OF RESULTS OF OPERATIONS**

This section provides a review of financial performance from a consolidated perspective. It also includes a Significant Items 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, please read this section in conjunction with the Lines of Business Discussion.

**Summary**

We reported 2007 third quarter net income of \$138.2 million and earnings per common share of \$0.38. These results compared favorably to net income of \$80.5 million and earnings per common share of \$0.34 in the 2007 second quarter, but declined from net income of \$157.4 million and earnings per common share of \$0.65 in the third quarter of 2006. Our year-to-date net income was \$314.4 million, or \$1.12 per common share, down from net income of \$373.5 million, or \$1.56 per common share, in the comparable year-ago period. Additionally, comparisons with the prior year are impacted by the benefits for income taxes and balance sheet restructuring charges in the comparable year-ago period. Period-to-period comparisons are significantly impacted by the Sky Financial acquisition, which closed on July 1, 2007. The acquisition solidified our position in Ohio, greatly expanded our presence in the Indianapolis market, and established western Pennsylvania as a new market. Customer reaction has been very positive, and we continue to work to ensure that all of the growth opportunities afforded by the acquisition are realized.

Expense control was a major highlight for the quarter. Although non-interest expense increased \$140.9 million from the prior quarter, \$161.3 million of the increase was merger related, either through merger related expenses or increased merger costs. Non-merger related expenses actually declined \$20.4 million and represented most of the merger efficiencies that we targeted from the acquisition. We expect to achieve most of the remaining benefit next quarter. Our efficiency



**Table of Contents**

ratio, which has been a key focal point for us, is approaching our targeted range, and we expect to be within, or very near, that range, once we achieve the remaining targeted merger efficiencies.

Fee income performance was mixed for the quarter. In addition to the increase in non-interest income that was merger related, non-merger related deposit service charges and other service charges showed very good growth, however, non-merger related trust services, mortgage banking, and brokerage and insurance income were down.

Net interest income for the third quarter of 2007 increased \$156.2 million from the prior quarter. The current quarter included three months of net interest income attributable to the acquisition of Sky Financial, which added \$12.8 billion of loans, net of transfers to loans held-for-sale and purchase accounting adjustment, and \$12.9 billion of deposits at July 1, 2007. During the current quarter, we saw good growth in non-merger related commercial loans and certain consumer loans, however, average automobile leases continued to shrink, as expected, due to low consumer demand and competitive pricing. Additionally, the lack of growth in non-merger related average home equity loans and average residential real estate loans continued to reflect the softness in the real estate markets. Growth in non-merger related average total deposits was also good during the quarter, driven by strong growth in interest-bearing demand deposits and money market accounts. Our net interest margin was 3.52%, consistent with expectations and up from 3.26% in the second quarter, primarily merger related.

Consistent with expectations, overall credit quality was stable during the quarter. The allowance for loan and leases losses (ALLL) was 1.14% of total loans, down slightly from 1.15% at June 30, 2007. The ALLL coverage of nonperforming loans (NPLs) improved to 182% at September 30, 2007, from 145% at June 30, 2007, and declined from 189% at December 31, 2006. However, nonperforming assets (NPAs) increased \$173.9 million from the prior quarter as we acquired \$144.5 million of NPAs from Sky Financial. Additionally, we designated \$16.3 million of impaired asset-backed securities as other NPAs. During the quarter, non-merger related NPLs and other-real-estate-owned (OREO) grew \$13.0 million. Our outlook remains for NPLs to rise modestly in the 2007 fourth quarter, as there remains pressure on businesses and consumers in our markets.

Market conditions remain difficult and we do not expect that to change in the near future. We anticipate that the economic environment will continue to be negatively impacted by weakness in residential real estate markets and negative impacts from the on-going challenges in the automotive manufacturing and supplier sector. We expect our greatest impacts to be in our eastern Michigan and northern Ohio markets.

**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 in 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, 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. Such Significant Items generally fall within one of two categories: timing differences and other items.

**Timing Differences**

Part of our regular business activities are by their nature volatile, including capital markets income and sales of loans. While such items may generally be expected to occur within a full year reporting period, they may vary significantly from period to period. Such items are also typically a component of an income statement line item and not, therefore, readily discernable. By specifically disclosing such items, analysts/investors can better assess how, if at all, to adjust their estimates of future performance.

**Table of Contents**

**Other Items**

From time to time an event or transaction might significantly impact revenues, expenses, or taxes in a particular reporting period that are judged to be unusual, short-term in nature, and/or materially outside typically expected performance. Examples would be (1) merger costs, including restructuring charges and asset valuation adjustments, as they typically impact expenses for only a few quarters during the period of transition; (2) changes in an accounting principle; (3) unusual tax assessments or refunds; (4) a large gain/loss on the sale of an asset; (5) outsized commercial loan net charge-offs; and other items deemed significant. By disclosing such items, analysts/investors can better assess how, if at all, to adjust their estimates of future performance.

**Provision for Credit Losses**

While the provision for credit losses may vary significantly among periods, and often exceeds \$0.01 per share, we typically exclude it from the list of significant items unless, in our view, there is a significant, specific credit (or multiple significant, specific credits) affecting comparability among periods. In determining whether any portion of the provision for credit losses should be included as a significant item, we consider, among other things, that the provision is a major income statement caption rather than a component of another caption and, therefore, the period-to-period variance can be readily determined.

**Other Exclusions**

Significant Items for any particular period are not intended to be a complete list of items that may significantly impact future periods. A number of factors, including those described in Huntington's 2006 Annual Report on Form 10-K and other factors described from time to time in Huntington's other filings with the SEC, could also significantly impact future periods.

**Table of Contents****Table 1 Selected Quarterly Income Statement Data<sup>(4), (7)</sup>**

| <i>(in thousands, except per share amounts)</i>              | <b>2007</b>       | <b>2006</b>  |               |              |               |
|--------------------------------------------------------------|-------------------|--------------|---------------|--------------|---------------|
|                                                              |                   | <b>Third</b> | <b>Second</b> | <b>First</b> | <b>Fourth</b> |
| Interest income                                              | <b>\$ 851,155</b> | \$ 542,461   | \$ 534,949    | \$ 544,841   | \$ 538,988    |
| Interest expense                                             | <b>441,522</b>    | 289,070      | 279,394       | 286,852      | 283,675       |
| Net interest income                                          | <b>409,633</b>    | 253,391      | 255,555       | 257,989      | 255,313       |
| Provision for credit losses                                  | <b>42,007</b>     | 60,133       | 29,406        | 15,744       | 14,162        |
| <b>Net interest income after provision for credit losses</b> | <b>367,626</b>    | 193,258      | 226,149       | 242,245      | 241,151       |
| Service charges on deposit accounts                          | <b>78,107</b>     | 50,017       | 44,793        | 48,548       | 48,718        |
| Trust services                                               | <b>33,562</b>     | 26,764       | 25,894        | 23,511       | 22,490        |
| Brokerage and insurance income                               | <b>28,806</b>     | 17,199       | 16,082        | 14,600       | 14,697        |
| Other service charges and fees                               | <b>21,045</b>     | 14,923       | 13,208        | 13,784       | 12,989        |
| Bank owned life insurance income                             | <b>14,847</b>     | 10,904       | 10,851        | 10,804       | 12,125        |
| Mortgage banking income                                      | <b>9,629</b>      | 7,122        | 9,351         | 6,169        | 8,512         |
| Securities (losses) gains <sup>(2)</sup>                     | <b>(13,152)</b>   | (5,139)      | 104           | (15,804)     | (57,332)      |
| Other income                                                 | <b>31,830</b>     | 34,403       | 24,894        | 38,994       | 35,711        |
| <b>Total non-interest income</b>                             | <b>204,674</b>    | 156,193      | 145,177       | 140,606      | 97,910        |
| Personnel costs                                              | <b>202,148</b>    | 135,191      | 134,639       | 137,944      | 133,823       |
| Outside data processing and other services                   | <b>40,600</b>     | 25,701       | 21,814        | 20,695       | 18,664        |
| Net occupancy                                                | <b>33,334</b>     | 19,417       | 19,908        | 17,279       | 18,109        |
| Equipment                                                    | <b>23,290</b>     | 17,157       | 18,219        | 18,151       | 17,249        |
| Marketing                                                    | <b>13,186</b>     | 8,986        | 7,696         | 6,207        | 7,846         |
| Professional services                                        | <b>11,273</b>     | 8,101        | 6,482         | 8,958        | 6,438         |
| Telecommunications                                           | <b>7,286</b>      | 4,577        | 4,126         | 4,619        | 4,818         |
| Printing and supplies                                        | <b>4,743</b>      | 3,672        | 3,242         | 3,610        | 3,416         |
| Amortization of intangibles                                  | <b>19,949</b>     | 2,519        | 2,520         | 2,993        | 2,902         |
| Other expense                                                | <b>29,754</b>     | 19,334       | 23,426        | 47,334       | 29,165        |
| <b>Total non-interest expense</b>                            | <b>385,563</b>    | 244,655      | 242,072       | 267,790      | 242,430       |
| Income before income taxes                                   | <b>186,737</b>    | 104,796      | 129,254       | 115,061      | 96,631        |
| Provision (benefit) for income taxes <sup>(3)</sup>          | <b>48,535</b>     | 24,275       | 33,528        | 27,346       | (60,815)      |
| <b>Net income</b>                                            | <b>\$ 138,202</b> | \$ 80,521    | \$ 95,726     | \$ 87,715    | \$ 157,446    |
| Average common shares diluted                                | <b>368,280</b>    | 239,008      | 238,754       | 239,881      | 240,896       |
| <b>Per common share</b>                                      |                   |              |               |              |               |
| Net income diluted                                           | <b>\$ 0.38</b>    | \$ 0.34      | \$ 0.40       | \$ 0.37      | \$ 0.65       |
| Cash dividends declared                                      | <b>0.265</b>      | 0.265        | 0.265         | 0.250        | 0.250         |

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|                                                                |                   |            |            |            |            |
|----------------------------------------------------------------|-------------------|------------|------------|------------|------------|
| Return on average total assets                                 | <b>1.02%</b>      | 0.92%      | 1.11%      | 0.98%      | 1.75%      |
| Return on average total shareholders' equity                   | <b>8.8</b>        | 10.6       | 12.9       | 11.3       | 21.0       |
| Return on average tangible shareholders' equity <sup>(4)</sup> | <b>20.9</b>       | 13.6       | 16.5       | 14.5       | 27.1       |
| Net interest margin <sup>(5)</sup>                             | <b>3.52</b>       | 3.26       | 3.36       | 3.28       | 3.22       |
| Efficiency ratio <sup>(6)</sup>                                | <b>57.7</b>       | 57.8       | 59.2       | 63.3       | 57.8       |
| Effective tax rate <sup>(3)</sup>                              | <b>26.0</b>       | 23.2       | 25.9       | 23.8       | (62.9)     |
| <b>Revenue fully taxable equivalent (FTE)</b>                  |                   |            |            |            |            |
| Net interest income                                            | <b>\$ 409,633</b> | \$ 253,391 | \$ 255,555 | \$ 257,989 | \$ 255,313 |
| FTE adjustment                                                 | <b>5,712</b>      | 4,127      | 4,047      | 4,115      | 4,090      |
| Net interest income <sup>(5)</sup>                             | <b>415,345</b>    | 257,518    | 259,602    | 262,104    | 259,403    |
| Non-interest income                                            | <b>204,674</b>    | 156,193    | 145,177    | 140,606    | 97,910     |
| <b>Total revenue<sup>(5)</sup></b>                             | <b>\$ 620,019</b> | \$ 413,711 | \$ 404,779 | \$ 402,710 | \$ 357,313 |

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

(2) Includes \$57.5 million of securities impairment losses for the 2006 third quarter.

(3) The third quarter of 2006 includes \$84.5 million benefit reflecting the resolution of a federal income

tax audit of tax years 2002 and 2003, as well as the recognition of federal tax loss carry backs.

- (4) Net income less 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.
- (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).

(7)

On July 1, 2007,  
Huntington  
acquired Sky  
Financial  
Group, Inc.  
Accordingly,  
the balances  
presented  
include the  
impact of the  
acquisition from  
that date.

**Table of Contents****Table 2 Selected Year to Date Income Statement Data<sup>(1), (7)</sup>**

| <i>(in thousands, except per share amounts)</i>              | Nine Months Ended September |                   | Change             |                |
|--------------------------------------------------------------|-----------------------------|-------------------|--------------------|----------------|
|                                                              | 2007                        | 30,<br>2006       | Amount             | Percent        |
| Interest income                                              | \$ 1,928,565                | \$ 1,525,678      | \$ 402,887         | 26.4%          |
| Interest expense                                             | 1,009,986                   | 764,490           | 245,496            | 32.1           |
| Net interest income                                          | 918,579                     | 761,188           | 157,391            | 20.7           |
| Provision for credit losses                                  | 131,546                     | 49,447            | 82,099             | N.M.           |
| <b>Net interest income after provision for credit losses</b> | <b>787,033</b>              | <b>711,741</b>    | <b>75,292</b>      | <b>10.6</b>    |
| Service charges on deposit accounts                          | 172,917                     | 137,165           | 35,752             | 26.1           |
| Trust services                                               | 86,220                      | 66,444            | 19,776             | 29.8           |
| Brokerage and insurance income                               | 62,087                      | 44,235            | 17,852             | 40.4           |
| Other service charges and fees                               | 49,176                      | 37,570            | 11,606             | 30.9           |
| Bank owned life insurance income                             | 36,602                      | 32,971            | 3,631              | 11.0           |
| Mortgage banking income                                      | 26,102                      | 35,322            | (9,220)            | (26.1)         |
| Securities losses <sup>(2)</sup>                             | (18,187)                    | (57,387)          | 39,200             | (68.3)         |
| Other income                                                 | 91,127                      | 124,143           | (33,016)           | (26.6)         |
| <b>Total non-interest income</b>                             | <b>506,044</b>              | <b>420,463</b>    | <b>85,581</b>      | <b>20.4</b>    |
| Personnel costs                                              | 471,978                     | 403,284           | 68,694             | 17.0           |
| Outside data processing and other services                   | 88,115                      | 58,084            | 30,031             | 51.7           |
| Net occupancy                                                | 72,659                      | 54,002            | 18,657             | 34.5           |
| Equipment                                                    | 58,666                      | 51,761            | 6,905              | 13.3           |
| Marketing                                                    | 29,868                      | 25,521            | 4,347              | 17.0           |
| Professional services                                        | 25,856                      | 18,095            | 7,761              | 42.9           |
| Telecommunications                                           | 15,989                      | 14,633            | 1,356              | 9.3            |
| Printing and supplies                                        | 11,657                      | 10,254            | 1,403              | 13.7           |
| Amortization of intangibles                                  | 24,988                      | 6,969             | 18,019             | N.M.           |
| Other expense                                                | 72,514                      | 90,601            | (18,087)           | (20.0)         |
| <b>Total non-interest expense</b>                            | <b>872,290</b>              | <b>733,204</b>    | <b>139,086</b>     | <b>19.0</b>    |
| Income before income taxes                                   | 420,787                     | 399,000           | 21,787             | 5.5            |
| Provision for income taxes <sup>(3)</sup>                    | 106,338                     | 25,494            | 80,844             | N.M.           |
| <b>Net income</b>                                            | <b>\$ 314,449</b>           | <b>\$ 373,506</b> | <b>\$ (59,057)</b> | <b>(15.8)%</b> |
| Average common shares diluted                                | 282,014                     | 239,933           | 42,081             | 17.5%          |
| <b>Per common share</b>                                      |                             |                   |                    |                |
| Net income per common share diluted                          | \$ 1.12                     | \$ 1.56           | \$ (0.44)          | (28.2)%        |

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|                                                                |                     |              |            |         |
|----------------------------------------------------------------|---------------------|--------------|------------|---------|
| Cash dividends declared                                        | <b>0.795</b>        | 0.750        | 0.045      | 6.0     |
| Return on average total assets                                 | <b>1.02%</b>        | 1.43%        | (0.41)     | (28.7)% |
| Return on average total shareholders' equity                   | <b>10.3</b>         | 17.2         | (6.9)      | (40.1)  |
| Return on average tangible shareholders' equity <sup>(4)</sup> | <b>17.3</b>         | 21.5         | (4.2)      | (19.5)  |
| Net interest margin <sup>(5)</sup>                             | <b>3.40</b>         | 3.29         | 0.11       | 3.3     |
| Efficiency ratio <sup>(6)</sup>                                | <b>58.2</b>         | 58.1         | 0.1        | 0.2     |
| Effective tax rate <sup>(3)</sup>                              | <b>25.3</b>         | 6.4          | 18.9       | N.M.    |
| <b>Revenue fully taxable equivalent (FTE)</b>                  |                     |              |            |         |
| Net interest income                                            | <b>\$ 918,578</b>   | \$ 761,188   | \$ 157,390 | 20.7%   |
| FTE adjustment <sup>(5)</sup>                                  | <b>13,886</b>       | 11,910       | 1,976      | 16.6    |
| Net interest income                                            | <b>932,464</b>      | 773,098      | 159,366    | 20.6    |
| Non-interest income                                            | <b>506,046</b>      | 420,463      | 85,583     | 20.4    |
| <b>Total revenue</b>                                           | <b>\$ 1,438,510</b> | \$ 1,193,561 | \$ 244,949 | 20.5%   |

N.M., not a meaningful value.

- (1) Comparisons for presented periods are impacted by a number of factors. Refer to the Significant Items Influencing Financial Performance Comparisons for additional discussion regarding these key factors.
- (2) Includes \$57.5 million of securities impairment losses for the 2006 third quarter.
- (3) The third quarter of 2006 includes \$84.5 million benefit



reflecting the resolution of a federal income tax audit of tax years 2002 and 2003, as well as the recognition of federal tax loss carry backs.

- (4) Net income less 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.
- (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).

- (7) On July 1, 2007, Huntington acquired Sky Financial Group, Inc. Accordingly, the balances presented include the impact of the acquisition from that date.

**Table of Contents**

**Significant Items Influencing Financial Performance Comparisons**

Earnings comparisons from the beginning of 2006 through the third quarter of 2007 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. 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. Sky Financial results are reflected in our consolidated results beginning July 1, 2007. The impacts of the affected quarterly and year-to-date reported results compared with premerger reporting periods are as follows:

Increased the absolute level of reported average balance sheet, revenue, expense, and credit quality results (for example, 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 net merger costs were \$0.8 million in the 2007 first quarter, \$7.6 million in the 2007 second quarter, and \$32.3 million in the 2007 third quarter.

2. **Balance Sheet Restructuring.** In third and fourth quarters of 2006, we utilized the excess capital resulting from the third quarter's significant reduction to federal tax expense (see Item 6 below) to restructure certain under-performing components of our balance sheet. Total securities losses as a result of these actions totaled \$73.3 million. The refinancing of Federal Home Loan Bank (FHLB) funding and the sale of mortgage loans resulted in total charges of \$4.4 million, resulting in total balance sheet restructuring costs of \$77.7 million (\$0.21 per common share). Our actions impacted 2006 third and fourth quarter results as follows:

\$57.3 million pretax (\$0.16 per common share) negative impact in the 2006 third quarter from securities impairment. Subsequent to the end of the quarter, we initiated a review of our 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. 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.

\$20.2 million pretax (\$13.1 million after tax or \$0.05 per common share) negative impact in the 2006 fourth quarter related to costs associated with the completion of the balance sheet restructuring. This consisted of \$9.0 million pretax of investment securities losses as well as \$6.8 million of additional impairment on certain asset-backed securities not included in the restructuring recognized in the third quarter, and \$4.4 million pretax of other balance sheet restructuring expenses, most notably FHLB funding refinancing costs.

**Table of Contents**

3. **Mortgage servicing rights (MSRs) and related hedging.** Included in net market related losses are net losses or gains from our mortgage servicing rights and the related hedging. MSR fair values are very sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be greatly reduced by prepayments. Prepayments usually increase when mortgage interest rates decline and decrease when mortgage interest rates rise. A hedging strategy is used to minimize the impact from MSR fair value changes. However, volatile changes in interest rates can diminish the effectiveness of these hedges. We typically report MSR fair value adjustments net of hedge-related trading activity. Net income included the following net impact of MSR hedging activity (*reference Table 11*):

(in thousands)

| Period    | Net<br>interest<br>income | Non-<br>interest<br>income | Pretax<br>income | Net<br>income | Per<br>Common<br>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)                 |
| 9 mo. 07  | \$ 2,605                  | \$ (13,018)                | \$ (10,413)      | \$ (6,769)    | \$ (0.02)              |
| 1Q 06     | \$                        | \$ 4,575(1)                | \$ 4,575         | \$ 2,974      | \$ 0.01                |
| 2Q 06     |                           | 1,542                      | 1,542            | 1,002         |                        |
| 3Q 06     | 38                        | (38)                       |                  |               |                        |
| 9 mo. 06  | 38                        | 6,079                      | 6,117            | 3,976         | 0.02                   |
| 4Q 06     | (2)                       | (2,493)                    | (2,495)          | (1,622)       | (0.01)                 |
| 12 mo. 06 | \$ 36                     | \$ 3,586                   | \$ 3,622         | \$ 2,354      | \$ 0.01                |

- (1) Includes  
\$5.1 million  
related to the  
positive impact  
of adopting  
SFAS No. 156

Beginning in the 2006 first quarter, we adopted Statement of Financial Accounting Standards (Statement) No. 156, *Accounting for Servicing of Financial Assets (an amendment of FASB Statement No. 140)*, which allowed us to carry MSRs at fair value. This resulted in a \$5.1 million pretax (\$0.01 per common share) positive impact in the 2006 first quarter (this impact is reflected in the above table). 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. MSR assets are included in other assets.

**Table of Contents**

4. **Other net market-related losses.** Other net market-related losses include losses and gains related to the following market-driven activities: gains and losses from equity investing (included in other non-interest income), net securities gains and losses, and the impact from the extinguishment of debt (included as other non-interest expense). Total net market-related losses also include the net impact of MSRs and related hedging (see item 3 above). Net income included the following impact from other net market-related losses:

(in thousands)

| Period    | Securities<br>Gains/<br>(Losses) | Equity<br>Investing | Debt<br>Extinguish-<br>ment | Pretax<br>income | Net<br>income | Per<br>Common<br>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     | (13,152)                         | (4,387)             | 3,220                       | (14,319)         | (9,307)       | (0.03)                 |
| 9 mo. 07  | \$ (18,187)                      | \$ (10,616)         | \$ 7,310                    | \$ (21,493)      | \$ (13,970)   | \$ (0.05)              |
| 1Q 06     | \$ (20)                          | \$ 1,505            | \$                          | \$ 1,485         | \$ 965        | \$                     |
| 2Q 06     | (35)                             | 2,322               |                             | 2,287            | 1,487         | 0.01                   |
| 3Q 06     | (57,332)                         | 352                 |                             | (56,980)         | (37,037)      | (0.15)                 |
| 9 mo. 06  | (57,387)                         | 4,179               |                             | (53,208)         | (34,585)      | (0.14)                 |
| 4Q 06     | (15,804)                         | 3,257               | (4,389)                     | (16,936)         | (11,008)      | (0.05)                 |
| 12 mo. 06 | \$ (73,191)                      | \$ 7,436            | \$ (4,389)                  | \$ (70,144)      | \$ (45,593)   | \$ (0.19)              |

5. **Significant commercial loan provision expense.** Performance for the 2007 second quarter included \$24.8 million (\$16.1 million after tax, or \$0.07 per common share) in provision for credit losses associated with three credit relationships: two in the eastern Michigan single-family home builder sector and one northern Ohio commercial credit to an auto industry-related manufacturing company. In the 2007 second quarter, charge-offs of \$12.2 million were recorded against two of these credit relationships. In the 2007 third quarter, an additional \$10.0 million of charge-offs were recorded, relating to all three of these credit relationships.
6. **Effective tax rate.** The effective tax rate for the 2006 third quarter included 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 and the recognition of federal tax loss carry backs.
7. **Other significant items influencing earnings performance comparisons.** In addition to the items discussed separately in this section, a number of other items impacted financial results. These included:

2007 - First Quarter

\$1.9 million pretax (\$1.2 million after tax or \$0.01 per common share) negative impact due to litigation losses.

2006 - Fourth Quarter

\$10.0 million pretax (\$6.5 million after tax or \$0.03 per common share) contribution to the Huntington Foundation.

\$5.2 million pretax (\$3.6 million after tax or \$0.02 per common share) increase in automobile lease residual value losses. This increase reflected higher relative losses on vehicles sold at auction, most notably high-line imports and larger sport utility vehicles.

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\$4.5 million pretax (\$2.9 million after tax or \$0.01 per common share) in severance and consolidation expenses. This reflected severance-related expenses associated with a reduction of 75 Regional Banking staff positions, as well as costs associated with the retirements of a vice chairman and an executive vice president.

\$2.6 million pretax (\$1.7 million after tax or \$0.01 per common share) gain related to the sale of MasterCard® stock.

**Table of Contents**

*2006 - First Quarter*

\$2.3 million pretax (\$1.5 million after tax or \$0.01 per common share) negative impact, reflecting a cumulative adjustment to defer annual fees related to home equity loans.

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

**Table of Contents****Table 3 Significant Items Influencing Earnings Performance Comparison<sup>1)</sup>**

| (in millions)                                              | September 30, 2007 |                             | Three Months Ended<br>June 30, 2007 |                             | September 30, 2006 |                             |
|------------------------------------------------------------|--------------------|-----------------------------|-------------------------------------|-----------------------------|--------------------|-----------------------------|
|                                                            | After-tax          | EPS                         | After-tax                           | EPS                         | After-tax          | EPS                         |
| <b>Net income reported earnings</b>                        | <b>\$138.2</b>     |                             | \$80.5                              |                             | \$157.4            |                             |
| <b>Earnings per share, after tax</b>                       |                    | <b>\$ 0.38</b>              |                                     | \$ 0.34                     |                    | \$0.65                      |
| Change from prior quarter<br>\$                            |                    | <b>0.04</b>                 |                                     | (0.06)                      |                    | 0.19                        |
| Change from prior quarter<br>%                             |                    | <b>11.8%</b>                |                                     | (15.0)%                     |                    | 41.3%                       |
| Change from a year-ago<br>\$                               |                    | <b>\$(0.27)</b>             |                                     | \$(0.12)                    |                    | \$0.18                      |
| Change from a year-ago<br>%                                |                    | <b>(41.5)%</b>              |                                     | (26.1)%                     |                    | 38.3%                       |
| <b>Significant items - favorable (unfavorable) impact:</b> |                    | <b>Earnings<br/>(2) EPS</b> |                                     | <b>Earnings<br/>(2) EPS</b> |                    | <b>Earnings<br/>(2) EPS</b> |
| Merger costs                                               |                    | <b>\$(32.3)</b>             | <b>\$(0.06)</b>                     | \$ (7.6)                    | \$(0.02)           | \$                          |
| Net market-related losses                                  |                    | <b>(18.0)</b>               | <b>(0.03)</b>                       | (3.5)                       | (0.01)             |                             |
| Significant commercial loan provision expense              |                    |                             |                                     | (24.8)                      | (0.07)             |                             |
| Reduction to federal income tax expense <sup>(3)</sup>     |                    |                             |                                     |                             |                    | 84.5                        |
| Balance sheet restructuring                                |                    |                             |                                     |                             |                    | (57.3)                      |
| Adjustment for equity method investments                   |                    |                             |                                     |                             |                    | (2.1)                       |
|                                                            |                    |                             |                                     |                             |                    | 0.35                        |
|                                                            |                    |                             |                                     |                             |                    | (0.16)                      |
|                                                            |                    |                             |                                     |                             |                    | (0.01)                      |
| (in millions)                                              |                    | <b>Earnings<br/>(2) EPS</b> |                                     | <b>Earnings<br/>(2) EPS</b> |                    | <b>Earnings<br/>(2) EPS</b> |
|                                                            |                    | <b>September 30, 2007</b>   |                                     | <b>September 30, 2006</b>   |                    |                             |
|                                                            |                    | <b>After-tax</b>            |                                     | <b>After-tax</b>            |                    |                             |
| <b>Net income reported earnings</b>                        |                    | <b>\$314.4</b>              |                                     | \$373.5                     |                    |                             |
| <b>Earnings per share, after tax</b>                       |                    |                             |                                     | <b>\$ 1.12</b>              |                    | \$1.56                      |
| Change from a year-ago \$                                  |                    |                             |                                     | <b>(0.44)</b>               |                    | 0.22                        |
| Change from a year-ago %                                   |                    |                             |                                     | <b>(28.2)%</b>              |                    | 16.4%                       |
| <b>Significant items - favorable (unfavorable) impact:</b> |                    | <b>Earnings<br/>(2) EPS</b> |                                     | <b>Earnings (2)</b>         |                    | <b>EPS</b>                  |
| Merger costs                                               |                    | <b>\$(40.7)</b>             | <b>\$(0.09)</b>                     | \$ (4.2)                    |                    | \$(0.01)                    |
| Net market-related losses                                  |                    | <b>(32.0)</b>               | <b>(0.07)</b>                       | 5.1                         |                    | 0.01                        |
| Significant commercial loan provision expense              |                    | <b>(24.8)</b>               | <b>(0.06)</b>                       |                             |                    |                             |
| Reduction to federal income tax expense <sup>(3)</sup>     |                    |                             |                                     | 84.5                        |                    | 0.35                        |
| MSR FAS 156 accounting change                              |                    |                             |                                     | 5.1                         |                    | 0.01                        |
| Balance sheet restructuring                                |                    |                             |                                     | (57.3)                      |                    | (0.16)                      |
| Adjustment for equity method investments                   |                    |                             |                                     | (3.2)                       |                    | (0.01)                      |



Adjustment to defer home equity annual fees (2.3) (0.01)

(1) Refer to the Significant Items Influencing Financial Performance Comparisons for additional discussion regarding these items.

(2) Pretax unless otherwise noted.

(3) After tax

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

(This section should be read in conjunction with Significant Items 1, 2, 3, and 7.)

**2007 Third Quarter versus 2006 Third Quarter**

Fully taxable equivalent net interest income for the 2007 third quarter was \$415.3 million. This represented an increase of \$155.9 million, or 60%, from the year-ago quarter. This reflected the favorable impact of a \$14.9 billion increase in average earning assets, of which \$13.5 billion represented an increase in average loans and leases, as well as the benefit of an increase in the fully taxable equivalent net interest margin of 30 basis points to 3.52%. The 3.52% fully taxable equivalent net interest margin was consistent with our expectations for a relatively stable net interest margin compared with the pro forma 2007 second quarter level of 3.50%.

The following table details the estimated merger related impacts on our reported loans and deposits:

**Table 4 Average Loans/Leases and Deposits Estimated Merger Related Impacts 3Q 07 vs. 3Q 06**

| <i>(in millions)</i>                 | Third Quarter   |          | Change   |       | Merger Related | Non-merger Related |                  |
|--------------------------------------|-----------------|----------|----------|-------|----------------|--------------------|------------------|
|                                      | 2007            | 2006     | Amount   | %     |                | Amount             | % <sup>(1)</sup> |
| <b>Loans</b>                         |                 |          |          |       |                |                    |                  |
| Total commercial                     | <b>\$22,016</b> | \$12,039 | \$ 9,977 | 82.9% | \$ 8,746       | \$1,231            | 5.9%             |
| Automobile loans and leases          | <b>4,354</b>    | 4,055    | 299      | 7.4   | 432            | (133)              | (3.0)            |
| Home equity                          | <b>7,355</b>    | 5,041    | 2,314    | 45.9  | 2,385          | (71)               | (1.0)            |
| Residential mortgage                 | <b>5,456</b>    | 4,748    | 708      | 14.9  | 1,112          | (404)              | (6.9)            |
| Other consumer                       | <b>647</b>      | 430      | 217      | 50.5  | 143            | 74                 | 12.9             |
| Total consumer                       | <b>17,812</b>   | 14,274   | 3,538    | 24.8  | 4,072          | (534)              | (2.9)            |
| Total loans                          | <b>\$39,828</b> | \$26,313 | \$13,515 | 51.4% | \$12,818       | \$ 697             | 1.8%             |
| <b>Deposits</b>                      |                 |          |          |       |                |                    |                  |
| Demand deposits non-interest bearing | <b>\$ 5,384</b> | \$ 3,509 | \$ 1,875 | 53.4% | \$ 1,829       | \$ 46              | 0.9%             |
| Demand deposits interest bearing     | <b>3,808</b>    | 2,169    | 1,639    | 75.6  | 1,460          | 179                | 4.9              |
| Money market deposits                | <b>6,869</b>    | 5,689    | 1,180    | 20.7  | 996            | 184                | 2.8              |
| Savings and other domestic deposits  | <b>5,043</b>    | 2,923    | 2,120    | 72.5  | 2,594          | (474)              | (8.6)            |
| Core certificates of deposit         | <b>10,425</b>   | 5,334    | 5,091    | 95.4  | 4,630          | 461                | 4.6              |
| Total core deposits                  | <b>31,529</b>   | 19,624   | 11,905   | 60.7  | 11,509         | 396                | 1.3              |
| Other deposits                       | <b>6,123</b>    | 4,969    | 1,154    | 23.2  | 1,342          | (188)              | (3.0)            |
| Total deposits                       | <b>\$37,652</b> | \$24,593 | \$13,059 | 53.1% | \$12,851       | \$ 208             | 0.6%             |

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

The \$0.7 billion, or 2%, non-merger related increase in total average loans primarily reflected:

\$1.2 billion, or 6%, increase in average total commercial loans, reflecting continued strong growth in middle-market commercial and industrial (C&I) loans. The increase in commercial loans was spread across substantially all regions.

Partially offset by:

\$0.5 billion, or 3%, decrease in average total consumer loans, reflecting continued declines in automobile leasing due to low consumer demand and competitive pricing, as well as the impact of mortgage loan sales over the last 12 months.

Also contributing to the growth in average earning assets was a \$1.1 billion increase in average trading account securities. The increase in these assets reflected a change in our strategy to use trading account securities to hedge the change in fair value of our MSRs.

**Table of Contents**

Concerning total average deposits, the \$0.2 billion of non-merger related increase primarily reflected: \$0.4 billion, or 1%, increase in average total core deposits, reflecting strong growth in interest bearing demand deposits and money market accounts. While there was strong growth in core certificates of deposits, this was offset by a decline in savings and other domestic deposits, as customers transferred funds from lower rate to higher rate accounts.

Partially offset by:

\$0.2 billion, or 3%, decline in other non-core deposits driven by a decline in brokered deposits and negotiable certificates of deposit.

**2007 Third Quarter versus 2007 Second Quarter**

Fully taxable equivalent net interest income for the 2007 third quarter was \$415.3 million. This represented an increase of \$157.8 million, or 61%, from the prior quarter. This reflected the favorable impact of a \$15.2 billion increase in average earning assets, of which \$13.4 billion represented an increase in average loans and leases, as well as the benefit of an increase in the fully taxable equivalent net interest margin of 26 basis points to 3.52%. These increases were primarily merger related.

The following table details the estimated merger related impacts on our reported loans and deposits:

**Table 5 Average Loans/Leases and Deposits Estimated Merger Related Impacts 3Q 07 vs. 2Q 07**

| <i>(in millions)</i>                 | <b>Third<br/>Quarter<br/>2007</b> | Second<br>Quarter<br>2007 | Change   |         | Merger<br>Related | Non-merger Related<br>Amount | % <sup>(1)</sup> |
|--------------------------------------|-----------------------------------|---------------------------|----------|---------|-------------------|------------------------------|------------------|
|                                      |                                   |                           | Amount   | Percent |                   |                              |                  |
| <b>Loans</b>                         |                                   |                           |          |         |                   |                              |                  |
| Total commercial                     | <b>\$22,016</b>                   | \$12,818                  | \$ 9,198 | 71.8%   | \$ 8,746          | \$ 452                       | 2.1%             |
| Automobile loans and leases          | <b>4,354</b>                      | 3,873                     | 481      | 12.4    | 432               | 49                           | 1.1              |
| Home equity                          | <b>7,355</b>                      | 4,973                     | 2,382    | 47.9    | 2,385             | (3)                          | (0.0)            |
| Residential mortgage                 | <b>5,456</b>                      | 4,351                     | 1,105    | 25.4    | 1,112             | (7)                          | (0.1)            |
| Other consumer                       | <b>647</b>                        | 424                       | 223      | 52.6    | 143               | 80                           | 14.1             |
| Total consumer                       | <b>17,812</b>                     | 13,621                    | 4,191    | 30.8    | 4,072             | 119                          | 0.7              |
| Total loans                          | <b>\$39,828</b>                   | \$26,439                  | \$13,389 | 50.6%   | \$12,818          | \$ 571                       | 1.5%             |
| <b>Deposits</b>                      |                                   |                           |          |         |                   |                              |                  |
| Demand deposits non-interest bearing | <b>\$ 5,384</b>                   | \$ 3,591                  | \$ 1,793 | 49.9%   | \$ 1,829          | \$ (36)                      | (0.7)%           |
| Demand deposits interest bearing     | <b>3,808</b>                      | 2,404                     | 1,404    | 58.4    | 1,460             | (56)                         | (1.4)            |
| Money market deposits                | <b>6,869</b>                      | 5,466                     | 1,403    | 25.7    | 996               | 407                          | 6.3              |
| Savings and other domestic deposits  | <b>5,043</b>                      | 2,863                     | 2,180    | 76.1    | 2,594             | (414)                        | (7.6)            |
| Core certificates of deposit         | <b>10,425</b>                     | 5,591                     | 4,834    | 86.5    | 4,630             | 204                          | 2.0              |
| Total core deposits                  | <b>31,529</b>                     | 19,915                    | 11,614   | 58.3    | 11,509            | 105                          | 0.3              |
| Other deposits                       | <b>6,123</b>                      | 4,358                     | 1,765    | 40.5    | 1,342             | 423                          | 7.4              |
| Total deposits                       | <b>\$37,652</b>                   | \$24,273                  | \$13,379 | 55.1%   | \$12,851          | \$ 528                       | 1.4%             |

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

The \$0.6 billion, or 1%, non-merger related increase in average total loans and leases primarily reflected 2% growth in average total commercial loans due to continued strong growth across substantially all regions. Non-merger related average total consumer loans increased 1% with most categories essentially unchanged.

Also contributing to the growth in average earning assets were \$0.9 billion increase in average trading account securities and \$0.7 billion in average investment securities. These increases were primarily merger related. The increase in these assets reflected a change in our strategy to use trading account securities to hedge the change in fair value of our MSRs.

**Table of Contents**

Concerning the \$13.4 billion increase in average total deposits, \$12.9 billion was merger related. The \$0.5 billion, or 1%, non-merger related increase reflected:

\$0.4 billion, or 7%, increase in other non-core deposits, reflecting an increase in wholesale deposits.

\$0.1 billion increase in average total core deposits. This reflected strong growth in money market deposits and core certificates of deposit, partially offset by a decline in savings and other domestic deposits as those depositors moved funds into higher rate accounts. The decline in interest bearing and non-interest bearing demand deposits reflected seasonality.

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

**Table of Contents****Table 6 Consolidated Quarterly Average Balance Sheets**

| Fully taxable equivalent basis<br>(in millions)                        | Average Balances |                |        |                |        | Change<br>3Q07 vs 3Q06 |         |
|------------------------------------------------------------------------|------------------|----------------|--------|----------------|--------|------------------------|---------|
|                                                                        | Third            | 2007<br>Second | First  | 2006<br>Fourth | Third  | Amount                 | Percent |
| <b>Assets</b>                                                          |                  |                |        |                |        |                        |         |
| Interest bearing deposits in banks                                     | \$ 292           | \$ 259         | \$ 93  | \$ 77          | \$ 75  | \$ 217                 | N.M.%   |
| Trading account securities                                             | 1,149            | 230            | 48     | 116            | 96     | 1,053                  | N.M.    |
| Federal funds sold and securities<br>purchased under resale agreements | 557              | 574            | 503    | 531            | 266    | 291                    | N.M.    |
| Loans held for sale                                                    | 419              | 291            | 242    | 265            | 275    | 144                    | 52.4    |
| Investment securities:                                                 |                  |                |        |                |        |                        |         |
| Taxable                                                                | 3,951            | 3,253          | 3,595  | 3,792          | 4,364  | (413)                  | (9.5)   |
| Tax-exempt                                                             | 675              | 629            | 591    | 594            | 581    | 94                     | 16.2    |
| Total investment securities                                            | 4,626            | 3,882          | 4,186  | 4,386          | 4,945  | (319)                  | (6.5)   |
| Loans and leases: <sup>(1)</sup>                                       |                  |                |        |                |        |                        |         |
| Commercial:                                                            |                  |                |        |                |        |                        |         |
| Middle market commercial and<br>industrial                             | 10,301           | 6,209          | 6,070  | 5,882          | 5,651  | 4,650                  | 82.3    |
| Middle market commercial real<br>estate:                               |                  |                |        |                |        |                        |         |
| Construction                                                           | 1,782            | 1,245          | 1,151  | 1,170          | 1,129  | 653                    | 57.8    |
| Commercial                                                             | 5,623            | 2,865          | 2,772  | 2,839          | 2,846  | 2,777                  | 97.6    |
| Middle market commercial real<br>estate                                | 7,405            | 4,110          | 3,923  | 4,009          | 3,975  | 3,430                  | 86.3    |
| Small business                                                         | 4,310            | 2,499          | 2,466  | 2,421          | 2,413  | 1,897                  | 78.6    |
| Total commercial                                                       | 22,016           | 12,818         | 12,459 | 12,312         | 12,039 | 9,977                  | 82.9    |
| Consumer:                                                              |                  |                |        |                |        |                        |         |
| Automobile loans                                                       | 2,931            | 2,322          | 2,215  | 2,111          | 2,079  | 852                    | 41.0    |
| Automobile leases                                                      | 1,423            | 1,551          | 1,698  | 1,838          | 1,976  | (553)                  | (28.0)  |
| Automobile loans and leases                                            | 4,354            | 3,873          | 3,913  | 3,949          | 4,055  | 299                    | 7.4     |
| Home equity                                                            | 7,355            | 4,973          | 4,913  | 4,973          | 5,041  | 2,314                  | 45.9    |
| Residential mortgage                                                   | 5,456            | 4,351          | 4,496  | 4,635          | 4,748  | 708                    | 14.9    |
| Other loans                                                            | 647              | 424            | 422    | 430            | 430    | 217                    | 50.5    |
| Total consumer                                                         | 17,812           | 13,621         | 13,744 | 13,987         | 14,274 | 3,538                  | 24.8    |
| Total loans and leases                                                 | 39,828           | 26,439         | 26,203 | 26,299         | 26,313 | 13,515                 | 51.4    |
| Allowance for loan and lease losses                                    | (475)            | (297)          | (278)  | (282)          | (291)  | (184)                  | (63.2)  |
| Net loans and leases                                                   | 39,353           | 26,142         | 25,925 | 26,017         | 26,022 | 13,331                 | 51.2    |

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|                                                  |                 |          |          |          |          |          |        |
|--------------------------------------------------|-----------------|----------|----------|----------|----------|----------|--------|
| Total earning assets                             | <b>46,871</b>   | 31,675   | 31,275   | 31,674   | 31,970   | 14,901   | 46.6   |
| Cash and due from banks                          | <b>1,111</b>    | 748      | 826      | 830      | 823      | 288      | 35.0   |
| Intangible assets                                | <b>3,337</b>    | 626      | 627      | 631      | 634      | 2,703    | N.M.   |
| All other assets                                 | <b>3,124</b>    | 2,398    | 2,480    | 2,617    | 2,633    | 491      | 18.6   |
| <b>Total Assets</b>                              | <b>\$53,968</b> | \$35,150 | \$34,930 | \$35,470 | \$35,769 | \$18,199 | 50.9%  |
| <b>Liabilities and Shareholders</b>              |                 |          |          |          |          |          |        |
| <b>Equity</b>                                    |                 |          |          |          |          |          |        |
| Deposits:                                        |                 |          |          |          |          |          |        |
| Demand deposits non-interest bearing             | <b>\$ 5,384</b> | \$ 3,591 | \$ 3,530 | \$ 3,580 | \$ 3,509 | \$ 1,875 | 53.4%  |
| Demand deposits interest bearing                 | <b>3,808</b>    | 2,404    | 2,349    | 2,219    | 2,169    | 1,639    | 75.6   |
| Money market deposits                            | <b>6,869</b>    | 5,466    | 5,489    | 5,548    | 5,689    | 1,180    | 20.7   |
| Savings and other domestic deposits              | <b>5,043</b>    | 2,863    | 2,827    | 2,849    | 2,923    | 2,120    | 72.5   |
| Core certificates of deposit                     | <b>10,425</b>   | 5,591    | 5,455    | 5,380    | 5,334    | 5,091    | 95.4   |
| Total core deposits                              | <b>31,529</b>   | 19,915   | 19,650   | 19,576   | 19,624   | 11,905   | 60.7   |
| Other domestic deposits of \$100,000 or more     | <b>1,694</b>    | 1,124    | 1,219    | 1,282    | 1,141    | 553      | 48.5   |
| Brokered deposits and negotiable CDs             | <b>3,728</b>    | 2,682    | 3,020    | 3,252    | 3,307    | 421      | 12.7   |
| Deposits in foreign offices                      | <b>701</b>      | 552      | 562      | 598      | 521      | 180      | 34.5   |
| Total deposits                                   | <b>37,652</b>   | 24,273   | 24,451   | 24,708   | 24,593   | 13,059   | 53.1   |
| Short-term borrowings                            | <b>2,542</b>    | 2,075    | 1,863    | 1,832    | 1,660    | 882      | 53.1   |
| Federal Home Loan Bank advances                  | <b>2,553</b>    | 1,329    | 1,128    | 1,121    | 1,349    | 1,204    | 89.3   |
| Subordinated notes and other long-term debt      | <b>3,912</b>    | 3,470    | 3,487    | 3,583    | 3,921    | (9)      | (0.2)  |
| Total interest bearing liabilities               | <b>41,275</b>   | 27,556   | 27,399   | 27,664   | 28,014   | 13,261   | 47.3   |
| All other liabilities                            | <b>1,103</b>    | 960      | 987      | 1,142    | 1,276    | (173)    | (13.6) |
| Shareholders equity                              | <b>6,206</b>    | 3,043    | 3,014    | 3,084    | 2,970    | 3,236    | N.M.   |
| <b>Total Liabilities and Shareholders Equity</b> | <b>\$53,968</b> | \$35,150 | \$34,930 | \$35,470 | \$35,769 | \$18,199 | 50.9%  |

N.M., not a meaningful value.

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





**Table of Contents****Table 7 Consolidated Quarterly Net Interest Margin Analysis**

| Fully taxable equivalent basis <sup>(1)</sup>                       | Third        | Average Rates <sup>(2)</sup> |       |        | 2006<br>Third |
|---------------------------------------------------------------------|--------------|------------------------------|-------|--------|---------------|
|                                                                     |              | 2007<br>Second               | First | Fourth |               |
| <b>Assets</b>                                                       |              |                              |       |        |               |
| Interest bearing deposits in banks                                  | <b>4.69%</b> | 6.47%                        | 5.13% | 5.50%  | 5.23%         |
| Trading account securities                                          | <b>6.01</b>  | 5.74                         | 5.27  | 4.10   | 4.32          |
| Federal funds sold and securities purchased under resale agreements | <b>5.26</b>  | 5.28                         | 5.24  | 5.35   | 5.13          |
| Loans held for sale                                                 | <b>5.13</b>  | 5.79                         | 6.27  | 6.01   | 6.24          |
| Investment securities:                                              |              |                              |       |        |               |
| Taxable                                                             | <b>6.09</b>  | 6.11                         | 6.13  | 6.05   | 5.49          |
| Tax-exempt                                                          | <b>6.78</b>  | 6.69                         | 6.66  | 6.68   | 6.80          |
| Total investment securities                                         | <b>6.19</b>  | 6.20                         | 6.21  | 6.13   | 5.64          |
| Loans and leases: <sup>(3)</sup>                                    |              |                              |       |        |               |
| Commercial:                                                         |              |                              |       |        |               |
| Middle market commercial and industrial                             | <b>7.77</b>  | 7.39                         | 7.48  | 7.55   | 7.40          |
| Middle market commercial real estate:                               |              |                              |       |        |               |
| Construction                                                        | <b>7.67</b>  | 7.62                         | 8.41  | 8.37   | 8.49          |
| Commercial                                                          | <b>7.60</b>  | 7.34                         | 7.64  | 7.57   | 7.86          |
| Middle market commercial real estate                                | <b>7.62</b>  | 7.42                         | 7.87  | 7.80   | 8.05          |
| Small business                                                      | <b>7.55</b>  | 7.30                         | 7.24  | 7.18   | 7.13          |
| Total commercial                                                    | <b>7.68</b>  | 7.38                         | 7.56  | 7.56   | 7.56          |
| Consumer:                                                           |              |                              |       |        |               |
| Automobile loans                                                    | <b>7.25</b>  | 7.10                         | 6.92  | 6.75   | 6.62          |
| Automobile leases                                                   | <b>5.56</b>  | 5.34                         | 5.25  | 5.21   | 5.10          |
| Automobile loans and leases                                         | <b>6.70</b>  | 6.39                         | 6.25  | 6.03   | 5.88          |
| Home equity                                                         | <b>7.95</b>  | 7.63                         | 7.67  | 7.75   | 7.62          |
| Residential mortgage                                                | <b>6.06</b>  | 5.61                         | 5.54  | 5.55   | 5.46          |
| Other loans                                                         | <b>10.71</b> | 9.57                         | 9.52  | 9.28   | 9.41          |
| Total consumer                                                      | <b>7.17</b>  | 6.69                         | 6.58  | 6.58   | 6.46          |
| Total loans and leases                                              | <b>7.45</b>  | 7.03                         | 7.05  | 7.04   | 6.96          |
| <b>Total earning assets</b>                                         | <b>7.25%</b> | 6.92%                        | 6.98% | 6.86%  | 6.73%         |
| <b>Liabilities and Shareholders Equity</b>                          |              |                              |       |        |               |
| Deposits:                                                           |              |                              |       |        |               |
| Demand deposits                                                     |              |                              |       |        |               |
| non-interest bearing                                                | %            | %                            | %     | %      | %             |
| Demand deposits                                                     | <b>1.53</b>  | 1.22                         | 1.21  | 1.04   | 0.97          |
| interest bearing                                                    |              |                              |       |        |               |

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|                                                |              |       |       |       |       |
|------------------------------------------------|--------------|-------|-------|-------|-------|
| Money market deposits                          | <b>3.78</b>  | 3.85  | 3.78  | 3.75  | 3.66  |
| Savings and other domestic deposits            | <b>2.50</b>  | 2.16  | 2.02  | 1.90  | 1.75  |
| Core certificates of deposit                   | <b>4.99</b>  | 4.79  | 4.72  | 4.58  | 4.40  |
| Total core deposits                            | <b>3.69</b>  | 3.49  | 3.41  | 3.32  | 3.20  |
| Other domestic deposits of \$100,000 or more   | <b>4.81</b>  | 5.30  | 5.32  | 5.29  | 5.18  |
| Brokered deposits and negotiable CDs           | <b>5.42</b>  | 5.53  | 5.50  | 5.53  | 5.50  |
| Deposits in foreign offices                    | <b>3.29</b>  | 3.16  | 2.99  | 3.18  | 3.12  |
| Total deposits                                 | <b>3.94</b>  | 3.84  | 3.81  | 3.78  | 3.66  |
| Short-term borrowings                          | <b>4.10</b>  | 4.50  | 4.32  | 4.21  | 4.10  |
| Federal Home Loan Bank advances                | <b>5.31</b>  | 4.76  | 4.44  | 4.50  | 4.51  |
| Subordinated notes and other long-term debt    | <b>6.15</b>  | 5.96  | 5.77  | 5.96  | 5.75  |
| <b>Total interest bearing liabilities</b>      | <b>4.24%</b> | 4.20% | 4.14% | 4.12% | 4.02% |
| Net interest rate spread                       | <b>3.01%</b> | 2.72% | 2.84% | 2.74% | 2.71% |
| Impact of non-interest bearing funds on margin | <b>0.51</b>  | 0.54  | 0.52  | 0.54  | 0.51  |
| <b>Net interest margin</b>                     | <b>3.52%</b> | 3.26% | 3.36% | 3.28% | 3.22% |

(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.



**Table of Contents****2007 First Nine Months versus 2006 First Nine Months**

Fully taxable equivalent net interest income for the first nine-month period of 2007 was \$932.5 million. This represented an increase of \$159.4 million, or 21%, from the comparable year-ago period. This reflected the favorable impact of a \$5.3 billion increase in average earning assets, of which \$5.0 billion represented an increase in average loans and leases, as well as the benefit of an increase in the fully taxable equivalent net interest margin of 11 basis points to 3.40%. These increases were primarily merger related.

The following table details the estimated merger related impacts on our reported loans and deposits:

**Table 8 Average Loans/Leases and Deposits Estimated Merger Related Impacts Nine Months 2007 vs. Nine Months 2006**

| <i>(in millions)</i>                     | <b>Nine Months Ended</b>  |             | <b>Change</b> |                | <b>Merger Related</b> | <b>Non-merger Related</b> |                         |
|------------------------------------------|---------------------------|-------------|---------------|----------------|-----------------------|---------------------------|-------------------------|
|                                          | <b>September 30, 2007</b> | <b>2006</b> | <b>Amount</b> | <b>Percent</b> |                       | <b>Amount</b>             | <b>% <sup>(1)</sup></b> |
| <b>Loans</b>                             |                           |             |               |                |                       |                           |                         |
| Total commercial                         | <b>\$15,799</b>           | \$11,715    | \$4,084       | 34.9%          | \$2,915               | \$1,169                   | 8.0%                    |
| Automobile loans and leases              | <b>4,048</b>              | 4,135       | (87)          | (2.1)          | 144                   | (231)                     | (5.4)                   |
| Home equity                              | <b>5,756</b>              | 4,969       | 787           | 15.8           | 795                   | (8)                       | (0.1)                   |
| Residential mortgage                     | <b>4,771</b>              | 4,563       | 208           | 4.6            | 371                   | (163)                     | (3.3)                   |
| Other consumer                           | <b>499</b>                | 442         | 57            | 12.9           | 48                    | 9                         | 1.9                     |
| Total consumer                           | <b>15,074</b>             | 14,109      | 965           | 6.8            | 1,357                 | (392)                     | (2.5)                   |
| Total loans                              | <b>\$30,873</b>           | \$25,824    | \$5,049       | 19.6%          | \$4,273               | \$ 776                    | 2.6%                    |
| <b>Deposits</b>                          |                           |             |               |                |                       |                           |                         |
| Demand deposits non-interest bearing     | <b>\$ 4,175</b>           | \$ 3,513    | \$ 662        | 18.8%          | \$ 610                | \$ 52                     | 1.3%                    |
| Demand deposits interest bearing         | <b>2,859</b>              | 2,110       | 749           | 35.5           | 487                   | 262                       | 10.1                    |
| Money market deposits                    | <b>5,946</b>              | 5,624       | 322           | 5.7            | 332                   | (10)                      | (0.2)                   |
| Savings and other domestic time deposits | <b>3,586</b>              | 3,041       | 545           | 17.9           | 865                   | (320)                     | (8.2)                   |
| Core certificates of deposit             | <b>7,176</b>              | 4,939       | 2,237         | 45.3           | 1,543                 | 694                       | 10.7                    |
| Total core deposits                      | <b>23,742</b>             | 19,227      | 4,515         | 23.5           | 3,836                 | 679                       | 2.9                     |
| Other deposits                           | <b>5,098</b>              | 4,780       | 318           | 6.7            | 447                   | (129)                     | (2.5)                   |
| Total deposits                           | <b>\$28,840</b>           | \$24,007    | \$4,833       | 20.1%          | \$4,284               | \$ 549                    | 1.9%                    |

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

The \$0.8 billion, or 3%, of non-merger related increase in total average loans primarily reflected:

\$1.2 billion, or 8%, increase in average total commercial loans, reflecting continued strong growth in middle-market C&I loans. The increase in commercial loans was spread across substantially all regions.

Partially offset by:

\$0.4 billion, or 3%, decrease in average total consumer loans, reflecting continued declines in automobile leasing due to low consumer demand and competitive pricing, as well as a decline in residential mortgages due to the impact of mortgage loan sales over the last 12 months.

Concerning total average deposits, the \$0.5 billion, or 2%, non-merger related increase primarily reflected:

\$0.7 billion, or 3%, in average total core deposits, reflecting strong growth in interest bearing demand deposits.

While there was strong growth in core certificates of deposits, this was partially offset by the decline in savings and other domestic deposits, as customers transferred funds from lower rate to higher rate accounts.

**Table of Contents****Table 9 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<br>Sept 30, |        | Change |         | Nine Months Ended<br>September 30, |       |
|                                                                           | 2007                          | 2006   | Amount | Percent | 2007                               | 2006  |
| <b>Assets</b>                                                             |                               |        |        |         |                                    |       |
| Interest bearing deposits in banks                                        | \$ 187                        | \$ 44  | \$ 143 | N.M.%   | 4.93%                              | 6.16% |
| Trading account securities                                                | 480                           | 84     | 396    | N.M.    | 5.94                               | 4.24  |
| Federal funds sold and securities<br>purchased under resale agreements    | 545                           | 251    | 294    | N.M.    | 5.26                               | 4.76  |
| Loans held for sale                                                       | 318                           | 279    | 39     | 14.0    | 5.61                               | 6.13  |
| Investment securities:                                                    |                               |        |        |         |                                    |       |
| Taxable                                                                   | 3,601                         | 4,333  | (732)  | (16.9)  | 6.11                               | 5.29  |
| Tax-exempt                                                                | 632                           | 562    | 70     | 12.5    | 6.71                               | 6.78  |
| Total investment securities                                               | 4,233                         | 4,895  | (662)  | (13.5)  | 6.20                               | 5.46  |
| Loans and leases: <sup>(3)</sup>                                          |                               |        |        |         |                                    |       |
| Commercial:                                                               |                               |        |        |         |                                    |       |
| Middle market commercial and<br>industrial                                | 7,542                         | 5,450  | 2,092  | 38.4    | 7.59                               | 7.33  |
| Middle market commercial real estate:                                     |                               |        |        |         |                                    |       |
| Construction                                                              | 1,395                         | 1,277  | 118    | 9.2     | 7.86                               | 7.98  |
| Commercial                                                                | 3,764                         | 2,720  | 1,044  | 38.4    | 7.55                               | 7.06  |
| Middle market commercial real estate<br>Small business                    | 5,159                         | 3,997  | 1,162  | 29.1    | 7.63                               | 7.35  |
|                                                                           | 3,098                         | 2,268  | 830    | 36.6    | 7.40                               | 6.90  |
| Total commercial                                                          | 15,799                        | 11,715 | 4,084  | 34.9    | 7.57                               | 7.25  |
| Consumer:                                                                 |                               |        |        |         |                                    |       |
| Automobile loans                                                          | 2,492                         | 2,039  | 453    | 22.2    | 7.11                               | 6.51  |
| Automobile leases                                                         | 1,556                         | 2,096  | (540)  | (25.8)  | 5.38                               | 5.02  |
| Automobile loans and leases                                               | 4,048                         | 4,135  | (87)   | (2.1)   | 6.44                               | 5.75  |
| Home equity                                                               | 5,756                         | 4,969  | 787    | 15.8    | 7.77                               | 7.32  |
| Residential mortgage                                                      | 4,771                         | 4,563  | 208    | 4.6     | 5.76                               | 5.40  |
| Other loans                                                               | 499                           | 442    | 57     | 12.9    | 10.05                              | 9.25  |
| Total consumer                                                            | 15,074                        | 14,109 | 965    | 6.8     | 6.85                               | 6.30  |
| Total loans and leases                                                    | 30,873                        | 25,824 | 5,049  | 19.6    | 7.22                               | 6.73  |
| Allowance for loan and lease losses                                       | (351)                         | (289)  | (62)   | 21.5    |                                    |       |
| Net loans and leases                                                      | 30,522                        | 25,535 | 4,987  | 19.5    |                                    |       |
| Total earning assets                                                      | 36,636                        | 31,377 | 5,259  | 16.8    | 7.08%                              | 6.51% |

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|                                                   |                 |          |         |        |              |          |
|---------------------------------------------------|-----------------|----------|---------|--------|--------------|----------|
| Cash and due from banks                           | <b>925</b>      | 823      | 102     | 12.4   |              |          |
| Intangible assets                                 | <b>1,540</b>    | 545      | 995     | N.M.   |              |          |
| All other assets                                  | <b>2,670</b>    | 2,535    | 135     | 5.3    |              |          |
| <b>Total Assets</b>                               | <b>\$41,420</b> | \$34,991 | \$6,429 | 18.4%  |              |          |
| <b>Liabilities and Shareholders Equity</b>        |                 |          |         |        |              |          |
| Deposits:                                         |                 |          |         |        |              |          |
| Demand deposits non-interest bearing              | <b>\$ 4,175</b> | \$ 3,513 | \$ 662  | 18.8%  | <b>%</b>     | <b>%</b> |
| Demand deposits interest bearing                  | <b>2,859</b>    | 2,110    | 749     | 35.5   | <b>1.36</b>  | 0.86     |
| Money market deposits                             | <b>5,946</b>    | 5,624    | 322     | 5.7    | <b>3.80</b>  | 3.35     |
| Savings and other domestic time deposits          | <b>3,586</b>    | 3,041    | 545     | 17.9   | <b>2.28</b>  | 1.61     |
| Core certificates of deposit                      | <b>7,176</b>    | 4,939    | 2,237   | 45.3   | <b>4.87</b>  | 4.13     |
| Total core deposits                               | <b>23,742</b>   | 19,227   | 4,515   | 23.5   | <b>3.56</b>  | 2.92     |
| Other domestic time deposits of \$100,000 or more | <b>1,347</b>    | 1,055    | 292     | 27.7   | <b>5.10</b>  | 4.87     |
| Brokered deposits and negotiable CDs              | <b>3,146</b>    | 3,238    | (92)    | (2.8)  | <b>5.48</b>  | 5.11     |
| Deposits in foreign offices                       | <b>605</b>      | 487      | 118     | 24.2   | <b>3.16</b>  | 2.82     |
| Total deposits                                    | <b>28,840</b>   | 24,007   | 4,833   | 20.1   | <b>3.88</b>  | 3.37     |
| Short-term borrowings                             | <b>2,163</b>    | 1,790    | 373     | 20.8   | <b>4.29</b>  | 3.94     |
| Federal Home Loan Bank advances                   | <b>1,675</b>    | 1,453    | 222     | 15.3   | <b>4.97</b>  | 4.28     |
| Subordinated notes and other long-term debt       | <b>3,624</b>    | 3,570    | 54      | 1.5    | <b>5.96</b>  | 5.55     |
| Total interest bearing liabilities                | <b>32,127</b>   | 27,307   | 4,820   | 17.7   | <b>4.20</b>  | 3.74     |
| All other liabilities                             | <b>1,018</b>    | 1,272    | (254)   | (20.0) |              |          |
| Shareholders equity                               | <b>4,100</b>    | 2,899    | 1,201   | 41.4   |              |          |
| <b>Total Liabilities and Shareholders Equity</b>  | <b>\$41,420</b> | \$34,991 | \$6,429 | 18.4%  |              |          |
| Net interest rate spread                          |                 |          |         |        | <b>2.88</b>  | 2.77     |
| Impact of non-interest bearing funds on margin    |                 |          |         |        | <b>0.52</b>  | 0.52     |
| <b>Net interest margin</b>                        |                 |          |         |        | <b>3.40%</b> | 3.29%    |

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.

**Table of Contents****Provision for Credit Losses**

*(This section should be read in conjunction with Significant Items 1,5, 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 (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 2007 third quarter was \$42.0 million, up \$27.8 million from the year-ago quarter. Compared with the 2007 second quarter, the provision for credit losses declined \$18.1 million. The 2007 second quarter included \$24.8 million of provision for credit losses for two eastern Michigan credit relationships and one northern Ohio commercial credit. In the current quarter, charge-offs of \$10.0 million, related to these credit relationships, were taken against these reserves. On a reported basis, 2007 third quarter net charge-offs of \$47.1 million exceeded current period provision for credit losses by \$5.1 million. Adjusting for the \$10.0 million of charge-offs associated with these three commercial credits, the current quarter provision for credit losses exceeded net charge-offs by \$4.9 million. Refer to the Credit Quality section of this document for additional discussion regarding the allowance for credit losses and charge-offs.

**Non-Interest Income**

*(This section should be read in conjunction with Significant Items 1, 2, 3, 4, and 7.)*

Table 10 reflects non-interest income detail for each of the past five quarters and the first nine-month periods of 2007 and 2006.

**Table 10 Non-Interest Income**

| <i>(in thousands)</i>               | <b>Third</b>     | <b>2007</b>   |              | <b>2006</b>   |              | <b>3Q07 vs 3Q06</b> |                |
|-------------------------------------|------------------|---------------|--------------|---------------|--------------|---------------------|----------------|
|                                     |                  | <b>Second</b> | <b>First</b> | <b>Fourth</b> | <b>Third</b> | <b>Amount</b>       | <b>Percent</b> |
| Service charges on deposit accounts | <b>\$ 78,107</b> | \$ 50,017     | \$ 44,793    | \$ 48,548     | \$ 48,718    | \$ 29,389           | 60.3%          |
| Trust services                      | <b>33,562</b>    | 26,764        | 25,894       | 23,511        | 22,490       | 11,072              | 49.2           |
| Brokerage and insurance income      | <b>28,806</b>    | 17,199        | 16,082       | 14,600        | 14,697       | 14,109              | 96.0           |
| Other service charges and fees      | <b>21,045</b>    | 14,923        | 13,208       | 13,784        | 12,989       | 8,056               | 62.0           |
| Bank owned life insurance income    | <b>14,847</b>    | 10,904        | 10,851       | 10,804        | 12,125       | 2,722               | 22.4           |
| Mortgage banking income             | <b>9,629</b>     | 7,122         | 9,351        | 6,169         | 8,512        | 1,117               | 13.1           |
| Securities (losses) gains           | <b>(13,152)</b>  | (5,139)       | 104          | (15,804)      | (57,332)     | 44,180              | (77.1)         |
| Other income                        | <b>31,830</b>    | 34,403        | 24,894       | 38,994        | 35,711       | (3,881)             | (10.9)         |
| <b>Total non-interest income</b>    | <b>\$204,674</b> | \$156,193     | \$145,177    | \$140,606     | \$ 97,910    | \$106,764           | N.M.%          |

| <i>(in thousands)</i>               | <b>Nine Months Ended Sept 30,</b> |             | <b>YTD 2007 vs 2006</b> |                |
|-------------------------------------|-----------------------------------|-------------|-------------------------|----------------|
|                                     | <b>2007</b>                       | <b>2006</b> | <b>Amount</b>           | <b>Percent</b> |
| Service charges on deposit accounts | <b>\$172,917</b>                  | \$137,165   | \$ 35,752               | 26.1%          |
| Trust services                      | <b>86,220</b>                     | 66,444      | 19,776                  | 29.8           |

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|                                  |                  |           |           |        |
|----------------------------------|------------------|-----------|-----------|--------|
| Brokerage and insurance income   | <b>62,087</b>    | 44,235    | 17,852    | 40.4   |
| Other service charges and fees   | <b>49,176</b>    | 37,570    | 11,606    | 30.9   |
| Bank owned life insurance income | <b>36,602</b>    | 32,971    | 3,631     | 11.0   |
| Mortgage banking income          | <b>26,102</b>    | 35,322    | (9,220)   | (26.1) |
| Securities losses                | <b>(18,187)</b>  | (57,387)  | 39,200    | (68.3) |
| Other income                     | <b>91,127</b>    | 124,143   | (33,016)  | (26.6) |
| <b>Total non-interest income</b> | <b>\$506,044</b> | \$420,463 | \$ 85,581 | 20.4%  |

N.M., not a meaningful value.

Table 11 details mortgage banking income and the net impact of MSR hedging activity for each of the past five quarters and for the first nine-month periods of 2007 and 2006.

**Table of Contents****Table 11 Mortgage Banking Income and Net Impact of MSR Hedging**

| <i>(in thousands)</i>                                | <b>Third</b>      | <b>2007<br/>Second</b> | <b>First</b> | <b>2006<br/>Fourth</b> | <b>Third</b> | <b>3Q07 vs 3Q06<br/>Amount</b> | <b>Percent</b> |
|------------------------------------------------------|-------------------|------------------------|--------------|------------------------|--------------|--------------------------------|----------------|
| <b>Mortgage Banking Income</b>                       |                   |                        |              |                        |              |                                |                |
| Origination and secondary marketing                  | \$ <b>8,375</b>   | \$ 6,771               | \$ 4,940     | \$ 4,057               | \$ 3,070     | 5,305                          | N.M.%          |
| Servicing fees                                       | <b>10,811</b>     | 6,976                  | 6,820        | 6,662                  | 6,077        | 4,734                          | 77.9           |
| Amortization of capitalized servicing <sup>(1)</sup> | <b>(6,571)</b>    | (4,449)                | (3,638)      | (3,835)                | (4,484)      | (2,087)                        | (46.5)         |
| Other mortgage banking income                        | <b>3,016</b>      | 2,822                  | 3,247        | 1,778                  | 3,887        | (871)                          | (22.4)         |
| Sub-total                                            | <b>15,631</b>     | 12,120                 | 11,369       | 8,662                  | 8,550        | 7,081                          | 82.8           |
| MSR valuation adjustment <sup>(1)</sup>              | <b>(9,863)</b>    | 16,034                 | (1,057)      | (1,907)                | (10,716)     | 853                            | (8.0)          |
| Net trading gains (losses) related to MSR hedging    | <b>3,861</b>      | (21,032)               | (961)        | (586)                  | 10,678       | (6,817)                        | (63.8)         |
| Total mortgage banking income                        | \$ <b>9,629</b>   | \$ 7,122               | \$ 9,351     | \$ 6,169               | \$ 8,512     | \$ 1,117                       | 13.1%          |
| Capitalized mortgage servicing rights <sup>(2)</sup> | \$ <b>228,933</b> | \$ 155,420             | \$ 134,845   | \$ 131,104             | \$ 129,317   | \$ 99,616                      | 77.0%          |
| Total mortgages serviced for others <sup>(2)</sup>   | <b>15,073,000</b> | 8,693,000              | 8,494,000    | 8,252,000              | 7,994,000    | 7,079,000                      | 88.6           |
| MSR % of investor servicing portfolio                | <b>1.52%</b>      | 1.79%                  | 1.59%        | 1.59%                  | 1.62%        | (0.10)%                        | (6.2)          |
| <b>Net Impact of MSR Hedging</b>                     |                   |                        |              |                        |              |                                |                |
| MSR valuation adjustment <sup>(1)</sup>              | \$ <b>(9,863)</b> | \$ 16,034              | \$ (1,057)   | \$ (1,907)             | \$ (10,716)  | \$ 853                         | (8.0)%         |
| Net trading gains (losses) related to MSR hedging    | <b>3,861</b>      | (21,032)               | (961)        | (586)                  | 10,678       | (6,817)                        | (63.8)         |
| Net interest income (losses) related to MSR hedging  | <b>2,357</b>      | 248                    |              | (2)                    | 38           | 2,319                          | N.M.           |
| Net impact of MSR hedging                            | \$ <b>(3,645)</b> | \$ (4,750)             | \$ (2,018)   | \$ (2,495)             | \$           | \$ (3,645)                     | %              |

| <i>(in thousands)</i>               | <b>Nine Months Ended September 30,</b> |             | <b>YTD 2007 vs 2006</b> |                |
|-------------------------------------|----------------------------------------|-------------|-------------------------|----------------|
|                                     | <b>2007</b>                            | <b>2006</b> | <b>Amount</b>           | <b>Percent</b> |
| <b>Mortgage Banking Income</b>      |                                        |             |                         |                |
| Origination and secondary marketing | \$ <b>20,086</b>                       | \$ 14,160   | \$ 5,926                | 41.9%          |

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|                                                      |                    |            |             |         |
|------------------------------------------------------|--------------------|------------|-------------|---------|
| Servicing fees                                       | <b>24,607</b>      | 17,997     | 6,610       | 36.7    |
| Amortization of capitalized servicing <sup>(1)</sup> | <b>(14,658)</b>    | (11,309)   | (3,349)     | 29.6    |
| Other mortgage banking income                        | <b>9,085</b>       | 8,395      | 690         | 8.2     |
| Sub-total                                            | <b>39,120</b>      | 29,243     | 9,877       | 33.8    |
| MSR valuation adjustment <sup>(1)</sup>              | <b>5,114</b>       | 6,778      | (1,664)     | (24.6)  |
| Net trading losses related to MSR hedging            | <b>(18,132)</b>    | (699)      | (17,433)    | N.M.    |
| Total mortgage banking income                        | <b>\$ 26,102</b>   | \$ 35,322  | \$ (9,220)  | (26.1)% |
| Capitalized mortgage servicing rights <sup>(2)</sup> | <b>\$ 228,933</b>  | \$ 129,317 | \$ 99,616   | 77.0%   |
| Total mortgages serviced for others <sup>(2)</sup>   | <b>15,073,000</b>  | 7,994,000  | 7,079,000   | 88.6    |
| MSR % of investor servicing portfolio                | <b>1.52%</b>       | 1.62%      | (0.10)%     | (6.2)   |
| <b>Net Impact of MSR Hedging</b>                     |                    |            |             |         |
| MSR valuation adjustment <sup>(1)</sup>              | <b>\$ 5,114</b>    | \$ 6,778   | \$ (1,664)  | (24.6)% |
| Net trading losses related to MSR hedging            | <b>(18,132)</b>    | (699)      | (17,433)    | N.M.    |
| Net interest income related to MSR hedging           | <b>2,605</b>       | 38         | 2,567       | N.M.    |
| Net impact of MSR hedging                            | <b>\$ (10,413)</b> | \$ 6,117   | \$ (16,530) | N.M.%   |

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.

**Table of Contents**2007 Third Quarter versus 2006 Third Quarter

Non-interest income increased \$106.8 million, or 109%, from the year-ago quarter, of which \$68.7 million was merger related. The following table details the estimated merger related impact on our reported non-interest income:

**Table 12 Non-Interest Income Estimated Merger Related Impacts 3Q 07 vs. 3Q 06**

| <i>(in thousands)</i>               | <b>2007<br/>Third</b> | 2006<br>Third | Change     |        | Merger<br>Related | Non-merger Related |                  |
|-------------------------------------|-----------------------|---------------|------------|--------|-------------------|--------------------|------------------|
|                                     |                       |               | Amount     | %      |                   | Amount             | % <sup>(1)</sup> |
| Service charges on deposit accounts | <b>\$ 78,107</b>      | \$ 48,718     | \$ 29,389  | 60.3%  | \$ 24,110         | \$ 5,279           | 7.2%             |
| Trust services                      | <b>33,562</b>         | 22,490        | 11,072     | 49.2   | 7,009             | 4,063              | 13.8             |
| Brokerage and insurance income      | <b>28,806</b>         | 14,697        | 14,109     | 96.0   | 17,061            | (2,952)            | (9.3)            |
| Other service charges and fees      | <b>21,045</b>         | 12,989        | 8,056      | 62.0   | 5,800             | 2,256              | 12.0             |
| Bank owned life insurance income    | <b>14,847</b>         | 12,125        | 2,722      | 22.4   | 1,807             | 915                | 6.6              |
| Mortgage banking income             | <b>9,629</b>          | 8,512         | 1,117      | 13.1   | 6,256             | (5,139)            | (34.8)           |
| Securities losses                   | <b>(13,152)</b>       | (57,332)      | 44,180     | (77.1) | 283               | 43,897             | (76.9)           |
| Other income                        | <b>31,830</b>         | 35,711        | (3,881)    | (10.9) | 6,390             | (10,271)           | (24.4)           |
| <b>Total non-interest income</b>    | <b>\$204,674</b>      | \$ 97,910     | \$ 106,764 | 109.0% | \$ 68,716         | \$ 38,048          | 22.8%            |

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

The \$38.0 million, or 23%, non-merger related increase primarily reflected:

\$43.9 million less in investment securities losses. In the 2007 third quarter, net investment securities losses totaled \$13.2 million and consisted of \$23.3 million of realized securities impairment losses on certain investment securities, partially offset by \$10.2 million of realized gains on other investment securities. This compared favorably with \$57.3 million of such losses in the comparable year-ago period, virtually all of which related to balance sheet restructuring (see Significant Item #2 under Discussion of Results of Operations Significant Items Influencing Financial Performance Comparisons ).

\$5.3 million, or 7%, increase in service charges on deposit accounts, reflecting strong growth in personal service charge income.

\$4.1 million, or 14%, increase in trust services income, of which \$2.5 million reflected fees associated with the acquisition of Unified Fund Services in the 2006 fourth quarter.

Partially offset by:

\$10.3 million, or 24%, decline in other income, reflecting a \$7.9 million decline in automobile operating lease income as that portfolio continued to decline, and \$4.7 million of higher equity investment losses.

\$5.1 million, or 35%, decline in mortgage banking income, reflecting the current quarter's \$6.0 million of MSR hedging losses, compared with no material MSR valuation hedging impact in the comparable year-ago quarter.

2007 Third Quarter versus 2007 Second Quarter

Non-interest income increased \$48.5 million, or 31%, from the 2007 second quarter, of which \$68.7 million was merger related. The following table details the estimated merger related impact on our reported non-interest income.

**Table of Contents****Table 13 Non-Interest Income Estimated Merger Related Impacts 3Q 07 vs. 2Q 07**

| <i>(in thousands)</i>               | 2007             |                  | Change          |              | Merger<br>Related | Non-merger Related |                  |
|-------------------------------------|------------------|------------------|-----------------|--------------|-------------------|--------------------|------------------|
|                                     | Third            | Second           | Amount          | %            |                   | Amount             | % <sup>(1)</sup> |
| Service charges on deposit accounts | \$ 78,107        | \$ 50,017        | \$28,090        | 56.2%        | \$ 24,110         | \$ 3,980           | 5.4%             |
| Trust services                      | 33,562           | 26,764           | 6,798           | 25.4         | 7,009             | (211)              | (0.6)            |
| Brokerage and insurance income      | 28,806           | 17,199           | 11,607          | 67.5         | 17,061            | (5,454)            | (15.9)           |
| Other service charges and fees      | 21,045           | 14,923           | 6,122           | 41.0         | 5,800             | 322                | 1.6              |
| Bank owned life insurance income    | 14,847           | 10,904           | 3,943           | 36.2         | 1,807             | 2,136              | 16.8             |
| Mortgage banking income             | 9,629            | 7,122            | 2,507           | 35.2         | 6,256             | (3,749)            | (28.0)           |
| Securities losses                   | (13,152)         | (5,139)          | (8,013)         | 155.9        | 283               | (8,296)            | 170.8            |
| Other income                        | 31,830           | 34,403           | (2,573)         | (7.5)        | 6,390             | (8,963)            | (22.0)           |
| <b>Total non-interest income</b>    | <b>\$204,674</b> | <b>\$156,193</b> | <b>\$48,481</b> | <b>31.0%</b> | <b>\$ 68,716</b>  | <b>\$(20,235)</b>  | <b>(9.0)%</b>    |

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

The \$20.2 million, or 9%, non-merger related decline primarily reflected:

\$9.0 million, or 22%, decline in other income, reflecting \$4.4 million of equity investment losses in the current quarter compared with \$2.3 million of such gains in the prior quarter, as well as declines in automobile operating lease income, loan sale gains, and lease prepayment income.

\$8.3 million increase in securities losses as the current quarter results reflected \$13.2 million of net investment securities losses, compared with \$5.1 million of such losses in the 2007 second quarter.

\$5.5 million, or 16%, decline in brokerage and insurance income, primarily reflecting seasonal trends in property and casualty insurance income.

\$3.7 million, or 28%, decline in mortgage banking income, reflecting \$1.0 million higher MSR hedging losses this quarter and lower production, and gains on loan sales.

Partially offset by:

\$4.0 million, or 5%, increase in service charges on deposit accounts, primarily reflecting higher personal service charge income and seasonal trends.

2007 First Nine Months versus 2006 First Nine Months

Non-interest income for the first nine-month period of 2007 increased \$85.6 million, or 20%, from the comparable year-ago period, of which \$68.7 million was merger related. The following table details the estimated merger related impact on our non-interest income.



**Table of Contents****Table 14 Non-Interest Income Estimated Merger Related Impact Nine Months 2007 vs. Nine Months 2006**

| <i>(in thousands)</i>               | <b>Nine Months Ended</b>  |             | <b>Change</b> |          | <b>Merger Related</b> | <b>Non-merger Related</b> |                         |
|-------------------------------------|---------------------------|-------------|---------------|----------|-----------------------|---------------------------|-------------------------|
|                                     | <b>September 30, 2007</b> | <b>2006</b> | <b>Amount</b> | <b>%</b> |                       | <b>Amount</b>             | <b>% <sup>(1)</sup></b> |
| Service charges on deposit accounts | <b>\$172,917</b>          | \$ 137,165  | \$ 35,752     | 26.1%    | \$ 24,110             | \$ 11,642                 | 7.2%                    |
| Trust services                      | <b>86,220</b>             | 66,444      | 19,776        | 29.8     | 7,009                 | 12,767                    | 17.4                    |
| Brokerage and insurance income      | <b>62,087</b>             | 44,235      | 17,852        | 40.4     | 17,061                | 791                       | 1.3                     |
| Other service charges and fees      | <b>49,176</b>             | 37,570      | 11,606        | 30.9     | 5,800                 | 5,806                     | 13.4                    |
| Bank owned life insurance income    | <b>36,602</b>             | 32,971      | 3,631         | 11.0     | 1,807                 | 1,824                     | 5.2                     |
| Mortgage banking income             | <b>26,102</b>             | 35,322      | (9,220)       | (26.1)   | 6,256                 | (15,476)                  | (37.2)                  |
| Securities losses                   | <b>(18,187)</b>           | (57,387)    | 39,200        | (68.3)   | 283                   | 38,917                    | (68.2)                  |
| Other income                        | <b>91,127</b>             | 124,143     | (33,016)      | (26.6)   | 6,390                 | (39,406)                  | (30.2)                  |
| <b>Total non-interest income</b>    | <b>\$506,044</b>          | \$420,463   | \$ 85,581     | 20.4%    | \$ 68,716             | \$ 16,865                 | 3.4%                    |

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

The \$16.9 million non-merger related increase primarily reflected:

\$38.9 million less in investment securities losses. In the first nine months of 2007, net investment securities losses totaled \$18.2 million and consisted of \$28.5 million of realized securities impairment losses on certain investment securities, partially offset by \$10.2 million of realized gains on other investment securities. This compared favorably with \$57.4 million of such losses in the comparable year-ago period, virtually all of which related to balance sheet restructuring (see Significant Item #2 earlier in this document).

\$12.8 million, or 17%, increase in trust services income, primarily reflecting \$7.3 million of revenues associated with the acquisition of Unified Fund Services and a \$3.4 million increase in Huntington Fund fees due to growth in the Huntington Funds managed assets.

\$11.6 million, or 7%, increase in service charges on deposit accounts, primarily reflecting higher personal and commercial service charge income.

Partially offset by:

\$39.4 million decline in other income, reflecting a \$32.6 million decline in automobile operating lease income as that portfolio continues to decline, and \$10.6 million of equity investment losses in the first nine months of 2007 compared with \$4.2 million of such gains in the comparable year-ago period.

\$15.5 million decline in mortgage banking income, driven by \$13.0 million net impact of MSR hedging losses.

**Non-Interest Expense**

*(This section should be read in conjunction with Significant Items 1, 2, 4 and 7.)*

Table 15 reflects non-interest expense detail for each of the last five quarters and for the first nine-month periods of 2007 and 2006.

**Table of Contents****Table 15 Non-Interest Expense**

| <i>(in thousands)</i>                      | <b>2007</b><br>Third | 2006      |           |           |           | 3Q07 vs 3Q06 |         |
|--------------------------------------------|----------------------|-----------|-----------|-----------|-----------|--------------|---------|
|                                            |                      | Second    | First     | Fourth    | Third     | Amount       | Percent |
| Salaries                                   | <b>\$166,719</b>     | \$106,768 | \$104,912 | \$111,806 | \$105,144 | \$ 61,575    | 58.6%   |
| Benefits                                   | <b>35,429</b>        | 28,423    | 29,727    | 26,138    | 28,679    | 6,750        | 23.5    |
| Personnel costs                            | <b>202,148</b>       | 135,191   | 134,639   | 137,944   | 133,823   | 68,325       | 51.1%   |
| Outside data processing and other services | <b>40,600</b>        | 25,701    | 21,814    | 20,695    | 18,664    | 21,936       | N.M.    |
| Net occupancy                              | <b>33,334</b>        | 19,417    | 19,908    | 17,279    | 18,109    | 15,225       | 84.1    |
| Equipment                                  | <b>23,290</b>        | 17,157    | 18,219    | 18,151    | 17,249    | 6,041        | 35.0    |
| Marketing                                  | <b>13,186</b>        | 8,986     | 7,696     | 6,207     | 7,846     | 5,340        | 68.1    |
| Professional services                      | <b>11,273</b>        | 8,101     | 6,482     | 8,958     | 6,438     | 4,835        | 75.1    |
| Telecommunications                         | <b>7,286</b>         | 4,577     | 4,126     | 4,619     | 4,818     | 2,468        | 51.2    |
| Printing and supplies                      | <b>4,743</b>         | 3,672     | 3,242     | 3,610     | 3,416     | 1,327        | 38.8    |
| Amortization of intangibles                | <b>19,949</b>        | 2,519     | 2,520     | 2,993     | 2,902     | 17,047       | N.M.    |
| Other expense                              | <b>29,754</b>        | 19,334    | 23,426    | 47,334    | 29,165    | 589          | 2.0     |
| <b>Total non-interest expense</b>          | <b>\$385,563</b>     | \$244,655 | \$242,072 | \$267,790 | \$242,430 | \$143,133    | 59.0%   |

| <i>(in thousands)</i>                      | <b>Nine Months Ended</b><br><b>September 30,</b> |           | <b>YTD 2006 vs 2005</b> |         |
|--------------------------------------------|--------------------------------------------------|-----------|-------------------------|---------|
|                                            | <b>2007</b>                                      | 2006      | Amount                  | Percent |
| Salaries                                   | <b>\$378,399</b>                                 | \$313,851 | \$ 64,548               | 20.6%   |
| Benefits                                   | <b>93,579</b>                                    | 89,433    | 4,146                   | 4.6     |
| Personnel costs                            | <b>471,978</b>                                   | 403,284   | 68,694                  | 17.0    |
| Outside data processing and other services | <b>88,115</b>                                    | 58,084    | 30,031                  | 51.7    |
| Net occupancy                              | <b>72,659</b>                                    | 54,002    | 18,657                  | 34.5    |
| Equipment                                  | <b>58,666</b>                                    | 51,761    | 6,905                   | 13.3    |
| Professional services                      | <b>29,868</b>                                    | 25,521    | 4,347                   | 17.0    |
| Marketing                                  | <b>25,856</b>                                    | 18,095    | 7,761                   | 42.9    |
| Telecommunications                         | <b>15,989</b>                                    | 14,633    | 1,356                   | 9.3     |
| Printing and supplies                      | <b>11,657</b>                                    | 10,254    | 1,403                   | 13.7    |
| Amortization of intangibles                | <b>24,988</b>                                    | 6,969     | 18,019                  | N.M.    |
| Other expense                              | <b>72,514</b>                                    | 90,601    | (18,087)                | (20.0)  |
| <b>Total non-interest expense</b>          | <b>\$872,290</b>                                 | \$733,204 | \$139,086               | 19.0%   |

N.M., not a meaningful value.

2007 Third Quarter versus 2006 Third Quarter

Non-interest expense increased \$143.1 million, or 59%, from the year-ago quarter. This included \$136.6 million of merger-related expenses, as well as \$32.3 million of merger costs related to merger-integration activities. The following table details the estimated merger related impact on our reported non-interest expense:

27

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**Table of Contents****Table 16 Non-Interest Expense Estimated Merger Related Impact 3Q 07 vs. 3Q 06**

| <i>(in thousands)</i>                      | <b>2007<br/>Third</b> | 2006<br>Third | Change    |         | Merger<br>Related | Merger<br>Costs | Non-merger Related<br>Amount | Related<br>% <sup>(1)</sup> |
|--------------------------------------------|-----------------------|---------------|-----------|---------|-------------------|-----------------|------------------------------|-----------------------------|
|                                            |                       |               | Amount    | Percent |                   |                 |                              |                             |
| Personnel costs                            | <b>\$202,148</b>      | \$133,823     | \$ 68,325 | 51%     | \$ 68,250         | \$ 7,750        | \$ (7,675)                   | (3.8)%                      |
| Outside data processing and other services | <b>40,600</b>         | 18,664        | 21,936    | 117.5   | 12,262            | 6,854           | 2,820                        | 9.1                         |
| Net occupancy                              | <b>33,334</b>         | 18,109        | 15,225    | 84.1    | 10,184            | 7,440           | (2,399)                      | (8.5)                       |
| Equipment                                  | <b>23,290</b>         | 17,249        | 6,041     | 35.0    | 4,799             | 1,792           | (550)                        | (2.5)                       |
| Marketing                                  | <b>13,186</b>         | 7,846         | 5,340     | 68.1    | 4,361             | 4,966           | (3,987)                      | (32.7)                      |
| Professional services                      | <b>11,273</b>         | 6,438         | 4,835     | 75.1    | 2,707             | 1,555           | 573                          | 6.3                         |
| Telecommunications                         | <b>7,286</b>          | 4,818         | 2,468     | 51.2    | 2,224             | 196             | 48                           | 0.7                         |
| Printing and supplies                      | <b>4,743</b>          | 3,416         | 1,327     | 38.8    | 1,374             | 457             | (504)                        | (10.5)                      |
| Amortization of intangibles                | <b>19,949</b>         | 2,902         | 17,047    | 587.4   | 17,431            |                 | (384)                        | (1.9)                       |
| Other expense                              | <b>29,754</b>         | 29,165        | 589       | 2.0     | 13,048            | 1,250           | (13,709)                     | (32.5)                      |
| <b>Total non-interest expense</b>          | <b>\$385,563</b>      | \$242,430     | \$143,133 | 59.0%   | \$136,640         | \$32,260        | \$(25,767)                   | (6.8)%                      |

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

The \$25.8 million, or 7%, non-merger related decline reflected:

\$13.7 million, or 32%, decline in other expense, reflecting merger efficiencies, as well as a \$5.7 million decline in automobile operating lease expense, the current quarter's \$3.2 million gain on debt extinguishment, and declines in deferred compensation expense and franchise taxes.

\$7.7 million, or 4%, decline in personnel expense, reflecting merger efficiencies including the impact of the reduction of 828, or 6%, full-time equivalent staff during the 2007 third quarter.

\$4.0 million, or 33%, decline in marketing expense, reflecting merger efficiencies and timing of advertising campaigns.

**2007 Third Quarter versus 2007 Second Quarter**

Non-interest expense increased \$140.9 million, or 58%, from the prior quarter. This included \$136.6 million of merger-related expenses, as well as \$24.7 million of merger costs related to merger-integration activities. The following table details the estimated merger related impact on our reported non-interest expense:

**Table 17 Non-Interest Expense Estimated Merger Related Impact 3Q 07 vs. 2Q 07**

| <i>(in thousands)</i>             | <b>2007<br/>Third</b> | 2007<br>Second | Change    |         | Merger<br>Related | Merger<br>Costs | Non-merger Related<br>Amount | Related<br>% <sup>(1)</sup> |
|-----------------------------------|-----------------------|----------------|-----------|---------|-------------------|-----------------|------------------------------|-----------------------------|
|                                   |                       |                | Amount    | Percent |                   |                 |                              |                             |
| Personnel costs                   | <b>\$202,148</b>      | \$135,191      | \$ 66,957 | 50%     | \$ 68,250         | \$ 7,106        | \$ (8,399)                   | (4.1)%                      |
| Outside data processing and other | <b>40,600</b>         | 25,701         | 14,899    | 58.0    | 12,262            | 2,783           | (146)                        | (0.4)                       |

|                                       |                  |           |           |       |           |          |            |        |
|---------------------------------------|------------------|-----------|-----------|-------|-----------|----------|------------|--------|
| services                              |                  |           |           |       |           |          |            |        |
| Net occupancy                         | <b>33,334</b>    | 19,417    | 13,917    | 71.7  | 10,184    | 7,329    | (3,596)    | (12.1) |
| Equipment                             | <b>23,290</b>    | 17,157    | 6,133     | 35.7  | 4,799     | 1,777    | (443)      | (2.0)  |
| Marketing                             | <b>13,186</b>    | 8,986     | 4,200     | 46.7  | 4,361     | 3,392    | (3,553)    | (26.6) |
| Professional services                 | <b>11,273</b>    | 8,101     | 3,172     | 39.2  | 2,707     | 469      | (4)        | (0.0)  |
| Telecommunications                    | <b>7,286</b>     | 4,577     | 2,709     | 59.2  | 2,224     | 196      | 289        | 4.2    |
| Printing and supplies                 | <b>4,743</b>     | 3,672     | 1,071     | 29.2  | 1,374     | 456      | (759)      | (15.0) |
| Amortization of<br>intangibles        | <b>19,949</b>    | 2,519     | 17,430    | 691.9 | 17,431    |          | (1)        | (0.0)  |
| Other expense                         | <b>29,754</b>    | 19,334    | 10,420    | 53.9  | 13,048    | 1,175    | (3,803)    | (11.7) |
| <b>Total non-interest<br/>expense</b> | <b>\$385,563</b> | \$244,655 | \$140,908 | 57.6% | \$136,640 | \$24,683 | \$(20,415) | (5.4)% |

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

**Table of Contents**

The \$20.4 million, or 5%, non-merger related decline primarily represented the total estimated merger efficiencies achieved in the quarter and reflected:

\$8.4 million, or 4%, decline in personnel expense, primarily reflecting merger efficiencies including the impact of the reduction of 828, or 6%, full-time equivalent staff during the 2007 third quarter.

\$3.8 million, or 12%, decline in other expense, primarily reflecting merger efficiencies.

\$3.6 million, or 27%, decline in marketing expense, reflecting merger efficiencies and timing of advertising campaigns.

\$3.6 million, or 12%, decline in net occupancy expense, reflecting merger efficiencies.

**2007 First Nine Months versus 2006 First Nine Months**

Non-interest expense for the first nine-month period of 2007 increased \$139.1 million from the comparable year-ago period. This included \$136.6 million of merger-related expenses, as well as \$40.7 million of merger costs related to merger integration activities. The following table details the estimated merger related impact on our reported non-interest expense:

**Table 18 Non-Interest Expense Estimated Merger Related Impact Nine Months 2007 vs. Nine Months 2006**

| <i>(in thousands)</i>                      | <b>Nine Months Ended</b> |             | <b>Change</b> |                | <b>Merger Related</b> | <b>Merger Costs</b> | <b>Non-merger Related</b> |                        |
|--------------------------------------------|--------------------------|-------------|---------------|----------------|-----------------------|---------------------|---------------------------|------------------------|
|                                            | <b>2007</b>              | <b>2006</b> | <b>Amount</b> | <b>Percent</b> |                       |                     | <b>Amount</b>             | <b>%<sup>(1)</sup></b> |
| Personnel costs                            | <b>\$471,978</b>         | \$403,284   | \$ 68,694     | 17.0%          | \$ 68,250             | \$ 8,402            | \$ (7,958)                | (1.7)%                 |
| Outside data processing and other services | <b>88,115</b>            | 58,084      | 30,031        | 51.7           | 12,262                | 11,520              | 6,249                     | 8.9                    |
| Net occupancy                              | <b>72,659</b>            | 54,002      | 18,657        | 34.5           | 10,184                | 7,551               | 922                       | 1.4                    |
| Equipment                                  | <b>58,666</b>            | 51,761      | 6,905         | 13.3           | 4,799                 | 1,806               | 300                       | 0.5                    |
| Marketing                                  | <b>29,868</b>            | 25,521      | 4,347         | 17.0           | 4,361                 | 6,608               | (6,622)                   | (22.2)                 |
| Professional services                      | <b>25,856</b>            | 18,095      | 7,761         | 42.9           | 2,707                 | 2,736               | 2,318                     | 11.1                   |
| Telecommunications                         | <b>15,989</b>            | 14,633      | 1,356         | 9.3            | 2,224                 | 197                 | (1,065)                   | (6.3)                  |
| Printing and supplies                      | <b>11,657</b>            | 10,254      | 1,403         | 13.7           | 1,374                 | 458                 | (429)                     | (3.7)                  |
| Amortization of intangibles                | <b>24,988</b>            | 6,969       | 18,019        | 258.6          | 17,431                |                     | 588                       | 2.4                    |
| Other expense                              | <b>72,514</b>            | 90,601      | (18,087)      | (20.0)         | 13,048                | 1,390               | (32,525)                  | (31.4)                 |
| <b>Total non-interest expense</b>          | <b>\$872,290</b>         | \$733,204   | \$ 139,086    | 19.0%          | \$ 136,640            | \$40,668            | \$(38,222)                | (4.4)%                 |

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

The \$38.2 million non-merger related decline included the total estimated merger efficiencies achieved and reflected in the first nine months of 2007:

\$32.5 million decline in other expense, primarily reflecting a \$24.1 million decline in automobile operating lease expense as that portfolio continued to decline and merger efficiencies.

\$8.0 million, or 2%, decline in personnel expense, primarily reflecting merger efficiencies including the impact of the reduction of 828, or 6%, full-time equivalent staff during the 2007 third quarter.

\$6.6 million, or 22%, decline in marketing expense, reflecting merger efficiencies and timing of advertising campaigns.

Partially offset by:

\$6.2 million, or 9%, increase in outside data processing and other services, primarily reflecting costs incurred for technology-related initiatives.

\$2.3 million, or 11%, increase in professional services, primarily reflecting increased commercial collections activity.



**Table of Contents****Provision for Income Taxes**

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

The provision for income taxes in the 2007 third quarter was \$48.5 million, resulting in an effective tax rate of 26.0%. In the year-ago quarter, the provision for income taxes was a negative \$60.8 million, resulting in an effective tax rate of negative 62.9%. The year ago quarter reflected an \$84.5 million reduction of federal tax expense related to the resolution of a federal 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 provision for income taxes was \$24.3 million in the 2007 second quarter representing an effective tax rate of 23.2%. The increase in the effective tax rate from the 2007 second quarter was the result of the Sky Financial acquisition. The effective tax rate for the 2007 full year is estimated to be consistent with the 25.3% effective tax rate of the first nine-month period of 2007.

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 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.

The Internal Revenue Service is currently examining our federal tax returns for the years ending 2004 and 2005. In addition, 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 the borrower's ability to meet its financial obligations under agreed upon terms. Market risk represents the risk of loss due to changes in the market value of assets and liabilities due to changes in interest rates, exchange rates, and equity prices. Liquidity risk arises from the possibility that funds may not be available to satisfy current or future 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.

More information on risk is set forth under the heading "Risk Factors" included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006. Additionally, the MD&A appearing in our 2006 Form 10-K should be read in conjunction with this discussion and analysis as this report provides only material updates to the 2006 Form 10-K. Our definition, philosophy, and approach to risk management is unchanged from the discussion presented in that document.

**Credit Risk**

Credit risk is the risk of loss due to adverse changes in the borrower's ability to meet its financial obligations under agreed upon terms. 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 mitigated through a combination of credit policies and processes and portfolio diversification.

**Credit Exposure Mix**

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

Table 19 reflects loan and lease composition detail for each of the past five quarters.

As shown in Table 19, at September 30, 2007, our largest credit concentration was in total commercial loans, which totaled \$22.1 billion and represented 55% of total loans and leases. This portfolio was diversified among middle market C&I loans, middle market commercial real estate loans (CRE), and small business loans (see Commercial Credit discussion below).

**Table of Contents**

Total consumer loans were \$17.9 billion at September 30, 2007, and represented 45% of total credit exposure. The consumer portfolio was diversified among home equity loans, residential mortgages, and automobile loans and leases (see Consumer Credit discussion below).

By business segment, Regional Banking accounted for 80% of total loans and leases at September 30, 2007.

**Table of Contents****Table 19 Loans and Leases Composition<sup>1)</sup>**

| (in thousands)                |                              |               | 2007         |        |              |        | 2006         |        |               |        |
|-------------------------------|------------------------------|---------------|--------------|--------|--------------|--------|--------------|--------|---------------|--------|
|                               | September 30,<br>(Unaudited) |               | June 30,     |        | March 31,    |        | December 31, |        | September 30, |        |
| <b>By Type</b>                |                              |               |              |        |              |        |              |        |               |        |
| Commercial:                   |                              |               |              |        |              |        |              |        |               |        |
| Middle market                 |                              |               |              |        |              |        |              |        |               |        |
| Commercial and industrial     | <b>\$10,200,357</b>          | <b>25.5%</b>  | \$ 6,210,709 | 23.2%  | \$ 6,164,569 | 23.5%  | \$ 5,961,445 | 22.8%  | \$ 5,811,130  | 22.0%  |
| Middle market                 |                              |               |              |        |              |        |              |        |               |        |
| Commercial real estate:       |                              |               |              |        |              |        |              |        |               |        |
| Construction                  | <b>1,856,792</b>             | <b>4.6</b>    | 1,382,722    | 5.2    | 1,187,664    | 4.5    | 1,228,641    | 4.7    | 1,169,276     | 4.4    |
| Commercial                    | <b>5,686,297</b>             | <b>14.2</b>   | 2,950,864    | 11.0   | 2,807,063    | 10.7   | 2,722,599    | 10.4   | 2,808,684     | 10.7   |
| Middle market                 |                              |               |              |        |              |        |              |        |               |        |
| Commercial real estate        | <b>7,543,089</b>             | <b>18.8</b>   | 4,333,586    | 16.2   | 3,994,727    | 15.2   | 3,951,240    | 15.1   | 3,977,960     | 15.1   |
| Small business                | <b>4,355,252</b>             | <b>10.8</b>   | 2,507,728    | 9.4    | 2,474,955    | 9.4    | 2,441,837    | 9.3    | 2,418,709     | 9.2    |
| <b>Total</b>                  |                              |               |              |        |              |        |              |        |               |        |
| <b>Commercial</b>             | <b>22,098,698</b>            | <b>55.1</b>   | 13,052,023   | 48.8   | 12,634,251   | 48.1   | 12,354,522   | 47.2   | 12,207,799    | 46.3   |
| Consumer:                     |                              |               |              |        |              |        |              |        |               |        |
| Automobile                    |                              |               |              |        |              |        |              |        |               |        |
| Loans                         | <b>2,959,913</b>             | <b>7.4</b>    | 2,424,105    | 9.0    | 2,251,215    | 8.6    | 2,125,821    | 8.1    | 2,105,623     | 8.0    |
| Automobile                    |                              |               |              |        |              |        |              |        |               |        |
| Leases                        | <b>1,365,805</b>             | <b>3.4</b>    | 1,488,903    | 5.6    | 1,623,758    | 6.2    | 1,769,424    | 6.8    | 1,910,257     | 7.2    |
| Home equity                   | <b>7,317,804</b>             | <b>18.4</b>   | 5,015,506    | 18.7   | 4,914,462    | 18.7   | 4,926,900    | 18.8   | 5,019,101     | 19.0   |
| Residential                   |                              |               |              |        |              |        |              |        |               |        |
| Mortgage                      | <b>5,505,340</b>             | <b>13.8</b>   | 4,398,720    | 16.4   | 4,404,220    | 16.8   | 4,548,849    | 17.4   | 4,678,577     | 17.7   |
| Other loans                   | <b>739,680</b>               | <b>1.9</b>    | 432,256      | 1.5    | 437,117      | 1.6    | 427,909      | 1.7    | 440,145       | 1.8    |
| <b>Total consumer</b>         | <b>17,888,542</b>            | <b>44.9</b>   | 13,759,490   | 51.2   | 13,630,772   | 51.9   | 13,798,903   | 52.8   | 14,153,703    | 53.7   |
| <b>Total loans and leases</b> | <b>\$39,987,240</b>          | <b>100.0%</b> | \$26,811,513 | 100.0% | \$26,265,023 | 100.0% | \$26,153,425 | 100.0% | \$26,361,502  | 100.0% |
| <b>By Business Segment</b>    |                              |               |              |        |              |        |              |        |               |        |
| Regional                      |                              |               |              |        |              |        |              |        |               |        |
| Banking:                      |                              |               |              |        |              |        |              |        |               |        |
| Central Ohio                  | <b>\$ 4,993,373</b>          | <b>12.5%</b>  | \$ 3,721,031 | 13.9%  | \$ 3,610,316 | 13.7%  | \$ 3,597,172 | 13.8%  | \$ 3,685,704  | 14.0%  |
| Northwest Ohio                | <b>2,580,787</b>             | <b>6.5</b>    | 449,232      | 1.7    | 455,075      | 1.7    | 461,622      | 1.8    | 465,413       | 1.8    |
| Greater                       |                              |               |              |        |              |        |              |        |               |        |
| Cleveland                     | <b>3,057,757</b>             | <b>7.6</b>    | 2,099,941    | 7.8    | 2,019,820    | 7.7    | 1,920,421    | 7.3    | 1,953,851     | 7.4    |
| Columbus                      | <b>2,078,588</b>             | <b>5.2</b>    | 1,330,102    | 5.0    | 1,318,932    | 5.0    | 1,326,374    | 5.1    | 1,357,028     | 5.1    |

|                                   |                     |               |              |        |              |        |              |        |              |        |
|-----------------------------------|---------------------|---------------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| Greater<br>Canton                 |                     |               |              |        |              |        |              |        |              |        |
| Southern                          |                     |               |              |        |              |        |              |        |              |        |
| Ohio/Kentucky                     | <b>2,547,800</b>    | <b>6.4</b>    | 2,275,224    | 8.5    | 2,159,407    | 8.2    | 2,190,115    | 8.4    | 2,181,340    | 8.3    |
| Ohio Valley                       | <b>939,739</b>      | <b>2.4</b>    |              |        |              |        |              |        |              |        |
| West Michigan                     | <b>869,139</b>      | <b>2.2</b>    |              |        |              |        |              |        |              |        |
| East Michigan                     | <b>2,520,325</b>    | <b>6.3</b>    | 2,439,517    | 9.1    | 2,453,300    | 9.3    | 2,421,085    | 9.3    | 2,443,461    | 9.3    |
| Western                           | <b>1,674,896</b>    | <b>4.2</b>    | 1,654,934    | 6.2    | 1,646,028    | 6.3    | 1,630,050    | 6.2    | 1,602,647    | 6.1    |
| Pennsylvania                      | <b>1,106,068</b>    | <b>2.8</b>    |              |        |              |        |              |        |              |        |
| Pittsburgh                        | <b>888,848</b>      | <b>2.2</b>    |              |        |              |        |              |        |              |        |
| Central Indiana                   | <b>1,419,693</b>    | <b>3.6</b>    | 1,004,934    | 3.7    | 971,186      | 3.7    | 962,575      | 3.7    | 957,612      | 3.6    |
| West Virginia                     | <b>1,125,628</b>    | <b>2.8</b>    | 1,148,573    | 4.3    | 1,109,197    | 4.2    | 1,123,817    | 4.3    | 1,102,407    | 4.2    |
| Other Regional                    | <b>6,256,033</b>    | <b>15.7</b>   | 3,813,381    | 14.2   | 3,749,087    | 14.3   | 3,767,093    | 14.3   | 3,837,728    | 14.5   |
| Regional                          |                     |               |              |        |              |        |              |        |              |        |
| Banking                           | <b>32,058,674</b>   | <b>80.2</b>   | 19,936,869   | 74.4   | 19,492,348   | 74.2   | 19,400,324   | 74.2   | 19,587,191   | 74.3   |
| Dealer Sales                      | <b>5,449,580</b>    | <b>13.6</b>   | 4,944,386    | 18.4   | 4,903,370    | 18.7   | 4,908,764    | 18.8   | 4,956,635    | 18.8   |
| Private                           |                     |               |              |        |              |        |              |        |              |        |
| Financial and<br>Capital Markets  |                     |               |              |        |              |        |              |        |              |        |
| Group                             | <b>2,478,986</b>    | <b>6.2</b>    | 1,930,258    | 7.2    | 1,869,305    | 7.1    | 1,844,337    | 7.0    | 1,817,676    | 6.9    |
| Treasury /<br>Other               |                     |               |              |        |              |        |              |        |              |        |
| <b>Total loans<br/>and leases</b> | <b>\$39,987,240</b> | <b>100.0%</b> | \$26,811,513 | 100.0% | \$26,265,023 | 100.0% | \$26,153,425 | 100.0% | \$26,361,502 | 100.0% |

(1) Reflects post-Sky Financial merger organizational structure effective on July 1, 2007. Accordingly, balances presented for prior periods do not include the impact of the acquisition.

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

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

Commercial credit approvals are based on, among other factors, 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.

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. We continually review and adjust our risk rating criteria based on actual experience, which may result in further changes to such criteria, in future periods. Accordingly, in the 2007 third quarter, we changed our reserve methodology for small business loans to utilize a small business credit score, consistent with that used for the consumer loan portfolio, as the primary driver of the reserve for commercial loans less than \$500 thousand, rather than reserving based on Obligor Risk Grades (ORG) and Facility Risk Grades (FRG).

Our commercial loan portfolio is diversified by customer, as well as throughout our geographic footprint. However, the following two segments are noteworthy:

**Single Family Homebuilders**

At September 30, 2007, we had \$1.6 billion of loans to single family homebuilders, including loans made to both middle market and small business homebuilders. Such loans represented 4% of total loans and leases. Of this portfolio, 63% were to finance projects where houses were currently under construction, 13% to finance the acquisition of land for future development, and 24% to finance the development of land.

There has been a general slowdown in the housing market across our geographic footprint, reflecting declining prices and excess inventories of houses to be sold, particularly in our eastern Michigan and northern Ohio markets. As a result, homebuilders have shown signs of financial deterioration. We have taken the following steps to mitigate the risk arising from this exposure: (1) all loans have been reviewed three times during the last 12 months and are continuously monitored, (2) credit valuation adjustments have been made across the entire portfolio based on the current condition of each relationship, and (3) reserves have been increased based on proactive risk identification and thorough borrower analysis.

**Franklin Credit Management Corporation (Franklin) Portfolio**

As a result of our acquisition of Sky Financial, we have a commercial lending relationship with Franklin Credit Management Corporation (Franklin), a customer of Sky Financial for 17 years. Franklin's primary business is to acquire, service, and resolve seasoned performing, re-performing, and nonperforming first- and second-priority lien residential mortgage loans and real estate assets. Through their wholly-owned subsidiary, Tribeca Lending Corp (Tribeca), Franklin also originates maximum 75% loan-to-value non-prime mortgage loans for their own portfolio. Tribeca currently accounts for approximately 25% of Franklin's business activities.

Our primary relationship with Franklin consists of both commercial term financing and revolving credit warehouse facilities, where the Bank is the lead bank. As of September 30, 2007, this relationship accounted for less than 5% of total loans and leases, with approximately 16% of our direct exposure to Franklin participated on a non-recourse basis to other financial institutions. The term debt exposure is in the form of over 400 individually underwritten commercial loans used to fund over 30,000 individual first- and second-priority lien residential mortgages.

The collateral securing our commercial term loans cross-collateralizes other loans made under these facilities. Specifically, the collateral for term loans used to fund mortgage loans originated by Tribeca also secures our other term loans used to fund other mortgage loans originated by Tribeca. Likewise, the collateral for term loans used to fund mortgage loans acquired by Franklin also secures our other term loans used to fund other mortgage loans acquired by Franklin. In addition, pursuant to an exclusive lockbox arrangement, Huntington receives all payments made to Franklin and Tribeca on their individual mortgages. As of September 30, 2007, no commercial loans to Franklin were classified as 30-day delinquent or nonperforming, and there have been no net charge-offs related to these facilities for the first nine months of 2007. The determination of an appropriate allowance follows our standard ALLL methodology. As such, an allowance associated with the Franklin portfolio of commercial loans is included in our total ALLL.



## **Table of Contents**

Although we funded loans originated by Franklin and Tribeca during the 2007 third quarter, we are not required to fund additional loan originations under the terms of the respective credit facilities. We have announced our intention over time to lower in both absolute and relative terms our total Franklin credit exposure.

### ***Consumer Credit***

Consumer credit approvals, which include residential mortgage and home equity loans, are based on, among other factors, the financial strength of the borrower, type of exposure, and the transaction structure.

Our consumer loan portfolio is diversified throughout our geographic footprint. However, the following two segments are worthy of note:

#### **Home Equity Loans**

Home equity loans and lines consist of both first and second position collateral with underwriting criteria based on minimum FICO credit scores, debt-to-income ratios, and loan-to-value ratios. We offer closed-end home equity loans with a fixed interest rate and level monthly payments and a variable-rate, interest-only home equity line of credit. At September 30, 2007, we had \$3.4 billion of home equity loans and \$3.9 billion of home equity lines of credit. Combined, this represented 18% of total loans and leases. The weighted average loan-to-value ratio of our home equity portfolio (both loans and lines) was 74% at September 30, 2007.

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 \$242 million of home equity loans in the 2007 third quarter with a weighted average loan-to-value ratio of 69% and a weighted average FICO score of 742. 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 2007 third quarter, we originated commitments of \$363 million of home equity lines. The lines of credit originated during the quarter had a weighted average loan-to-value ratio of 77% and a weighted average FICO score of 749.

#### **Residential Mortgages**

At September 30, 2007, we had \$5.5 billion of residential real estate loans, which represented 14% of total loans and leases. Adjustable-rate mortgages (ARMs), primarily mortgages that have a fixed rate for the first 3 to 5 years and then adjust annually, comprised 59% of total residential mortgages.

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 16%, of residential real estate loans, or 2% of total loans and leases, at September 30, 2007. Interest-only loans are underwritten to specific standards including minimum FICO credit scores, stressed debt-to-income ratios, and extensive collateral evaluation.

#### **Credit Quality Overview**

The Sky Financial merger increased virtually all credit quality measures on an absolute basis: including the level of net charge-offs, NPLs, NPAs, and allowance for credit losses (ACL). We believe the more meaningful way to assess overall credit quality performance for the 2007 third quarter is through an analysis of credit quality performance ratios. This approach forms the basis of most of the following discussion.

Aside from merger related impacts and consistent with expectations, overall credit quality was stable in the 2007 third quarter. Overall delinquencies increased only slightly and the outlook remains for only modest increases in problem assets in the 2007 fourth quarter. However, the continued weakness in our Midwest markets, most notably eastern Michigan and northern Ohio, resulted in higher levels of non-merger related NPLs and consumer net charge-offs.

**Table of Contents****Nonperforming Loans (NPL/NPLs) and Nonperforming Assets (NPA/NPAs)***(This section should be read in conjunction with Significant Items 1 and 5.)*

Table 20 reflects period-end NPLs, NPAs, and past due loans and leases detail for each of the last five quarters.

**Table 20 Non-Performing Loans (NPLs), Non-Performing Assets (NPAs) and Past Due Loans and Leases**

| <i>(in thousands)</i>                                                                     | <b>September<br/>30,</b> | <b>2007</b> |           | <b>2006</b>     |                  |
|-------------------------------------------------------------------------------------------|--------------------------|-------------|-----------|-----------------|------------------|
|                                                                                           |                          | June 30,    | March 31, | December<br>31, | September<br>30, |
| <b>Non-accrual loans and leases:</b>                                                      |                          |             |           |                 |                  |
| Middle market commercial and industrial                                                   | <b>\$ 56,691</b>         | \$ 41,644   | \$ 32,970 | \$ 35,657       | \$ 37,082        |
| Middle market commercial real estate                                                      | <b>85,144</b>            | 81,108      | 42,458    | 34,831          | 27,538           |
| Small business                                                                            | <b>36,712</b>            | 32,059      | 30,015    | 25,852          | 21,356           |
| Residential mortgage                                                                      | <b>47,738</b>            | 39,868      | 35,491    | 32,527          | 30,289           |
| Home equity                                                                               | <b>23,111</b>            | 16,837      | 16,396    | 15,266          | 13,047           |
| <b>Total NPLs</b>                                                                         | <b>249,396</b>           | 211,516     | 157,330   | 144,133         | 129,312          |
| <b>Other real estate, net:</b>                                                            |                          |             |           |                 |                  |
| Residential                                                                               | <b>66,155</b>            | 47,712      | 47,762    | 47,898          | 40,615           |
| Commercial                                                                                | <b>2,710</b>             | 1,957       | 1,586     | 1,589           | 1,285            |
| <b>Total other real estate, net</b>                                                       | <b>68,865</b>            | 49,669      | 49,348    | 49,487          | 41,900           |
| <b>Impaired loans held for sale</b>                                                       |                          |             |           |                 |                  |
| (1)                                                                                       | <b>100,485</b>           |             |           |                 |                  |
| <b>Other NPAs (2)</b>                                                                     | <b>16,296</b>            |             |           |                 |                  |
| <b>Total NPAs</b>                                                                         | <b>\$435,042</b>         | \$261,185   | \$206,678 | \$193,620       | \$171,212        |
| <br>                                                                                      |                          |             |           |                 |                  |
| NPLs as a % of total loans and leases                                                     | <b>0.62%</b>             | 0.79%       | 0.60%     | 0.55%           | 0.49%            |
| NPA ratio (3)                                                                             | <b>1.08</b>              | 0.97        | 0.79      | 0.74            | 0.65             |
| <br>                                                                                      |                          |             |           |                 |                  |
| Accruing loans and leases past due 90 days or more                                        | <b>\$115,607</b>         | \$ 67,277   | \$ 70,179 | \$ 59,114       | \$ 62,054        |
| <br>                                                                                      |                          |             |           |                 |                  |
| Accruing loans and leases past due 90 days or more as a percent of total loans and leases | <b>0.29%</b>             | 0.25%       | 0.27%     | 0.23%           | 0.24%            |

(1) Held for sale represent impaired loans obtained from



the Sky  
Financial  
acquisition that  
are intended to  
be sold. Held  
for sale loans  
are carried at the  
lower of cost or  
market value.

(2) Other NPAs  
represent certain  
investment  
securities  
backed by  
mortgage loans.

(3) Nonperforming  
assets divided  
by the sum of  
loans, impaired  
loans held for  
sale, net other  
real estate, and  
other NPAs.

NPAs were \$435.0 million at September 30, 2007, and represented 1.08% of related assets with most of the NPA increase being merger related. This compared with \$171.2 million, or 0.65%, at September 30, 2006, and \$261.2 million, or 0.97%, at June 30, 2007. The \$173.9 million increase from the end of the prior quarter reflected:

\$144.5 million merger related consisting of:

\$100.5 million of acquired commercial loans previously classified as NPLs, which were reclassified as impaired loans held for sale and written down to their net realizable fair value upon acquisition,

\$32.7 million of other acquired commercial and consumer loans and classified as NPLs, and

\$11.3 million increase of acquired OREO.

\$13.0 million, or 3%, increase in non-merger related NPLs and OREO.

**Table of Contents**

\$16.3 million of impaired investment securities, where a decision was made to stop accruing interest and apply future interest payments to principal reduction.

NPLs increased \$37.9 million from the prior quarter, driven primarily by the \$32.7 million acquired as a result of the merger. Excluding the merger impact, NPLs increased \$5.2 million from the prior quarter.

NPAs increased \$241.4 million from the 2006 fourth quarter reflecting the factors discussed above as well as increases in middle market CRE NPLs, with \$18.5 million, net of charge-offs, related to the two commercial real estate relationships classified as NPLs in the 2007 second quarter and an increase in middle market C&I NPLs reflecting \$15.0 million related to the one Ohio commercial credit classified as an NPL during the 2007 second quarter. Residential mortgage NPLs also increased significantly during this period reflecting the softness in the overall residential market.

NPLs increased \$105.3 million from the 2006 fourth quarter, with \$32.7 million merger-related. Middle market CRE NPLs increased, driven by the \$28.5 million attributable to two eastern Michigan commercial real estate relationships, and middle market C&I loans increased, driven by \$15.0 million related to one northern Ohio commercial credit, partially offset by declines in other loans. The majority of the remainder of the increase resulted from increased in residential mortgage, reflecting the softness in the overall residential market, and small business.

NPA activity for each of the last five quarters ended September 30, 2007, and for the first nine-month periods of 2007 and 2006 was as follows:

**Table of Contents****Table 21 Non-Performing Assets (NPAs) Activity**

| <i>(in thousands)</i>            | <b>Third</b>     | <b>2007</b> |           |           | <b>2006</b> |  |
|----------------------------------|------------------|-------------|-----------|-----------|-------------|--|
|                                  |                  | Second      | First     | Fourth    | Third       |  |
| <b>NPAs, beginning of period</b> | <b>\$261,185</b> | \$206,678   | \$193,620 | \$171,212 | \$171,068   |  |
| New NPAs <sup>(1)</sup>          | <b>92,986</b>    | 112,348     | 51,588    | 60,287    | 55,490      |  |
| Acquired NPAs                    | <b>144,492</b>   |             |           |           |             |  |
| Returns to accruing status       | <b>(8,829)</b>   | (4,674)     | (6,176)   | (5,666)   | (11,880)    |  |
| NPA losses                       | <b>(28,031)</b>  | (27,149)    | (9,072)   | (11,908)  | (14,143)    |  |
| Payments                         | <b>(17,589)</b>  | (19,662)    | (18,086)  | (16,673)  | (16,709)    |  |
| Sales                            | <b>(9,172)</b>   | (6,356)     | (5,196)   | (3,632)   | (12,614)    |  |
| <b>NPAs, end of period</b>       | <b>\$435,042</b> | \$261,185   | \$206,678 | \$193,620 | \$171,212   |  |

| <i>(in thousands)</i>            | <b>Nine Months Ended<br/>September 30,</b> |             |
|----------------------------------|--------------------------------------------|-------------|
|                                  | <b>2007</b>                                | <b>2006</b> |
| <b>NPAs, beginning of period</b> | <b>\$193,620</b>                           | \$117,155   |
| New NPAs <sup>(1), (2)</sup>     | <b>256,922</b>                             | 161,756     |
| Acquired NPAs                    | <b>144,492</b>                             | 33,843      |
| Returns to accruing status       | <b>(19,679)</b>                            | (38,333)    |
| Loan and lease losses            | <b>(64,252)</b>                            | (34,283)    |
| Payments                         | <b>(55,337)</b>                            | (42,796)    |
| Sales                            | <b>(20,724)</b>                            | (26,130)    |
| <b>NPAs, end of period</b>       | <b>\$435,042</b>                           | \$171,212   |

(1) Includes \$16.3 million of other NPAs representing certain investment securities backed by mortgage loans.

(2) Beginning in the second quarter of 2006, new non-performing assets includes OREO balances of loans in foreclosure which are fully

guaranteed by  
the U.S.  
Government  
that were  
reported in  
90 day past due  
loans and leases  
in prior periods.

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

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

We maintain two reserves, both of which are available to absorb credit losses: the ALLL and the 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.

**Table of Contents**

Table 22 reflects activity in the ALLL and AULC for each of the last five quarters.

**Table 22 Quarterly Credit Reserves Analysis**

| <i>(in thousands)</i>                                                                     |                  | <b>2007</b> |           |           | 2006      |
|-------------------------------------------------------------------------------------------|------------------|-------------|-----------|-----------|-----------|
|                                                                                           | <b>Third</b>     | Second      | First     | Fourth    | Third     |
| <b>Allowance for loan and lease losses, beginning of period</b>                           | <b>\$307,519</b> | \$282,976   | \$272,068 | \$280,152 | \$287,517 |
| Acquired allowance for loan and lease losses                                              | <b>188,128</b>   |             |           |           | 100       |
| Loan and lease losses                                                                     | <b>(57,466)</b>  | (44,158)    | (27,813)  | (32,835)  | (29,127)  |
| Recoveries of loans previously charged off                                                | <b>10,360</b>    | 9,658       | 9,695     | 9,866     | 7,888     |
| Net loan and lease losses                                                                 | <b>(47,106)</b>  | (34,500)    | (18,118)  | (22,969)  | (21,239)  |
| Provision for loan and lease losses                                                       | <b>36,952</b>    | 59,043      | 29,026    | 14,885    | 13,774    |
| Allowance for loans transferred to held-for-sale                                          | <b>(30,709)</b>  |             |           |           |           |
| <b>Allowance for loan and lease losses, end of period</b>                                 | <b>\$454,784</b> | \$307,519   | \$282,976 | \$272,068 | \$280,152 |
| <b>Allowance for unfunded loan commitments and letters of credit, beginning of period</b> | <b>\$ 41,631</b> | \$ 40,541   | \$ 40,161 | \$ 39,302 | \$ 38,914 |
| Acquired AULC                                                                             | <b>11,541</b>    |             |           |           |           |
| Provision for unfunded loan commitments and letters of credit losses                      | <b>5,055</b>     | 1,090       | 380       | 859       | 388       |
| <b>Allowance for unfunded loan commitments and letters of credit, end of period</b>       | <b>\$ 58,227</b> | \$ 41,631   | \$ 40,541 | \$ 40,161 | \$ 39,302 |
| <b>Total allowances for credit losses</b>                                                 | <b>\$513,011</b> | \$349,150   | \$323,517 | \$312,229 | \$319,454 |
| <b>Allowance for loan and lease losses (ALLL) as % of:</b>                                |                  |             |           |           |           |
| Transaction reserve                                                                       | <b>0.97%</b>     | 0.94%       | 0.89%     | 0.86%     | 0.86%     |
| Economic reserve                                                                          | <b>0.17</b>      | 0.21        | 0.19      | 0.18      | 0.20      |
| Total loans and leases                                                                    | <b>1.14%</b>     | 1.15%       | 1.08%     | 1.04%     | 1.06%     |
| NPLs                                                                                      | <b>182</b>       | 145         | 180       | 189       | 217       |
| NPAs                                                                                      | <b>105</b>       | 118         | 137       | 141       | 164       |
| <b>Total allowances for credit losses (ACL) as % of:</b>                                  |                  |             |           |           |           |
| Total loans and leases                                                                    | <b>1.28%</b>     | 1.30%       | 1.23%     | 1.19%     | 1.21%     |
| NPLs                                                                                      | <b>206</b>       | 165         | 206       | 217       | 247       |
| NPAs                                                                                      | <b>118</b>       | 134         | 157       | 161       | 187       |

**Table of Contents**

Table 23 reflects activity in the ALLL and AULC for the first nine-month periods of 2007 and 2006.

**Table 23 Year to Date Credit Reserves Analysis**

| <i>(in thousands)</i>                                                                     | Nine Months Ended September 30, |           |
|-------------------------------------------------------------------------------------------|---------------------------------|-----------|
|                                                                                           | <b>2007</b>                     | 2006      |
| <b>Allowance for loan and lease losses, beginning of period</b>                           | <b>\$ 272,068</b>               | \$268,347 |
| Acquired allowance for loan and lease losses                                              | <b>188,128</b>                  | 23,784    |
| Loan and lease losses                                                                     | <b>(129,437)</b>                | (86,857)  |
| Recoveries of loans previously charged off                                                | <b>29,713</b>                   | 27,451    |
| Net loan and lease losses                                                                 | <b>(99,724)</b>                 | (59,406)  |
| Provision for loan and lease losses                                                       | <b>125,021</b>                  | 47,427    |
| Allowance for loans transferred to held-for-sale                                          | <b>(30,709)</b>                 |           |
| <b>Allowance for loan and lease losses, end of period</b>                                 | <b>\$ 454,784</b>               | \$280,152 |
| <b>Allowance for unfunded loan commitments and letters of credit, beginning of period</b> | <b>\$ 40,161</b>                | \$ 36,957 |
| Acquired AULC                                                                             | <b>11,541</b>                   | 325       |
| Provision for unfunded loan commitments and letters of credit losses                      | <b>6,525</b>                    | 2,020     |
| <b>Allowance for unfunded loan commitments and letters of credit, end of period</b>       | <b>\$ 58,227</b>                | \$ 39,302 |
| <b>Total allowances for credit losses</b>                                                 | <b>\$ 513,011</b>               | \$319,454 |
| <b>Allowance for loan and lease losses (ALLL) as % of:</b>                                |                                 |           |
| Transaction reserve                                                                       | <b>0.97%</b>                    | 0.86%     |
| Economic reserve                                                                          | <b>0.17</b>                     | 0.20      |
| Total loans and leases                                                                    | <b>1.14%</b>                    | 1.06%     |
| Non-performing loans and leases (NPLs)                                                    | <b>182</b>                      | 217       |
| Non-performing assets (NPAs)                                                              | <b>105</b>                      | 164       |
| <b>Total allowances for credit losses (ACL) as % of:</b>                                  |                                 |           |
| Total loans and leases                                                                    | <b>1.28%</b>                    | 1.21%     |
| Non-performing loans and leases                                                           | <b>206</b>                      | 247       |
| Non-performing assets                                                                     | <b>118</b>                      | 187       |

The increase in the ACL as compared to both the prior quarter and the 2006 fourth quarter is primarily merger related.

The increase in the transaction reserve component, as compared to the 2006 fourth quarter, reflected the impact of increasing monitored credits during the 2007 second quarter, primarily resulting from softness in the residential and commercial real estate markets in the Midwest. The three relationships noted above represented a significant portion

of the additional required reserve with the remaining increase associated with other relationships meeting the monitored credit definition.

**Table of Contents**

Given the expectation of continued stress in commercial real estate markets, as well as weak performance of the eastern Michigan and northern Ohio economies, we expect modest increases in the ALLL ratio in the 2007 fourth quarter.

**Net Charge-offs**

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

Table 24 reflects net loan and lease charge-off detail for each of the last five quarters.

**Table 24 Quarterly Net Charge-Off Analysis**

| <i>(in thousands)</i>                          | <b>Third</b>    | <b>2007<br/>Second</b> | First    | Fourth     | 2006<br>Third |
|------------------------------------------------|-----------------|------------------------|----------|------------|---------------|
| <b>Net charge-offs by loan and lease type:</b> |                 |                        |          |            |               |
| Commercial:                                    |                 |                        |          |            |               |
| Middle market commercial and industrial        | <b>\$ 7,760</b> | \$ 3,628               | \$ (11)  | \$ (1,827) | \$ 1,742      |
| Middle market commercial real estate:          |                 |                        |          |            |               |
| Construction                                   | <b>2,160</b>    | 2,876                  | 9        | 3,957      | (2)           |
| Commercial                                     | <b>2,282</b>    | 10,428                 | 377      | 144        | 644           |
| Middle market commercial real estate           | <b>4,442</b>    | 13,304                 | 386      | 4,101      | 642           |
| Small business                                 | <b>5,102</b>    | 3,603                  | 2,089    | 4,535      | 4,451         |
| Total commercial                               | <b>17,304</b>   | 20,535                 | 2,464    | 6,809      | 6,835         |
| Consumer:                                      |                 |                        |          |            |               |
| Automobile loans                               | <b>5,354</b>    | 1,631                  | 2,853    | 2,422      | 1,759         |
| Automobile leases                              | <b>2,561</b>    | 2,699                  | 2,201    | 2,866      | 2,306         |
| Automobile loans and leases                    | <b>7,915</b>    | 4,330                  | 5,054    | 5,288      | 4,065         |
| Home equity                                    | <b>10,841</b>   | 5,405                  | 5,968    | 5,820      | 6,734         |
| Residential mortgage                           | <b>4,405</b>    | 1,695                  | 1,931    | 2,226      | 876           |
| Other loans                                    | <b>6,641</b>    | 2,535                  | 2,701    | 2,826      | 2,729         |
| Total consumer                                 | <b>29,802</b>   | 13,965                 | 15,654   | 16,160     | 14,404        |
| <b>Total net charge-offs</b>                   | <b>\$47,106</b> | \$34,500               | \$18,118 | \$22,969   | \$21,239      |
| <b>Net charge-offs annualized percentages:</b> |                 |                        |          |            |               |
| Commercial:                                    |                 |                        |          |            |               |
| Middle market commercial and industrial        | <b>0.30%</b>    | 0.23%                  | %        | (0.12)%    | 0.12%         |
| Middle market commercial real estate:          |                 |                        |          |            |               |
| Construction                                   | <b>0.48</b>     | 0.92                   |          | 1.35       |               |



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|                                                |              |       |       |       |       |
|------------------------------------------------|--------------|-------|-------|-------|-------|
| Commercial                                     | <b>0.16</b>  | 1.46  | 0.05  | 0.02  | 0.09  |
| Middle market commercial real estate           | <b>0.24</b>  | 1.29  | 0.04  | 0.41  | 0.06  |
| Small business                                 | <b>0.47</b>  | 0.58  | 0.34  | 0.75  | 0.74  |
| Total commercial                               | <b>0.31</b>  | 0.64  | 0.08  | 0.22  | 0.23  |
| Consumer:                                      |              |       |       |       |       |
| Automobile loans                               | <b>0.73</b>  | 0.28  | 0.52  | 0.46  | 0.34  |
| Automobile leases                              | <b>0.72</b>  | 0.70  | 0.52  | 0.62  | 0.47  |
| Automobile loans and leases                    | <b>0.73</b>  | 0.45  | 0.52  | 0.54  | 0.40  |
| Home equity                                    | <b>0.59</b>  | 0.43  | 0.49  | 0.47  | 0.53  |
| Residential mortgage                           | <b>0.32</b>  | 0.16  | 0.17  | 0.19  | 0.07  |
| Other loans                                    | <b>4.11</b>  | 2.39  | 2.56  | 2.63  | 2.54  |
| Total consumer                                 | <b>0.67</b>  | 0.41  | 0.46  | 0.46  | 0.40  |
| <b>Net charge-offs as a % of average loans</b> | <b>0.47%</b> | 0.52% | 0.28% | 0.35% | 0.32% |

**Table of Contents**

Table 25 reflects net loan and lease charge-off detail for the first nine-month periods of 2007 and 2006.

**Table 25 Year To Date Net Charge-Off Analysis**

| <i>(in thousands)</i>                          | Nine Months Ended September<br>30, |           |
|------------------------------------------------|------------------------------------|-----------|
|                                                | <b>2007</b>                        | 2006      |
| <b>Net charge-offs by loan and lease type:</b> |                                    |           |
| Commercial:                                    |                                    |           |
| Middle market commercial and industrial        | <b>\$ 11,377</b>                   | \$ 8,145  |
| Middle market commercial real estate:          |                                    |           |
| Construction                                   | <b>5,045</b>                       | (404)     |
| Commercial                                     | <b>13,087</b>                      | 2,411     |
| Middle market commercial real estate           | <b>18,132</b>                      | 2,007     |
| Small business                                 | <b>10,794</b>                      | 10,690    |
| Total commercial                               | <b>40,303</b>                      | 20,842    |
| Consumer:                                      |                                    |           |
| Automobile loans                               | <b>9,838</b>                       | 5,908     |
| Automobile leases                              | <b>7,461</b>                       | 7,579     |
| Automobile loans and leases                    | <b>17,299</b>                      | 13,487    |
| Home equity                                    | <b>22,214</b>                      | 16,034    |
| Residential mortgage                           | <b>8,031</b>                       | 2,279     |
| Other loans                                    | <b>11,877</b>                      | 6,764     |
| Total consumer                                 | <b>59,421</b>                      | 38,564    |
| <b>Total net charge-offs</b>                   | <b>\$ 99,724</b>                   | \$ 59,406 |
| <b>Net charge-offs annualized percentages:</b> |                                    |           |
| Commercial:                                    |                                    |           |
| Middle market commercial and industrial        | <b>0.20%</b>                       | 0.20%     |
| Middle market commercial real estate:          |                                    |           |
| Construction                                   | <b>0.48</b>                        | (0.04)    |
| Commercial                                     | <b>0.46</b>                        | 0.12      |
| Middle market commercial real estate           | <b>0.47</b>                        | 0.07      |
| Small business                                 | <b>0.46</b>                        | 0.63      |
| Total commercial                               | <b>0.34</b>                        | 0.24      |
| Consumer:                                      |                                    |           |
| Automobile loans                               | <b>0.53</b>                        | 0.39      |
| Automobile leases                              | <b>0.64</b>                        | 0.48      |

|                                                |              |       |
|------------------------------------------------|--------------|-------|
| Automobile loans and leases                    | <b>0.57</b>  | 0.43  |
| Home equity                                    | <b>0.54</b>  | 0.43  |
| Residential mortgage                           | <b>0.22</b>  | 0.07  |
| Other loans                                    | <b>3.17</b>  | 2.04  |
| Total consumer                                 | <b>0.53</b>  | 0.36  |
| <b>Net charge-offs as a % of average loans</b> | <b>0.43%</b> | 0.31% |

Total commercial net charge-offs in the 2007 third quarter were \$17.3 million, or an annualized 0.31%. This was higher than an annualized 0.22% in the 2006 fourth quarter, but less than the annualized 0.64% in the prior quarter. In the 2007 second quarter, we provided an additional \$24.8 million for loan losses related to two eastern Michigan homebuilder credits and one northern Ohio automotive supplier credit. In that quarter, we charged off \$12.2 million, or an annualized 0.38%, against these reserves. In the third quarter 2007, we charged off an additional \$10.0 million, or an annualized 0.18%, against these previously established reserves.

Total consumer net charge-offs in the 2007 third quarter were \$29.8 million, or an annualized 0.67%. This was higher than the 0.46% in the 2006 fourth quarter and 0.41% in the prior quarter. The increases in automobile loan and lease net charge-offs from both the prior quarter and 2006 fourth quarter reflected both the impact of the Sky Financial portfolio, as

**Table of Contents**

well as seasonal factors. The increases in residential mortgage and home equity net charge-offs reflected continued market weakness, particularly in the southeast Michigan and northeast Ohio markets.

Total net charge-offs for the first nine-months of 2007 were an annualized 0.43% of related total average loans and leases, up from an annualized 0.31% in the comparable year-ago period. The increase primarily reflected higher commercial loan net charge-offs associated with the general weakness in our Midwest markets and was influenced by higher CRE net charge-offs. This included the \$22.2 million associated with the three commercial credit relationships noted earlier. The 0.43% annualized total net charge-offs was within our long-term net charge-off targeted range of 0.35%-0.45%.

**Market Risk**

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

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, 2007 and December 31, 2006. All of the positions were well within the board of directors' policy limits.

**Table 26 Net Interest Income at Risk**

| Basis point change scenario | Net Interest Income at Risk (%) |              |              |              |
|-----------------------------|---------------------------------|--------------|--------------|--------------|
|                             | -200                            | -100         | +100         | +200         |
| <b>September 30, 2007</b>   | <b>-0.8%</b>                    | <b>-0.3%</b> | <b>+0.5%</b> | <b>+0.8%</b> |
| December 31, 2006           | 0.0%                            | 0.0%         | -0.2%        | -0.4%        |

The net interest income at risk reported as of September 30, 2007 shows additional asset sensitivity to the balance sheet reflecting an increase in trading portfolio securities used to hedge the value of our mortgage servicing rights.

The primary simulations for economic value of equity (EVE) at 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 September 30, 2007 results compared to December 31, 2006.

**Table of Contents****Table 27 Economic Value of Equity at Risk**

| Basis point change scenario | Economic Value of Equity at Risk (%) |              |              |              |
|-----------------------------|--------------------------------------|--------------|--------------|--------------|
|                             | -200                                 | -100         | +100         | +200         |
| <b>September 30, 2007</b>   | <b>0.0%</b>                          | <b>+1.4%</b> | <b>-4.9%</b> | <b>-9.5%</b> |
| December 31, 2006           | +0.5%                                | +1.4%        | -4.7%        | -11.3%       |

The EVE at risk reported as of September 30, 2007 incorporates a methodology change resulting from the acquisition of Sky Financial. Previously, EVE at risk was measured on the basis of total shareholders' equity. Going forward, given the impact of the Sky Financial acquisition, EVE at risk will be measured on the basis of net equity. Net equity equals total shareholders' equity adjusted for goodwill and other intangible assets, and the ACL. This change in the measurement of EVE risk did not affect our compliance with limits that have been set by our board of directors. The table below reconciles the difference between total shareholders' equity and net equity.

| <i>(in thousands)</i>       | <b>2007<br/>September 30,</b> | 2006<br>December 31, |
|-----------------------------|-------------------------------|----------------------|
| Total Shareholders' Equity  | <b>\$6,249,674</b>            | \$3,014,326          |
| Less:                       |                               |                      |
| Goodwill                    | <b>2,995,961</b>              | 570,876              |
| Other intangible Assets     | <b>443,446</b>                | 59,487               |
| Add:                        |                               |                      |
| Allowance for Credit Losses | <b>513,011</b>                | 312,229              |
| <b>Net Equity</b>           | <b>\$3,323,278</b>            | \$2,696,192          |

**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 fair value accounting.

**Liquidity Risk**

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. We manage liquidity risk at both the Bank and at the parent company, Huntington Bancshares Incorporated.

Liquidity policies and limits are established by our board of directors, with operating limits set by the 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 shortages, including the implications of any rating changes. The 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.

**Bank Liquidity**

Conditions in the capital markets have been volatile during 2007, particularly during the third quarter. As a result, there have been significant disruptions in a variety of funding arrangements typically used by many banks, including the availability of liquid markets for the sale of mortgage loan production not conforming to secondary market standards required by Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC). In



**Table of Contents**

addition, many banks relying on short term funding structures such as commercial paper and alternative collateral repurchase agreements have had limited access to these markets. Huntington has maintained a diversified wholesale funding structure with an emphasis on reducing the roll over risk of maturing borrowings resulting in minimal reliance on the short term funding markets. Huntington does not have an active commercial paper funding program and, while active in the securitization markets (primarily indirect auto loans and leases) does not rely heavily on these sources of funding, and therefore, our liquidity has not been subject to the recent disruption in its funding positions. In addition, Huntington does not provide liquidity facilities for conduits, structured investment vehicles, or other off balance sheet financing structures. Indicative credit spreads have widened for Huntington debt along with other peer banks reflecting the current market conditions and we expect these spreads to remain wider than in prior quarters.

Our primary source of funding for the Bank is core deposits from retail and commercial customers. Core deposits are comprised of interest bearing and non-interest bearing demand deposits, savings and other domestic time deposits, consumer certificates of deposit, and non-consumer certificates of deposit less than \$100,000. Non-core deposits include: brokered time deposits, large denomination certificates of deposit, foreign deposits, and other domestic time deposits, comprised primarily of IRA deposits and public fund certificates of deposit greater than \$100,000.

Table 28, presented on the next page, reflects deposit composition detail for each of the past five quarters.

**Table of Contents****Table 28 Deposit Composition<sup>1)</sup>**

| <i>(in thousands)</i>                        | <b>2007</b>                                |                                       | <b>2006</b>      |                     |                      |        |              |        |              |        |
|----------------------------------------------|--------------------------------------------|---------------------------------------|------------------|---------------------|----------------------|--------|--------------|--------|--------------|--------|
|                                              | <b>September 30,</b><br><i>(Unaudited)</i> | <b>June 30,</b><br><i>(Unaudited)</i> | <b>March 31,</b> | <b>December 31,</b> | <b>September 30,</b> |        |              |        |              |        |
| <b>Deposit Type</b>                          |                                            |                                       |                  |                     |                      |        |              |        |              |        |
| Demand deposits                              |                                            |                                       |                  |                     |                      |        |              |        |              |        |
| Non-interest bearing                         | <b>\$ 4,984,663</b>                        | <b>13.0%</b>                          | \$ 3,625,540     | 14.7%               | \$ 3,696,231         | 15.0%  | \$ 3,615,745 | 14.4%  | \$ 3,480,888 | 14.1%  |
| Demand deposits                              |                                            |                                       |                  |                     |                      |        |              |        |              |        |
| Interest bearing                             | <b>3,982,102</b>                           | <b>10.4</b>                           | 2,496,250        | 10.1                | 2,486,304            | 10.1   | 2,389,085    | 9.5    | 2,243,153    | 9.1    |
| Money market deposits                        | <b>6,721,963</b>                           | <b>17.5</b>                           | 5,323,707        | 21.6                | 5,568,104            | 22.6   | 5,362,459    | 21.4   | 5,678,252    | 23.0   |
| Savings and other domestic deposits          | <b>4,877,476</b>                           | <b>12.7</b>                           | 2,845,945        | 11.6                | 2,879,098            | 11.7   | 2,986,287    | 11.9   | 3,011,268    | 12.2   |
| Core certificates of deposit                 | <b>10,611,821</b>                          | <b>27.6</b>                           | 5,738,598        | 23.3                | 5,408,289            | 22.0   | 5,364,610    | 21.4   | 5,313,473    | 21.5   |
| <b>Total core deposits</b>                   | <b>31,178,025</b>                          | <b>81.2</b>                           | 20,030,040       | 81.3                | 20,038,026           | 81.4   | 19,718,186   | 78.6   | 19,727,034   | 79.9   |
| Other domestic deposits of \$100,000 or more | <b>1,914,417</b>                           | <b>5.0</b>                            | 1,052,545        | 4.3                 | 1,287,186            | 5.2    | 1,191,984    | 4.8    | 1,259,720    | 5.1    |
| Brokered deposits and negotiable CDs         | <b>3,701,726</b>                           | <b>9.6</b>                            | 2,920,726        | 11.9                | 2,721,927            | 11.1   | 3,345,943    | 13.4   | 3,183,489    | 12.9   |
| Deposits in foreign offices                  | <b>1,610,197</b>                           | <b>4.2</b>                            | 596,601          | 2.5                 | 538,754              | 2.3    | 791,657      | 3.2    | 568,152      | 2.1    |
| <b>Total deposits</b>                        | <b>\$38,404,365</b>                        | <b>100.0%</b>                         | \$24,599,912     | 100.0%              | \$24,585,893         | 100.0% | \$25,047,770 | 100.0% | \$24,738,395 | 100.0% |
| <b>Total core deposits:</b>                  |                                            |                                       |                  |                     |                      |        |              |        |              |        |
| Commercial                                   | <b>\$ 9,017,474</b>                        | <b>28.3%</b>                          | \$ 6,267,644     | 31.3%               | \$ 6,314,309         | 31.5%  | \$ 6,063,372 | 30.8%  | \$ 6,214,462 | 31.5%  |
| Personal                                     | <b>22,160,551</b>                          | <b>71.7</b>                           | 13,762,396       | 68.7                | 13,723,717           | 68.5   | 13,654,814   | 69.2   | 13,512,572   | 68.5   |
| <b>Total core deposits</b>                   | <b>\$31,178,025</b>                        | <b>100.0%</b>                         | \$20,030,040     | 100.0%              | \$20,038,026         | 100.0% | \$19,718,186 | 100.0% | \$19,727,034 | 100.0% |



| Business Segment                      |                     |               |                     |               |                     |               |                     |               |                     |               |
|---------------------------------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| Regional Banking:                     |                     |               |                     |               |                     |               |                     |               |                     |               |
| Central Ohio                          | \$ 5,931,926        | 15.4%         | \$ 5,052,242        | 20.5%         | \$ 5,130,716        | 20.9%         | \$ 5,122,091        | 20.4%         | \$ 5,040,855        | 20.4%         |
| Northwest Ohio                        | 2,841,442           | 7.4           | 1,097,765           | 4.5           | 1,062,255           | 4.3           | 1,043,918           | 4.2           | 1,008,951           | 4.1           |
| Greater Cleveland                     | 3,071,014           | 8.0           | 2,025,824           | 8.2           | 2,020,165           | 8.2           | 1,995,203           | 8.0           | 2,126,795           | 8.6           |
| Greater Akron/Canton                  | 2,629,397           | 6.8           | 1,883,329           | 7.7           | 1,909,677           | 7.8           | 1,894,707           | 7.6           | 1,896,046           | 7.7           |
| Southern Ohio                         |                     |               |                     |               |                     |               |                     |               |                     |               |
| Kentucky                              | 2,626,166           | 6.8           | 2,353,087           | 9.6           | 2,353,129           | 9.6           | 2,275,880           | 9.1           | 2,212,443           | 8.9           |
| Mahoning Valley                       | 1,540,095           | 4.0           |                     |               |                     |               |                     |               |                     |               |
| Ohio Valley                           | 1,374,947           | 3.6           |                     |               |                     |               |                     |               |                     |               |
| West Michigan                         | 2,966,558           | 7.7           | 2,820,076           | 11.5          | 2,826,489           | 11.5          | 2,757,434           | 11.0          | 2,938,112           | 11.9          |
| East Michigan                         | 2,420,169           | 6.3           | 2,357,108           | 9.6           | 2,460,100           | 10.0          | 2,418,450           | 9.7           | 2,357,607           | 9.5           |
| Western Pennsylvania                  | 1,663,174           | 4.3           |                     |               |                     |               |                     |               |                     |               |
| Pittsburgh                            | 933,468             | 2.4           |                     |               |                     |               |                     |               |                     |               |
| Central Indiana                       | 1,910,530           | 5.0           | 851,839             | 3.5           | 903,119             | 3.7           | 819,106             | 3.3           | 847,726             | 3.4           |
| West Virginia                         | 1,559,864           | 4.1           | 1,586,407           | 6.4           | 1,547,095           | 6.3           | 1,515,999           | 6.1           | 1,517,834           | 6.1           |
| Other Regional                        | 1,319,027           | 3.4           | 490,194             | 2.0           | 163,456             | 1.7           | 387,819             | 1.5           | 354,888             | 1.4           |
| Regional Banking                      | 32,787,777          | 85.4          | 20,517,871          | 83.4          | 20,637,340          | 83.9          | 20,230,607          | 80.8          | 20,301,257          | 82.1          |
| Dealer Sales                          | 63,399              | 0.2           | 57,554              | 0.2           | 54,644              | 0.2           | 58,885              | 0.2           | 58,918              | 0.2           |
| Private Financial and Capital Markets |                     |               |                     |               |                     |               |                     |               |                     |               |
| Group Treasury / Other (2)            | 1,630,869           | 4.2           | 1,103,760           | 4.5           | 1,171,982           | 4.8           | 1,162,335           | 4.6           | 1,144,731           | 4.6           |
| Other (2)                             | 3,922,320           | 10.2          | 2,920,727           | 11.9          | 2,721,927           | 11.1          | 3,595,943           | 14.4          | 3,233,489           | 13.1          |
| <b>Total deposits</b>                 | <b>\$38,404,365</b> | <b>100.0%</b> | <b>\$24,599,912</b> | <b>100.0%</b> | <b>\$24,585,893</b> | <b>100.0%</b> | <b>\$25,047,770</b> | <b>100.0%</b> | <b>\$24,738,395</b> | <b>100.0%</b> |

(1) Reflects post-Sky Financial merger organizational structure effective on July 1, 2007.

Accordingly,  
balances  
presented for  
prior periods do  
not include the  
impact of the  
acquisition.

- (2) Comprised  
largely of  
national market  
deposits.

**Table of Contents**

Core deposits can also increase our need for liquidity as certificates of deposit mature or are withdrawn early and as non-maturity deposits, such as checking and savings account balances, are withdrawn.

To the extent that we are unable to obtain sufficient liquidity through core deposits, we can meet our liquidity needs through short-term borrowings by purchasing fed funds or by selling securities under repurchase agreements. Our bank also has a \$6.0 billion bank note facility, of which \$2.8 billion remains available and a \$4.5 billion borrowing capacity at the Federal Home Loan Bank of Cincinnati, of which \$1.8 billion remained unused at September 30, 2007. Other sources of liquidity exist within our securities available for sale, the relatively shorter-term structure of our commercial loans and automobile loans, and the Federal Reserve Bank's discount window.

At September 30, 2007, we believe that the Bank had sufficient liquidity to meet its cash flow obligations for the foreseeable future.

***Parent Company Liquidity***

At September 30, 2007, the parent company had \$240.2 million in cash or cash equivalents. This declined significantly during the quarter and returned to a more typical level when, on July 2, 2007, as part of consideration for the merger, the parent company made a cash payment of \$357.0 million to the former shareholders of Sky Financial as part of the purchase price. On July 17, 2007, Huntington declared a quarterly cash dividend on its common stock of \$0.265 per common share, payable October 1, 2007, to shareholders of record on September 14, 2007. In October 2007, the Bank declared and paid a dividend of \$120.0 million to the parent company. Based on the regulatory dividend limitation, the Bank could have declared and paid \$111.7 million of additional dividends to the parent company at September 30, 2007 without regulatory approval.

To help meet any additional liquidity needs, we have an open-ended, automatic shelf registration statement filed and effective with the SEC, which permits us to issue an unspecified amount of debt or equity securities.

Considering potential future obligations, and expected dividend payments, we believe the parent company has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

***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 2006 Annual Report on Form 10-K for additional discussion.)*

Credit ratings as of September 30, 2007, for the parent company and the Bank were:

**Table of Contents****Table 29 Credit Ratings**

|                                           | September 30, 2007           |                       |            |         |
|-------------------------------------------|------------------------------|-----------------------|------------|---------|
|                                           | 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  |

These credit ratings were unchanged from December 31, 2006 and were re-affirmed by each of the credit rating agencies after the Sky Financial acquisition was announced.

**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.

Through our credit process, we monitor the credit risks of outstanding standby letters of credit. When it is probable that a standby letter of credit will be drawn and not repaid in full, losses are recognized in the provision for credit losses. At September 30, 2007, we had \$1.5 billion of standby letters of credit outstanding, of which 34% were collateralized.

We enter into forward contracts relating to the mortgage banking business. At September 30, 2007, December 31, 2006, and September 30, 2006, we had commitments to sell residential real estate loans of \$466.1 million, \$319.9 million, and \$314.2 million, respectively. These contracts mature in less than one year.

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

**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.

During the second quarter of 2007, Huntington Capital III, a trust formed by us, issued \$250 million of enhanced trust preferred securities. The securities were secured by junior subordinated notes from the parent company. The enhanced trust preferred securities have a coupon of 6.65% for the first ten years and a floating rate thereafter. They also have a scheduled maturity date of 2037 and may be called, at our discretion, at the 10<sup>th</sup> and 20<sup>th</sup> anniversaries of the issuance of the notes. In accordance with FIN 46R, the trust is not consolidated in our balance sheet; the junior subordinated notes issued by the parent company represent the obligation reflected in our balance sheet. The junior subordinate notes issued to this trust qualify as Tier 1 regulatory capital for Huntington.

Our total risk-weighted assets, Tier 1 leverage, Tier 1 risk-based capital, and total risk-based capital ratios for five quarters are shown in Table 30 and are well in excess of minimum levels established for well capitalized institutions of 5.00%, 6.00%, and 10.00%, respectively. The decrease in the tangible equity to assets ratio from December 31, 2006,

**Table of Contents**

primarily reflected the impact of the \$2.8 billion of intangibles recorded with the Sky Financial acquisition and a temporary \$1.5 billion increase in other assets, which cleared in October of 2007. The expectation is that this ratio will return to our targeted range of 6.00%-6.25% by mid-2008. The decrease in the tangible equity to risk-weighted asset ratio from December 31, 2006 was also primarily merger related.

**Table 30 Capital Adequacy**

| <i>(in millions)</i>                                        | Well-Capitalized<br>Minimums | 2007             |          |           | 2006            |                  |
|-------------------------------------------------------------|------------------------------|------------------|----------|-----------|-----------------|------------------|
|                                                             |                              | September<br>30, | June 30, | March 31, | December<br>31, | September<br>30, |
| Total risk-weighted assets <sup>(1)</sup>                   |                              | <b>\$45,978</b>  | \$32,121 | \$31,473  | \$31,155        | \$31,330         |
| Tier 1 leverage ratio <sup>(1)</sup>                        | 5.00%                        | <b>7.58%</b>     | 9.07%    | 8.24%     | 8.00%           | 7.99%            |
| Tier 1 risk-based capital ratio <sup>(1)</sup>              | 6.00                         | <b>8.35</b>      | 9.74     | 8.98      | 8.93            | 8.95             |
| Total risk-based capital ratio <sup>(1)</sup>               | 10.00                        | <b>11.54</b>     | 13.49    | 12.82     | 12.79           | 12.81            |
| Tangible equity / asset ratio                               |                              | <b>5.42</b>      | 6.82     | 7.06      | 6.87            | 7.13             |
| Tangible equity / risk-weighted assets ratio <sup>(1)</sup> |                              | <b>6.11</b>      | 7.60     | 7.70      | 7.65            | 7.97             |
| Average equity / average assets                             |                              | <b>11.50</b>     | 8.66     | 8.63      | 8.70            | 8.30             |

<sup>(1)</sup> September 30, 2007 figures are estimated. Based on an interim decision by the banking agencies on December 14, 2006, Huntington has excluded the impact of adopting Statement 158 from the regulatory capital calculations.

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. We intend to maintain the Bank's risk-based capital ratios at levels at which the Bank would be considered well capitalized by regulators. At

September 30, 2007, the Bank had tier one and total risk-based capital in excess of the minimum level required to be considered well capitalized of \$447.6 million and \$194.1 million, respectively.

**Table of Contents****Table 31 Quarterly Common Stock Summary**

| <i>(in thousands, except per share amounts)</i> |                  | <b>2007</b> |           |           | 2006      |
|-------------------------------------------------|------------------|-------------|-----------|-----------|-----------|
|                                                 | <b>Third</b>     | Second      | First     | Fourth    | Third     |
| <b>Common stock price, per share</b>            |                  |             |           |           |           |
| High <sup>(1)</sup>                             | <b>\$ 22.930</b> | \$ 22.960   | \$ 24.140 | \$ 24.970 | \$ 24.820 |
| Low <sup>(1)</sup>                              | <b>16.050</b>    | 21.300      | 21.610    | 22.870    | 23.000    |
| Close                                           | <b>16.980</b>    | 22.740      | 21.850    | 23.750    | 23.930    |
| Average closing price                           | <b>18.671</b>    | 22.231      | 23.117    | 24.315    | 23.942    |
| <b>Dividends, per share</b>                     |                  |             |           |           |           |
| Cash dividends declared on common stock         | <b>\$ 0.265</b>  | \$ 0.265    | \$ 0.265  | \$ 0.250  | \$ 0.250  |
| <b>Common shares outstanding</b>                |                  |             |           |           |           |
| Average basic                                   | <b>365,895</b>   | 236,032     | 235,586   | 236,426   | 237,672   |
| Average diluted                                 | <b>368,280</b>   | 239,008     | 238,754   | 239,881   | 240,896   |
| Ending                                          | <b>365,898</b>   | 236,244     | 235,714   | 235,474   | 237,921   |
| Book value per share                            | <b>\$ 17.08</b>  | \$ 12.97    | \$ 12.95  | \$ 12.80  | \$ 13.15  |
| Tangible book value per share                   | <b>7.68</b>      | 10.33       | 10.29     | 10.12     | 10.50     |
| <b>Common share repurchases</b>                 |                  |             |           |           |           |
| Number of shares repurchased                    |                  |             |           | 3,050     |           |

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

**Table of Contents**

**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, Note 14 of the Notes to Unaudited Condensed Consolidated Financial Statements, 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. An overview of this system is provided below, along with a description of each segment and discussion of financial results.

**Acquisition of Sky Financial**

The businesses acquired in the Sky Financial merger were fully integrated into each of the corresponding Huntington lines of business as of July 1, 2007. The Sky Financial merger had the largest impact on the Regional Banking line of business, and also significantly impacted PFCMG and Treasury/Other. For Regional Banking, the merger added four new banking regions and strengthened our presence in five regions where Huntington previously operated. The merger did not significantly impact our Dealer Sales line of business.

**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 rates. 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, management, and reporting of interest rate and liquidity risk in Treasury/Other where it can be monitored and managed.

**Treasury/Other**

The Treasury function includes revenue and expense related to assets, liabilities, and equity 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.



**Table of Contents**

Net interest income includes the impact of administering our investment securities portfolios and the net impact of derivatives used to hedge interest rate sensitivity. Non-interest income includes miscellaneous fee income not allocated to other business segments such as bank owned life insurance income and any investment securities and trading assets gains or losses. Non-interest expense includes certain corporate administrative, merger, and other miscellaneous expenses not allocated to other business segments. The provision for income taxes for the other business segments is calculated at a statutory 35% tax rate, though our overall effective tax rate is lower. As a result, Treasury 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.

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

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

**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 its 13 operating regions within the six states of Ohio, Michigan, West Virginia, Indiana, Pennsylvania, and Kentucky. It provides these services through a banking network of over 600 branches, and over 1,400 ATMs, along with Internet and telephone banking channels. It also provides certain services outside of these six states, including mortgage banking and equipment leasing. 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. At September 30, 2007, Retail Banking accounted for 50% and 79% of total Regional Banking loans and deposits, respectively. Commercial Banking serves middle market and large 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 about the pricing and the offering of these products. Our strategy is to focus on building a deeper relationship with our customers by providing a Simply the Best service experience. This focus on service requires continued investments in state-of-the-art platform technology in our branches, award-winning retail and business websites for our customers, extensive development of 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 result in a competitive advantage and drive revenue and earnings growth.

**Table 32 Key Performance Indicators for Regional Banking**

| <i>(in thousands unless otherwise noted)</i>                   | Nine Months Ended September |           | Change    |         |
|----------------------------------------------------------------|-----------------------------|-----------|-----------|---------|
|                                                                | 2007                        | 2006      | Amount    | Percent |
| Net income operating                                           | <b>\$276,336</b>            | \$260,645 | \$ 15,691 | 6.0%    |
| Total average assets (in millions of dollars)                  | <b>25,514</b>               | 20,298    | 5,216     | 25.7    |
| Total average deposits (in millions of dollars)                | <b>24,549</b>               | 19,555    | 4,994     | 25.5    |
| Return on average equity                                       | <b>26.8%</b>                | 30.9%     | (4.1)%    | (13.3)  |
| Retail banking # DDA households (eop)                          | <b>910,947</b>              | 560,526   | 350,421   | 62.5    |
| Retail banking # new relationships 90-day cross-sell (average) | <b>2.68</b>                 | 2.80      | (0.12)    | (4.3)   |
| Small business # business DDA relationships (eop)              | <b>104,137</b>              | 60,341    | 43,796    | 72.6    |
| Small business # new relationships 90-day cross-sell (average) | <b>2.40</b>                 | 2.25      | 0.15      | 6.7     |
| Mortgage banking closed loan volume (in millions)              | <b>\$ 2,508</b>             | \$ 2,131  | \$ 377    | 17.7    |

eop End of Period.

**2007 First Nine Months versus 2006 First Nine Months**

Regional Banking contributed \$276.3 million, or 88%, of the company's net operating earnings for the first nine months of 2007. This compares with \$260.6 million in the same year-ago period an increase of \$15.7 million, or 6%. The \$15.7 million increase includes the impact of the Sky Financial acquisition. Substantially all of the increase in each income statement component was attributable to the impact of the acquisition.



**Table of Contents**

Net interest income increased \$120.4 million, substantially all of which was merger related. Since 77% of Huntington's average loans and leases and 85% of Huntington's total deposits are provided by Regional Banking, the performance and performance trends for net interest income are substantially the same as those of Huntington, and thus, Regional Banking's net interest income performance trends do not materially differ from those discussed under

Results of Operations - Net interest income. The following table details the impact of the merger on Regional Banking's third quarter average total loans including a full quarter of merger related impact, compared with the second quarter, which does not include any merger related impact:

**Average Total Loans and Leases****Regional Banking**

| <i>(in millions)</i>   | <b>Third<br/>Quarter<br/>2007</b> | Second<br>Quarter<br>2007 | Change<br>Amount |
|------------------------|-----------------------------------|---------------------------|------------------|
| Central Ohio           | \$ 4,910                          | \$ 3,681                  | \$ 1,229         |
| Northwest Ohio         | 2,341                             | 452                       | 1,889            |
| Greater Cleveland      | 2,993                             | 2,064                     | 929              |
| Greater Akron/Canton   | 2,024                             | 1,328                     | 696              |
| Southern Ohio/Kentucky | 2,527                             | 2,205                     | 322              |
| Mahoning Valley        | 871                               |                           | 871              |
| Ohio Valley            | 759                               |                           | 759              |
| West Michigan          | 2,484                             | 2,447                     | 37               |
| East Michigan          | 1,662                             | 1,639                     | 23               |
| Western Pennsylvania   | 1,069                             |                           | 1,069            |
| Pittsburgh             | 912                               |                           | 912              |
| Central Indiana        | 1,406                             | 982                       | 424              |
| West Virginia          | 1,163                             | 1,128                     | 35               |
| Other Regional         | 6,834                             | 3,737                     | 3,097            |
| Regional Banking       | <b>\$31,955</b>                   | \$19,663                  | \$12,292         |

N.M. Not meaningful.

Additionally, the Sky Financial merger impacted deposits. The following table details the impact of the merger on Regional Banking's third quarter average total loans including a full quarter of merger related impact, compared with the second quarter, which does not include any merger related impact:

**Average Total Deposits****Regional Banking**

| <i>(in millions)</i>   | <b>Third<br/>Quarter<br/>2007</b> | Second<br>Quarter<br>2007 | Change<br>Amount |
|------------------------|-----------------------------------|---------------------------|------------------|
| Central Ohio           | \$ 6,026                          | \$ 5,014                  | \$ 1,012         |
| Northwest Ohio         | 2,856                             | 1,070                     | 1,786            |
| Greater Cleveland      | 2,969                             | 2,024                     | 945              |
| Greater Akron/Canton   | 2,613                             | 1,898                     | 715              |
| Southern Ohio/Kentucky | 2,564                             | 2,333                     | 231              |
| Mahoning Valley        | 1,562                             |                           | 1,562            |
| Ohio Valley            | 1,380                             |                           | 1,380            |

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|                      |                  |           |           |
|----------------------|------------------|-----------|-----------|
| West Michigan        | <b>2,868</b>     | 2,784     | 84        |
| East Michigan        | <b>2,423</b>     | 2,397     | 26        |
| Western Pennsylvania | <b>1,695</b>     |           | 1,695     |
| Pittsburgh           | <b>943</b>       |           | 943       |
| Central Indiana      | <b>1,831</b>     | 854       | 977       |
| West Virginia        | <b>1,562</b>     | 1,535     | 27        |
| Other Regional       | <b>1,597</b>     | 487       | 1,110     |
| Regional Banking     | <b>\$ 32,889</b> | \$ 20,396 | \$ 12,493 |

**Table of Contents**

Non-interest income increased \$63.3 million, substantially all of which was merger related. For the first nine months of 2007, non-merger deposit service charges and electronic banking fees showed significant growth compared with the same year-ago period.

Non-interest expense increased \$86.3 million, substantially all of which was merger related. During the quarter, Sky Bank was merged into the Bank, concurrent with the conversion of major systems. At this time, we closed several duplicate branches. Non-merger related decreases in non-interest expense were noted in personnel costs, net occupancy, and marketing.

Regional Banking's provision for credit losses increased \$73.2 million for the first nine months from the comparable year-ago period. As 77% of Huntington's average loans and lease balances are provided by Regional Banking, and as Regional Banking accounts for 98% of Huntington's NPAs, the credit quality performance and trends in credit quality are substantially the same as those of Huntington and, thus, Regional Banking's credit quality trends do not materially differ from those discussed under Risk Management and Capital Credit Quality.

After the merger with Sky Financial, regional banking now has 13 banking regions, organized under four group presidents. The merger helps to diversify Regional Banking's performance from the economic issues in any one region and strengthens our market share, ranking first in four of our 12 Metropolitan Statistical Areas (MSAs). Additionally, the acquisition strengthens our mortgage banking business, expanding the mortgage loans serviced for others to \$15.1 billion from \$8.0 billion. The merger also expanded our equipment leasing and small-business administration (SBA) lending businesses.

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

(This section should be read in conjunction with Significant Item 1 and 7.)

**Objectives, Strategies, and Priorities**

Our Dealer Sales line of business provides a variety of banking products and services to more than 3,600 automotive dealerships within our primary banking markets, as well as in Arizona, Florida, Georgia, Nevada, New Jersey, New York, North Carolina, South Carolina, and Tennessee. Dealer Sales finances the purchase of automobiles by customers at the automotive dealerships; purchases automobiles from dealers and simultaneously leases the automobiles to consumers under long-term leases; finances dealerships' new and used vehicle inventories, land, buildings, and other real estate owned by the dealership, or dealer 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.

**Table 33 Key Performance Indicators for Dealer Sales**

| <i>(in thousands unless otherwise noted)</i>  | Nine Months Ended |                       | Change     |         |
|-----------------------------------------------|-------------------|-----------------------|------------|---------|
|                                               | 2007              | September 30,<br>2006 | Amount     | Percent |
| Net income – operating                        | \$ 36,502         | \$ 49,913             | \$(13,411) | (26.9)% |
| Total average assets (in millions of dollars) | 5,031             | 5,403                 | (372)      | (6.9)   |
| Return on average equity                      | 26.8%             | 23.7%                 | 3.1%       | 13.1    |
| Automobile loans production (in millions)     | \$1,423.6         | \$1,337.4             | \$ 86.2    | 6.4     |
| Automobile leases production (in millions)    | 239.4             | 273.7                 | (34.3)     | (12.5)  |

**2007 First Nine Months versus 2006 First Nine Months**

Dealer Sales contributed \$36.5 million, or 12%, of the company's net operating earnings for the first nine months of 2007. This compared with \$49.9 million in the same year-ago period, a decline of \$13.4 million, or 27%.

Factors contributing to the \$13.4 million decline in net operating earnings include:

Net interest income declined \$3.7 million, or 4%, in fully taxable equivalent net interest income, primarily reflecting a 10 basis point decline in the net interest margin to 2.54% for the first nine months of 2007 from 2.64% for the comparable year-ago period. This decline reflected a continuation of competitive pricing pressures and the resulting lower margins on new production as compared with margins on loans and leases that are being repaid. The addition of automobile loans acquired from Sky Financial and an increase in indirect loan production partially offset this decline.

The provision for credit losses increased \$7.2 million, or 76%, primarily reflecting a \$4.1 million increase in net charge-offs and an increase in the provision attributed to loan growth. Net charge-offs totaled \$18.3 million, or an annualized 0.48%, of average loans and leases, for the first nine months of 2007 as compared with \$14.3 million, or an annualized 0.38% of average loans and leases, for the comparable year-ago period. Growth in total loans and direct finance leases, excluding loans added by the Sky Financial acquisition, was primarily attributed to higher production as well as lower sales levels, noted below.

**Table of Contents**

Non-interest income declined \$36.6 million, or 53%, primarily reflecting the decrease in net automobile operating lease income as that portfolio continued to decline. Additionally, there were declines in insurance related revenues, lease termination income and servicing income totaling \$4.0 million.

Non-interest expense declined \$26.8 million, or 32%, primarily reflecting a \$24.1 million decrease in automobile operating lease expense. Other non-interest expense declined \$2.7 million, reflecting declines in lease residual value insurance and other residual value related losses due to an overall decline in the lease portfolio along with lower relative losses on vehicles sold at auction.



**Table of Contents****Private Financial and Capital Markets Group (PFCMG)**

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

**Objectives, Strategies, and Priorities**

The 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. Sky Insurance, included within PFCMG, provides retail and commercial insurance agency services. PFCMG 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 higher 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 31 proprietary mutual funds, including 11 variable annuity funds, which represented approximately \$4.6 billion in assets under management at September 30, 2007. The Huntington Investment Company offers brokerage and investment advisory services to both Regional Banking and PFCMG customers through a combination of licensed investment sales representatives and 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.

**Table 34 Key Performance Indicators for Private Financial and Capital Markets Group**

| <i>(in thousands unless otherwise noted)</i>  | Nine Months Ended |           | Change     |         |
|-----------------------------------------------|-------------------|-----------|------------|---------|
|                                               | 2007              | 2006      | Amount     | Percent |
| Net income – operating                        | \$ 34,441         | \$ 40,854 | \$ (6,413) | (15.7)% |
| Total average assets (in millions of dollars) | 2,438             | 2,102     | 336        | 16.0    |
| Return on average equity                      | 27.1%             | 36.3%     | (9.2)%     | (25.3)  |
| Total brokerage and insurance income          | \$ 61,200         | \$ 40,627 | \$ 20,573  | 50.6    |
| Total assets under management (in billions)   | 16.7              | 11.9      | 4.8        | 40.3    |
| Total trust assets (in billions)              | 60.0              | 49.6      | 10.4       | 21.0    |

**2007 First Nine Months versus 2006 First Nine Months**

PFCMG contributed \$34.4 million, or 11%, of the company's net operating earnings for the first nine months of 2007. This compared with \$40.9 million in the same year-ago period, a decline of \$6.4 million, or 16%. The \$6.4 million decrease included a merger related positive impact of \$3.8 million. Non-merger related net income declined \$10.2 million.

Fully taxable net interest income for the first nine months of 2007 increased \$5.9 million compared with the same year-ago period, substantially all of which was attributable to merger related increases in loans and deposits.

Non-interest income increased \$23.0 million for the first nine months of 2007 compared with the same year-ago period, substantially all of which was merger related. On a non-merger basis, increases in trust services income and brokerage and insurance income were offset by a large decrease in other non-interest income. The improved level of trust services income reflected trust managed asset growth, most notably for the Huntington Funds. Six out of nine of the equity funds outperformed the S&P for the nine months ended September 30, 2007. A new fund, Real Strategies, was introduced in May



**Table of Contents**

2007 and grew to \$29 million in assets as of September 30, 2007. Trust services income also increased from the acquisition of Unified Fund Services on December 31, 2006, which had attributable revenues of \$7.3 million for the first nine months of 2007. These increases were offset by a decrease in other non-interest income, primarily related to the \$14.8 million impact of market valuation adjustments on its portfolio of equity funds. These portfolio losses of \$10.6 million for the first nine months of 2007 compared with market value gains of \$4.2 million for the same year-ago period. The carrying value of this portfolio was \$23.8 million at September 30, 2007 and was carried at fair value.

Non-interest expense increased \$37.1 million for the first nine months of 2007 compared with the same year-ago period, substantially all of which was merger related. Non-merger related personnel and other expenses increased compared with the same year-ago period. The increase in personnel costs reflected the acquisition of Unified Fund Services and the opening of new trust offices in Dayton, Ohio, and Indianapolis, Indiana in the 2006 second quarter, and sales commissions due to increased revenue. The increase in other expenses reflected many of the same factors as the increase in personnel expense and increases in minority interest expense related to mezzanine lending.

**Table of Contents****Item 1. Financial Statements****Huntington Bancshares Incorporated  
Condensed Consolidated Balance Sheets***(Unaudited)*

| <i>(in thousands, except number of shares)</i>                                                                                                       | <b>2007</b>          | 2006         | 2006          |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------|---------------|
|                                                                                                                                                      | <b>September 30,</b> | December 31, | September 30, |
| <b>Assets</b>                                                                                                                                        |                      |              |               |
| Cash and due from banks                                                                                                                              | <b>\$ 1,201,981</b>  | \$ 1,080,163 | \$ 848,088    |
| Federal funds sold and securities purchased under resale agreements                                                                                  | <b>431,244</b>       | 440,584      | 370,418       |
| Interest bearing deposits in banks                                                                                                                   | <b>288,841</b>       | 74,168       | 59,333        |
| Trading account securities                                                                                                                           | <b>1,034,240</b>     | 36,056       | 122,621       |
| Loans held for sale                                                                                                                                  | <b>479,853</b>       | 270,422      | 276,304       |
| Investment securities                                                                                                                                | <b>4,288,974</b>     | 4,362,924    | 4,643,901     |
| Loans and leases                                                                                                                                     | <b>39,987,240</b>    | 26,153,425   | 26,361,502    |
| Allowance for loan and lease losses                                                                                                                  | <b>(454,784)</b>     | (272,068)    | (280,152)     |
| <b>Net loans and leases</b>                                                                                                                          | <b>39,532,456</b>    | 25,881,357   | 26,081,350    |
| Bank owned life insurance                                                                                                                            | <b>1,302,363</b>     | 1,089,028    | 1,083,033     |
| Premises and equipment                                                                                                                               | <b>547,380</b>       | 372,772      | 367,709       |
| Goodwill                                                                                                                                             | <b>2,995,961</b>     | 570,876      | 571,521       |
| Other intangible assets                                                                                                                              | <b>443,446</b>       | 59,487       | 61,239        |
| Accrued income and other assets                                                                                                                      | <b>2,757,188</b>     | 1,091,182    | 1,176,431     |
| <b>Total Assets</b>                                                                                                                                  | <b>\$55,303,927</b>  | \$35,329,019 | \$35,661,948  |
| <b>Liabilities and Shareholders Equity Liabilities</b>                                                                                               |                      |              |               |
| Deposits                                                                                                                                             | <b>\$38,404,365</b>  | \$25,047,770 | \$24,738,395  |
| Short-term borrowings                                                                                                                                | <b>2,227,116</b>     | 1,676,189    | 1,532,504     |
| Federal Home Loan Bank advances                                                                                                                      | <b>2,716,265</b>     | 996,821      | 1,221,669     |
| Other long-term debt                                                                                                                                 | <b>1,974,387</b>     | 2,229,140    | 2,592,188     |
| Subordinated notes                                                                                                                                   | <b>1,919,625</b>     | 1,286,657    | 1,275,883     |
| Accrued expenses and other liabilities                                                                                                               | <b>1,812,495</b>     | 1,078,116    | 1,171,563     |
| <b>Total Liabilities</b>                                                                                                                             | <b>\$49,054,253</b>  | \$32,314,693 | \$32,532,202  |
| <b>Shareholders equity</b>                                                                                                                           |                      |              |               |
| Preferred stock authorized 6,617,808 shares; none outstanding                                                                                        |                      |              | ---           |
| Common stock No par value and authorized 500,000,000 shares; issued 257,866,255 shares; outstanding 235,474,366 and 237,361,333 shares, respectively |                      | 2,560,569    | 2,556,168     |
| Par value of \$0.01 and authorized 1,000,000,000 shares at September 30, 2007; issued 387,504,687 shares;                                            | <b>3,875</b>         |              |               |

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|                                                                                  |                     |              |              |
|----------------------------------------------------------------------------------|---------------------|--------------|--------------|
| outstanding 365,898,439 shares                                                   |                     |              |              |
| Capital surplus                                                                  | <b>5,700,961</b>    |              |              |
| Less 21,606,248; 22,391,889 and 19,945,179 treasury shares at cost, respectively | <b>(489,062)</b>    | (506,946)    | (445,359)    |
| Accumulated other comprehensive loss:                                            |                     |              |              |
| Unrealized (losses) gains on investment securities                               | <b>(3,221)</b>      | 14,254       | 12,316       |
| Unrealized gains on cash flow hedging derivatives                                | <b>9,392</b>        | 17,008       | 23,043       |
| Pension and other postretirement benefit adjustments                             | <b>(80,272)</b>     | (86,328)     | (3,283)      |
| Retained earnings                                                                | <b>1,108,001</b>    | 1,015,769    | 986,861      |
| <b>Total Shareholders Equity</b>                                                 | <b>\$ 6,249,674</b> | \$ 3,014,326 | \$ 3,129,746 |
| <b>Total Liabilities and Shareholders Equity</b>                                 | <b>\$55,303,927</b> | \$35,329,019 | \$35,661,948 |

*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 |           | Nine Months Ended  |             |
|--------------------------------------------------------------|--------------------|-----------|--------------------|-------------|
|                                                              | 2007               | 2006      | 2007               | 2006        |
| Interest and fee income                                      |                    |           |                    |             |
| Loans and leases                                             |                    |           |                    |             |
| Taxable                                                      | <b>\$747,938</b>   | \$462,709 | <b>\$1,675,983</b> | \$1,307,979 |
| Tax-exempt                                                   | <b>2,409</b>       | 555       | <b>2,994</b>       | 1,584       |
| Investment securities                                        |                    |           |                    |             |
| Taxable                                                      | <b>60,152</b>      | 60,437    | <b>164,951</b>     | 173,397     |
| Tax-exempt                                                   | <b>7,100</b>       | 6,137     | <b>19,721</b>      | 17,743      |
| Other                                                        | <b>33,556</b>      | 9,150     | <b>64,916</b>      | 24,975      |
| <b>Total interest income</b>                                 | <b>851,155</b>     | 538,988   | <b>1,928,565</b>   | 1,525,678   |
| Interest expenses                                            |                    |           |                    |             |
| Deposits                                                     | <b>320,490</b>     | 194,623   | <b>715,321</b>     | 515,969     |
| Short-term borrowings                                        | <b>26,264</b>      | 17,161    | <b>69,372</b>      | 52,795      |
| Federal Home Loan Bank advances                              | <b>34,661</b>      | 15,565    | <b>63,180</b>      | 47,130      |
| Subordinated notes and other long-term debt                  | <b>60,107</b>      | 56,326    | <b>162,113</b>     | 148,596     |
| <b>Total interest expense</b>                                | <b>441,522</b>     | 283,675   | <b>1,009,986</b>   | 764,490     |
| <b>Net interest income</b>                                   | <b>409,633</b>     | 255,313   | <b>918,579</b>     | 761,188     |
| Provision for credit losses                                  | <b>42,007</b>      | 14,162    | <b>131,546</b>     | 49,447      |
| <b>Net interest income after provision for credit losses</b> | <b>367,626</b>     | 241,151   | <b>787,033</b>     | 711,741     |
| Service charges on deposit accounts                          | <b>78,107</b>      | 48,718    | <b>172,917</b>     | 137,165     |
| Trust services                                               | <b>33,562</b>      | 22,490    | <b>86,220</b>      | 66,444      |
| Brokerage and insurance income                               | <b>28,806</b>      | 14,697    | <b>62,087</b>      | 44,235      |
| Other service charges and fees                               | <b>21,045</b>      | 12,989    | <b>49,176</b>      | 37,570      |
| Bank owned life insurance income                             | <b>14,847</b>      | 12,125    | <b>36,602</b>      | 32,971      |
| Mortgage banking income                                      | <b>9,629</b>       | 8,512     | <b>26,102</b>      | 35,322      |
| Securities losses                                            | <b>(13,152)</b>    | (57,332)  | <b>(18,187)</b>    | (57,387)    |
| Other income                                                 | <b>31,830</b>      | 35,711    | <b>91,127</b>      | 124,143     |
| <b>Total non-interest income</b>                             | <b>204,674</b>     | 97,910    | <b>506,044</b>     | 420,463     |
| Personnel costs                                              | <b>202,148</b>     | 133,823   | <b>471,978</b>     | 403,284     |
| Outside data processing and other services                   | <b>40,600</b>      | 18,664    | <b>88,115</b>      | 58,084      |
| Net occupancy                                                | <b>33,334</b>      | 18,109    | <b>72,659</b>      | 54,002      |
| Equipment                                                    | <b>23,290</b>      | 17,249    | <b>58,666</b>      | 51,761      |
| Marketing                                                    | <b>13,186</b>      | 7,846     | <b>29,868</b>      | 25,521      |

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|                                   |                   |            |                   |            |
|-----------------------------------|-------------------|------------|-------------------|------------|
| Professional services             | <b>11,273</b>     | 6,438      | <b>25,856</b>     | 18,095     |
| Telecommunications                | <b>7,286</b>      | 4,818      | <b>15,989</b>     | 14,633     |
| Printing and supplies             | <b>4,743</b>      | 3,416      | <b>11,657</b>     | 10,254     |
| Amortization of intangibles       | <b>19,949</b>     | 2,902      | <b>24,988</b>     | 6,969      |
| Other expense                     | <b>29,754</b>     | 29,165     | <b>72,514</b>     | 90,601     |
| <b>Total non-interest expense</b> | <b>385,563</b>    | 242,430    | <b>872,290</b>    | 733,204    |
| Income before income taxes        | <b>186,737</b>    | 96,631     | <b>420,787</b>    | 399,000    |
| Provision for income taxes        | <b>48,535</b>     | (60,815)   | <b>106,338</b>    | 25,494     |
| <b>Net income</b>                 | <b>\$ 138,202</b> | \$ 157,446 | <b>\$ 314,449</b> | \$ 373,506 |
| Average common shares basic       | <b>365,895</b>    | 237,672    | <b>279,171</b>    | 236,790    |
| Average common shares diluted     | <b>368,280</b>    | 240,896    | <b>282,014</b>    | 239,933    |
| <b>Per common share</b>           |                   |            |                   |            |
| Net income basic                  | <b>\$ 0.38</b>    | \$ 0.66    | <b>\$ 1.13</b>    | \$ 1.58    |
| Net income diluted                | <b>0.38</b>       | 0.65       | <b>1.12</b>       | 1.56       |
| Cash dividends declared           | <b>0.265</b>      | 0.250      | <b>0.795</b>      | 0.750      |

*See notes to unaudited condensed consolidated financial statements*

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

|                                                                                                                                                                   | Preferred Stock |              | Common Stock |        | Capital Surplus | Treasury Stock |             | Accumulated Other Comprehensive Income | Retained Earnings | Total       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------|--------------|--------|-----------------|----------------|-------------|----------------------------------------|-------------------|-------------|
|                                                                                                                                                                   | Shares          | Amount       | Shares       | Amount |                 | Shares         | Amount      | (Loss)                                 |                   |             |
| Nine Months Ended September 30, 2006:                                                                                                                             |                 |              |              |        |                 |                |             |                                        |                   |             |
| 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     |
| Unrealized net gains on investment securities arising during the period, net of reclassification <sup>(1)</sup> for net realized losses, net of tax of (\$25,313) |                 |              |              |        |                 |                |             | 46,332                                 |                   | 46,332      |
| Unrealized gains on cash flow hedging derivatives, net of tax of \$4,220                                                                                          |                 |              |              |        |                 |                |             | 7,837                                  |                   | 7,837       |
| Total comprehensive income                                                                                                                                        |                 |              |              |        |                 |                |             |                                        |                   | 427,675     |
| Cumulative effect of change in accounting principle for servicing financial assets,                                                                               |                 |              |              |        |                 |                |             |                                        | 12,110            | 12,110      |



|                                                                    |         |           |          |           |        |           |           |
|--------------------------------------------------------------------|---------|-----------|----------|-----------|--------|-----------|-----------|
| net of tax of<br>\$6,521                                           |         |           |          |           |        |           |           |
| Cash dividends<br>declared (\$0.75<br>per share)                   |         |           |          |           |        | (180,599) | (180,599) |
| Shares issued<br>pursuant to<br>acquisition                        | 53,366  |           | 25,350   | 522,390   |        |           | 575,756   |
| Recognition of<br>the fair value of<br>share-based<br>compensation | 13,430  |           |          |           |        |           | 13,430    |
| Treasury shares<br>purchased                                       |         |           | (12,931) | (303,898) |        |           | (303,898) |
| Stock options<br>exercised                                         | (2,073) |           | 1,439    | 30,911    |        |           | 28,838    |
| Other                                                              | 119     |           | (43)     | (1,186)   |        |           | (1,067)   |
| Balance, end of<br>period                                          | 257,866 | 2,556,168 | (19,945) | (445,359) | 32,076 | 986,861   | 3,129,746 |

**Nine Months  
Ended  
September 30,  
2007:**

|                                                                                                                                                                                                          |                |                  |                 |                  |                 |                  |                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------|-----------------|------------------|-----------------|------------------|------------------|
| <b>Balance,<br/>beginning of<br/>period</b>                                                                                                                                                              | <b>257,866</b> | <b>2,560,569</b> | <b>(22,392)</b> | <b>(506,946)</b> | <b>(55,066)</b> | <b>1,015,769</b> | <b>3,014,326</b> |
| <b>Comprehensive<br/>Income:</b>                                                                                                                                                                         |                |                  |                 |                  |                 |                  |                  |
| <b>Net income</b>                                                                                                                                                                                        |                |                  |                 |                  |                 | <b>314,449</b>   | <b>314,449</b>   |
| <b>Unrealized net<br/>losses on<br/>investment<br/>securities<br/>arising during<br/>the period, net<br/>of<br/>reclassification<br/>(1) for net<br/>realized gains,<br/>net of tax of<br/>(\$9,497)</b> |                |                  |                 |                  |                 | <b>(17,475)</b>  | <b>(17,475)</b>  |
| <b>Unrealized<br/>losses on cash<br/>flow hedging<br/>derivatives, net<br/>of tax of<br/>(\$4,101)</b>                                                                                                   |                |                  |                 |                  |                 | <b>(7,616)</b>   | <b>(7,616)</b>   |

|                                                                                |            |             |              |           |             |            |             |             |           |
|--------------------------------------------------------------------------------|------------|-------------|--------------|-----------|-------------|------------|-------------|-------------|-----------|
| <b>Amortization included in net periodic benefit costs:</b>                    |            |             |              |           |             |            |             |             |           |
| <b>Net actuarial loss, net of tax of (\$2,809)</b>                             |            |             |              |           |             |            |             | 5,216       | 5,216     |
| <b>Prior service costs, net of tax of (\$161)</b>                              |            |             |              |           |             |            |             | 300         | 300       |
| <b>Transition obligation, net of tax of (\$291)</b>                            |            |             |              |           |             |            |             | 540         | 540       |
| <b>Total comprehensive income</b>                                              |            |             |              |           |             |            |             |             | 295,414   |
| <b>Assignment of \$0.01 par value per share for each share of Common Stock</b> |            | (2,557,990) | 2,557,990    |           |             |            |             |             |           |
| <b>Cash dividends declared (\$0.795 per share)</b>                             |            |             |              |           |             |            |             | (222,217)   | (222,217) |
| <b>Shares issued pursuant to acquisition</b>                                   | 129,639    |             | 1,296        | 3,131,936 |             |            |             |             | 3,133,232 |
| <b>Recognition of the fair value of share-based compensation</b>               |            |             |              | 12,725    |             |            |             |             | 12,725    |
| <b>Stock options exercised</b>                                                 |            |             |              | (3,608)   | 935         | 21,190     |             |             | 17,582    |
| <b>Other</b>                                                                   |            |             |              | 1,918     | (149)       | (3,306)    |             |             | (1,388)   |
| <b>Balance, end of period</b>                                                  | \$ 387,505 | \$ 3,875    | \$ 5,700,961 | (21,606)  | \$(489,062) | \$(74,101) | \$1,108,001 | \$6,249,674 |           |

(1) Reclassification adjustments represent net unrealized gains or losses as of December 31 of the prior year on investment

securities that were sold during the current year. For the nine months ended September 30, 2007 and 2006, the reclassification adjustments were \$11,822, net of tax of (\$6,365), and \$37,302, net of tax of (\$20,085), respectively.

*See notes to unaudited condensed consolidated financial statements.*

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

| <i>(in thousands)</i>                                                             | <b>Nine Months Ended</b> |                 |
|-----------------------------------------------------------------------------------|--------------------------|-----------------|
|                                                                                   | <b>September 30,</b>     |                 |
|                                                                                   | <b>2007</b>              | <b>2006</b>     |
| <b>Operating activities</b>                                                       |                          |                 |
| Net income                                                                        | \$ 314,449               | \$ 373,506      |
| Adjustments to reconcile net income to net cash provided by operating activities: |                          |                 |
| Provision for credit losses                                                       | 131,546                  | 49,447          |
| Depreciation and amortization                                                     | 80,339                   | 88,402          |
| Increase (decrease) in accrued income taxes                                       | 63,976                   | (98,893)        |
| Deferred income tax benefit                                                       | (79,447)                 | (166,168)       |
| Net increase in trading account securities                                        | (1,833,142)              | (36,535)        |
| Pension contribution                                                              |                          | (29,800)        |
| Originations of loans held for sale                                               | (2,027,442)              | (1,934,660)     |
| Principal payments on and proceeds from loans held for sale                       | 1,892,573                | 1,931,216       |
| Other, net                                                                        | 28,148                   | (131,983)       |
| <b>Net cash provided by operating activities</b>                                  | <b>(1,429,000)</b>       | <b>44,532</b>   |
| <b>Investing activities</b>                                                       |                          |                 |
| Increase in interest bearing deposits in banks                                    | (129,950)                | (33,846)        |
| Net cash (paid) received in acquisitions                                          | (48,821)                 | 66,507          |
| Proceeds from:                                                                    |                          |                 |
| Maturities and calls of investment securities                                     | 345,973                  | 461,680         |
| Sales of investment securities                                                    | 785,702                  | 1,330,257       |
| Purchases of investment securities                                                | (353,354)                | (1,645,140)     |
| Proceeds from sales of loans                                                      | 108,588                  |                 |
| Net loan and lease originations, excluding sales                                  | (1,199,908)              | (275,766)       |
| Proceeds from sale of operating lease assets                                      | 25,004                   | 106,448         |
| Purchases of premises and equipment                                               | (75,991)                 | (28,327)        |
| Other, net                                                                        | 17,132                   | (668)           |
| <b>Net cash used for investing activities</b>                                     | <b>(525,625)</b>         | <b>(18,855)</b> |
| <b>Financing activities</b>                                                       |                          |                 |
| Increase in deposits                                                              | 501,648                  | 632,079         |
| Decrease (Increase) in short-term borrowings                                      | 848,020                  | (435,896)       |
| Proceeds from issuance of subordinated notes                                      | 250,010                  | 250,000         |
| Maturity/redemption of subordinated notes                                         | (46,660)                 |                 |
| Proceeds from Federal Home Loan Bank advances                                     | 2,101,683                | 2,312,050       |
| Maturity/redemption of Federal Home Loan Bank advances                            | (1,110,545)              | (2,339,341)     |
| Proceeds from issuance of long-term debt                                          |                          | 935,000         |
| Maturity of long-term debt                                                        | (301,283)                | (765,777)       |

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|                                                                            |                     |              |
|----------------------------------------------------------------------------|---------------------|--------------|
| Dividends paid on common stock                                             | <b>(193,567)</b>    | (161,906)    |
| Repurchases of common stock                                                |                     | (303,898)    |
| Other, net                                                                 | <b>17,797</b>       | 29,742       |
| <b>Net cash provided by financing activities</b>                           | <b>2,067,103</b>    | 152,053      |
| <b>Increase in cash and cash equivalents</b>                               | <b>112,478</b>      | 177,730      |
| <b>Cash and cash equivalents at beginning of period</b>                    | <b>1,520,747</b>    | 1,040,776    |
| <b>Cash and cash equivalents at end of period</b>                          | <b>\$ 1,633,225</b> | \$ 1,218,506 |
| Supplemental disclosures:                                                  |                     |              |
| Income taxes paid                                                          | <b>\$ 176,507</b>   | \$ 282,418   |
| Interest paid                                                              | <b>990,828</b>      | 457,404      |
| Non-cash activities                                                        |                     |              |
| Common stock dividends accrued, paid in subsequent quarter                 | <b>75,921</b>       | 47,700       |
| Common stock and stock options issued for purchase acquisition             | <b>3,133,232</b>    | 575,756      |
| <i>See notes to unaudited condensed consolidated financial statements.</i> |                     |              |

62

**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) 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 2006 Annual Report on Form 10-K, (2006 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 immaterial amounts in the prior year's financial statements have been reclassified to conform to the 2007 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. 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 funded 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 were effective for fiscal years ending after December 15, 2006. In addition, Statement No. 158 requires a fiscal year end measurement of plan assets and benefit obligations, eliminating the use of earlier measurement dates currently permissible. However, the new measurement date requirement will not be effective until fiscal years ended after December 15, 2008. Currently, Huntington utilizes a measurement date of September 30th. The adoption of Statement No. 158 as of December 31, 2006 resulted in a write-down of its pension asset by \$125.1 million and decreased accumulated other comprehensive income by \$83.0 million, net of taxes.

**FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes (FIN 48)*** 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 adopted FIN 48 on January 1, 2007. Huntington recognizes 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 impact of this new pronouncement was not material to Huntington's financial statements (See Note 9).

**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. Management is currently assessing the impact this Statement will have on its consolidated financial statements.

**Table of Contents**

**FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (Statement No. 159)** In February 2007, the FASB issued Statement No. 159. This Statement permits entities to choose to measure financial instruments and certain other financial assets and financial liabilities at fair value. This Statement is effective for fiscal years beginning after November 15, 2007. Management is currently assessing the impact this Statement will have on its consolidated financial statements.

**Note 3 Acquisitions**

On July 1, 2007, Huntington completed its merger with Sky Financial Group, Inc. (Sky Financial) in a stock and cash transaction valued at \$3.5 billion. Sky Financial operated over 330 banking offices and over 400 ATMs and served communities in Ohio, Pennsylvania, Indiana, Michigan, and West Virginia.

Under the terms of the merger agreement, Sky Financial shareholders received 1.098 shares of Huntington common stock, on a tax-free basis, and a cash payment of \$3.023 for each share of Sky Financial common stock. The assets and liabilities of the acquired entity were recorded on the Company's balance sheet at their fair values as of July 1, 2007, 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>July 1, 2007</b> |
|---------------------------------------------------------------------|---------------------|
| Equity consideration                                                | \$ 3,133,232        |
| Cash consideration                                                  | 357,031             |
| Direct acquisition costs                                            | 33,356              |
| <br>                                                                |                     |
| Purchase price                                                      | 3,523,619           |
| Carrying value of net assets acquired                               | (1,111,393)         |
| <br>                                                                |                     |
| Excess of purchase price over carrying value of net assets acquired | 2,412,226           |
| <br>                                                                |                     |
| Purchase accounting adjustments:                                    |                     |
| Loans and leases                                                    | 183,732             |
| Loans held for sale                                                 | 110,500             |
| Premises and equipment                                              | 51,329              |
| Accrued income and other assets                                     | (23,345)            |
| Accrued expenses and other liabilities                              | 100,531             |
| <br>                                                                |                     |
| Goodwill and other intangible assets                                | 2,834,973           |
| Less other intangible assets:                                       |                     |
| Core deposit intangible                                             | (328,300)           |
| Other identifiable intangible assets                                | (80,450)            |
| <br>                                                                |                     |
| Other intangible assets                                             | (408,750)           |
| <br>                                                                |                     |
| Goodwill                                                            | \$ 2,426,223        |

Huntington has not finalized its determination of the fair value of certain acquired assets and liabilities and will adjust goodwill upon completion of the valuation process. Huntington does not expect any amount of goodwill from the Sky Financial merger to be deductible for tax purposes.

Of the \$408.8 million of acquired intangible assets, \$328.3 million was assigned to core deposit intangible, and \$80.5 million was assigned to customer relationship intangibles. The core deposit and customer relationship intangibles are amortized using an accelerated method of amortization based on useful lives ranging from 8 to

16 years.



**Table of Contents**

The following table summarizes the preliminary estimated fair value of the net assets acquired on July 1, 2007 related to the acquisition of Sky Financial:

| <i>(in thousands)</i>                  | <b>July 1, 2007</b> |
|----------------------------------------|---------------------|
| Assets                                 |                     |
| Cash and due from banks                | \$ 341,566          |
| Federal funds sold                     | 1,023,284           |
| Loans held for sale                    | 120,653             |
| Securities and other earning assets    | 852,860             |
| Loans and leases                       | 12,659,970          |
| Goodwill and other intangible assets   | 2,834,973           |
| Accrued income and other assets        | 594,052             |
| <b>Total assets</b>                    | <b>18,427,358</b>   |
| Liabilities                            |                     |
| Deposits                               | 12,850,717          |
| Borrowings                             | 1,896,228           |
| Accrued expenses and other liabilities | 156,794             |
| <b>Total liabilities</b>               | <b>14,903,739</b>   |
| <b>Purchase price</b>                  | <b>\$ 3,523,619</b> |

Huntington's consolidated financial statements include the results of operations of Sky Financial after July 1, 2007, 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 Sky Financial acquisition had occurred at the beginning of each of the periods presented.

| <i>(in thousands, except per share amounts)</i>       | <b>Three Months Ended<br/>September 30,</b> |            | <b>Nine Months Ended<br/>September 30,</b> |              |
|-------------------------------------------------------|---------------------------------------------|------------|--------------------------------------------|--------------|
|                                                       | <b>2007</b>                                 | 2006       | <b>2007</b>                                | 2006         |
| Net interest income                                   | \$ 409,632                                  | \$ 392,873 | \$ 1,219,573                               | \$ 1,175,966 |
| Provision for credit losses                           | (42,007)                                    | (23,607)   | (171,070)                                  | (75,522)     |
| Net interest income after provision for credit losses | <b>367,625</b>                              | 369,266    | <b>1,048,503</b>                           | 1,100,444    |
| Non-interest income                                   | <b>204,674</b>                              | 158,843    | <b>577,663</b>                             | 584,010      |
| Non-interest expense                                  | (385,565)                                   | (363,527)  | (1,193,957)                                | (1,100,866)  |
| Income before income taxes                            | <b>186,734</b>                              | 164,582    | <b>432,209</b>                             | 583,588      |
| Provision (benefit) for income taxes                  | (48,535)                                    | 38,559     | (107,655)                                  | (86,421)     |
| Net income                                            | <b>\$ 138,199</b>                           | \$ 203,141 | <b>\$ 324,554</b>                          | \$ 497,167   |
| Net income per common share                           |                                             |            |                                            |              |
| Basic                                                 | <b>\$ 0.38</b>                              | \$ 0.57    | <b>\$ 1.07</b>                             | \$ 1.39      |

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|                                   |                |         |                |         |
|-----------------------------------|----------------|---------|----------------|---------|
| Diluted                           | <b>0.38</b>    | 0.56    | <b>1.06</b>    | 1.38    |
| Average common shares outstanding |                |         |                |         |
| Basic                             | <b>365,895</b> | 356,875 | <b>365,371</b> | 356,125 |
| Diluted                           | <b>368,280</b> | 360,957 | <b>368,620</b> | 360,198 |

The pro forma results include amortization of fair value adjustments on loans, deposits, and debt, and amortization of newly created intangible assets and post-merger acquisition related expenses. The pro forma results also include certain non-recurring items, including a \$72.4 million loss on the sale of securities by Sky Financial in anticipation on the merger and \$11.3 million of additional personnel expenses for retention bonuses and the vesting of stock options. The pro forma number of average common shares outstanding includes adjustments for shares issued for the acquisition and the impact of additional dilutive securities. 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.

Effective October 2, 2007, Huntington acquired Archer-Meek-Weiler Agency, Inc., Columbus, Ohio. Archer-Meek-Weiler is a full-service agency that sells personal and commercial insurance as well as group benefits. The acquisition was immaterial to Huntington's financial statements.

**Table of Contents****Note 4 Goodwill and Other Intangible Assets**

Goodwill by line of business as of September 30, 2007, was as follows:

| <i>(in thousands)</i>               | Regional<br>Banking | Dealer<br>Sales | PFCMG           | Treasury/<br>Other | Huntington<br>Consolidated |
|-------------------------------------|---------------------|-----------------|-----------------|--------------------|----------------------------|
| Balance, January 1, 2007            | \$ 535,855          | \$              | \$35,021        | \$                 | \$ 570,876                 |
| Goodwill acquired during the period | 2,381,347           |                 | 44,876          |                    | 2,426,223                  |
| Adjustments                         | 209                 |                 | (1,347)         |                    | (1,138)                    |
| Balance, September 30, 2007         | <b>\$2,917,411</b>  | <b>\$</b>       | <b>\$78,550</b> | <b>\$</b>          | <b>\$2,995,961</b>         |

The change in goodwill for the nine-month period ended September 30, 2007, primarily related to the acquisition of Sky Financial, and the finalization of purchase accounting adjustments from the acquisitions of Unified Fund Services and Unified Financial Securities, Inc. 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 October 1<sup>st</sup> of each year or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

At September 30, 2007, December 31, 2006, and September 30, 2006, Huntington's other intangible assets consisted of the following:

| <i>(in thousands)</i>         | <b>Gross<br/>Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Net<br/>Carrying<br/>Value</b> |
|-------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|
| <b>September 30, 2007</b>     |                                      |                                     |                                   |
| Core deposit intangible       | \$373,300                            | \$(28,644)                          | \$ 344,656                        |
| Customer relationship         | 99,887                               | (4,510)                             | 95,377                            |
| Other                         | 23,655                               | (20,242)                            | 3,413                             |
| Total other intangible assets | \$496,842                            | \$(53,396)                          | \$ 443,446                        |
| <b>December 31, 2006</b>      |                                      |                                     |                                   |
| Core deposit intangible       | \$ 45,000                            | \$ (7,525)                          | \$ 37,475                         |
| Customer relationship         | 19,622                               | (1,634)                             | 17,988                            |
| Other                         | 23,655                               | (19,631)                            | 4,024                             |
| Total other intangible assets | \$ 88,277                            | \$(28,790)                          | \$ 59,487                         |
| <b>September 30, 2006</b>     |                                      |                                     |                                   |
| Core deposit intangible       | \$ 45,000                            | \$ (5,268)                          | \$ 39,732                         |
| Customer relationship         | 18,382                               | (1,103)                             | 17,279                            |
| Other                         | 23,655                               | (19,427)                            | 4,228                             |
| Total other intangible assets | \$ 87,037                            | \$(25,798)                          | \$ 61,239                         |

Amortization expense of other intangible assets for the three-month periods ended September 30, 2007 and 2006, was \$19.9 million and \$2.9 million, respectively. Amortization expense of other intangible assets for the

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nine-month periods ended September 30, 2007 and 2006 was \$25.0 million and \$7.0 million, respectively.

The estimated amortization expense of other intangible assets for the remainder of 2007 and the next five annual years are as follows:

| <i>(in thousands)</i> | Amortization<br>Expense |
|-----------------------|-------------------------|
| Fiscal year:          |                         |
| 2007                  | \$19,949                |
| 2008                  | 74,811                  |
| 2009                  | 66,621                  |
| 2010                  | 58,937                  |
| 2011                  | 52,024                  |
| 2012                  | 44,997                  |

**Table of Contents****Note 5 Loan Sales and Securitizations****Automobile loans**

For the nine-month periods ended September 30, 2007 and 2006, sales of automobile loans for which servicing is retained totaled \$259.2 million and \$573.6 million, respectively, resulting in pre-tax gains of \$2.1 million and \$1.8 million, respectively.

Automobile loan servicing rights are accounted for under the amortization provision of FASB Statement No. 156, *Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140*. 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 the payoff rate 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 become impaired.

Changes in the carrying value of automobile loan servicing rights for the three and nine-month periods ended September 30, 2007 and 2006, 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, |           |
|-------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                                     | 2007                                | 2006      | 2007                               | 2006      |
| Carrying value, beginning of period | \$ 6,279                            | \$ 8,985  | \$ 7,916                           | \$ 10,805 |
| New servicing assets                |                                     | 1,289     | 1,900                              | 3,651     |
| Amortization                        | (1,265)                             | (1,794)   | (4,802)                            | (5,976)   |
| Carrying value, end of period       | \$ 5,014                            | \$ 8,480  | \$ 5,014                           | \$ 8,480  |
| Fair value, end of period           | \$ 6,058                            | \$ 10,826 | \$ 6,058                           | \$ 10,826 |

Huntington has retained servicing responsibilities on sold automobile loans and receives annual servicing fees from 0.55% to 1.00%, and other ancillary fees of approximately 0.40% to 0.50%, of the outstanding loan balances. Servicing income, net of amortization of capitalized servicing assets, amounted to \$2.7 million and \$3.8 million for the three-month periods ended September 30, 2007 and 2006, respectively. For the nine-month periods ended September 30, 2007 and 2006, servicing income was \$9.1 million and \$10.6 million, respectively.

**Residential Mortgage Loans**

For the nine-month periods ended September 30, 2007 and 2006, sales of mortgage loans held for investment totaled \$109.5 million and \$144.1 million, respectively, resulting in net pre-tax gains of \$0.5 million and \$1.3 million, respectively.

**Table of Contents**

The following table is a summary of the changes in mortgage servicing right (MSR) fair value during the three and nine-month periods ended September 30, 2007 and 2006:

| <i>(in thousands)</i>                                     | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|-----------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                                                           | 2007                                | 2006      | 2007                               | 2006      |
| Fair value, beginning of period                           | <b>\$155,420</b>                    | \$136,244 | <b>\$131,104</b>                   | \$109,890 |
| New servicing assets created                              | <b>8,497</b>                        | 8,273     | <b>25,923</b>                      | 21,484    |
| Servicing assets acquired <sup>(1)</sup>                  | <b>81,450</b>                       |           | <b>81,450</b>                      | 2,474     |
| Change in fair value during the period due to:            |                                     |           |                                    |           |
| Time decay <sup>(2)</sup>                                 | <b>(2,037)</b>                      | (1,065)   | <b>(4,236)</b>                     | (3,049)   |
| Payoffs <sup>(3)</sup>                                    | <b>(4,534)</b>                      | (3,419)   | <b>(10,422)</b>                    | (8,260)   |
| Changes in valuation inputs or assumptions <sup>(4)</sup> | <b>(9,863)</b>                      | (10,716)  | <b>5,114</b>                       | 6,778     |
| <b>Fair value, end of period</b>                          | <b>\$228,933</b>                    | \$129,317 | <b>\$228,933</b>                   | \$129,317 |

(1) Represents servicing assets acquired from the merger with Sky Financial.

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

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

(4) Represents change in value resulting primarily from market-driven

changes in  
interest rates.

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, 2007, 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 | 11.40% | \$(9,707)                       | \$(18,946)               |
| Discount rate             | 9.29   | (8,484)                         | (16,373)                 |

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.

Below is a summary of servicing fee income, a component of mortgage banking income, earned during the three and nine-month periods ended September 30, 2007 and 2006.

| <i>(in thousands)</i> | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |          |
|-----------------------|-------------------------------------|---------|------------------------------------|----------|
|                       | 2007                                | 2006    | 2007                               | 2006     |
| Servicing fees        | <b>\$10,811</b>                     | \$6,077 | <b>\$24,607</b>                    | \$17,997 |
| Late fees             | <b>715</b>                          | 649     | <b>2,063</b>                       | 1,810    |
| Ancillary fees        | <b>204</b>                          | 206     | <b>732</b>                         | 547      |
| Total fee income      | <b>\$11,730</b>                     | \$6,932 | <b>\$27,402</b>                    | \$20,354 |

**Table of Contents****Note 6 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, 2007, December 31, 2006, and September 30, 2006:

| <i>(in thousands)</i>                         | September 30, 2007 |                  | December 31, 2006 |                  | September 30, 2006 |                  |
|-----------------------------------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|
|                                               | Amortized<br>Cost  | Fair Value       | Amortized<br>Cost | Fair Value       | Amortized<br>Cost  | Fair Value       |
| U.S. Treasury                                 |                    |                  |                   |                  |                    |                  |
| Under 1 year                                  | \$ 599             | \$ 604           | \$ 800            | \$ 800           | \$ 799             | \$ 802           |
| 1-5 years                                     | 250                | 251              | 1,046             | 1,056            | 20,464             | 20,479           |
| 6-10 years                                    |                    |                  |                   |                  |                    |                  |
| Over 10 years                                 |                    |                  |                   |                  |                    |                  |
| <b>Total U.S. Treasury</b>                    | <b>849</b>         | <b>855</b>       | <b>1,846</b>      | <b>1,856</b>     | <b>21,263</b>      | <b>21,281</b>    |
| Federal agencies                              |                    |                  |                   |                  |                    |                  |
| Mortgage backed securities                    |                    |                  |                   |                  |                    |                  |
| Under 1 year                                  | 1,349              | 1,352            | 1,848             | 1,847            | 4,091              | 4,096            |
| 1-5 years                                     | 11,530             | 11,671           | 9,560             | 9,608            | 8,409              | 8,487            |
| 6- 10 years                                   | 4,502              | 4,533            | 4,353             | 4,355            | 1,701              | 1,705            |
| Over 10 years                                 | 1,409,953          | 1,408,323        | 1,261,423         | 1,265,651        | 1,354,964          | 1,356,884        |
| <b>Total mortgage-backed Federal agencies</b> | <b>1,427,334</b>   | <b>1,425,879</b> | <b>1,277,184</b>  | <b>1,281,461</b> | <b>1,369,165</b>   | <b>1,371,172</b> |
| Other agencies                                |                    |                  |                   |                  |                    |                  |
| Under 1 year                                  | 99,834             | 99,875           |                   |                  | 44,610             | 44,610           |
| 1-5 years                                     | 49,692             | 50,415           | 149,819           | 149,853          | 288,744            | 288,744          |
| 6-10 years                                    |                    |                  | 98                | 96               |                    |                  |
| Over 10 years                                 |                    |                  |                   |                  |                    |                  |
| <b>Total other Federal agencies</b>           | <b>149,526</b>     | <b>150,290</b>   | <b>149,917</b>    | <b>149,949</b>   | <b>333,354</b>     | <b>333,354</b>   |
| <b>Total Federal agencies</b>                 | <b>1,576,860</b>   | <b>1,576,169</b> | <b>1,427,101</b>  | <b>1,431,410</b> | <b>1,702,519</b>   | <b>1,704,526</b> |
| Municipal securities                          |                    |                  |                   |                  |                    |                  |
| Under 1 year                                  | 45                 | 45               | 42                | 42               | 42                 | 42               |
| 1-5 years                                     | 14,895             | 14,984           | 10,553            | 10,588           | 9,808              | 9,852            |
| 6- 10 years                                   | 164,291            | 164,071          | 165,624           | 165,229          | 162,659            | 162,433          |
| Over 10 years                                 | 501,677            | 501,170          | 410,248           | 415,564          | 414,717            | 419,356          |
| <b>Total municipal securities</b>             | <b>680,908</b>     | <b>680,270</b>   | <b>586,467</b>    | <b>591,423</b>   | <b>587,226</b>     | <b>591,683</b>   |
| Private label CMO                             |                    |                  |                   |                  |                    |                  |
| Under 1 year                                  |                    |                  |                   |                  |                    |                  |



|                                      |                     |                     |              |              |              |              |
|--------------------------------------|---------------------|---------------------|--------------|--------------|--------------|--------------|
| 1-5 years                            |                     |                     |              |              |              |              |
| 6-10 years                           |                     |                     |              |              |              |              |
| Over 10 years                        | <b>700,578</b>      | <b>701,039</b>      | 586,088      | 590,062      | 753,266      | 756,009      |
| <b>Total private label CMO</b>       | <b>700,578</b>      | <b>701,039</b>      | 586,088      | 590,062      | 753,266      | 756,009      |
| Asset backed securities              |                     |                     |              |              |              |              |
| Under 1 year                         |                     |                     |              |              |              |              |
| 1-5 years                            | <b>30,000</b>       | <b>30,000</b>       | 30,000       | 30,056       | 30,000       | 30,061       |
| 6- 10 years                          |                     |                     |              |              |              |              |
| Over 10 years                        | <b>893,346</b>      | <b>889,097</b>      | 1,544,572    | 1,552,748    | 1,365,139    | 1,374,535    |
| <b>Total asset backed securities</b> | <b>923,346</b>      | <b>919,097</b>      | 1,574,572    | 1,582,804    | 1,395,139    | 1,404,596    |
| Other                                |                     |                     |              |              |              |              |
| Under 1 year                         | <b>3,650</b>        | <b>3,647</b>        | 4,800        | 4,784        | 3,400        | 3,400        |
| 1-5 years                            | <b>9,497</b>        | <b>9,489</b>        | 2,750        | 2,706        | 5,843        | 5,813        |
| 6-10 years                           | <b>446</b>          | <b>443</b>          |              |              | 692          | 693          |
| Over 10 years                        | <b>2,808</b>        | <b>2,858</b>        | 44           | 86           | 44           | 44           |
| Non-marketable equity securities     | <b>350,080</b>      | <b>350,080</b>      | 150,754      | 150,754      | 148,923      | 148,923      |
| Marketable equity securities         | <b>44,903</b>       | <b>45,027</b>       | 6,481        | 7,039        | 6,559        | 6,933        |
| <b>Total other</b>                   | <b>411,384</b>      | <b>411,544</b>      | 164,829      | 165,369      | 165,461      | 165,806      |
| <b>Total investment securities</b>   | <b>\$ 4,293,925</b> | <b>\$ 4,288,974</b> | \$ 4,340,903 | \$ 4,362,924 | \$ 4,624,874 | \$ 4,643,901 |
| Duration in years <sup>(1)</sup>     |                     | <b>3.5</b>          |              | 3.2          |              | 3.3          |

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

**Table of Contents**

At September 30, 2007, non-marketable equity securities included \$231.2 million of stock of Federal Home Loan Banks and \$73.1 million of stock of the Federal Reserve Bank.

For the three-months ended September 30, 2007, gross gains and losses on securities totaled \$10.2 million and \$23.4 million, respectively. For the nine-month period ended September 30, 2007, gross gains on securities totaled \$15.2 million and gross losses totaled \$33.4 million. Gross losses for the nine-month period ended September 30, 2007 included \$31.8 million of impairment losses on certain securities backed by mortgage loans. Including impairment recognized since the fourth quarter of 2006, at September 30, 2007, these securities had a carrying value of \$16.3 million. Gross gains and losses from the sales of securities were not material for the three or nine-month periods ended September 30, 2006.

As of September 30, 2007, Management has evaluated all other investment securities with unrealized losses and all non-marketable securities for impairment. The unrealized losses were caused by interest rate increases and other market related conditions. The contractual terms and/or cash flows of the investments do not permit the issuer to settle the securities at a price less than the amortized cost. Huntington has the intent and ability to hold these investment securities until the fair value is recovered, which may be maturity, and therefore, does not consider them to be other-than-temporarily impaired at September 30, 2007.

**Note 7 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 to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued upon exercise of outstanding stock options, the vesting of restricted stock units, and the distribution of shares from deferred compensation plans. The calculation of basic and diluted earnings per share for the three and nine-month periods ended September 30, 2007 and 2006, was as follows:

| <i>(in thousands, except per share amounts)</i>  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|--------------------------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                                  | 2007                                | 2006       | 2007                               | 2006       |
| <b>Net income</b>                                | <b>\$ 138,199</b>                   | \$ 157,446 | <b>\$ 314,446</b>                  | \$ 373,506 |
| Average common shares outstanding                | <b>365,895</b>                      | 237,672    | <b>279,171</b>                     | 236,790    |
| Dilutive potential common shares                 | <b>2,385</b>                        | 3,224      | <b>2,843</b>                       | 3,143      |
| <b>Diluted average common shares outstanding</b> | <b>368,280</b>                      | 240,896    | <b>282,014</b>                     | 239,933    |
| <b>Earnings per share</b>                        |                                     |            |                                    |            |
| Basic                                            | <b>\$ 0.38</b>                      | \$ 0.66    | <b>\$ 1.13</b>                     | \$ 1.58    |
| Diluted                                          | <b>0.38</b>                         | 0.65       | <b>1.12</b>                        | 1.56       |

Options to purchase 19.9 million and 10.4 million shares during the three-month and nine-month periods ended September 30, 2007, and 5.5 million shares during both the three-month and nine-month periods ended September 30, 2006, 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 \$22.34 and \$24.31 per share and \$25.70 and \$25.69 per share for the three and nine-month periods ended September 30, 2007 and 2006, respectively.

**Note 8 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 closing 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.

**Table of Contents**

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 28.4 million shares of common stock authorized for issuance under the plans at September 30, 2007, 22.1 million were outstanding and 6.3 million were available for future grants.

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. Compensation costs are 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, |        | Nine Months Ended<br>September 30, |        |
|---------------------------------------------------------|-------------------------------------|--------|------------------------------------|--------|
|                                                         | 2007                                | 2006   | 2007                               | 2006   |
| <b>Assumptions</b>                                      |                                     |        |                                    |        |
| Risk-free interest rate                                 | <b>4.75%</b>                        | 5.11%  | <b>4.74%</b>                       | 5.09%  |
| Expected dividend yield                                 | <b>5.27</b>                         | 4.27   | <b>5.26</b>                        | 4.26   |
| Expected volatility of Huntington's common stock        | <b>21.1</b>                         | 22.2   | <b>21.1</b>                        | 22.2   |
| Expected option term (years)                            | <b>6.0</b>                          | 6.0    | <b>6.0</b>                         | 6.0    |
| <b>Weighted-average grant date fair value per share</b> | <b>\$2.80</b>                       | \$4.20 | <b>\$2.80</b>                      | \$4.20 |

Huntington's stock option activity and related information for the nine-month period ended September 30, 2007, was as follows:

| <i>(in thousands, except per share amounts)</i> | Options       | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Life<br><i>(Years)</i> | Aggregate<br>Intrinsic<br>Value |
|-------------------------------------------------|---------------|-------------------------------------------|----------------------------------------------------------------------------|---------------------------------|
| Outstanding at January 1, 2007                  | 20,573        | \$21.36                                   |                                                                            |                                 |
| Granted                                         | 2,127         | 20.04                                     |                                                                            |                                 |
| Acquired <sup>(1)</sup>                         | 7,374         | 18.40                                     |                                                                            |                                 |
| Exercised                                       | (988)         | 18.25                                     |                                                                            |                                 |
| Forfeited/expired                               | (788)         | 23.31                                     |                                                                            |                                 |
| <b>Outstanding at September 30, 2007</b>        | <b>28,298</b> | <b>\$20.54</b>                            | <b>4.6</b>                                                                 | <b>\$9,270</b>                  |
| <b>Exercisable at September 30, 2007</b>        | <b>24,037</b> | <b>\$20.30</b>                            | <b>4.5</b>                                                                 | <b>\$9,270</b>                  |

(1) Relates to  
option plans  
acquired from

the merger with  
Sky Financial.

As a result of the acquisition of Sky Financial, the outstanding stock options to purchase Sky Financial's common stock were converted into 7.4 million options to purchase shares of Huntington common stock with a weighted average exercise price of \$18.40. All shares were fully vested on the conversion date and were included in the purchase price of Sky Financial.

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-month periods ended September 30, 2007 and 2006, was \$4.2 million and \$8.9 million, respectively.

Total share-based compensation expense was \$4.9 million for each of the three-month periods ended September 30, 2007 and 2006. For the nine-month periods ended September 30, 2007 and 2006, share-based compensation expense was \$12.7 million and \$13.4 million, respectively. Huntington also recognized \$1.7 million in tax benefits for each of the three-months ended September 30, 2007 and 2006, related to share-based compensation. The tax benefits recognized related to share-based compensation for the nine-month periods ended September 30, 2007 and 2006, were \$4.5 million and \$4.7 million, respectively.

**Table of Contents**

Cash received from the exercise of options for the three-month periods ended September 30, 2007 and 2006, was \$1.9 million and \$1.8 million, respectively. For the nine-month periods ended September 30, 2007 and 2006, cash received from option exercises were \$16.5 million and \$25.7 million, respectively. The estimated tax benefit realized for the tax deductions from option exercises totaled \$0.9 million for both the three-month periods ended September 30, 2007 and 2006. For the nine-month periods ended September 30, 2007 and 2006, the tax benefit realized for the tax deductions from option exercises totaled \$2.1 million and \$2.7 million, respectively.

Huntington issues shares to fulfill stock option exercises and restricted stock units from available shares held in treasury. At September 30, 2007, the Company believes there are adequate shares in treasury to satisfy anticipated stock option exercises in 2007.

The following table summarizes the status of Huntington's nonvested shares as of and for the nine-months ended September 30, 2007:

| <i>(in thousands, except per share amounts)</i> | Restricted<br>Stock<br>Units | Weighted-<br>Average<br>Grant Date<br>Fair Value<br>Per Share | Restricted<br>Stock<br>Awards | Weighted-<br>Average<br>Grant Date<br>Fair Value<br>Per Share |
|-------------------------------------------------|------------------------------|---------------------------------------------------------------|-------------------------------|---------------------------------------------------------------|
| Nonvested at January 1, 2007                    | 468                          | \$23.37                                                       |                               | \$                                                            |
| Granted                                         | 676                          | 20.03                                                         | 222                           | 22.74                                                         |
| Vested                                          | (6)                          | 23.34                                                         | (22)                          | 22.74                                                         |
| Forfeited                                       | (31)                         | 22.45                                                         |                               |                                                               |
| <b>Nonvested at September 30, 2007</b>          | <b>1,107</b>                 | <b>\$21.36</b>                                                | <b>200</b>                    | <b>\$22.74</b>                                                |

In connection with the merger of Sky Financial, Huntington granted restricted stock awards of 221,569 shares of Huntington common stock. The restricted stock awards vest in equal monthly installments at the end of each calendar month from the completion of the merger through December 31, 2009, subject to acceleration on certain terminations of employment and change in control transactions.

The weighted-average grant date fair value of nonvested shares granted for the nine-month periods ended September 30, 2007 and 2006, were \$20.70 and \$23.34, respectively. As of September 30, 2007, the total compensation cost related to nonvested shares not yet recognized was \$23.2 million with a weighted-average expense recognition period of 2.5 years. The total fair value of nonvested shares vested during the nine-months ended September 30, 2007, was \$0.5 million.

**Note 9 Income Taxes**

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state, city, and foreign jurisdictions. Federal income tax audits have been resolved through 2003. Various state and city jurisdictions remain open to examination for tax years 2000 and forward.

The Company adopted the provisions of FIN 48 on January 1, 2007. The implementation of FIN 48 did not impact the Company's financial statements. As of September 30, 2007, there were no unrecognized tax benefits.

The Company recognizes interest and penalties on income tax assessments or income tax refunds in the financial statements as a component of its provision for income taxes.

**Note 10 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

**Table of Contents**

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.

As a result of the acquisition of Sky Financial, Huntington remeasured its pension and post retirement plan assets and liabilities as of July 1, 2007. The remeasurement included updating the discount rate used to calculate benefit expense from 5.74% to 6.19% and assessing the impact of adding former Sky Financial employees to the plans.

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

| <i>(in thousands)</i>                | Pension Benefits                    |                 | Post Retirement Benefits            |                 |
|--------------------------------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
|                                      | Three Months Ended<br>September 30, |                 | Three Months Ended<br>September 30, |                 |
|                                      | 2007                                | 2006            | 2007                                | 2006            |
| Service cost                         | \$ 5,780                            | \$ 4,414        | \$ 484                              | \$ 383          |
| Interest cost                        | 6,859                               | 5,539           | 989                                 | 565             |
| Expected return on plan assets       | (10,132)                            | (8,518)         |                                     |                 |
| Amortization of transition asset     |                                     |                 | 276                                 | 276             |
| Amortization of prior service cost   |                                     |                 | 95                                  | 95              |
| Settlements                          | 323                                 | 1,000           |                                     |                 |
| Recognized net actuarial loss (gain) | 1,729                               | 4,377           | (64)                                | (181)           |
| <b>Benefit expense</b>               | <b>\$ 4,559</b>                     | <b>\$ 6,812</b> | <b>\$ 1,780</b>                     | <b>\$ 1,138</b> |

| <i>(in thousands)</i>                | Pension Benefits                   |                  | Post Retirement Benefits           |                 |
|--------------------------------------|------------------------------------|------------------|------------------------------------|-----------------|
|                                      | Nine Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                 |
|                                      | 2007                               | 2006             | 2007                               | 2006            |
| Service cost                         | \$ 14,670                          | \$ 13,137        | \$ 1,233                           | \$ 1,103        |
| Interest cost                        | 18,792                             | 16,617           | 2,323                              | 1,695           |
| Expected return on plan assets       | (28,372)                           | (25,057)         |                                    |                 |
| Amortization of transition asset     | 3                                  |                  | 828                                | 828             |
| Amortization of prior service cost   | 1                                  | 1                | 284                                | 285             |
| Settlements                          | 2,323                              | 3,000            |                                    |                 |
| Recognized net actuarial loss (gain) | 7,960                              | 13,131           | (267)                              | (543)           |
| <b>Benefit expense</b>               | <b>\$ 15,377</b>                   | <b>\$ 20,829</b> | <b>\$ 4,401</b>                    | <b>\$ 3,368</b> |

There is no required minimum contribution for 2007 to the Plan.

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 for each of the three-month periods ended September 30, 2007 and 2006, respectively. For the respective nine-month periods, the cost was



\$2.1 million and \$2.0 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 \$3.8 million and \$2.6 million for the three-month periods ended September 30, 2007 and 2006, respectively. For the respective nine-month periods, the cost was \$9.2 million and \$7.8 million.

**Table of Contents****Note 11 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, 2007, December 31, 2006, and September 30, 2006, were as follows:

| <i>(in millions)</i>                          | <b>September<br/>30,<br/>2007</b> | December<br>31,<br>2006 | September<br>30,<br>2006 |
|-----------------------------------------------|-----------------------------------|-------------------------|--------------------------|
| <b>Contract amount represents credit risk</b> |                                   |                         |                          |
| Commitments to extend credit                  |                                   |                         |                          |
| Commercial                                    | <b>\$ 6,674</b>                   | \$ 4,416                | \$ 4,265                 |
| Consumer                                      | <b>4,673</b>                      | 3,374                   | 3,336                    |
| Commercial real estate                        | <b>2,556</b>                      | 1,645                   | 1,752                    |
| Standby letters of credit                     | <b>1,403</b>                      | 1,156                   | 1,136                    |
| Commercial letters of credit                  | <b>48</b>                         | 54                      | 45                       |

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 \$4.5 million, \$4.3 million, and \$3.5 million at September 30, 2007, December 31, 2006, and September 30, 2006, 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, 2007, December 31, 2006, and September 30, 2006, Huntington had commitments to sell residential real estate loans of \$466.1 million, \$319.9 million, and \$314.2 million, respectively. These contracts mature in less than one year.

**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 12 Derivative Financial Instruments****Derivatives used in Asset and Liability Management Activities**

The following table presents the gross notional values of derivatives used in Huntington's Asset and Liability Management activities at September 30, 2007, identified by the underlying interest rate-sensitive instruments:

| <i>(in thousands)</i>                             | <b>Fair Value<br/>Hedges</b> | <b>Cash Flow<br/>Hedges</b> | <b>Total</b>       |
|---------------------------------------------------|------------------------------|-----------------------------|--------------------|
| Instruments associated with:                      |                              |                             |                    |
| Deposits                                          | \$ 615,000                   | \$315,000                   | \$ 930,000         |
| Federal Home Loan Bank advances                   |                              | 525,000                     | 525,000            |
| Subordinated notes                                | 750,000                      |                             | 750,000            |
| Other long-term debt                              | 50,000                       |                             | 50,000             |
| <b>Total notional value at September 30, 2007</b> | <b>\$1,415,000</b>           | <b>\$840,000</b>            | <b>\$2,255,000</b> |

The following table presents additional information about the interest rate swaps used in Huntington's Asset and Liability Management activities at September 30, 2007:

| <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                       | \$ 820,000                | 8.8                                     | \$ 2,498              | 5.27%                            | 5.74%        |
| Receive fixed callable                      | 595,000                   | 5.8                                     | (9,692)               | 4.74                             | 5.32         |
| Pay fixed generic                           | 840,000                   | 1.7                                     | (3,508)               | 5.68                             | 4.98         |
| <b>Total liability conversion<br/>swaps</b> | <b>\$2,255,000</b>        | <b>5.4</b>                              | <b>\$(10,702)</b>     | <b>5.28%</b>                     | <b>5.32%</b> |

Interest rate caps used in Huntington's Asset and Liability Management activities at September 30, 2007, 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> |
|-------------------------------------|---------------------------|-----------------------------------------|-----------------------|-----------------------------------------|
| <b>Interest rate caps purchased</b> | <b>\$500,000</b>          | <b>1.3</b>                              | <b>\$808</b>          | <b>5.50%</b>                            |

These derivative financial instruments were entered into for the purpose of altering the interest rate risk of 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 to net interest income of \$1.3 million and \$2.0 million for the three-month periods ended September 30, 2007 and 2006, respectively. For the nine-month periods ended September 30, 2007 and 2006, the impact to net interest income was a decrease of \$1.5 million and \$2.2 million, respectively.

Collateral agreements are regularly entered into as part of the underlying derivative agreements with Huntington's counterparties to mitigate the credit risk associated with derivatives. At September 30, 2007, December 31, 2006, and September 30, 2006, aggregate credit risk associated with these derivatives, net of collateral

that has been pledged by the counterparty, was \$4.9 million, \$42.6 million, and \$13.1 million, respectively. The credit risk associated with interest rate swaps is calculated after considering master netting agreements.

During 2006, Huntington terminated certain interest rate swaps used to hedge the future expected cash flows of certain FHLB advances and deferred these gains in accumulated other comprehensive income. The deferred swap gains were being amortized into interest expense over the remaining terms of the outstanding advances. During the second quarter of 2007, Huntington prepaid the FHLB advances, and recognized a gain of \$4.1 million, which represented the remaining unamortized portion of the terminated swap gains.

During the 2007 third quarter, Huntington recognized a gain of \$0.4 million on the remaining portion of unamortized interest rate swaps used to hedge the future expected cash flows relating to certain trust preferred debt that was redeemed during the quarter.

**Table of Contents****Derivatives Used in Mortgage Banking Activities**

The following is a summary of the derivative assets and liabilities that Huntington used in its mortgage banking activities:

| <i>(in thousands)</i>                   | <b>September<br/>30,<br/>2007</b> | December<br>31,<br>2006 | September<br>30,<br>2006 |
|-----------------------------------------|-----------------------------------|-------------------------|--------------------------|
| Derivative assets:                      |                                   |                         |                          |
| Interest rate lock agreements           | \$ 920                            | \$ 236                  | \$ 626                   |
| Forward trades and options              | <b>234</b>                        | 1,176                   | 82                       |
| <b>Total derivative assets</b>          | <b>1,154</b>                      | 1,412                   | 708                      |
| Derivative liabilities:                 |                                   |                         |                          |
| Interest rate lock agreements           | <b>(385)</b>                      | (838)                   | (347)                    |
| Forward trades and options              | <b>(2,736)</b>                    | (699)                   | (3,003)                  |
| <b>Total derivative liabilities</b>     | <b>(3,121)</b>                    | (1,537)                 | (3,350)                  |
| <b>Net derivative (liability) asset</b> | <b>\$ (1,967)</b>                 | \$ (125)                | \$ (2,642)               |

**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 counterparties.

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 \$4.9 million and \$2.9 million for the three-month periods ended September 30, 2007 and 2006, respectively. For the nine-month periods ended September 30, 2007 and 2006, total trading revenue for customer accommodation was \$11.7 million and \$8.0 million, respectively. The total notional value of derivative financial instruments used by Huntington on behalf of customers, including offsetting derivatives was \$5.7 billion, \$4.6 billion, and \$4.7 billion at September 30, 2007, December 31, 2006, and September 30, 2006, respectively. Huntington's credit risk from interest rate swaps used for trading purposes was \$63.6 million, \$40.0 million, and \$4.4 million at the same dates.

Huntington also uses certain derivative financial instruments to offset changes in value of its residential mortgage servicing assets. These derivatives consist primarily of forward interest rate agreements, and forward mortgage securities. The derivative instruments used are not designated as hedges under Statement No. 133. Accordingly, such derivatives are recorded at fair value with changes in fair value reflected in mortgage banking income. The total notional value of these derivative financial instruments at September 30, 2007, was \$50.0 million. The total notional amount corresponds to trading assets with a fair value of less than \$0.1 million. Total gains and

losses for the three-month periods ended September 30, 2007 and 2006, were \$5.6 million and \$10.7 million, respectively. Total losses for the nine-month periods ended September 30, 2007 and 2006, were \$18.4 million and \$0.7 million, respectively.

In connection with securitization activities, Huntington purchased interest rate caps with a notional value totaling \$1.4 billion. These purchased caps were assigned to the securitization trust for the benefit of the security holders. Interest rate caps were also sold totaling \$1.4 billion outside the securitization structure. Both the purchased and sold caps are marked to market through income.

**Table of Contents****Note 13 Shareholders Equity*****Change in par value and shares authorized:***

During the second quarter, Huntington amended its charter to, among other things, assign a par value of \$0.01 to each share of common stock. Shares of common stock previously had no assigned par value. Huntington also amended its charter to increase the number of authorized shares of common stock from 500 million shares to 1.0 billion shares.

***Share Repurchase Program:***

On April 20, 2006, the Company announced that its board of directors authorized a new program for the repurchase of up to 15 million shares of common stock (the 2006 Repurchase Program). The 2006 Repurchase Program does not have an expiration date. The 2006 Repurchase Program cancelled and replaced the prior share repurchase program, authorized by the board of directors in 2005. 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.

Huntington did not repurchase any shares under the 2006 Repurchase Program for the three-month period ended September 30, 2007. At the end of the period, 3,850,000 shares may be purchased under the 2006 Repurchase Program.

**Note 14 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 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. As of September 30, 2007, it operated in thirteen regions within the six states of Ohio, Michigan, West Virginia, Indiana, Pennsylvania, and Kentucky. It provided these services through a banking network of over 600 branches, and over 1,400 ATMs, along with Internet and telephone banking channels. It also provided certain services outside of these six states, including mortgage banking and equipment leasing. 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 50% and 76% of total Regional Banking loans and deposits, respectively. Commercial Banking serves middle market and large 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.

**Dealer Sales:** This segment provides a variety of banking products and services to more than 3,600 automotive dealerships within the Company's primary banking markets, as well as in Arizona, Florida, Georgia, Nevada, New Jersey, New York, North Carolina, South Carolina, and Tennessee. Dealer Sales finances the purchase of automobiles by customers at the automotive dealerships, purchases automobiles from dealers and simultaneously leases the automobiles to consumers under long-term leases, finances the dealerships' new and used vehicle inventories, land, buildings, and other real estate owned by the dealerships, or dealer 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.

**Table of Contents**

**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. Sky Insurance, included within PFCMG, provides retail and commercial insurance agency services. PFCMG 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 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. 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, as well as any investment securities and trading assets gains or losses. The non-interest expense includes certain corporate administrative, merger costs, 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.



**Table of Contents**

Listed below are certain financial results by line of business. For the three and nine-month periods ended September 30, 2007 and 2006, operating earnings were the same as reported earnings.

| <b>Income Statements</b><br><i>(in thousands)</i>            | Three Months Ended September 30, |                  |                  |                    | Huntington<br>Consolidated |
|--------------------------------------------------------------|----------------------------------|------------------|------------------|--------------------|----------------------------|
|                                                              | Regional<br>Banking              | Dealer<br>Sales  | PFCMG            | Treasury/<br>Other |                            |
| <b>2007</b>                                                  |                                  |                  |                  |                    |                            |
| Net interest income                                          | \$ 351,494                       | \$ 34,510        | \$ 23,511        | \$ 118             | \$ 409,633                 |
| Provision for credit losses                                  | (31,398)                         | (8,575)          | (2,034)          |                    | (42,007)                   |
| Non-interest income                                          | 137,026                          | 8,051            | 59,919           | (322)              | 204,674                    |
| Non-interest expense                                         | (239,936)                        | (19,713)         | (59,944)         | (65,970)           | (385,563)                  |
| Income taxes                                                 | (76,014)                         | (4,996)          | (7,508)          | 39,983             | (48,535)                   |
| <b>Operating / reported net income</b>                       | <b>\$ 141,172</b>                | <b>\$ 9,277</b>  | <b>\$ 13,944</b> | <b>\$ (26,191)</b> | <b>\$ 138,202</b>          |
| <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>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>2007</b>                                                  |                                  |                  |                  |                    |                            |
| Net interest income                                          | \$ 780,083                       | \$ 98,484        | \$ 60,887        | \$ (20,875)        | \$ 918,579                 |
| Provision for credit losses                                  | (108,727)                        | (16,623)         | (6,196)          |                    | (131,546)                  |
| Non-Interest income                                          | 323,226                          | 32,216           | 139,534          | 11,068             | 506,044                    |
| Non-Interest expense                                         | (569,447)                        | (57,918)         | (141,239)        | (103,686)          | (872,290)                  |
| Income taxes                                                 | (148,796)                        | (19,657)         | (18,545)         | 80,660             | (106,338)                  |
| <b>Operating / reported net income</b>                       | <b>\$ 276,339</b>                | <b>\$ 36,502</b> | <b>\$ 34,441</b> | <b>\$ (32,833)</b> | <b>\$ 314,449</b>          |
| <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>          |

| <i>(in millions)</i> | <b>September<br/>30,<br/>2007</b> | Assets at<br>December<br>31,<br>2006 | September<br>30,<br>2006 | <b>September<br/>30,<br/>2007</b> | Deposits at<br>December<br>31,<br>2006 | September<br>30,<br>2006 |
|----------------------|-----------------------------------|--------------------------------------|--------------------------|-----------------------------------|----------------------------------------|--------------------------|
| Regional Banking     | <b>\$34,599</b>                   | \$20,933                             | \$21,110                 | <b>\$32,718</b>                   | \$20,231                               | \$20,301                 |
| Dealer Sales         | <b>5,632</b>                      | 5,003                                | 5,257                    | 63                                | 59                                     | 59                       |
| PFCMG                | <b>2,884</b>                      | 2,153                                | 2,174                    | 1,631                             | 1,162                                  | 1,145                    |
| Treasury / Other     | <b>12,189</b>                     | 7,240                                | 7,121                    | 3,992                             | 3,596                                  | 3,233                    |
| <b>Total</b>         | <b>\$55,304</b>                   | \$35,329                             | \$35,662                 | <b>\$38,404</b>                   | \$25,048                               | \$24,738                 |

**Table of Contents**

**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 2006 Form 10-K.

**Item 4. Controls and Procedures**

Huntington maintains disclosure controls and procedures designed to ensure that the information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, are recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. 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.

Huntington is integrating the operations of Sky Financial and will be conducting control reviews pursuant to the Sarbanes Oxley Act of 2002. Excluding the Sky Financial acquisition, there have not been any significant 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.

**Item 4T. Controls and Procedures**

Not applicable

**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.

**Table of Contents****Item 6. Exhibits**

## (a) Exhibits

| <b>Exhibit Number</b> | <b>Document Description</b>                                                                                                                                                                                                                                                                                           | <b>Report or Registration Statement</b>                                 | <b>SEC File or Registration Number</b> | <b>Exhibit Reference</b> |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------|--------------------------|
| 3.1                   | Articles of Restatement of Charter, Articles of Amendment to Articles of Restatement of Charter, and Articles Supplementary                                                                                                                                                                                           | Annual Report on Form 10-K for the year ended December 31, 1993.        | 000-02525                              | 3(i)                     |
| 3.2                   | Articles Supplementary                                                                                                                                                                                                                                                                                                | Annual Report on Form 10-K for the year ended December 31, 2006         | 000-02525                              | 3.4                      |
| 3.3                   | Articles of Amendment to Articles of Restatement of Charter.                                                                                                                                                                                                                                                          | Current Report on Form 8-K dated May 31, 2007                           | 000-02525                              | 3.1                      |
| 3.4                   | Bylaws of Huntington Bancshares Incorporated, as amended and restated, as of July 1, 2007                                                                                                                                                                                                                             | Current Report on Form 8-K dated July 1, 2007                           | 000-02525                              | 3(ii).1                  |
| 4.1                   | 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. | Annual Report on Form 10-K for the year ended December 31, 2006.        | 000-02525                              | 4.1                      |
| 10.1                  | Employment Agreement dated December 20, 2006 and effective July 1, 2007 between Thomas E. Hoaglin and Huntington Bancshares Incorporated                                                                                                                                                                              | Registration Statement on Form S-4 filed February 26, 2007              | 333-140897                             | 10.1                     |
| 10.2                  | Employment Agreement dated December 20, 2006 and effective July 1, 2007 between Marty E. Adams and Huntington Bancshares Incorporated                                                                                                                                                                                 | Registration Statement on Form S-4 filed February 26, 2007              | 333-140897                             | 10.2                     |
| 10.3                  | Huntington Bancshares Incorporated 2007 Stock and Long-Term Incentive Plan                                                                                                                                                                                                                                            | Definitive Proxy Statement for the 2007 Annual Meeting of Stockholders. | 000-02525                              | G                        |

|      |                                                                                                                                        |                                                                         |           |   |
|------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------|---|
| 10.4 | First Amendment to the Huntington Bancshares Incorporated 2004 Management Incentive Plan                                               | Definitive Proxy Statement for the 2007 Annual Meeting of Stockholders. | 000-02525 | H |
| 10.5 | Huntington Supplemental Executive Stock Purchase and Tax Savings Plan and Trust, amended and restated, effective as of January 1, 2005 |                                                                         |           |   |
| 10.6 | Huntington Supplemental Retirement Income Plan restated effective January 1, 2008                                                      |                                                                         |           |   |
| 10.7 | First Amendment to the 2007 Stock and Long-term Incentive Plan.                                                                        |                                                                         |           |   |
| 12.1 | Ratio of Earnings to Fixed Charges.                                                                                                    |                                                                         |           |   |
| 31.1 | Rule 13a-14(a) Certification                                                                                                           | Chief Executive Officer.                                                |           |   |
| 31.2 | Rule 13a-14(a) Certification                                                                                                           | Chief Financial Officer.                                                |           |   |
| 32.1 | Section 1350 Certification                                                                                                             | Chief Executive Officer.                                                |           |   |
| 32.2 | Section 1350 Certification                                                                                                             | Chief Financial Officer.                                                |           |   |

**Table of Contents**

**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: October 26, 2007

/s/ Thomas E. Hoaglin  
Thomas E. Hoaglin  
Chairman and Chief Executive Officer

Date: October 26, 2007

/s/ Donald R. Kimble  
Donald R. Kimble  
Chief Financial Officer