HUNTINGTON BANCSHARES INC/MD
Form 10-Q
October 31, 2011

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, 2011
Commission File Number 1-34073
Huntington Bancshares Incorporated

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

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

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

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

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

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

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

There were 864,074,883 shares of Registrant s common stock ($0.01 par value) outstanding on September 30, 2011.

HUNTINGTON BANCSHARES INCORPORATED
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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

Glossary of Acronyms and Terms

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

2010 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2010
ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ALCO	Asset & Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ARRA	American Recovery and Reinvestment Act of 2009
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
C&I	Commercial and Industrial
CDARS	Certificate of Deposit Account Registry Service
CDO	Collateralized Debt Obligations
CDs	Certificates of Deposit
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CPP	Capital Purchase Program
CRE	Commercial Real Estate
DDA	Demand Deposit Account
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EESA	Emergency Economic Stabilization Act of 2008
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICA	Federal Insurance Contributions Act
FICO	Fair Isaac Corporation
FOMC	Federal Open Market Committee
FNMA	Federal National Mortgage Association
Franklin	Franklin Credit Management Corporation
FRB	Federal Reserve Bank
FSP	Financial Stability Plan
FTE	Fully-Taxable Equivalent

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FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
GSIFI	Globally Systemically Important Financial Institution
GSE	Government Sponsored Enterprise
HASP	Homeowner Affordability and Stability Plan
HCER Act	Health Care and Education Reconciliation Act of 2010
IPO	Initial Public Offering
IRS	Internal Revenue Service
ISE	Interest Sensitive Earnings
LIBOR	London Interbank Offered Rate
LGD	Loss-Given-Default
LTV	Loan to Value
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MRC	Market Risk Committee
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NAV	Net Asset Value
NCO	Net Charge-off
NPAs	Nonperforming Assets
NSF / OD	Nonsufficient Funds and Overdraft
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PD	Probability-Of-Default
Plan	Huntington Bancshares Retirement Plan
Reg E	Regulation E, of the Electronic Fund Transfer Act
REIT	Real Estate Investment Trust
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SIFIs	Systemically Important Financial Institutions
Sky Financial	Sky Financial Group, Inc.
SRIP	Supplemental Retirement Income Plan
Sky Trust	Sky Bank and Sky Trust, National Association
TAGP	Transaction Account Guarantee Program
TARP	Troubled Asset Relief Program
TARP Capital	Series B Preferred Stock
TCE	Tangible Common Equity
TDR	Troubled Debt Restructured Loan
TLGP	Temporary Liquidity Guarantee Program
Treasury	U.S. Department of the Treasury

UCS	Uniform Classification System
Unizan	Unizan Financial Corp.
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs
VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

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PART I. FINANCIAL INFORMATION

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

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

INTRODUCTION

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have 145 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance service programs, and other financial products and services. Our over 600 banking offices are located in Indiana, Kentucky, Michigan, Ohio, Pennsylvania, and West Virginia. Selected financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio and a limited purpose office located in the Cayman Islands and another limited purpose office located in Hong Kong. Our foreign banking activities, in total or with any individual country, are not significant.

This MD&A provides information we believe necessary for understanding our financial condition, changes in financial condition, results of operations, and cash flows. The MD&A included in our 2010 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2010 Form 10-K. This MD&A should also be read in conjunction with the financial statements, notes and other information contained in this report.

Our discussion is divided into key segments:

Executive Overview - Provides a summary of our current financial performance, and business overview, including our thoughts on the impact of the economy, legislative and regulatory initiatives, and recent industry developments. This section also provides our outlook regarding our expectations for the remainder of 2011.

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

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

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

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

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

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EXECUTIVE OVERVIEW

Summary of 2011 Third Quarter Results

For the quarter, we reported net income of $143.4 million, or $0.16 per common share, compared with $145.9 million, or $0.16 per common share, in the prior quarter (*see Table 1*).

Fully-taxable equivalent net interest income was $410.1 million for the quarter, up $3.0 million, or 1%, from the prior quarter. The increase reflected the benefit of a 2% (6% annualized) increase in average earning assets, partially offset by a 6 basis point decline in the fully-taxable equivalent net interest margin to 3.34% from 3.40%.

The provision for credit losses in the 2011 third quarter was $43.6 million, up $7.8 million, or 22%, from the prior quarter. This reflected the combination of strong loan growth and the expectation of a weaker and prolonged economic recovery. These were partially offset by the benefits of an end-of-period decline of 8% in nonaccrual loans and a 4% decline in total Criticized commercial loans.

Total noninterest income increased $2.8 million, or 1%, from the prior quarter. This included an increase in other income of $15.1 million, or 33%, reflecting a $15.5 million gain on sale from the automobile securitization and a $2.8 million increase in market-related gains and capital markets income, which was partially offset by a $5.8 million decline in SBA servicing income. Service charges on deposit accounts and electronic banking income increased $4.5 million, or 7%, and $1.0 million, or 3%, respectively, primarily driven by new account growth. These benefits were partially offset by an $11.0 million decline in mortgage banking income, primarily driven by a negative $13.9 million linked quarter change in the net MSR valuation, the majority of which occurred over the last two weeks of the quarter.

Noninterest expense increased $10.7 million, or 2%. Personnel costs increased $8.3 million, or 4%, due to higher salary, severance, and healthcare costs. Outside data processing and other services increased $5.7 million, or 13%, primarily due to costs associated with a conversion to a new debit card processor.

The period end ACL as a percentage of total loans and leases decreased to 2.71% from 2.84%. However, the ACL as a percentage of period end NALs increased to 187% from 181%. Net charge-offs were $90.6 million, or an annualized 0.92% of average total loans and leases, down 7% from $97.5 million, or 1.01%, in the prior quarter. Credit quality continued its expected improvement. Even so, many of these performance metrics remain elevated compared with historical performance. We expect to see continued declines in nonaccrual loans and net charge-offs going forward.

Business Overview

General

Our general business objectives are: (1) grow revenue and profitability, (2) improve cross-sell and share-of-wallet across all business segments, (3) grow key fee businesses (existing and new), (4) improve credit quality, including lower NCOs and NALs, (5) reduce noncore CRE exposure, and (6) continue to improve our overall management of risk.

Throughout last year, and continuing into this year, we are taking advantage of what we view as an opportunity to make significant investments in strategic initiatives to position us for more profitable and sustainable long-term growth. This includes implementing our Fair Play banking philosophy, value proposition for our consumer customers, increasing share-of-wallet, investing in expanding existing business, and launching new businesses.

Our emphasis on cross-sell, coupled with customers increasingly being attracted by the benefits offered through our Fair Play banking philosophy is having a positive effect. The number of consumer checking account households grew at a 10.8% annualized rate for the first three quarters of 2011. These new households are not just focused around single service. We have been able to continue to grow our share of wallet with new and existing customers. Almost 73% of our consumer customers now have four or more products or services. On the commercial side, we also saw an increase with commercial relationships growing for the first nine months at an 8.6% annualized rate.

Economy

Wavering business and consumer confidence, U.S. debt and fiscal uncertainties, and slow economic growth remain challenges to the operating environment. Consumer sentiment has dropped to the lowest level since the recessionary period in 2008. Elevated housing inventories continue to present a near-term drag; however housing affordability is near record highs on historically low mortgage rates and lower home prices.

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Legislative and Regulatory

Regulatory reforms continue to be adopted which impose additional restrictions on current business practices. Recent actions affecting us included the Federal Reserve s maturity extension program, and the rules and regulations that have been issued pursuant to the Dodd-Frank Act.

Federal Reserve Maturity Extension Program Under the maturity extension program announced on September 21, 2011, the Federal Reserve intends to sell $400 billion of shorter-term Treasury securities by the end of 2012 and use the proceeds to buy longer-term securities. This will extend the average maturity of the securities in the Federal Reserve s portfolio. By reducing the supply of longer-term securities in the market, it is the FOMC s intention to put downward pressure on longer-term interest rates, including rates on financial assets that investors consider to be close substitutes for longer-term Treasury securities. Further, it is their objective that the reduction in longer-term interest rates, in turn, will contribute to a broad easing in financial market conditions that will provide additional stimulus to support the economic recovery. We do not anticipate that this recent announcement will have a material impact on our current securities portfolio or future investment strategy. However, it could cause our net interest margin to drop modestly.

Resolution Plan The FRB and FDIC issued final regulations as required by section 165 of the Dodd-Frank Act regarding resolution plans, also referred to as living wills. Insured depository institutions with $50 billion or more in total assets must submit to the FDIC a plan whereby the institution can be resolved by the FDIC, in the event of failure, in a manner that ensures depositors will receive access to insured funds within the required timeframes and generally ensures an orderly liquidation of the institution. Additionally, bank holding companies with assets of $50 billion or more are required to submit to the FRB and the FDIC a plan that, in the event of material financial distress or failure, establishes the rapid and orderly liquidation of the company under the bankruptcy code and in a way that would not pose systemic risk to the financial system of the United States. The regulations allow for a tier approach for complying with the requirements based on materiality of the institution. Currently, we are required to submit resolution plans as prescribed by December 31, 2013.

Durbin Amendment The Durbin Amendment to the Dodd-Frank Act instructed the Federal Reserve to establish the rate merchants pay banks for electronic clearing of debit card transactions (i.e., the interchange rate). The Federal Reserve recently issued its final rule establishing standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule establishes standards for assessing whether debit card interchange fees received by debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction will be the sum of 21 cents per transaction, 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction. This provision regarding debit card interchange fees became effective on October 1, 2011. Based on the final rule, we expect our 2011 fourth quarter electronic banking income to decline from the 2011 third quarter level by approximately 50%, or $16 million.

Recent Industry Developments

Recent industry events and related supervisory guidance brought about by the continued weak housing market have caused us to evaluate certain aspects of our mortgage operations. This included a review of our foreclosure documentation, MSR valuation, and representation and warranty reserve level. Additionally, we are evaluating potential impacts from recent announcements of the enhanced Home Affordable Refinance Program (HARP) and by PMI Mortgage Insurance Co. (PMI).

Foreclosure Documentation On June 30, 2011, the OCC issued OCC Bulletin 2011-29 clarifying their expectations for the oversight and management of mortgage foreclosure activities by national banks and directing national banks to perform a self-assessment no later than September 30, 2011. We believe that, with the self-assessments we have performed and will continue to perform, we are in compliance with the OCC expectation for self-assessment.

Mortgage Servicing Rights MSR fair values are estimated based on residential mortgage servicing revenue in excess of estimated market costs to service the underlying loans. Historically, the estimated market cost to service has been stable. Due to changes in the regulatory environment related to loan servicing and foreclosure activities, costs to service may potentially increase, however the potential impact on the market costs to service remains uncertain. Certain large residential mortgage loan servicers entered into consent orders with banking regulators in April 2011, which require the servicers to remedy deficiencies and unsafe or unsound practices and to enhance residential mortgage servicing and foreclosure processes. It is unclear what impact this may ultimately have on market costs to service.

Representation and Warranty Reserve We primarily conduct our loan sale and securitization activity with FNMA and FHLMC. In connection with these and other sale and securitization transactions, we make representations and warranties that the loans meet certain criteria, such as collateral type and underwriting standards. We may be required to repurchase individual loans and / or indemnify these organizations against losses due to material breaches of these representations and warranties. At September 30, 2011, we had a reserve for such losses of $23.9 million, which is included in accrued expenses and other liabilities.

Home Affordable Refinance Program The FHFA has announced changes to the Home Affordable Refinance Program designed to attract more borrowers with FNMA and FHLMC backed mortgages that can benefit from refinancing their residential mortgage loans under current low interest rates. The new operational details are to be issued by November 15, 2011. We do not expect the impact to be material.

PMI Mortgage Insurance Co. (PMI) On August 19, 2011, PMI informed its customers that it was required to stop writing new commitments and we stopped doing new business with PMI at that time. On October 24, 2011, PMI informed all policyholders, insured parties, and servicers of loans insured by PMI that the Director of the Arizona Department of Insurance (Director) obtained an Order Directing Full and Exclusive Possession and Control of Insurer (the Order) with respect to PMI. Effective October 24, 2011, and pursuant to the Order, instead of a moratorium on claims payments, the Director instituted a partial claims payment plan. Claim payments will be made at 50%, with the remaining amount deferred as a policyholder claim. PMI has not been a significant provider of mortgage insurance for loans in our portfolio. We utilize a number of insurance providers, limiting our risk associated with any one provider. We do not expect the exposure associated with our owned residential mortgage portfolio to have a material impact on our results of operations or financial position.

Expectations

The lack of prospects for meaningful economic improvement, higher interest rates, and wider spreads between short-term and long-term interest rates for the foreseeable future is a challenge. For example, broad-based loan growth, as well as growth in certain fee income activities, is expected to be less than would otherwise be the case in an expanding economy, even though growth in certain portfolios and activities is anticipated. Further, a period of prolonged low interest rates is expected to put pressure on our net interest margin. This would reflect more compression in loan and investment securities yields relative to any declines in deposit and funding rates. In addition, deposit inflows over and above any reinvestment opportunities at appropriate risk adjusted spreads means we may elect to curtail deposit growth, typically an engine of revenue growth. These revenue headwinds are magnified by the continued fragility of business and consumer confidence that is expected to continue the postponement of borrowing and investment decisions. Nevertheless, our success in growing and deepening relationships presents us with an opportunity to selectively expand revenue, while maintaining disciplined loan and deposit pricing, as well as conservative credit underwriting.

Net interest income is expected to continue to show very modest improvement from the third quarter level. The momentum we are seeing in loan and low cost deposit growth is expected to continue, yet the benefits will be mostly offset by pressure on the net interest margin due to the expected continued mix shift to higher quality loans and lower securities reinvestment rates that reflect the low absolute level and shape of the yield curve. If the current interest rate environment, which has partially resulted from the Federal Reserve Maturity Extension Program Operation Twist , remains unchanged through 2012, it could cause our net interest margin to drop modestly below our long-term range of 3.30% to 3.75%. Our C&I portfolio is expected to continue to show meaningful growth with much of this reflecting the positive impact from strategic initiatives to expand our commercial lending expertise into areas like specialty banking, asset based lending, and equipment financing, in addition to our long-standing continued support of middle market and small business lending. For automobile loans, we expect to see strong growth from September 30, 2011 balances. Residential mortgages are expected to show modest growth, with CRE continuing to experience modest declines.

We again anticipate the increase in total core deposits to match that of loans, reflecting continued growth in consumer households and commercial relationships. Further, we expect the shift toward low and no cost demand deposits and money market accounts will continue.

Noninterest income is expected to show a modest decline in the 2011 fourth quarter, primarily due to an anticipated 50%, or $16 million, decline in electronic banking income from the third quarter, given the newly mandated lower interchange fee structure implemented October 1, 2011. We expect to see continued growth of service charge income commensurate with customer growth and increased product penetration. Mortgage banking income should increase as the third quarter s sizable MSR impairment is not expected to repeat. We also anticipate continued growth in the contribution from other key fee income activities including capital markets, treasury management services, and brokerage, reflecting the impact of our cross-sell and product penetration initiatives throughout the company as well

as the positive impact from strategic initiatives.
Expense levels are expected to modestly decline in coming quarters though strategic actions like the current debit card conversion may cause short-term fluctuations.
Nonaccrual loans and net charge-offs are expected to continue to decline. Provision for credit losses should remain near current levels, yet there could be some volatility given the uncertain and uneven nature of the economic recovery.
We anticipate the effective tax rate for the foreseeable future to be in the range of 24% to 27%.

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DISCUSSION OF RESULTS OF OPERATIONS

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

Table 1 Selected Quarterly Income Statement Data (1)

	2011			2010	
(dollar amounts in thousands, except per share amounts)	**Third**	Second	First	Fourth	Third
Interest income	$ **490,996**	$ 492,137	$ 501,877	$ 528,291	$ 534,669
Interest expense	**84,518**	88,800	97,547	112,997	124,707
Net interest income	**406,478**	403,337	404,330	415,294	409,962
Provision for credit losses	**43,586**	35,797	49,385	86,973	119,160
Net interest income after provision for credit losses	**362,892**	367,540	354,945	328,321	290,802
Service charges on deposit accounts	**65,184**	60,675	54,324	55,810	65,932
Mortgage banking income	**12,791**	23,835	22,684	53,169	52,045
Trust services	**29,473**	30,392	30,742	29,394	26,997
Electronic banking	**32,714**	31,728	28,786	28,900	28,090
Insurance income	**17,220**	16,399	17,945	19,678	19,801
Brokerage income	**20,349**	20,819	20,511	16,953	16,575
Bank owned life insurance income	**15,644**	17,602	14,819	16,113	14,091
Automobile operating lease income	**5,890**	7,307	8,847	10,463	11,356
Securities gains (losses)	**(1,350)**	1,507	40	(103)	(296)
Other income	**60,644**	45,503	38,247	33,843	32,552
Total noninterest income	**258,559**	255,767	236,945	264,220	267,143
Personnel costs	**226,835**	218,570	219,028	212,184	208,272
Outside data processing and other services	**49,602**	43,889	40,282	40,943	38,553
Net occupancy	**26,967**	26,885	28,436	26,670	26,718
Deposit and other insurance expense	**17,492**	23,823	17,896	23,320	23,406
Professional services	**20,281**	20,080	13,465	21,021	20,672
Equipment	**22,262**	21,921	22,477	22,060	21,651
Marketing	**22,251**	20,102	16,895	16,168	20,921
Amortization of intangibles	**13,387**	13,386	13,370	15,046	15,145
OREO and foreclosure expense	**4,668**	4,398	3,931	10,502	12,047
Automobile operating lease expense	**4,386**	5,434	6,836	8,142	9,159
Other expense	**30,987**	29,921	48,083	38,537	30,765
Total noninterest expense	**439,118**	428,409	430,699	434,593	427,309
Income before income taxes	**182,333**	194,898	161,191	157,948	130,636
Provision for income taxes	**38,942**	48,980	34,745	35,048	29,690
Net income	$ **143,391**	$ 145,918	$ 126,446	$ 122,900	$ 100,946
Dividends on preferred shares	**7,703**	7,704	7,703	83,754	29,495
Net income applicable to common shares	$ **135,688**	$ 138,214	$ 118,743	$ 39,146	$ 71,451
Average common shares basic	**863,911**	863,358	863,359	757,924	716,911

Average common shares diluted (2)	**867,633**	867,469	867,237	760,582	719,567
Net income per common share basic	$ **0.16**	$ 0.16	$ 0.14	$ 0.05	$ 0.10
Net income per common share diluted	**0.16**	0.16	0.14	0.05	0.10
Cash dividends declared per common share	**0.04**	0.01	0.01	0.01	0.01
Return on average total assets	**1.05%**	1.11%	0.96%	0.90%	0.76%
Return on average common shareholders equity	**10.8**	11.6	10.3	3.8	7.4
Return on average tangible common shareholders equity (3)	**13.0**	13.3	12.7	5.6	10.0
Net interest margin (4)	**3.34**	3.40	3.42	3.37	3.45
Efficiency ratio (5)	**63.5**	62.7	64.7	61.4	60.6
Effective tax rate	**21.4**	25.1	21.6	22.2	22.7
Revenue FTE					
Net interest income	$ **406,478**	$ 403,337	$ 404,330	$ 415,294	$ 409,962
FTE adjustment	**3,658**	3,834	3,945	3,708	2,631
Net interest income (4)	**410,136**	407,171	408,275	419,002	412,593
Noninterest income	**258,559**	255,767	236,945	264,220	267,143
Total revenue (4)	$ **668,695**	$ 662,938	$ 645,220	$ 683,222	$ 679,736

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

(2) For periods presented prior to their repurchase, the impact of the convertible preferred stock issued in 2008 and the warrants issued to the U.S. Department of the Treasury in 2008 related to Huntington s participation in the voluntary Capital Purchase Program was excluded from the diluted share calculation because the result was more than basic earnings per common share (anti-dilutive) for those periods. The convertible preferred stock and warrants were repurchased in December 2010 and January 2011, respectively.

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

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

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

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

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands, except per share amounts)	**2011**	2010	Amount	Percent
Interest income	**$ 1,485,010**	$ 1,617,101	$ (132,091)	(8)%
Interest expense	**270,865**	413,590	(142,725)	(35)
Net interest income	**1,214,145**	1,203,511	10,634	1
Provision for credit losses	**128,768**	547,574	(418,806)	(76)
Net interest income after provision for credit losses	**1,085,377**	655,937	429,440	65
Service charges on deposit accounts	**180,183**	211,205	(31,022)	(15)
Mortgage banking income	**59,310**	122,613	(63,303)	(52)
Trust services	**90,607**	83,161	7,446	9
Electronic banking	**93,228**	81,334	11,894	15
Insurance income	**51,564**	56,735	(5,171)	(9)
Brokerage income	**61,679**	51,901	9,778	19
Bank owned life insurance income	**48,065**	44,953	3,112	7
Automobile operating lease income	**22,044**	35,501	(13,457)	(38)
Securities gains (losses)	**197**	(171)	368	N.R.
Other income	**144,394**	90,406	53,988	60
Total noninterest income	**751,271**	777,638	(26,367)	(3)
Personnel costs	**664,433**	586,789	77,644	13
Outside data processing and other services	**133,773**	118,305	15,468	13
Net occupancy	**82,288**	81,192	1,096	1
Deposit and other insurance expense	**59,211**	74,228	(15,017)	(20)
Professional services	**53,826**	67,757	(13,931)	(21)
Equipment	**66,660**	63,860	2,800	4
Marketing	**59,248**	49,756	9,492	19
Amortization of intangibles	**40,143**	45,432	(5,289)	(12)
OREO and foreclosure expense	**12,997**	28,547	(15,550)	(54)
Automobile operating lease expense	**16,656**	28,892	(12,236)	(42)
Other expense	**108,991**	94,455	14,536	15
Total noninterest expense	**1,298,226**	1,239,213	59,013	5
Income before income taxes	**538,422**	194,362	344,060	177
Provision for income taxes	**122,667**	4,915	117,752	2,396
Net income	**$ 415,755**	$ 189,447	$ 226,308	119%
Dividends declared on preferred shares	**23,110**	88,278	(65,168)	(74)
Net income applicable to common shares	**$ 392,645**	$ 101,169	$ 291,476	288%

Average common shares basic	**863,542**	716,604	146,938	21%
Average common shares diluted (2)	**867,446**	719,182	148,264	21
Per common share				
Net income per common share basic	**$ 0.45**	$ 0.14	$ 0.31	221%
Net income per common share diluted	**0.45**	0.14	0.31	221
Cash dividends declared	**0.06**	0.03	0.03	100
Return on average total assets	**1.04%**	0.49%	0.55%	112%
Return on average common shareholders equity	**10.9**	3.6	7.3	203
Return on average tangible common shareholders equity (3)	**13.2**	5.6	7.6	136
Net interest margin (4)	**3.39**	3.46	(0.07)	(2)
Efficiency ratio (5)	**63.6**	60.0	3.6	6
Effective tax rate	**22.8**	2.5	20.3	812
Revenue FTE				
Net interest income	**$ 1,214,145**	$ 1,203,511	$ 10,634	1%
FTE adjustment	**11,437**	7,369	4,068	55
Net interest income (4)	**1,225,582**	1,210,880	14,702	1
Noninterest income	**751,271**	777,638	(26,367)	(3)
Total revenue (4)	**$ 1,976,853**	$ 1,988,518	$ (11,665)	(1)%

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

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

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(2) For all periods presented, the impact of the convertible preferred stock issued in 2008 and the warrants issued to the U.S. Department of the Treasury in 2008 related to Huntington s participation in the voluntary Capital Purchase Program was excluded from the diluted share calculation because the result was more than basic earnings per common share (anti-dilutive) for the periods. The convertible preferred stock and warrants were repurchased in December 2010 and January 2011, respectively.

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

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

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

Significant Items

Definition of Significant Items

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

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

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

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

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons were impacted by the Significant Items summarized below.

1. **Litigation Reserve.** During the 2011 first quarter, $17.0 million of additions to litigation reserves were recorded as other noninterest expense. This resulted in a negative impact of $0.01 per common share.
2. **Franklin Relationship.** Our relationship with Franklin was acquired in the Sky Financial acquisition in 2007. Significant events relating to this relationship following the acquisition, and the impacts of those events on our reported results were as follows:

    On March 31, 2009, we restructured our relationship with Franklin. During the 2010 first quarter, a $38.2 million ($0.05 per common share) net tax benefit was recognized, primarily reflecting the increase in the net deferred tax asset relating to the assets acquired from the March 31, 2009 restructuring.

During the 2010 second quarter, the remaining portfolio of Franklin-related loans ($333.0 million of residential mortgages, and $64.7 million of home equity loans) was transferred to loans held for sale. At the time of the transfer, the loans were marked to the lower of cost or fair value, less costs to sell, of $323.4 million, resulting in $75.5 million of charge-offs, and the provision for credit losses commensurately increased $75.5 million ($0.07 per common share).

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

Table 3 Significant Items Influencing Earnings Performance Comparison

	Three Months Ended					
(dollar amounts in thousands, except per share amounts)	**September 30, 2011**		June 30, 2011		September 30, 2010	
	After-tax	**EPS**	After-tax	EPS	After-tax	EPS
Net income	**$ 143,391**		$ 145,918		$ 100,946	
Earnings per share, after-tax		**$ 0.16**		$ 0.16		$ 0.10
Change from prior quarter $				0.02		0.07
Change from prior quarter %		%		14.3%		233.3%
Change from year-ago $		**$ 0.06**		$ 0.13		$ 0.43
Change from year-ago %		**60%**		433%		N.R.%

	Nine Months Ended			
	September 30, 2011		September 30, 2010	
(dollar amounts in thousands)	**After-tax**	**EPS**	After-tax	EPS
Net income	**$ 415,755**		$ 189,447	
Earnings per share, after-tax		**$ 0.45**		**$** 0.14
Change from a year-ago $		**0.31**		6.22
Change from a year-ago %		**221%**		N.R.%
Significant Items - favorable (unfavorable) impact:	**Earnings (1)**	**EPS**	Earnings (1)	EPS
Franklin-related loans transferred to held for sale	**$**	**$**	$ (75,500)	$ (0.07)
Net tax benefit recognized (2)			38,222	0.05
Litigation reserves addition	**(17,028)**	**(0.01)**		

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

(1) Pretax unless otherwise noted.

(2) After-tax.

Pretax, Pre-provision Income Trends

One non-GAAP performance measurement that we believe is useful in analyzing our underlying performance trends is pretax, pre-provision income. This is the level of pretax earnings adjusted to exclude the impact of: (a) provision expense, (b) investment securities gains/losses, which are excluded because securities market valuations may become particularly volatile in times of economic stress, (c) amortization of intangibles expense, which is excluded because the return on tangible common equity is a key measurement we use to gauge performance trends, and (d) certain other items identified by us *(see Significant Items)* that we believe may distort our underlying performance trends.

The following table reflects pretax, pre-provision income for each of the past five quarters:

Table 4 Pretax, Pre-provision Income (1)

	2011			2010	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third
Income before income taxes	**$ 182,333**	$ 194,898	$ 161,191	$ 157,948	$ 130,636
Add: Provision for credit losses	**43,586**	35,797	49,385	86,973	119,160
Less: Securities gains (losses)	**(1,350)**	1,507	40	(103)	(296)
Add: Amortization of intangibles	**13,387**	13,386	13,370	15,046	15,145
Less: Litigation reserves addition			(17,028)		
Total pretax, pre-provision income	**$ 240,656**	$ 242,574	$ 240,934	$ 260,070	$ 265,237
Change in total pretax, pre-provision income:					
Prior quarter change amount	**$ (1,918)**	$ 1,640	$ (19,136)	$ (5,167)	$ (5,237)
Prior quarter change percent	**(1)%**	1%	(7)%	(2)%	(2)%

(1) Pretax, pre-provision income is a non-GAAP financial measure. Any ratio utilizing this financial measure is also non-GAAP. This financial measure has been included as it is considered to be an important metric with which to analyze and evaluate our results of operations and financial strength. Other companies may calculate this financial measure differently.

Pretax, pre-provision income was $240.7 million in the 2011 third quarter, down $1.9 million, or 1%, from the prior quarter. As discussed in the sections that follow, the decrease primarily reflected the negative impact from a lower net interest margin percentage and higher noninterest expense as compared to the prior quarter.

Net Interest Income / Average Balance Sheet

The following table details the change in our average loans / leases and deposits:

Table 5 Average Loans/Leases and Deposits

	Third Quarter		Second Quarter	3Q11 vs 3Q10		3Q11 vs 2Q11	
(dollar amounts in millions)	**2011**	2010	2011	Amount	Percent	Amount	Percent
Loans/Leases							
Commercial and industrial	**$ 13,664**	$ 12,393	$ 13,370	$ 1,271	10%	$ 294	2%
Commercial real estate	**6,111**	7,073	6,233	(962)	(14)	(122)	(2)
Total commercial	**19,775**	19,466	19,603	309	2	172	1
Automobile	**6,211**	5,140	5,954	1,071	21	257	4
Home equity	**8,002**	7,567	7,874	435	6	128	2
Residential mortgage	**4,788**	4,389	4,566	399	9	222	5
Other loans	**521**	653	538	(132)	(20)	(17)	(3)
Total consumer	**19,522**	17,749	18,932	1,773	10	590	3
Total loans and leases	**$ 39,297**	$ 37,215	$ 38,535	$ 2,082	6%	$ 762	2%

Deposits							
Demand deposits noninterest-bearing	**$ 8,719**	$ 6,768	$ 7,806	$ 1,951	29%	$ 913	12%
Demand deposits interest-bearing	**5,573**	5,319	5,565	254	5	8	
Money market deposits	**13,321**	12,336	12,879	985	8	442	3
Savings and other domestic time deposits	**4,752**	4,639	4,778	113	2	(26)	(1)
Core certificates of deposit	**7,592**	8,948	8,079	(1,356)	(15)	(487)	(6)
Total core deposits	**39,957**	38,010	39,107	1,947	5	850	2
Other deposits	**2,321**	2,636	2,147	(315)	(12)	174	8
Total deposits	**$ 42,278**	$ 40,646	$ 41,254	$ 1,632	4%	$ 1,024	2%

2011 Third Quarter versus 2010 Third Quarter

Fully-taxable equivalent net interest income decreased $2.5 million, or 1%, from the year-ago quarter. This reflected the benefit of a $1.3 billion, or 3%, increase in average total earning assets partially offset by an 11 basis point decline in the net interest margin. The increase in average earning assets reflected:

- $2.1 billion, or 6%, increase in average total loans and leases.

Partially offset by:

- $0.3 billion, or 3%, decrease in average total available-for-sale and other securities and held-to-maturity securities.
- $0.4 billion, or 64%, decrease in average loans held for sale.

The 11 basis point decline in the net interest margin reflected a reduction in derivatives income, lower loan and securities yields, partially offset by the positive impacts of increases in low cost deposits and improved deposit pricing.

The $2.1 billion, or 6%, increase in average total loans and leases primarily reflected:

- $1.3 billion, or 10%, growth in the average C&I portfolio reflected a combination of factors. This included the benefits from our strategic initiatives including a focus on large corporate, asset based lending, and equipment finance. In addition, we continued to see growth in more traditional middle-market, business banking, and automobile floorplan loans. This growth was evident despite line utilization rates that remained well below historical norms.
- $1.1 billion, or 21%, increase in the average automobile portfolio. Automobile lending is a core competency and continues to be an area of targeted growth. The growth from the year-ago quarter exhibited further penetration within our historical geographic footprint, as well as the positive impacts of our expansion into Eastern Pennsylvania and five New England states. Origination quality remained high as measured by all of our internal quality metrics.
- $0.4 billion, or 9%, increase in average residential mortgages.
- $0.4 billion, or 6%, increase in average home equity loans.

Partially offset by:

- $1.0 billion, or 14%, decrease in the average CRE portfolio, reflecting the continued execution of our plan to reduce the total CRE exposure, primarily in the noncore CRE portfolio. This reduction is expected to continue, reflecting the combined impact of amortization, pay downs, refinancing, and restructures.

The $1.6 billion, or 4%, increase in average total deposits from the year-ago quarter reflected:

- $1.9 billion, or 5%, growth in average total core deposits. The drivers of this change were a $2.2 billion, or 18%, growth in average total demand deposits, and a $1.0 billion, or 8%, growth in average money market deposits. Partially offset by $1.4 billion, or 15%, decline in average core certificates of deposit.

Partially offset by:

- $0.3 billion, or 44%, decline in average other domestic deposits of $250,000 or more, reflecting a strategy of reducing such noncore funding.

2011 Third Quarter versus 2011 Second Quarter

FTE net interest income increased $3.0 million, or 1%, from the 2011 second quarter. This reflected a $0.8 billion, or 2%, increase in average earning assets partially offset by a 6 basis point decline in the FTE net interest margin. The increase in average earning assets reflected:

- $0.8 billion, or 2%, increase in average total loans and leases.

The 6 basis point decline in the net interest margin reflected a reduction in derivatives income and lower loan yields, partially offset by the positive impact of increases in low cost deposits and improved deposit pricing.

The $0.8 billion, or 2% (8% annualized), increase in average total loans and leases reflected:

- $0.3 billion, or 2% (9% annualized), growth in the average C&I portfolio. The growth in the C&I portfolio during the third quarter came from several business lines including large corporate, equipment finance, business banking, and middle market. C&I utilization rates were little changed from the end of the prior quarter.
- $0.3 billion, or 4% (17% annualized), growth in the average automobile portfolio. In September, the bank completed a $1.0 billion securitization of automobile loans. We continued to originate very high quality loans with attractive returns. We focus on larger, multi-franchised, well-capitalized dealers that are rarely reliant on the success of one franchise to generate profitability. While the used car market remained very strong, we increased our originations of new vehicle loans, which reflected a reduced level of manufacturer captive finance company incentive programs due to lower new vehicle inventory levels in the market.
- $0.2 billion, or 5% (19% annualized), growth in residential mortgages as the bank experienced the continuation of a year-long trend of customer preferences shifting to shorter-term and variable rate mortgages.

Partially offset by:

- $0.1 billion, or 2% (8% annualized), decline in the average CRE portfolio, primarily as a result of our on-going strategy to reduce our exposure to the commercial real estate market. We were successful in reducing exposure across virtually all of the CRE project types that we actively manage via our concentration management process. The decline in the noncore CRE portfolio accounted for the vast majority of the decline in the total CRE portfolio. The noncore CRE portfolio declines reflected paydowns, refinancing, and NCOs. The core CRE portfolio continued to exhibit high quality characteristics with minimal downgrade or NCO activity.

The $1.0 billion, or 2% (10% annualized), increase in average total deposits from the 2011 second quarter reflected:

- $0.9 billion, or 7% (28% annualized), increase in total demand deposits. This was driven primarily by growth in commercial and consumer noninterest-bearing demand deposits. Commercial demand deposit growth reflected, in part, temporary deposits from several large relationships.
- $0.4 billion, or 3% (14% annualized), increase in average money market deposits.

Partially offset by:

- $0.5 billion, or 6% (24% annualized), decrease in core certificates of deposits.

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

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Table 6 Consolidated Quarterly Average Balance Sheets

	Average Balances					Change	
	2011			2010		3Q11 vs. 3Q10	
(dollar amounts in millions)	**Third**	Second	First	Fourth	Third	Amount	Percent
Assets							
Interest-bearing deposits in banks	**$ 164**	$ 131	$ 130	$ 218	$ 282	$ (118)	(42)%
Trading account securities	**92**	112	144	297	110	(18)	(16)
Federal funds sold and securities purchased under resale agreement		21					
Loans held for sale	**237**	181	420	779	663	(426)	(64)
Available-for-sale and other securities:							
Taxable	**7,902**	8,428	9,108	9,747	8,876	(974)	(11)
Tax-exempt	**421**	436	445	449	365	56	15
Total available-for-sale and other securities	**8,323**	8,864	9,553	10,196	9,241	(918)	(10)
Held-to-maturity securities taxable	**665**	174				665	
Loans and leases: (1)							
Commercial:							
Commercial and industrial	**13,664**	13,370	13,121	12,767	12,393	1,271	10
Commercial real estate:							
Construction	**670**	554	611	716	989	(319)	(32)
Commercial	**5,441**	5,679	5,913	6,082	6,084	(643)	(11)
Commercial real estate	**6,111**	6,233	6,524	6,798	7,073	(962)	(14)
Total commercial	**19,775**	19,603	19,645	19,565	19,466	309	2
Consumer:							
Automobile	**6,211**	5,954	5,701	5,520	5,140	1,071	21
Home equity	**8,002**	7,874	7,728	7,709	7,567	435	6
Residential mortgage	**4,788**	4,566	4,465	4,430	4,389	399	9
Other consumer	**521**	538	559	576	653	(132)	(20)
Total consumer	**19,522**	18,932	18,453	18,235	17,749	1,773	10
Total loans and leases	**39,297**	38,535	38,098	37,800	37,215	2,082	6
Allowance for loan and lease losses	**(1,066)**	(1,128)	(1,231)	(1,323)	(1,384)	318	(23)
Net loans and leases	**38,231**	37,407	36,867	36,477	35,831	2,400	7
Total earning assets	**48,778**	48,018	48,345	49,290	47,511	1,267	3

Cash and due from banks	**1,700**	1,068	1,299	1,187	1,618	82	5
Intangible assets	**639**	652	665	679	695	(56)	(8)
All other assets	**4,142**	4,160	4,291	4,313	4,277	(135)	(3)
Total assets	**$ 54,193**	$ 52,770	$ 53,369	$ 54,146	$ 52,717	$ 1,476	3%
Liabilities and Shareholders Equity							
Deposits:							
Demand deposits noninterest-bearing	**$ 8,719**	$ 7,806	$ 7,333	$ 7,188	$ 6,768	$ 1,951	29%
Demand deposits interest-bearing	**5,573**	5,565	5,357	5,317	5,319	254	5
Money market deposits	**13,321**	12,879	13,492	13,158	12,336	985	8
Savings and other domestic deposits	**4,752**	4,778	4,701	4,640	4,639	113	2
Core certificates of deposit	**7,592**	8,079	8,391	8,646	8,948	(1,356)	(15)
Total core deposits	**39,957**	39,107	39,274	38,949	38,010	1,947	5
Other domestic time deposits of $250,000 or more	**387**	467	606	737	690	(303)	(44)
Brokered deposits and negotiable CDs	**1,533**	1,333	1,410	1,575	1,495	38	3
Deposits in foreign offices	**401**	347	374	443	451	(50)	(11)
Total deposits	**42,278**	41,254	41,664	41,704	40,646	1,632	4
Short-term borrowings	**2,251**	2,112	2,134	2,134	1,739	512	29
Federal Home Loan Bank advances	**285**	97	30	112	188	97	52
Subordinated notes and other long-term debt	**3,030**	3,249	3,525	3,558	3,672	(642)	(17)
Total interest-bearing liabilities	**39,125**	38,906	40,020	40,320	39,477	(352)	(1)
All other liabilities	**1,017**	913	994	993	952	65	7
Shareholders equity	**5,332**	5,145	5,022	5,645	5,520	(188)	(3)
Total liabilities and shareholders equity	**$ 54,193**	$ 52,770	$ 53,369	$ 54,146	$ 52,717	$ 1,476	3%

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

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Table 7 Consolidated Quarterly Net Interest Margin Analysis

	Average Rates (2)				
	2011			2010	
Fully-taxable equivalent basis (1)	**Third**	Second	First	Fourth	Third
Assets					
Interest-bearing deposits in banks	**0.04%**	0.22%	0.11%	0.63%	0.21%
Trading account securities	**1.41**	1.59	1.37	1.98	1.20
Federal funds sold and securities purchased under resale agreement		0.09			
Loans held for sale	**4.46**	4.97	4.08	4.01	5.75
Available-for-sale and other securities:					
Taxable	**2.43**	2.59	2.53	2.42	2.77
Tax-exempt	**4.17**	4.02	4.70	4.59	4.70
Total available-for-sale and other securities	**2.52**	2.66	2.63	2.52	2.84
Held-to-maturity securities taxable	**3.04**	2.96			
Loans and leases: (3)					
Commercial:					
Commercial and industrial	**4.13**	4.31	4.57	4.94	5.14
Commercial real estate:					
Construction	**3.87**	3.37	3.36	3.07	2.83
Commercial	**3.91**	3.90	3.93	3.92	3.91
Commercial real estate	**3.91**	3.84	3.88	3.83	3.76
Total commercial	**4.06**	4.16	4.34	4.56	4.64
Consumer:					
Automobile	**4.89**	5.06	5.22	5.46	5.79
Home equity	**4.45**	4.49	4.54	4.64	4.74
Residential mortgage	**4.47**	4.62	4.76	4.82	4.97
Other consumer	**7.57**	7.76	7.85	7.92	7.10
Total consumer	**4.68**	4.79	4.90	5.04	5.19
Total loans and leases	**4.37**	4.47	4.61	4.79	4.90
Total earning assets	**4.02%**	4.14%	4.24%	4.29%	4.49%
Liabilities					
Deposits:					
Demand deposits noninterest-bearing	**%**	%	%	%	%
Demand deposits interest-bearing	**0.10**	0.09	0.09	0.13	0.17
Money market deposits	**0.41**	0.40	0.50	0.77	0.86
	0.69	0.74	0.81	0.90	0.99

Savings and other domestic deposits					
Core certificates of deposit	**1.95**	2.04	2.07	2.11	2.31
Total core deposits	**0.77**	0.82	0.89	1.05	1.18
Other domestic time deposits of $250,000 or more	**0.93**	1.01	1.08	1.21	1.28
Brokered deposits and negotiable CDs	**0.77**	0.89	1.11	1.53	2.21
Deposits in foreign offices	**0.26**	0.26	0.20	0.17	0.22
Total deposits	**0.77**	0.82	0.90	1.06	1.21
Short-term borrowings	**0.16**	0.16	0.18	0.20	0.22
Federal Home Loan Bank advances	**0.32**	0.88	2.98	0.95	1.25
Subordinated notes and other long-term debt	**2.43**	2.39	2.34	2.15	2.15
Total interest-bearing liabilities	**0.86%**	0.91%	0.99%	1.11%	1.25%
Net interest rate spread	**3.11%**	3.19%	3.21%	3.16%	3.24%
Impact of noninterest-bearing funds on margin	**0.23**	0.21	0.21	0.21	0.21
Net interest margin	**3.34%**	3.40%	3.42%	3.37%	3.45%

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

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

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

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Table 8 Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis

	YTD Average Balances				YTD Average Rates (2)	
	Nine Months Ended September 30,		Change		Nine Months Ended September 30,	
Fully-taxable equivalent basis (1) *(dollar amounts in millions)*	**2011**	2010	Amount	Percent	**2011**	2010
Assets						
Interest-bearing deposits in banks	**$ 141**	$ 313	$ (172)	(55)%	**0.12%**	0.20%
Trading account securities	**116**	111	5	5	**1.46**	1.68
Federal funds sold and securities purchased under resale agreement	**7**		7		**0.09**	
Loans held for sale	**279**	445	(166)	(37)	**4.39**	5.36
Available-for-sale and other securities:						
Taxable	**8,475**	8,428	47	1	**2.52**	2.85
Tax-exempt	**434**	399	35	9	**4.30**	4.56
Total available-for-sale and other securities	**8,909**	8,827	82	1	**2.61**	2.93
Total held-to-maturity securities	**282**		282		**3.00**	
Loans and leases: (3)						
Commercial:						
Commercial and industrial	**13,387**	12,317	1,070	9	**4.33**	5.35
Commercial real estate:						
Construction	**612**	1,224	(612)	(50)	**3.55**	2.69
Commercial	**5,676**	6,145	(469)	(8)	**3.91**	3.73
Commercial real estate	**6,288**	7,369	(1,081)	(15)	**3.88**	3.56
Total commercial	**19,675**	19,686	(11)		**4.19**	4.68
Consumer:						
Automobile	**5,958**	4,678	1,280	27	**5.05**	6.27
Home equity	**7,869**	7,550	319	4	**4.49**	5.20
Residential mortgage	**4,607**	4,491	116	3	**4.61**	4.85
Other consumer	**539**	690	(151)	(22)	**7.73**	6.98
Total consumer	**18,973**	17,409	1,564	9	**4.79**	5.46
Total loans and leases	**38,648**	37,095	1,553	4	**4.48**	5.05
Allowance for loan and lease losses	**(1,141)**	(1,466)	325	(22)		
Net loans and leases	**37,507**	35,629	1,878	5		
Total earning assets	**48,382**	46,791	1,591	3	**4.14%**	4.64%
Cash and due from banks	**1,358**	1,629	(271)	(17)		

Intangible assets	**652**	709	(57)	(8)		
All other assets	**4,196**	4,381	(185)	(4)		
Total assets	**$ 53,447**	$ 52,044	$ 1,403	3%		
Liabilities and Shareholders Equity						
Deposits:						
Demand deposits noninterest-bearing	**$ 7,958**	$ 6,748	$ 1,210	18%	**%**	%
Demand deposits interest-bearing	**5,499**	5,667	(168)	(3)	**0.10**	0.20
Money market deposits	**13,230**	11,267	1,963	17	**0.44**	0.92
Savings and other domestic deposits	**4,744**	4,643	101	2	**0.75**	1.08
Core certificates of deposit	**8,017**	9,371	(1,354)	(14)	**2.02**	2.65
Total core deposits	**39,448**	37,696	1,752	5	**0.83**	1.34
Other domestic time deposits of $250,000 or more	**486**	683	(197)	(29)	**1.02**	1.36
Brokered deposits and negotiable CDs	**1,426**	1,613	(187)	(12)	**0.92**	2.43
Deposits in foreign offices	**374**	421	(47)	(11)	**0.24**	0.20
Total deposits	**41,734**	40,413	1,321	3	**0.83**	1.38
Short-term borrowings	**2,166**	1,214	952	78	**0.17**	0.21
Federal Home Loan Bank advances	**138**	193	(55)	(28)	**0.64**	1.94
Subordinated notes and other long-term debt	**3,266**	3,855	(589)	(15)	**2.38**	2.15
Total interest-bearing liabilities	**39,346**	38,927	419	1	**0.92**	1.42
All other liabilities	**975**	941	34	4		
Shareholders equity	**5,168**	5,428	(260)	(5)		
Total liabilities and shareholders equity	**$ 53,447**	$ 52,044	$ 1,403	3%		
Net interest rate spread					**3.17**	3.22
Impact of noninterest-bearing funds on margin					**0.22**	0.24
Net interest margin					**3.39%**	3.46%

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

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

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

2011 First Nine Months versus 2010 First Nine Months

Fully-taxable equivalent net interest income for the nine-month period of 2011 increased $14.7 million, or 1%, from the comparable year-ago period. This reflected the benefit of a 3% increase in average total earning assets partially offset by a decrease in the net interest margin to 3.39% from 3.46%. The increase in average earning assets reflected a combination of factors including:

$1.6 billion, or 4%, increase in average total loans and leases.

$0.4 billion, or 4%, increase in average total available-for-sale and other and held-to-maturity securities.

The 7 basis point decrease in the net interest margin reflected reduction in derivatives income, lower loan and securities yields, partially offset by the positive impact of increases in low cost deposits and improved deposit pricing.

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

Table 9 Average Loans/Leases and Deposits 2011 First Nine Months vs. 2010 First Nine Months

	Nine Months Ended September 30,		Change	
(dollar amounts in millions)	**2011**	2010	Amount	Percent
Loans/Leases				
Commercial and industrial	**$ 13,387**	$ 12,317	$ 1,070	9%
Commercial real estate	**6,288**	7,369	(1,081)	(15)
Total commercial	**19,675**	19,686	(11)	
Automobile	**5,958**	4,678	1,280	27
Home equity	**7,869**	7,550	319	4
Residential mortgage	**4,607**	4,491	116	3
Other consumer	**539**	690	(151)	(22)
Total consumer	**18,973**	17,409	1,564	9
Total loans and leases	**$ 38,648**	$ 37,095	$ 1,553	4%
Deposits				
Demand deposits noninterest-bearing	**$ 7,958**	$ 6,748	$ 1,210	18%
Demand deposits interest-bearing	**5,499**	5,667	(168)	(3)
Money market deposits	**13,230**	11,267	1,963	17
Savings and other domestic deposits	**4,744**	4,643	101	2
Core certificates of deposit	**8,017**	9,371	(1,354)	(14)
Total core deposits	**39,448**	37,696	1,752	5
Other deposits	**2,286**	2,717	(431)	(16)
Total deposits	**$ 41,734**	$ 40,413	$ 1,321	3%

The $1.6 billion, or 4%, increase in average total loans and leases primarily reflected:

- $1.3 billion, or 27%, increase in the average automobile portfolio. Automobile lending is a core competency and continued area of growth. The growth from the year-ago period exhibited further penetration within our historical geographic footprint, as well as the positive impact of our expansion into Eastern Pennsylvania and selected New England states. Origination quality remained high.
- $1.1 billion, or 9%, increase in the average C&I portfolio. Growth from the year-ago period reflected the benefits from our strategic initiatives including large corporate, asset based lending, business banking, automobile floor plan lending, and equipment finance. Traditional middle-market loans continued to grow despite line utilization rates that remain well below historical norms.
- $0.3 billion, or 4%, increase in the average home equity portfolio, reflecting higher originations and continued slower runoff.

Partially offset by:

- $1.1 billion, or 15%, decrease in the average CRE portfolio reflecting the continued execution of our plan to reduce the CRE exposure, primarily in the noncore CRE portfolio. This reduction is expected to continue through 2011, reflecting normal amortization, paydowns, and refinancing.

The $1.3 billion, or 3%, increase in average total deposits reflected:

- $1.8 billion, or 5%, growth in average total core deposits. The drivers of this change were a $2.0 billion, or 17%, growth in average money market deposits, and a $1.2 billion, or 18%, growth in average noninterest-bearing demand deposits. These increases were partially offset by a $1.4 billion, or 14%, decline in average core certificates of deposit.

Partially offset by:

- $0.4 billion, or 16%, decline in other deposits including a $0.2 billion, or 29%, decrease in other domestic time deposits of $250,000 or more, and a $0.2 billion, or 12%, decline in average brokered deposits and negotiable CDs, reflecting a strategy of reducing such noncore funding.

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Provision for Credit Losses

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

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

The provision for credit losses for the 2011 third quarter was $43.6 million, an increase of $7.8 million, or 22%, from the prior quarter, reflecting the combination of strong loan growth and the expectation of a weaker and prolonged economic recovery. These factors were partially offset by a combination of lower NCOs and commercial Criticized loans. The reduction in commercial Criticized loans reflected the resolution of problem credits for which reserves had been previously established. The current quarter s provision for credit losses was $47.0 million less than total NCOs. Compared to the year-ago quarter, provision for credit losses declined $75.6 million, or 63%. The provision for credit losses for the first nine-month period of 2011 was $128.8 million, down $418.8 million, or 76%, from the year-ago period. These declines reflected the combination of lower NCOs and commercial Criticized loans as noted above. The provision for credit losses for the first nine-month period of 2011 was $224.4 million less than total NCOs *(see Credit Quality discussion).*

Noninterest Income

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

Table 10 Noninterest Income

	2011			2010		3Q11 vs 3Q10		3Q11 vs 2Q11	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third	Amount	Percent	Amount	Percent
Service charges on deposit accounts	**$ 65,184**	$ 60,675	$ 54,324	$ 55,810	$ 65,932	$ (748)	(1)%	$ 4,509	7%
Mortgage banking income	**12,791**	23,835	22,684	53,169	52,045	(39,254)	(75)	(11,044)	(46)
Trust services	**29,473**	30,392	30,742	29,394	26,997	2,476	9	(919)	(3)
Electronic banking	**32,714**	31,728	28,786	28,900	28,090	4,624	16	986	3
Insurance income	**17,220**	16,399	17,945	19,678	19,801	(2,581)	(13)	821	5
Brokerage income	**20,349**	20,819	20,511	16,953	16,575	3,774	23	(470)	(2)
Bank owned life insurance income	**15,644**	17,602	14,819	16,113	14,091	1,553	11	(1,958)	(11)
Automobile operating lease income	**5,890**	7,307	8,847	10,463	11,356	(5,466)	(48)	(1,417)	(19)
Securities gains (losses)	**(1,350)**	1,507	40	(103)	(296)	(1,054)	356	(2,857)	(190)
Other income	**60,644**	45,503	38,247	33,843	32,552	28,092	86	15,141	33
Total noninterest income	**$ 258,559**	$ 255,767	$ 236,945	$ 264,220	$ 267,143	$ (8,584)	(3)%	$ 2,792	1%

2011 Third Quarter versus 2010 Third Quarter

The $8.6 million, or 3%, decrease in total noninterest income from the year-ago quarter reflected:

$39.3 million, or 75%, decrease in mortgage banking income. This primarily reflected a $21.4 million decrease in net MSR activity and a $20.2 million, or 56%, decrease in origination and secondary marketing income, as originations decreased 41% from the year-ago quarter.

$5.5 million, or 48%, decline in automobile operating lease income reflecting the impact of a declining portfolio as a result of having exited that business in 2008.

Partially offset by:

$28.1 million, or 86%, increase in other income, of which $15.5 million related to the automobile loan securitization. Also contributing to the growth were increases totaling $6.4 million from the sale of interest rate protection products and capital markets activities.

$4.6 million, or 16%, increase in electronic banking income, reflecting an increase in debit card transaction volume and new account growth.

$3.8 million, or 23%, increase in brokerage income, primarily reflecting increased sales of investment products.

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2011 Third Quarter versus 2011 Second Quarter

The $2.8 million, or 1%, increase in total noninterest income from the prior quarter reflected:

$15.1 million, or 33%, increase in other income, reflecting a $15.5 million automobile loan securitization gain on sale, $2.8 million higher market-related gains and capital markets income; partially offset by a $5.8 million reduction in SBA-related servicing income.

$4.5 million, or 7%, increase in service charges on deposit accounts, primarily reflecting an increase in personal services charges, mostly due to strong customer growth.

Partially offset by:

$11.0 million, or 46%, decline in mortgage banking income reflecting a $13.9 million decrease in net MSR activity, partially offset by a $4.1 million, or 36%, increase in origination and secondary marketing income.

$1.4 million securities loss in the current period compared with a $1.5 million securities gain in the second quarter.

2011 First Nine Months versus 2010 First Nine Months

Noninterest income for the first nine-month period of 2011 decreased $26.4 million, or 3%, from the comparable year-ago period.

Table 11 Noninterest Income 2011 First Nine Months vs. 2010 First Nine Months

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands)	**2011**	2010	Amount	Percent
Service charges on deposit accounts	**$ 180,183**	$ 211,205	$ (31,022)	(15)%
Mortgage banking income	**59,310**	122,613	(63,303)	(52)
Trust services	**90,607**	83,161	7,446	9
Electronic banking	**93,228**	81,334	11,894	15
Insurance income	**51,564**	56,735	(5,171)	(9)
Brokerage income	**61,679**	51,901	9,778	19
Bank owned life insurance income	**48,065**	44,953	3,112	7
Automobile operating lease income	**22,044**	35,501	(13,457)	(38)
Securities gains (losses)	**197**	(171)	368	N.R.
Other income	**144,394**	90,406	53,988	60
Total noninterest income	**$ 751,271**	$ 777,638	$ (26,367)	(3)%

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

The $26.4 million, or 3%, decrease in total noninterest income reflected:

$63.3 million, or 52%, decrease in mortgage banking income. This primarily reflected a $46.2 million decrease in net MSR activity and a $22.2 million, or 32%, decrease in origination and secondary marketing income, as originations decreased 23% from the year-ago period.

$31.0 million, or 15%, decline in service charges on deposit accounts, reflecting lower personal service charges due to the implementation of the amendment to Reg E and our Fair Play consumer banking initiatives.

$13.5 million, or 38%, decline in automobile operating lease income reflecting the impact of a declining portfolio as a result of having exited that business in 2008.

Partially offset by:

$54.0 million, or 60%, increase in other income, of which $19.3 million was associated with SBA-related loan fees and gains from SBA loan sales, and a $15.5 million automobile loan securitization gain on sale. Also contributing to the growth were increases totaling $13.4 million from the sale of interest rate protection

products and capital markets activities.
$11.9 million, or 15%, increase in electronic banking income, reflecting an increase in debit card transaction volume and new account growth.

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$9.8 million, or 19%, increase in brokerage income, primarily reflecting increased sales of investment products.

$7.4 million, or 9%, increase in trust services income, due to a $0.8 billion increase in assets under management. This increase reflected improved market values and net growth in accounts.

For additional information regarding noninterest income, see the Legislative and Regulatory section located within the Executive Overview.

Noninterest Expense

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

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

Table 12 Noninterest Expense

	2011			2010		3Q11 vs 3Q10		3Q11 vs 2Q11	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third	Amount	Percent	Amount	Percent
Personnel costs	**$ 226,835**	$ 218,570	$ 219,028	$ 212,184	$ 208,272	$ 18,563	9%	$ 8,265	4%
Outside data processing and other services	**49,602**	43,889	40,282	40,943	38,553	11,049	29	5,713	13
Net occupancy	**26,967**	26,885	28,436	26,670	26,718	249	1	82	
Deposit and other insurance expense	**17,492**	23,823	17,896	23,320	23,406	(5,914)	(25)	(6,331)	(27)
Professional services	**20,281**	20,080	13,465	21,021	20,672	(391)	(2)	201	1
Equipment	**22,262**	21,921	22,477	22,060	21,651	611	3	341	2
Marketing	**22,251**	20,102	16,895	16,168	20,921	1,330	6	2,149	11
Amortization of intangibles	**13,387**	13,386	13,370	15,046	15,145	(1,758)	(12)	1	
OREO and foreclosure expense	**4,668**	4,398	3,931	10,502	12,047	(7,379)	(61)	270	6
Automobile operating lease expense	**4,386**	5,434	6,836	8,142	9,159	(4,773)	(52)	(1,048)	(19)
Other expense	**30,987**	29,921	48,083	38,537	30,765	222	1	1,066	4
Total noninterest expense	**$ 439,118**	$ 428,409	$ 430,699	$ 434,593	$ 427,309	$ 11,809	3%	$ 10,709	2%
Number of employees (full-time equivalent), at period-end	**11,473**	11,457	11,319	11,341	11,279	194	2%	16	%

2011 Third Quarter versus 2010 Third Quarter

The $11.8 million, or 3%, increase in total noninterest expense from the year-ago quarter reflected:

$18.6 million, or 9%, increase in personnel costs, primarily reflecting a 2% increase in full-time equivalent staff in support of strategic initiatives, as well as higher benefit-related expenses, including $4.2 million of healthcare related costs.

$11.0 million, or 29%, increase in outside data processing and other service, reflecting the costs associated with the conversion to a new debit card processor and outside services supporting increased regulations.

Partially offset by:

$7.4 million, or 61%, decrease in OREO and foreclosure expense.

$5.9 million, or 25%, decline in deposit and other insurance expenses.

$4.8 million, or 52%, decline in automobile operating lease expense as that portfolio continued to run-off having exited that business in 2008.

2011 Third Quarter versus 2011 Second Quarter

The $10.7 million, or 2%, increase in total noninterest expense from the prior quarter reflected:

$8.3 million, or 4%, increase in personnel costs, primarily reflecting higher salaries, severance, and healthcare costs.

$5.7 million, or 13%, increase in outside data processing and other services, reflecting the costs associated with the conversion to a new debit card processor and the implementation of strategic initiatives.

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Partially offset by:

$6.3 million, or 27%, decline in deposit and other insurance expenses.

2011 First Nine Months versus 2010 First Nine Months

Noninterest expense for the first nine-month period of 2011 increased $59.0 million, or 5%, from the comparable year-ago period.

Table 13 Noninterest Expense 2011 First Nine Months vs. 2010 First Nine Months

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands)	**2011**	2010	Amount	Percent
Personnel costs	**$ 664,433**	$ 586,789	$ 77,644	13%
Outside data processing and other services	**133,773**	118,305	15,468	13
Net occupancy	**82,288**	81,192	1,096	1
Deposit and other insurance expense	**59,211**	74,228	(15,017)	(20)
Professional services	**53,826**	67,757	(13,931)	(21)
Equipment	**66,660**	63,860	2,800	4
Marketing	**59,248**	49,756	9,492	19
Amortization of intangibles	**40,143**	45,432	(5,289)	(12)
OREO and foreclosure expense	**12,997**	28,547	(15,550)	(54)
Automobile operating lease expense	**16,656**	28,892	(12,236)	(42)
Other expense	**108,991**	94,455	14,536	15
Total noninterest expense	**$ 1,298,226**	$ 1,239,213	$ 59,013	5%

The $59.0 million, or 5%, increase in total noninterest expense reflected:

$77.6 million, or 13%, increase in personnel costs, primarily reflecting an increase in full-time equivalent staff in support of strategic initiatives, as well as higher benefit related expenses, including the reinstatement of our 401(k) plan matching contribution in May of 2010.

$15.5 million, or 13%, increase in outside data processing and other service, reflecting the costs associated with the conversion to a new debit card processor and the implementation of strategic initiatives.

$14.5 million, or 15%, increase in other expense, primarily reflecting the 2011 first quarter $17.0 million addition to litigation reserves (see Significant Items).

$9.5 million, or 19%, increase in marketing expense, reflecting higher advertising costs.

Partially offset by:

$15.6 million, or 54%, decline in OREO and foreclosure expenses as OREO balances declined 69% in the current period.

$15.0 million, or 20%, decrease in deposit and other insurance expenses.

$13.9 million, or 21%, decrease in professional services, reflecting lower legal costs, as collection activities declined, and consulting expenses.

$12.2 million, or 42%, decline in automobile operating lease expense as that portfolio continued to run-off having exited that business in 2008.

Provision for Income Taxes

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

The provision for income taxes in the 2011 third quarter was $38.9 million. This compared with a provision for income taxes of $49.0 million in the 2011 second quarter and a provision for income taxes of $29.7 million in the 2010 third quarter. All three quarters included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. At September 30, 2011, we had a net deferred tax asset of $364.2 million. Based on both positive and negative evidence and our level of forecasted future taxable income, there was no impairment to the deferred tax asset at September 30, 2011. The total disallowed deferred tax asset for regulatory capital purposes decreased to $19.4 million at September 30, 2011 compared to the total disallowed deferred tax asset of $48.2 million at June 30, 2011.

The IRS completed audits of our consolidated federal income tax returns for tax years through 2007. In the third quarter 2011, the IRS began its examination of our 2008 and 2009 consolidated federal income tax returns. The IRS, various states, and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois. The IRS has proposed adjustments to our previously filed tax returns. We believe our tax positions related to such proposed adjustments are correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. However, although no assurance can be given, we believe the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position.

RISK MANAGEMENT AND CAPITAL

Risk awareness, identification and assessment, reporting, and active management are key elements in overall risk management. We manage risk to an aggregate moderate-to-low risk profile through a control framework and by monitoring and responding to identified potential risks. We believe that our primary risk exposures are credit, market, liquidity, operational, and compliance oriented. More information on risk can be found in the Risk Factors section included in Item 1A of our 2010 Form 10-K and subsequent filings with the SEC. Additionally, the MD&A included in our 2010 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2010 Form 10-K. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented in the 2010 Form 10-K.

Credit Risk

Credit risk is the risk of financial loss if a counterparty is not able to meet the agreed upon terms of the financial obligation. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. We also have credit risk associated with our available-for-sale and other investment and held-to-maturity securities portfolios *(see Note 4 and Note 5 of the Notes to the Unaudited Condensed Consolidated Financial Statements)*. We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking and for trading activities. Given the current level of global financial issues, we believe it is important to provide clarity around our exposure in this specific area. While there is credit risk associated with derivative activity, we believe this exposure is minimal. The significant change in the economic conditions and the resulting changes in borrower behavior over the past several years resulted in our continuing focus on the identification, monitoring, and managing of our credit risk. In addition to the traditional credit risk mitigation strategies of credit policies and processes, market risk management activities, and portfolio diversification, we added more quantitative measurement capabilities utilizing external data sources, enhanced use of modeling technology, and internal stress testing processes. The continued expansion of our portfolio management resources demonstrates our commitment to maintaining an aggregate moderate-to-low risk profile.

Loan and Lease Credit Exposure Mix

At September 30, 2011, our loans and leases totaled $39.0 billion, representing a $0.9 billion, or 2%, increase compared to $38.1 billion at December 31, 2010, primarily reflecting growth in the C&I, residential mortgage, and home equity portfolios. The automobile portfolio was little changed reflecting the 2011 third quarter automobile securitization *(see Automobile Portfolio discussion).* The CRE portfolio continued to decline reflecting our planned strategy to reduce our CRE exposure.

At September 30, 2011, commercial loans and leases totaled $19.9 billion, and represented 51% of our total credit exposure. Our commercial portfolio is diversified along product type, customer size, and geography within our footprint and is comprised of the following (*see Commercial Credit discussion)*:

C&I C&I loans and leases are made to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business within our geographic regions. C&I loans and leases are generally underwritten individually and secured with the assets of the company and/or the personal guarantee of the business owners. The financing of owner occupied facilities is considered a C&I loan even though there is improved real estate as collateral. This treatment is a function of the credit decision process, which focuses on cash flow from operations of the business to repay the debt. The operation, sale, rental, or refinancing of the real estate is not considered the primary repayment source for these types of loans. As we look to grow our C&I portfolio, we have further developed our ABL capabilities by adding experienced ABL professionals to take advantage of market opportunities resulting in better leveraging of the manufacturing base in our primary markets. Also, our Equipment Finance area is targeting larger equipment financings in the manufacturing sector in addition to our core products. We also expanded our large corporate banking group with sufficient resources to ensure we appropriately recognize and manage the risks associated with these types of lending.

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

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

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Total consumer loans and leases were $19.1 billion at September 30, 2011, and represented 49% of our total loan and lease credit exposure. The consumer portfolio was primarily diversified among home equity loans and lines-of-credit, residential mortgages, and automobile loans and leases *(see Consumer Credit discussion)*.

Automobile Automobile loans and leases are primarily comprised of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. No state outside of our primary banking markets represented more than 3% of our total automobile portfolio at September 30, 2011.

Home equity Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first-lien or second-lien on the borrower s residence, allows customers to borrow against the equity in their home. Given the current low interest rate environment, many borrowers have utilized the line-of-credit home equity product as the primary source of financing their home. As a result, the proportion of the home equity portfolio secured by a first-lien has increased significantly over the past three years, positively impacting the portfolio s risk profile. The credit risk profile is substantially reduced when we hold a first-lien position. During the first nine-month period of 2011, more than 65% of our home equity portfolio originations were secured by a first-lien mortgage. The first-lien position combined with continued high average FICO scores significantly reduces the PD associated with these loans. The combination provides a strong base when assessing the expected future performance of this portfolio. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values impact the severity of losses. We actively manage the extension of credit and the amount of credit extended through a combination of criteria including financial position, debt-to-income policies and LTV policy limits.

Residential mortgage Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15-year to 30-year term, and in most cases, are extended to borrowers to finance their primary residence. Generally, our practice is to sell a significant portion of our fixed-rate originations in the secondary market. As such, the majority of the loans in our portfolio are ARMs. These ARMs primarily consist of a fixed-rate of interest for the first 3 to 5 years, and then adjust annually. These loans comprised approximately 53% of our total residential mortgage loan portfolio at September 30, 2011. We are subject to repurchase risk associated with residential mortgage loans sold in the secondary market. This activity has increased recently reflecting the overall market conditions and GSE activity and an appropriate level of allowance has been established to address the repurchase risk inherent in the portfolio *(refer to the Operational Risk section for additional discussion).*

Other consumer This portfolio primarily consists of consumer loans not secured by real estate or automobiles, including personal unsecured loans.

Table 14 Loan and Lease Portfolio Composition

	2011						2010			
(dollar amounts in millions)	**September 30,**		June 30,		March 31,		December 31,		September 30,	
Commercial:[1]										
Commercial and industrial	**$ 13,939**	**36%**	$ 13,544	34%	$ 13,299	35%	**$** 13,063	34%	$ 12,425	33%
Commercial real estate:										
Construction	**520**	**1**	591	2	587	2	650	2	738	2
Commercial	**5,414**	**14**	5,573	14	5,711	15	6,001	16	6,174	16
Total commercial real estate	**5,934**	**15**	6,164	16	6,298	17	6,651	18	6,912	18
Total commercial	**19,873**	**51**	19,708	50	19,597	52	19,714	52	19,337	51
Consumer:										
Automobile	**5,558**	**14**	6,190	16	5,802	15	5,614	15	5,385	14
Home equity	**8,079**	**21**	7,952	20	7,784	20	7,713	20	7,690	21

Residential mortgage	**4,986**	**13**	4,751	12	4,517	12	4,500	12	4,511	12
Other consumer	**516**	**1**	525	2	546	1	566	1	578	2
Total consumer	**19,139**	**49**	19,418	50	18,649	48	18,393	48	18,164	49
Total loans and leases	**$ 39,012**	**100%**	$ 39,126	100%	$ 38,246	100%	$ 38,107	100%	$ 37,501	100%

(1) There were no commercial loans outstanding that would be considered a concentration of lending to a particular industry or group of industries.

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

Table 15 Loan and Lease Portfolio by Collateral Type

	2011						2010			
(dollar amounts in millions)	**September 30,**		June 30,		March 31,		December 31,		September 30,	
Secured loans:										
Real estate commercial	$ **9,554**	**24%**	$ 9,781	25%	$ 9,931	26%	$ 10,389	27%	$ 10,516	28%
Real estate consumer	**13,065**	**33**	12,703	32	12,300	32	12,214	32	12,201	33
Vehicles	**6,898**	**18**	7,594	19	7,333	19	7,134	19	6,652	18
Receivables/Inventory	**4,297**	**11**	4,171	11	3,819	10	3,763	10	3,524	9
Machinery/Equipment	**1,864**	**5**	1,784	5	1,787	5	1,766	5	1,763	5
Securities/Deposits	**805**	**2**	802	2	778	2	734	2	730	2
Other	**1,103**	**3**	1,095	3	1,139	3	990	2	1,097	2
Total secured loans and leases	**37,586**	**96**	37,930	97	37,087	97	36,990	97	36,483	97
Unsecured loans and leases	**1,426**	**4**	1,196	3	1,159	3	1,117	3	1,018	3
Total loans and leases	$ **39,012**	**100%**	$ 39,126	100%	$ 38,246	100%	$ 38,107	100%	$ 37,501	100%

Commercial Credit

In commercial lending, on-going credit management is dependent on the type and nature of the loan. We monitor all significant exposures on an on-going basis. All commercial credit extensions are assigned internal risk ratings reflecting the borrower s PD and LGD (severity of loss). This two-dimensional rating methodology provides granularity in the portfolio management process. The PD is rated and applied at the borrower level. The LGD is rated and applied based on the specific type of credit extension and the quality and lien position associated with the underlying collateral. The internal risk ratings are assessed at origination and updated at each periodic monitoring event. There is also extensive macro portfolio management analysis on an on-going basis. As an example, the retail properties class of the CRE portfolio and manufacturing loans within the C&I portfolio have each received more frequent evaluation at the individual loan level given the weak environment and our portfolio composition. We continually review and adjust our risk-rating criteria based on actual experience, which provides us with the current risk level in the portfolio and is the basis for determining an appropriate allowance amount for this portfolio.

Our Credit Review group performs testing to provide an independent review and assessment of the quality and / or risk of new loan originations. This group is part of our Risk Management area, and conducts portfolio reviews on a risk-based cycle to evaluate individual loans, validate risk ratings, as well as test the consistency of credit processes. Similarly, to provide consistent oversight, a centralized portfolio management team monitors and reports on the performance of small business loans, which are included within the commercial loan portfolio.

Our standardized loan grading system considers many components that directly correlate to loan quality and likelihood of repayment, one of which is guarantor support. On an annual basis, or more frequently if warranted, we consider, among other things, the guarantor s reputation and creditworthiness, along with various key financial metrics such as liquidity and net worth. Our assessment of the guarantor s credit strength is reflected in our risk ratings for such loans. The risk rating is directly tied to, and an integral component of, our allowance for loan loss methodology. When our assessment of the guarantor s credit strength demonstrates an inherent capacity to perform, we will seek repayment from the guarantor as part of the collection process and have successfully negotiated repayment from guarantors as part of our overall credit risk management process. When a loan goes to impaired status, viable guarantor support is considered in the determination of the recognition of a loan loss.

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

Our commercial portfolio is diversified by product type, customer size, and geography throughout our footprint. No outstanding commercial loans and leases comprised an industry or geographic concentration of lending. Certain segments of our commercial portfolio are discussed in further detail below.

C&I PORTFOLIO

We manage the risks inherent in this portfolio through origination policies, concentration limits, on-going loan level reviews and portfolio level reviews, recourse requirements, and continuous portfolio risk management activities. Our origination policies for this portfolio include loan product-type specific policies such as LTV and debt service coverage ratios, as applicable.

While C&I borrowers have been challenged by the weak economy, problem loans have trended downward, reflecting a combination of proactive risk identification as well as some relative improvement in the economic conditions. Nevertheless, some borrowers may no longer have sufficient capital to withstand the extended stress. As a result, these borrowers may not be able to comply with the original terms of their credit agreements. We continue to focus attention on the portfolio management process to proactively identify borrowers that may be facing financial difficulty and to assess all potential solutions. The impact of the economic environment is further evidenced by the level of line-of-credit activity, as borrowers continued to maintain relatively low utilization percentages.

As shown in the following table, C&I loans and leases totaled $13.9 billion at September 30, 2011:

Table 16 Commercial and Industrial Loans and Leases by Class

	September 30, 2011			
	Commitments		Loans Outstanding	
(dollar amounts in millions)	Amount	Percent	Amount	Percent
Class:				
Owner occupied	$ 4,390	21%	$ 3,978	29%
Other commercial and industrial	17,020	79	9,961	71
Total	**$** 21,410	100%	$ 13,939	100%

The difference in the composition between the commitments and loans and leases outstanding in the other commercial and industrial class results from a significant amount of working capital lines-of-credit and businesses have reduced these borrowings. The funding percentage associated with the lines-of-credit has been a significant indicator of credit quality. Generally, borrowers that fully utilize their line-of-credit consistently, over time, have a higher risk profile. The overall funding rate on the commercial lines-of-credit has declined compared to pre-2008 levels as borrowers have limited their borrowing and focused on maintaining high liquidity and reducing debt. Line-of-credit utilization is one of many credit risk factors we utilize in assessing the credit risk portfolio of individual borrowers and the overall portfolio.

CRE PORTFOLIO

We manage the risks inherent in this portfolio specific to CRE lending, focusing on the quality of the developer, and the specifics associated with each project. Generally, we: (1) limit our loans to 80% of the appraised value of the commercial real estate, (2) require net operating cash flows to be 125% of required interest and principal payments, and (3) if the commercial real estate is nonowner occupied, require that at least 50% of the space of the project be preleased. Additionally, we established a limit to our CRE exposure of no more than our amount of Tier 1 Capital plus the ACL. We have been actively reducing our CRE exposure during the past three years, and our CRE exposure was below this established limit at September 30, 2011.

Each CRE loan is classified as either core or noncore. We separated the CRE portfolio into these categories in order to provide more clarity around our portfolio management strategies and to provide an additional level of transparency. We believe segregating the noncore CRE from core CRE improves our ability to understand the nature, performance prospects, and problem resolution opportunities, thus allowing us to continue to deal proactively with any emerging credit issues.

A CRE loan is generally considered core when the borrower is an experienced, well-capitalized developer in our Midwest footprint, and has either an established meaningful relationship with us that generates an acceptable return on capital or demonstrates the prospect of becoming one. The core CRE portfolio was $3.9 billion at September 30, 2011, representing 65% of total CRE loans. The performance of the core portfolio met our expectations based on the consistency of the asset quality metrics within the portfolio. Based on our extensive project level assessment process, including forward-looking collateral valuations, we continue to believe the credit quality of the core portfolio is stable. A CRE loan is generally considered noncore based on the lack of a substantive relationship outside of the loan product, with no immediate prospects for meeting the core relationship criteria. The noncore CRE portfolio declined from $2.6 billion at December 31, 2010, to $2.1 billion at September 30, 2011, and represented 35% of total CRE loans. Of the loans in the noncore portfolio at September 30, 2011, 66% were categorized as Pass, 95% had guarantors, 99% were secured, and 95% were located within our geographic footprint. However, it is within the noncore portfolio where most of the credit quality challenges exist. For example, $0.2 billion, or 11%, of related outstanding balances, are classified as NALs. SAD administered $0.9 billion, or 44%, of total noncore CRE loans at September 30, 2011. We expect to exit the majority of noncore CRE relationships over time through normal repayments and refinancings, possible sales should economically attractive opportunities arise, or the reclassification to a core CRE relationship if it expands to meet the core criteria.

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The table below provides a segregation of the CRE portfolio as of September 30, 2011:

Table 17 Core Commercial Real Estate Loans by Property Type and Property Location

	September 30, 2011									
(dollar amounts in millions)	Ohio	Michigan	Pennsylvania	Indiana	Kentucky	Florida	West Virginia	Other	Total	%
Core portfolio:										
Retail properties	$ 505	$ 64	$ 69	$ 84	$ 9	$ 39	$ 29	$ 363	$ 1,162	20%
Office	337	105	93	17	11		39	56	658	11
Multi family	217	91	66	35	28	1	27	56	521	9
Industrial and warehouse	222	66	21	49	3	2	5	82	450	8
Other commercial real estate	701	121	37	38		19	53	111	1,080	18
Total core portfolio	1,982	447	286	223	51	61	153	668	3,871	65
Total noncore portfolio	1,149	350	123	173	28	100	40	100	2,063	35
Total	$ 3,131	$ 797	$ 409	$ 396	$ 79	$ 161	$ 193	$ 768	$ 5,934	100%

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

Table 18 Commercial Real Estate Core vs. Noncore Portfolios

		September 30, 2011					
(dollar amounts in millions)		Ending Balance	Prior NCOs	ACL $	ACL %	Credit Mark (1)	Nonaccrual Loans
Total core		**$ 3,871**	**$ 16**	**$ 122**	**3.15%**	**3.55%**	**$ 25**
Noncore	SAD (2)	**910**	**286**	**213**	**23.41**	**41.72**	**202**
Noncore	Other	**1,153**	**14**	**89**	**7.72**	**8.83**	**30**
Total noncore		**2,063**	**300**	**302**	**14.64**	**25.48**	**232**
Total commercial real estate		**$ 5,934**	**$ 316**	**$ 424**	**7.15%**	**11.84%**	**$ 257**
		December 31, 2010					
Total core		$ 4,042	$ 5	$ 160	3.96%	4.08%	$ 16
Noncore	SAD (2)	1,400	379	329	23.50	39.80	307
Noncore	Other	1,209	5	105	8.68	9.06	41
Total noncore		2,609	384	434	16.63	27.33	348
Total commercial real estate		$ 6,651	$ 389	$ 594	8.93%	13.96%	$ 364

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

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

As shown in the above table, the ending balance of the CRE portfolio at September 30, 2011, declined $0.7 billion, or 11%, compared with December 31, 2010. Of this decline, 68% occurred in the noncore segment of the portfolio administered by the SAD, and was a result of payoffs and NCOs as we actively focus on the noncore portfolio to reduce our overall CRE exposure. This reduction demonstrates our continued commitment to achieving a materially lower risk profile in the CRE portfolio, consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. We anticipate further significant declines in the noncore segment, consistent with our strategy to continue to reduce our overall CRE exposure. The reduction in the core segment is a result of normal portfolio attrition combined with limited origination activity. We will continue to support our core developer customers as appropriate, however, we do not believe that significant additional CRE activity is appropriate given our current exposure in CRE lending and the current economic conditions.

Also as shown above, substantial reserves for the noncore portfolio have been established. At September 30, 2011, the ACL related to the noncore portfolio was 14.64%, and 23.41% related to the SAD managed noncore portfolio. The combination of the existing ACL and prior NCOs represents the total credit actions taken on each segment of the portfolio. From this data, we calculate a credit mark that provides a consistent measurement of the cumulative credit actions taken against a specific portfolio segment. The 41.72% Credit Mark associated with the SAD-managed noncore portfolio is an indicator of the aggressive portfolio management strategy employed for this portfolio.

Retail Properties

Our portfolio of total CRE loans secured by retail properties totaled $1.6 billion, or approximately 4%, of total loans and leases, at September 30, 2011. Loans within this portfolio segment declined $0.1 billion, or 6%, from $1.8 billion at December 31, 2010. Credit approval in this portfolio segment is generally dependent on preleasing requirements, and net operating income from the project must cover debt service by specified percentages when the loan is fully funded.

The weakness of the economic environment in our geographic regions continued to impact the projects that secure the loans in this portfolio class. Lower occupancy rates, reduced rental rates, and the expectation these levels will remain stressed for the foreseeable future may adversely affect some of our borrowers ability to repay these loans. We have increased the level of credit risk management activity on this portfolio segment, and we analyze our retail property loans in detail by combining property type, geographic location, and other data, to assess and manage our credit risks. We review the majority of this portfolio segment on a monthly basis.

Consumer Credit

Consumer credit approvals are based on, among other factors, the financial strength and payment history of the borrower, type of exposure, and the transaction structure. We make extensive use of portfolio assessment models to continuously monitor the quality of the portfolio, which may result in changes to future origination strategies. The on-going analysis and review process results in a determination of an appropriate allowance for our consumer loan and lease portfolio.

AUTOMOBILE PORTFOLIO

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

We have continued to consistently execute our value proposition while taking advantage of market opportunities that allow us to grow our automobile loan portfolio. The significant growth in the portfolio over the past two years was accomplished while maintaining our consistently high credit quality metrics. As we further execute our strategies and take advantage of these opportunities, we are developing alternative plans to address any growth in excess of our established portfolio concentration limits, including both securitizations and loan sales.

During the 2011 third quarter, we transferred automobile loans totaling $1.0 billion to a trust in a securitization transaction. The securitization qualified for sale accounting. As a result of this transaction, we recognized a $15.5 million gain on sale which is reflected in other noninterest income and recorded a $16.0 million servicing asset which is reflected in accrued income and other assets.

RESIDENTIAL-SECURED PORTFOLIOS

The properties securing our residential mortgage and home equity portfolios are primarily located within our footprint. The continued stress on home prices has caused the performance in these portfolios to remain weaker than historical levels. We continue to evaluate all of our policies and processes associated with managing these portfolios to provide as much clarity as possible.

In the 2011 first quarter, we accelerated the timing of charge-off recognition in our residential mortgage portfolio. In addition, we established an immediate charge-off process regardless of the delinquency status for short sale situations. Both of these policy changes resulted in accelerated recognition of residential mortgage charge-offs totaling $6.8 million in the 2011 first quarter. Further, in the 2011 second quarter, we implemented a policy change regarding the placement of loans on nonaccrual status in both our home equity and residential mortgage portfolios. This policy change resulted in accelerated placement of loans on nonaccrual status totaling $6.7 million in the home equity portfolio and $8.0 million in the residential mortgage portfolio.

Table 19 Selected Home Equity and Residential Mortgage Portfolio Data
(dollar amounts in millions)

	Home Equity				Residential Mortgage	
	Secured by first-lien		Secured by second-lien			
	09/30/11	12/31/10	**09/30/11**	12/31/10	**09/30/11**	12/31/10
Ending balance	**$ 3,589**	$ 3,041	**$ 4,490**	$ 4,672	**$ 4,986**	$ 4,500
Portfolio weighted average LTV ratio(1)	**71%**	70%	**80%**	80%	**78%**	77%
Portfolio weighted average FICO score(2)	**749**	745	**734**	733	**731**	721

	Home Equity				Residential Mortgage (3)	
	Secured by first-lien		Secured by second-lien			
	Nine Months Ended September 30,					
	2011	2010	**2011**	2010	**2011**	2010
Originations	**$ 1,392**	$ 922	**$ 630**	$ 523	**$ 1,102**	$ 1,179
Origination weighted average LTV ratio(1)	**71%**	69%	**82%**	79%	**84%**	81%
Origination weighted average FICO score(2)	**768**	767	**759**	756	**758**	760

(1) The LTV ratios for home equity loans and home equity lines-of-credit are cumulative and reflect the balance of any senior loans. LTV ratios reflect collateral values at the time of loan origination.

(2) Portfolio weighted average FICO scores reflect currently updated customer credit scores whereas origination weighted average FICO scores reflect the customer credit scores at the time of loan origination.

(3) Represents only owned-portfolio originations.

Home Equity Portfolio

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

At September 30, 2011, approximately 44% of our home equity portfolio was secured by first-lien mortgages. The credit risk profile is substantially reduced when we hold a first-lien position. During the first nine-month period of 2011, more than 65% of our home equity portfolio originations were secured by a first-lien mortgage. We focus on high quality borrowers primarily located within our footprint. The majority of our home equity line-of-credit borrowers consistently pay more than the minimum payment required in any given month. Additionally, since we focus on developing complete relationships with our customers, many of our home equity borrowers are utilizing other products and services. The combination of high quality borrowers as measured by financial condition, FICO score, and the lien position status provide a high degree of confidence regarding the performance of the 2009-2011 originations.

Within the home equity line-of-credit portfolio, the standard product is a 10-year interest-only draw period with a balloon payment and represents a majority of the line-of-credit portfolio at September 30, 2011. As previously discussed, a significant portion of recent originations are secured by first-liens on the property as high quality borrowers take advantage of the low variable-rates available with a line-of-credit. If the current 30-year fixed-rate declines substantially from its already low level, we would anticipate some portion of these first-lien line-of-credit borrowers to refinance to a more traditional mortgage at a fixed-rate.

We believe we have underwritten credit conservatively within this portfolio. We have not originated home equity loans or lines-of-credit with an LTV at origination greater than 100%, except for infrequent situations with high quality borrowers. However, continued declines in housing prices have decreased the value of the collateral for this portfolio and have caused a portion of the portfolio to have an LTV greater than 100%. These higher LTV ratios are directly correlated with borrower payment patterns and are a particular focus of our Loss Mitigation and Home Saver groups.

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We obtain a property valuation for every loan or line-of-credit. The type of property valuation obtained is based on a series of credit parameters, and ranges from an AVM to a complete walkthrough appraisal. While we believe an AVM estimate is an appropriate valuation source for a portion of our home equity lending activities, we continue to re-evaluate all of our policies on an on-going basis, specifically related to the December 2010 FFIEC guidelines regarding property valuation. The intent of these guidelines is to ensure complete independence in the requesting and review of real estate valuations associated with loan decisions. We are committed to appropriate valuations for all of our real estate lending, and do not anticipate significant impacts to our loan decision process as a result of these guidelines. We update values as appropriate, and in compliance with applicable regulations, for loans identified as higher risk. Loans are identified as higher risk based on performance indicators and the updated values are utilized to facilitate our portfolio management processes, as well as our workout and loss mitigation functions.

We continue to make origination policy adjustments based on our assessment of an appropriate risk profile, as well as industry actions. In addition to origination policy adjustments, we take actions, as necessary, to manage the risk profile of this portfolio.

Residential Mortgage Portfolio

We focus on higher quality borrowers and underwrite all applications centrally. We do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options.

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

A majority of the loans in our portfolio have adjustable rates. These ARMs comprised approximately 53% of our total residential mortgage loan portfolio at September 30, 2011. At September 30, 2011, ARM loans that were expected to have rates reset totaled $1.5 billion through 2014. These loans scheduled to reset are primarily associated with loans originated subsequent to 2007, and as such, are not subject to the most significant declines in value. Given the quality of our borrowers and the relatively low current interest rates, we believe that we have a relatively limited exposure to ARM reset risk. Nonetheless, we have taken actions to mitigate our risk exposure. We initiate borrower contact at least six months prior to the interest rate resetting, and have been successful in converting many ARMs to fixed-rate loans through this process. Our ARM portfolio has performed substantially better than the fixed-rate portfolio in part due to this proactive management process. Additionally, when borrowers are experiencing payment difficulties, loans may be reunderwritten based on the borrower s ability to repay the loan.

Several government actions were enacted that impacted the residential mortgage portfolio, including various refinance programs which positively affected the availability of credit for the industry. We are utilizing these programs to enhance our existing strategy of working closely with our customers.

Financial Institution Exposure Risk

In the normal course of business, we engage with other financial institutions for a variety of purposes resulting from ordinary banking activities such as payment processing, transactions entered into for risk management purposes *(see Note 14 of the Notes to Unaudited Condensed Consolidated Financial Statements)*, and for investment diversification. As a result, we are exposed to credit risk, or risk of loss, if the other financial institution fails to perform according to the terms of our contract or agreement.

Current European credit pressures have increased concerns about correlated adverse effects upon financial institutions. Specifically, there has been heightened emphasis on direct credit exposure to certain sovereigns, in particular, Greece, Ireland, Portugal, Spain and Italy, as well as to financial institutions headquartered in those countries. We conduct significant due diligence on each financial institution prior to approval as a counterparty. Our Treasury Credit Risk group within Credit Administration is responsible for the initial risk assessment as well as on-going monitoring. We actively manage the level of exposure to each financial institution, with regular assessment of the exposure limits by our Credit Policy and Strategy Committee. We believe our overall exposure to financial institution exposure risk, including direct credit exposure to any of these sovereigns and their banks, is not significant. Nonetheless, we minimize this risk through increased frequency and degree of monitoring of each contract or agreement as we manage the risk exposure on a real-time basis over the course of each day.

Credit Quality

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

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Credit quality performance in the 2011 third quarter reflected a continued improvement in the levels of our NCOs, NALs, and commercial Criticized assets. Although the commercial Criticized asset levels continued to decline, there was an increase in new commercial Criticized asset inflows compared to the prior quarter. The inflow of new commercial Criticized assets was across all business segments and included one large relationship. We do not believe the increase in this current quarter s commercial Criticized assets to be either an indication of a future increase in the overall level of commercial Criticized loans or a widespread deterioration in commercial credit performance. Also, our ACL coverage ratios improved compared to the prior quarter. Specifically, our ACL as a percentage of NALs improved to 187% at September 30, 2011 compared with 181% at June 30, 2011 and 166% at December 31, 2010.

NPAs, NALs, AND TDRs

NPAs and NALs

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

NPAs consist of (1) NALs, which represent loans and leases no longer accruing interest, (2) impaired loans held for sale, (3) OREO properties, and (4) other NPAs. Any loan in our portfolio may be placed on nonaccrual status prior to the policies described below when collection of principal or interest is in doubt.

C&I and CRE loans are placed on nonaccrual status at no greater than 90-days past due. With the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, residential mortgage loans are placed on nonaccrual status at 150-days past due. First-lien and second-lien home equity loans are placed on nonaccrual status at 150-days past due and 120-days past due, respectively. Automobile and other consumer loans are not placed on nonaccrual status, but are generally charged-off when the loan is 120-days past due. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior year amounts generally charged-off as a credit loss. When, in our judgment, the borrower s ability to make required interest and principal payments has resumed and collectability is no longer in doubt, the loan or lease is returned to accrual status.

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

Table 20 Nonaccrual Loans and Leases and Nonperforming Assets

	2011			2010	
(dollar amounts in thousands)	**September 30,**	June 30,	March 31,	December 31,	September 30,
Nonaccrual loans and leases:					
Commercial and industrial	**$ 209,632**	$ 229,327	$ 260,397	$ 346,720	$ 398,353
Commercial real estate	**257,086**	291,500	305,793	363,692	478,754
Residential mortgage	**61,129**	59,853	44,812	45,010	82,984
Home equity	**37,156**	33,545	25,255	22,526	21,689
Total nonaccrual loans and leases	**565,003**	614,225	636,257	777,948	981,780
Other real estate owned, net					
Residential	**18,588**	20,803	28,668	31,649	65,775
Commercial	**19,418**	17,909	25,961	35,155	57,309
Total other real estate owned, net	**38,006**	38,712	54,629	66,804	123,084
Other nonperforming assets[1]	**10,972**				
Total nonperforming assets	**$ 613,981**	$ 652,937	$ 690,886	$ 844,752	$ 1,104,864
Nonaccrual loans as a % of total loans and leases	**1.45%**	1.57%	1.66%	2.04%	2.62%
Nonperforming assets ratio[2]	**1.57**	1.67	1.80	2.21	2.94
Nonperforming Franklin assets:					
Residential mortgage	**$**	$	$	$	$
Home equity					
OREO	**534**	883	5,971	9,477	15,330
Impaired loans held for sale					
Total nonperforming Franklin assets	**$ 534**	$ 883	$ 5,971	$ 9,477	$ 15,330

(1) Other nonperforming assets represent an investment security backed by a municipal bond.

(2) This ratio is calculated as nonperforming assets divided by the sum of loans and leases, other nonperforming assets, and net other real estate.

The $39.0 million, or 6%, decline in NPAs compared with June 30, 2011, primarily reflected:

$34.4 million, or 12%, decline in CRE NALs, reflecting both NCO activity and problem credit resolutions, including borrower payments and payoffs. We continue to focus on early recognition of risks through our on-going portfolio management processes.

$19.7 million, or 9%, decline in C&I NALs, reflecting both NCO activity and problem credit resolutions, including payoffs. The decline was associated with loans throughout our footprint, with no specific industry concentration.

Partially offset by:

- $11.0 million increase in other NPAs reflecting an investment security backed by a municipal bond.
- $3.6 million, or 11%, increase in home equity NALs, primarily reflecting the current weak economic conditions and the continued decline of residential real estate property values. Home equity NALs have been written down to net realizable value, less anticipated selling costs, which substantially limits any significant future risk of loss.

As part of our loss mitigation process, we reunderwrite, modify, or restructure loans when borrowers are experiencing payment difficulties, based on the borrower s ability to repay the loan.

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Compared with December 31, 2010, NPAs decreased $230.8 million, or 27%, primarily reflecting:

- $137.1 million, or 40%, decline in C&I NALs, reflecting both NCO activity and problem credit resolutions, including payoffs. The decline was associated with loans throughout our footprint, with no specific geographic concentration. From an industry perspective, improvement in the manufacturing-related segment accounted for a significant portion of the decrease.
- $106.6 million, or 29%, decline in CRE NALs, reflecting both NCO activity and problem credit resolutions, including borrower payments and payoffs. This decline was a direct result of our on-going proactive management of these credits by our SAD.
- $28.8 million, or 43%, decrease in OREO properties, reflecting lower inflow levels combined with aggressive sales activities.

Partially offset by:

- $16.1 million, or 36%, increase in residential mortgage NALs, reflecting the current weak economic conditions and the continued decline in residential real estate property values, as well as a change in our nonaccrual policy *(see Consumer Credit section).*
- $14.6 million, or 65%, increase in home equity NALs, also reflecting the current weak economic conditions and the continued decline in residential real estate property values, as well as a change in our nonaccrual policy *(see Consumer Credit section).*
- $11.0 million increase in other NPAs reflecting an investment security backed by a municipal bond.

NPA activity for each of the past five quarters was as follows:

Table 21- Nonperforming Asset Activity

	2011			2010	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third
Nonperforming assets, beginning of period	**$ 652,937**	$ 690,886	$ 844,752	$ 1,104,864	$ 1,582,702
New nonperforming assets	**153,626**	210,255	192,044	237,802	278,388
Franklin-related impact, net	**(349)**	(5,088)	(3,506)	(5,853)	(251,412)
Returns to accruing status	**(25,794)**	(68,429)	(70,886)	(100,051)	(111,168)
Loan and lease losses	**(79,992)**	(74,945)	(128,730)	(126,047)	(151,013)
Other real estate owned gains (losses)	**(242)**	388	1,492	(5,117)	(5,302)
Payments	**(76,510)**	(73,009)	(87,041)	(191,296)	(210,612)
Sales	**(9,695)**	(27,121)	(57,239)	(69,550)	(26,719)
Nonperforming assets, end of period	**$ 613,981**	$ 652,937	$ 690,886	$ 844,752	$ 1,104,864

As discussed previously, residential mortgage loans are placed on nonaccrual status at 150-days past due, with the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, and first-lien and second-lien home equity loans and lines-of-credit are placed on nonaccrual status at 150-days past due and 120-days past due, respectively.

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

Table 22 Accruing Past Due Loans and Leases

	2011			2010	
(dollar amounts in thousands)	**September 30,**	June 30,	March 31,	December 31,	September 30,
Accruing loans and leases past due 90 days or more:					
Commercial and industrial	$	$	$	$	$
Residential mortgage (excluding loans guaranteed by the U.S. government)	**32,850**	33,975	41,858	53,983	56,803
Home equity	**20,420**	17,451	24,130	23,497	27,160
Other consumer	**7,755**	6,227	7,578	10,177	11,423
Total, excl. loans guaranteed by the U.S. government	**61,025**	57,653	73,566	87,657	95,386
Add: loans guaranteed by the U.S. government	**84,413**	76,979	94,440	98,288	94,249
Total accruing loans and leases past due 90 days or more, including loans guaranteed by the U.S. government	$ **145,438**	$ 134,632	$ 168,006	$ 185,945	$ 189,635
Ratios: (1)					
Excluding loans guaranteed by the U.S. government, as a percent of total loans and leases	**0.16%**	0.15%	0.19%	0.23%	0.25%
Guaranteed by the U.S. government, as a percent of total loans and leases	**0.21**	0.19	0.25	0.26	0.26
Including loans guaranteed by the U.S. government, as a percent of total loans and leases	**0.37**	0.34	0.44	0.49	0.51

(1) Ratios are calculated as a percentage of related loans and leases.

Loans guaranteed by the U.S. government accrue interest at the rate guaranteed by the government agency. We are reimbursed from the government agency for reasonable expenses incurred in servicing loans. The FHA reimburses us for 66% of expenses, and the VA reimburses us at a maximum percentage of guarantee which is established for each individual loan. We have not experienced either material losses in excess of guarantees caps or significant delays or rejected claims from the related government entity.

The over 90-day delinquency ratio for total loans not guaranteed by a U.S. government agency was 0.16% at September 30, 2011, representing an 7 basis point decline compared with December 31, 2010. This decline reflected the sale of certain loans in this category.

TDR Loans

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

TDRs are modified loans in which a concession is provided to a borrower experiencing financial difficulties. TDRs can be classified as either accrual or nonaccrual loans. Nonaccrual TDRs are included in NALs whereas accruing TDRs are excluded from NALs as it is probable that all contractual principal and interest due under the restructured terms will be collected.

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

Table 23 Accruing and Nonaccruing Troubled Debt Restructured Loans

	2011			2010	
(dollar amounts in thousands)	**September 30,**	June 30,	March 31,	December 31,	September 30,
Troubled debt restructured loans accruing:					
Residential mortgage	**$ 304,365**	$ 313,772	$ 333,492	$ 328,411	$ 304,356
Other consumer[(1)]	**89,596**	75,036	78,488	76,586	73,210
Commercial	**321,598**	240,126	206,462	222,632	157,971
Total troubled debt restructured loans accruing	**715,559**	628,934	618,442	627,629	535,537
Troubled debt restructured loans nonaccruing:					
Residential mortgage	**20,877**	14,378	8,523	5,789	10,581
Other consumer[(1)]	**279**	140	14		
Commercial	**74,264**	77,745	37,858	33,462	33,236
Total troubled debt restructured loans nonaccruing	**95,420**	92,263	46,395	39,251	43,817
Total troubled debt restructured loans	**$ 810,979**	$ 721,197	$ 664,837	$ 666,880	$ 579,354

(1) Includes automobile, home equity, and other consumer TDRs.

TDRs primarily reflect our loss mitigation efforts to proactively work with borrowers having difficulty making their payments. Within commercial accruing TDRs, $40.1 million of the increase from the prior quarter reflected a change based on clarifying language in the FASB s ASU 2011-02 Receivables (Topic 310), *A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*, related to when a TDR designation is removed.

ACL

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

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

A provision for credit losses is recorded to adjust the ACL to the level we have determined to be appropriate to absorb credit losses inherent in our loan and lease portfolio. The provision for credit losses in the 2011 third quarter was $43.6 million, compared with $35.8 million in the prior quarter and $119.2 million in the year-ago quarter. *(See Provision for Credit Losses discussion).*

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

Our ACL evaluation process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. While the total ACL balance has declined in recent quarters, all of the relevant benchmarks improved as a result of the asset quality improvement. The coverage ratios of NALs, Criticized, and Classified loans have significantly improved in recent quarters despite the decline in the ACL level. For example, the ACL coverage ratio associated with NALs was 187% at September 30, 2011, compared with 166% at December 31, 2010 and 140% at September 30, 2010.

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The table below reflects activity in the ALLL and the AULC for each of the last five quarters:

Table 24 Quarterly Allowance for Credit Losses Analysis

	2011			2010	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third
Allowance for loan and lease losses, beginning of period	**$ 1,071,126**	$ 1,133,226	$ 1,249,008	$ 1,336,352	$ 1,402,160
Loan and lease losses	**(115,899)**	(128,701)	(199,007)	(205,587)	(221,144)
Recoveries of loans previously charged-off	**25,344**	31,167	33,924	33,336	36,630
Net loan and lease losses	**(90,555)**	(97,534)	(165,083)	(172,251)	(184,514)
Provision for loan and lease losses	**45,867**	36,948	49,301	84,907	118,788
Allowance for assets sold	**(6,728)**	(1,514)			(82)
Allowance for loan and lease losses, end of period	**$ 1,019,710**	$ 1,071,126	$ 1,133,226	$ 1,249,008	$ 1,336,352
Allowance for unfunded loan commitments and letters of credit, beginning of period	**$ 41,060**	$ 42,211	$ 42,127	$ 40,061	$ 39,689
Provision for (reduction in) unfunded loan commitments and letters of credit losses	**(2,281)**	(1,151)	84	2,066	372
Allowance for unfunded loan commitments and letters of credit, end of period	**$ 38,779**	$ 41,060	$ 42,211	$ 42,127	$ 40,061
Total allowance for credit losses, end of period	**$ 1,058,489**	$ 1,112,186	$ 1,175,437	$ 1,291,135	$ 1,376,413
Allowance for loan and lease losses as % of:					
Total loans and leases	**2.61**%	2.74%	2.96%	3.28%	3.56%
Nonaccrual loans and leases	**180**	174	178	161	136
Nonperforming assets	**166**	164	164	148	121
Total allowance for credit losses as % of:					
Total loans and leases	**2.71**%	2.84%	3.07%	3.39%	3.67%
Nonaccrual loans and leases	**187**	181	185	166	140
Nonperforming assets	**172**	170	170	153	125

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

Table 25 Allocation of Allowance for Credit Losses (1)

	2011						2010			
(dollar amounts in thousands)	**September 30,**		June 30,		March 31,		December 31,		September 30,	
Commercial										
Commercial and industrial	**$ 285,254**	**36%**	$ 281,016	35%	$ 299,564	35%	$ 340,614	34%	$ 353,431	33%
Commercial real estate	**418,895**	**15**	463,874	16	511,068	17	588,251	18	654,219	18
Total commercial	**704,149**	**51**	744,890	51	810,632	52	928,865	52	1,007,650	51
Consumer										
Automobile	**49,402**	**14**	55,428	16	50,862	15	49,488	15	44,505	14
Home equity	**139,616**	**21**	146,444	20	149,370	20	150,630	20	154,323	21
Residential mortgage	**98,974**	**13**	98,992	12	96,741	12	93,289	12	93,407	12
Other consumer	**27,569**	**1**	25,372	1	25,621	1	26,736	1	36,467	2
Total consumer	**315,561**	**49**	326,236	49	322,594	48	320,143	48	328,702	49
Total allowance for loan and lease losses	**1,019,710**	**100%**	1,071,126	100%	1,133,226	100%	1,249,008	100%	1,336,352	100%
Allowance for unfunded loan commitments	**38,779**		41,060		42,211		42,127		40,061	
Total allowance for credit losses	**$ 1,058,489**		$ 1,112,186		$ 1,175,437		$ 1,291,135		$ 1,376,413	

(1) Percentages represent the percentage of each loan and lease category to total loans and leases.

The reduction in the ALLL, compared with both June 30, 2011, and December 31, 2010, reflected declines in the ALLL in both the commercial and consumer portfolios.

The decline in the commercial-related ALLL reflected NCOs on loans with specific reserves, and an overall reduction in the level of commercial Criticized loans. Commercial Criticized loans are commercial loans rated as OLEM, Substandard, Doubtful, or Loss. As shown in the table below, commercial Criticized loans declined $88.1 million from June 30, 2011, and $783.4 million from December 31, 2010, reflecting significant upgrade and payment activity.

Table 26 Criticized Commercial Loan Activity

	2011			2010	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third
Criticized commercial loans, beginning of period	**$ 2,379,150**	$ 2,660,792	$ 3,074,481	$ 3,637,533	$ 4,106,602
New additions / increases	**357,057**	250,422	169,884	289,850	407,514
Advances	**46,148**	44,442	61,516	52,282	75,386
Upgrades to Pass	**(252,388)**	(271,698)	(238,518)	(382,713)	(391,316)
Payments	**(180,845)**	(231,819)	(294,564)	(401,302)	(408,698)
Loan losses	**(58,035)**	(72,989)	(112,008)	(121,169)	(151,955)
Criticized commercial loans, end of period	**$ 2,291,088**	$ 2,379,150	$ 2,660,792	$ 3,074,481	$ 3,637,533

The decline in the consumer-related ALLL primarily reflected the impact of the 2011 third quarter automobile securitization *(see Automobile Portfolio discussion)* as well as a decrease in the home equity-related ALLL as a result of lower delinquency levels, partially offset by an increase in the mortgage-related ALLL as a result of increased residential mortgage-related balances.

The entire loan and lease portfolio has shown steadily improving credit quality trends throughout 2010 and 2011. The ACL to total loans declined to 2.71% at September 30, 2011 compared to 3.39% at December 31, 2010. We believe the decline in the ratio is appropriate given the continued improvement in the risk profile of our loan portfolio. Further, we believe that early identification of problem loans and aggressive action plans for these problem loans, combined with originating high quality new loans will contribute to continued improvement in our key credit quality metrics. However, the continued weakness in the residential real estate market and the overall economic conditions remained stressed, and additional risks emerged during the first nine-month period of 2011. These additional risks included the European banking sector stress, the continued budget issues in local governments, flat domestic economic growth, and the variety of policy proposals regarding job growth, debt management, and domestic tax policy. Continued high unemployment, among other factors, has slowed any significant recovery. In the near-term, we anticipate a continued high unemployment rate and the concern around the U.S. and local government budget issues will continue to negatively impact the financial condition of some of our retail and commercial borrowers. The pronounced downturn in the residential real estate market that began in early 2007 has resulted in significantly lower residential real estate values. We have significant exposure to loans secured by residential real estate and continue to be an active lender in our communities. The impact of the downturn in real estate values has had a significant impact on some of our borrowers as evidenced by the higher delinquencies and NCOs since late 2007. We do not anticipate any meaningful economic improvement in the near-term. All of these factors are impacting consumer confidence, as well as business investments and acquisitions. Given the combination of these noted factors, we believe that our ACL is appropriate and its coverage level is reflective of the quality of our portfolio and the current operating environment.

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The table below reflects activity in the ALLL and AULC for the first nine-month periods ended September 30, 2011 and 2010.

Table 27 Year to Date Allowance for Credit Losses Analysis

	Nine Months Ended September 30,	
(dollar amounts in thousands)	**2011**	2010
Allowance for loan and lease losses, beginning of period	**$ 1,249,008**	$ 1,482,479
Loan and lease losses	**(443,607)**	(798,320)
Recoveries of loans previously charged-off	**90,435**	96,097
Net loan and lease losses	**(353,172)**	(702,223)
Provision for loan and lease losses	**132,116**	556,392
Allowance for assets sold	**(8,242)**	(296)
Allowance for loan and lease losses, end of period	**$ 1,019,710**	$ 1,336,352
Allowance for unfunded loan commitments and letters of credit, beginning of period	**$ 42,127**	$ 48,879
Provision for (reduction in) unfunded loan commitments and letters of credit losses	**(3,348)**	(8,818)
Allowance for unfunded loan commitments and letters of credit, end of period	**$ 38,779**	$ 40,061
Total allowance for credit losses	**$ 1,058,489**	$ 1,376,413
Allowance for loan and lease losses as % of:		
Total loans and leases	**2.61%**	3.56%
Nonaccrual loans and leases	**180**	136
Nonperforming assets	**166**	121
Total allowance for credit losses as % of:		
Total loans and leases	**2.71%**	3.67%
Nonaccrual loans and leases	**187**	140
Nonperforming assets	**172**	125

NCOs

(This section should be read in conjunction with Significant Item 2 and the Franklin-related Impacts section.)

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

C&I and CRE loans are either charged-off or written down to net realizable value at 90-days past due. Automobile loans and other consumer loans are charged-off at 120-days past due. First-lien and second-lien home equity loans are charged-off to the estimated fair value of the collateral at 150-days past due and 120-days past due, respectively. Residential mortgages are charged-off to the estimated fair value of the collateral at 150-days past due.

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The following table reflects NCO detail for each of the last five quarters:

Table 28 Quarterly Net Charge-off Analysis

	2011			2010	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third
Net charge-offs by loan and lease type:					
Commercial:					
Commercial and industrial	**$ 17,891**	$ 18,704	$ 42,191	$ 59,124	$ 62,241
Commercial real estate:					
Construction	**1,450**	4,145	28,400	11,084	17,936
Commercial	**22,990**	23,450	39,283	33,787	45,725
Commercial real estate	**24,440**	27,595	67,683	44,871	63,661
Total commercial	**42,331**	46,299	109,874	103,995	125,902
Consumer:					
Automobile	**3,863**	2,255	4,712	7,035	5,570
Home equity	**26,222**	25,441	26,715	29,175	27,827
Residential mortgage(1)	**11,562**	16,455	18,932	26,775	18,961
Other consumer	**6,577**	7,084	4,850	5,271	6,254
Total consumer	**48,224**	51,235	55,209	68,256	58,612
Total net charge-offs	**$ 90,555**	$ 97,534	$ 165,083	$ 172,251	$ 184,514
Net charge-offs annualized percentages:					
Commercial:					
Commercial and industrial	**0.52%**	0.56%	1.29%	1.85%	2.01%
Commercial real estate:					
Construction	**0.87**	2.99	18.59	6.19	7.25
Commercial	**1.69**	1.65	2.66	2.22	3.01
Commercial real estate	**1.60**	1.77	4.15	2.64	3.60
Total commercial	**0.86**	0.94	2.24	2.13	2.59
Consumer:					
Automobile	**0.25**	0.15	0.33	0.51	0.43
Home equity	**1.31**	1.29	1.38	1.51	1.47
Residential mortgage(1)	**0.97**	1.44	1.70	2.42	1.73
Other consumer	**5.05**	5.27	3.47	3.66	3.83
Total consumer	**0.99**	1.08	1.20	1.50	1.32
	0.92%	1.01%	1.73%	1.82%	1.98%

Net charge-offs as a % of average loans

(1) The 2010 fourth quarter included net charge-offs of $16,389 thousand related to the sale of certain underperforming residential mortgage loans.

In assessing NCO trends, it is helpful to understand the process of how these loans are treated as they deteriorate over time. The ALLL established at origination is consistent with the level of risk associated with the original underwriting. As a part of our normal portfolio management process for commercial loans, the loan is periodically reviewed and the ALLL is increased or decreased as warranted. If the quality of a loan has deteriorated, it migrates to a lower quality risk rating, requiring a higher ALLL amount. Charge-offs, if necessary, are generally recognized in a period after the specific ALLL was established. If the previously established ALLL exceeds that needed to satisfactorily resolve the problem loan, a reduction in the overall level of the ALLL could be recognized. In summary, if loan quality deteriorates, the typical credit sequence would be periods of ALLL building, followed by periods of higher NCOs as the previously established ALLL is utilized. Additionally, an increase in the ALLL either precedes or is in conjunction with increases in NALs. When a loan is classified as NAL, it is evaluated for specific ALLL or charge-off. As a result, an increase in NALs does not necessarily result in an increase in the ALLL or an expectation of higher future NCOs.

Residential mortgage NCO annualized percentages generally are greater than those of the home equity portfolio. The NCO annualized percentage in the home equity portfolio is the result of a higher quality customer base as measured by FICO distribution and a substantial portion of the growth is represented by first-lien positions. Additionally, we accelerated the charge-off policy associated with the residential mortgage portfolio in 2010 which shortened the maximum timeframe to charge-off and, during 2011, have executed two NPL sales in the residential mortgage portfolio with resulting charge-offs.

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2011 Third Quarter versus 2011 Second Quarter

C&I NCOs declined $0.8 million, or 4%. CRE NCOs decreased $3.2 million, or 11%. These declines were evident across our geographic footprint and generally associated with small relationships. The performance of both portfolios was consistent with our expectations. Based on asset quality trends, we continue to anticipate this lower level of CRE NCOs in future quarters.

Automobile NCOs increased $1.6 million, or 71%. The current quarter s performance was consistent with our expectations. The prior quarter s NCOs were historically low reflecting a combination of low delinquency levels and a strong resale market for used vehicles.

Home equity NCOs increased $0.8 million, or 3%. Although the performance of this portfolio continues to be impacted by the weakened overall economy and the continued decline in home values, this slight increase was consistent with our expectations. We continue to manage the default rate through focused delinquency monitoring as essentially all defaults for second-lien home equity loans incur significant losses reflecting the reduction of equity associated with the collateral property.

Residential mortgage NCOs declined $4.9 million, or 30%, consistent with our expectations for a continued downward trend in this portfolio.

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The following table reflects NCO activity for the first nine-month periods ended September 30, 2011 and 2010:

Table 29 Year to Date Net Charge-off Analysis

	Nine Months Ended September 30,	
(dollar amounts in thousands)	**2011**	2010
Net charge-offs by loan and lease type:		
Commercial:		
Commercial and industrial	$ **78,786**	$ 195,808
Commercial real estate:		
Construction	**33,995**	97,924
Commercial	**85,723**	132,767
Commercial real estate	**119,718**	230,691
Total commercial	**198,504**	426,499
Consumer:		
Automobile	**10,830**	19,537
Home equity(1)	**78,378**	110,198
Residential mortgage(2)	**46,949**	126,120
Other loans	**18,511**	19,869
Total consumer	**154,668**	275,724
Total net charge-offs	$ **353,172**	$ 702,223
Net charge-offs annualized percentages:		
Commercial:		
Commercial and industrial	**0.78%**	2.12%
Commercial real estate:		
Construction	**7.41**	10.67
Commercial	**2.01**	2.88
Commercial real estate	**2.54**	4.17
Total commercial	**1.35**	2.89
Consumer:		
Automobile	**0.24**	0.56
Home equity(1)	**1.33**	1.95
Residential mortgage(2)	**1.36**	3.74
Other loans	**4.58**	3.84

Total consumer	**1.09**	2.11
Net charge-offs as a % of average loans	**1.22%**	2.52%

(1) The 2010 first nine-month period included net charge-offs totaling $14,678 thousand associated with the transfer of Franklin-related home equity loans to loans held for sale and $6,143 thousand of other Franklin-related net charge-offs.

(2) The 2010 first nine-month period included net charge-offs totaling $60,822 thousand associated with the transfer of Franklin-related residential mortgage loans to loans held for sale and $14,914 thousand of other Franklin-related net charge-offs.

2011 First Nine Months versus 2010 First Nine Months

C&I NCOs decreased $117.0 million, or 60%. CRE NCOs decreased $111.0 million, or 48%. These declines primarily reflected significant credit quality improvement in the underlying portfolio as well as our on-going proactive credit management practices.

Automobile NCOs decreased $8.7 million, or 45%, reflected our consistent high quality origination profile, as well as a stronger market for used automobiles. This focus on origination quality has been the primary driver for the improvement in this portfolio in the current period compared with the year-ago period.

Home equity NCOs declined $31.8 million, or 29%. The first nine-month period of 2010 included $20.7 million of Franklin-related NCOs compared with no Franklin-related NCOs in the current period. Excluding the Franklin-related impacts, home equity NCOs decreased $11.1 million compared with the first nine-month period of 2010. Although the performance of this portfolio continued to be impacted by the overall weak economic conditions and the continued decline of residential real estate property values, the performance was consistent with our expectations for the portfolio.

Residential mortgage NCOs declined $79.2 million, or 63%. The first nine-month period of 2010 included $75.7 million of Franklin-related net charge-offs, and the first nine-month period of 2011 included Franklin-related net recoveries of $2.5 million. Excluding the Franklin impacts, residential mortgage NCOs decreased $1.0 million compared with the first nine-month period of 2010. Additionally, the first nine-month period of 2011 included $6.8 million of NCOs related to a change in loss recognition policy *(see Consumer Credit section).* Excluding these impacts, performance was consistent with our expectations for a continued downward trend in this portfolio.

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

OVERVIEW

Interest rate risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (reprice risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers ability to prepay residential mortgage loans at any time and depositors ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a non-parallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and LIBOR (basis risk).

INCOME SIMULATION AND ECONOMIC VALUE ANALYSIS

Interest rate risk measurement is performed monthly. Two broad approaches to modeling interest rate risk are employed: income simulation and economic value analysis. An income simulation analysis is used to measure the sensitivity of forecasted ISE to changes in market rates over a one-year time period. Although bank owned life insurance, automobile operating lease assets, and excess cash balances held at the Federal Reserve Bank are classified as noninterest-earning assets, and the net revenue from these assets is recorded in noninterest income and noninterest expense, these portfolios are included in the interest sensitivity analysis because they have attributes similar to interest-earning assets. EVE analysis is used to measure the sensitivity of the values of period-end assets and liabilities to changes in market interest rates. EVE analysis serves as a complement to ISE analysis as it provides risk exposure estimates for time periods beyond the one-year simulation period.

The models used for these measurements take into account prepayment speeds on mortgage loans, mortgage-backed securities, and consumer installment loans, as well as cash flows of other assets and liabilities. Balance sheet growth assumptions are also considered in the ISE analysis. The models include the effects of derivatives, such as interest rate swaps, caps, floors, and other types of interest rate options.

The baseline scenario for ISE analysis, with which all other scenarios are compared, is based on market interest rates implied by the prevailing yield curve as of the period-end. Alternative interest rate scenarios are then compared with the baseline scenario. These alternative interest rate scenarios include parallel rate shifts on both a gradual and an immediate basis, movements in interest rates that alter the shape of the yield curve (e.g., flatter or steeper yield curve), and no changes in current interest rates for the entire measurement period. Scenarios are also developed to measure short-term repricing risks, such as the impact of LIBOR-based interest rates rising or falling faster than the prime rate.

The simulations for evaluating short-term interest rate risk exposure are scenarios that model gradual +/-100 and +/-200 basis points parallel shifts in market interest rates over the next one-year period beyond the interest rate change implied by the current yield curve. We assumed market interest rates would not fall below 0% over the next one-year period for the scenarios that used the -100 and -200 basis points parallel shift in market interest rates. The table below shows the results of the scenarios as of September 30, 2011, and December 31, 2010. All of the positions were within the board of directors policy limits as of September 30, 2011.

Table 30 Interest Sensitive Earnings at Risk

	Interest Sensitive Earnings at Risk (%)			
Basis point change scenario	-200	-100	+100	+200
Board policy limits	-4.0%	-2.0%	-2.0%	-4.0%
September 30, 2011	**-2.1**	**-1.3**	**1.1**	**2.2**
December 31, 2010	-3.2	-1.8	0.3	0.0

The ISE at risk reported as of September 30, 2011, for the +200 basis points scenario shows a significant change to an asset sensitive near-term interest rate risk position compared with December 31, 2010. The ALCO s strategy is to be near-term asset-sensitive to a rising rate scenario. The primary factors contributing to this change are the 2011 first quarter termination of $4.5 billion of interest rate swaps maturing through June 2012, offset slightly by $1.8 billion of interest rate swaps executed in the 2011 second and third quarters, and the impact of lower interest rates on mortgage asset prepayments.

The following table shows the income sensitivity of select portfolios to changes in market interest rates. A portfolio with 100% sensitivity would indicate that interest income and expense will change with the same magnitude and direction as interest rates. A portfolio with 0% sensitivity is insensitive to changes in interest rates. For the +200 basis points scenario, total interest-sensitive income is 36.8% sensitive to changes in market interest rates, while total interest-sensitive expense is 40.2% sensitive to changes in market interest rates. However, net interest income at risk for the +200 basis points scenario has an asset-sensitive near-term interest rate risk position because of the larger base of total interest-sensitive income relative to total interest-sensitive expense.

Table 31 Interest Income/Expense Sensitivity

	Percent of Total Earning Assets (1)	Percent Change in Interest Income/Expense for a Given Change in Interest Rates Over / (Under) Base Case Parallel Ramp			
Basis point change scenario		-200	-100	+100	+200
Total loans	80%	-16.2%	-25.3%	37.9%	39.4%
Total investments and other earning assets	20	-17.8	-22.1	32.5	30.2
Total interest sensitive income		-16.0	-24.0	36.1	36.8
Total interest-bearing deposits	71	-11.5	-18.9	35.5	36.5
Total borrowings	11	-21.0	-37.6	62.7	66.0
Total interest-sensitive expense		-12.7	-21.2	38.9	40.2

(1) At September 30, 2011.

The primary simulations for EVE at risk assume immediate +/-100 and +/-200 basis points parallel shifts in market interest rates beyond the interest rate change implied by the current yield curve. The table below outlines the September 30, 2011, results compared with December 31, 2010. All of the positions were within the board of directors policy limits.

Table 32 Economic Value of Equity at Risk

	Economic Value of Equity at Risk (%)			
Basis point change scenario	-200	-100	+100	+200

Board policy limits	-12.0%	-5.0%	-5.0%	-12.0%
September 30, 2011	**-4.2**	**-0.7**	**-1.0**	**-3.3**
December 31, 2010	-0.5	1.3	-4.0	-8.9

The EVE at risk reported as of September 30, 2011, for the +200 basis points scenario shows a change to a lower long-term liability sensitive position compared with December 31, 2010. The primary factors contributing to this change are the impact of lower interest rates on mortgage asset prepayments, the growth in low-cost deposits, and the 2011 first quarter termination of $4.5 billion of interest rate swaps maturing through June 2012, offset slightly by $1.8 billion of interest rate swaps executed in the 2011 second and third quarters.

The following table shows the economic value sensitivity of select portfolios to changes in market interest rates. The change in economic value for each portfolio is measured as the percent change from the base economic value for that portfolio. For the +200 basis points scenario, total net tangible assets decreased in value 3.1% to changes in market interest rates, while total net tangible liabilities increased in value 3.1% to changes in market interest rates.

Table 33 Economic Value Sensitivity

	Percent of Total Net Tangible Assets (1)	Percent Change in Economic Value for a Given Change in Interest Rates Over / (Under) Base Case Parallel Shocks			
Basis point change scenario		-200	-100	+100	+200
Total loans	71%	0.9%	0.8%	-1.3%	-2.6%
Total investments and other earning assets	18	2.0	2.0	-2.8	-5.9
Total net tangible assets (2)		1.1	1.0	-1.5	-3.1
Total deposits	79	-2.1	-1.4	1.7	3.3
Total borrowings	9	-1.1	-0.8	0.8	1.6
Total net tangible liabilities (3)		-2.0	-1.3	1.6	3.1

(1) At September 30, 2011.

(2) Tangible assets excluding ALLL.

(3) Tangible liabilities excluding AULC.

MSRs

(This section should be read in conjunction with Note 6 of Notes to Unaudited Condensed Consolidated Financial Statements.)

At September 30, 2011, we had a total of $145.3 million of capitalized MSRs representing the right to service $16.1 billion in mortgage loans. Of this $145.3 million, $73.8 million was recorded using the fair value method, and $71.5 million was recorded using the amortization method.

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. We have employed strategies to reduce the risk of MSR fair value changes or impairment to MSRs recorded using the amortization method. In addition, we engage a third party to provide valuation tools and assistance with our strategies with the objective to decrease the volatility from MSR fair value changes or impairment to MSRs recorded using the amortization method. 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 in the mortgage banking income category of noninterest income. Changes in fair value between reporting dates are recorded as an increase or a decrease in mortgage banking income. We report MSRs recorded using the amortization method at the lower of cost or fair value and these MSRs generally relate to loans originated with historically low interest rates, resulting in a lower probability of prepayments and, ultimately, impairment. MSR assets are included in other assets in the Unaudited Condensed Consolidated Financial Statements.

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. We have price risk from trading securities, securities owned by our broker-dealer subsidiaries, foreign exchange positions, equity investments, investments in securities backed by mortgage loans, and marketable equity securities held by our insurance subsidiaries. We have established loss limits on the trading portfolio, on the amount of foreign exchange exposure that can be maintained, and on the amount of marketable equity securities that can be held by the insurance subsidiaries.

Liquidity Risk

Liquidity risk is the risk of loss due to the possibility that funds may not be available to satisfy current or future commitments resulting from external macro market issues, investor and customer perception of financial strength, and events unrelated to us, such as war, terrorism, or financial institution market specific issues. We manage liquidity risk at both the Bank and the parent company.

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Bank Liquidity and Sources of Liquidity

Our primary sources of funding for the Bank are retail and commercial core deposits. At September 30, 2011, these core deposits funded 74% of total assets. At September 30, 2011, total core deposits represented 94% of total deposits, an increase from 93% at December 31, 2010.

Core deposits are comprised of interest-bearing and noninterest-bearing demand deposits, money market deposits, savings and other domestic deposits, consumer certificates of deposit both over and under $250,000, and nonconsumer certificates of deposit less than $250,000. Noncore deposits consist of brokered money market deposits and certificates of deposit, foreign time deposits, and other domestic deposits of $250,000 or more comprised primarily of public fund certificates of deposit more than $250,000.

Core deposits may increase our need for liquidity as certificates of deposit mature or are withdrawn before maturity and as nonmaturity deposits, such as checking and savings account balances, are withdrawn.

Demand deposit overdrafts that have been reclassified as loan balances were $14.0 million, $13.1 million, and $13.1 million at September 30, 2011, December 31, 2010, and September 30, 2010, respectively.

Other domestic time deposits of $250,000 or more and brokered deposits and negotiable CDs totaled $2.0 billion, $2.2 billion, and $2.3 billion at September 30, 2011, December 31, 2010, and September 30, 2010, respectively.

The following tables reflect deposit composition and short-term borrowings detail for each of the past five quarters:

Table 34 Deposit Composition

	2011						**2010**			
(dollar amounts in millions)	**September 30,**		June 30,		March 31,		December 31,		September 30,	
By Type										
Demand deposits - noninterest-bearing	**$ 9,502**	**22%**	$ 8,210	20%	$ 7,597	18%	$ 7,217	17%	$ 6,926	17%
Demand deposits interest-bearing	**5,763**	**13**	5,642	14	5,532	13	5,469	13	5,347	13
Money market deposits	**13,759**	**32**	12,643	31	13,105	32	13,410	32	12,679	31
Savings and other domestic deposits	**4,711**	**11**	4,752	11	4,762	12	4,643	11	4,613	11
Core certificates of deposit	**7,084**	**16**	7,936	19	8,208	20	8,525	20	8,765	21
Total core deposits	**40,819**	**94**	39,183	95	39,204	95	39,264	93	38,330	93
Other domestic deposits of $250,000 or more	**421**	**1**	436	1	531	1	675	2	730	2
Brokered deposits and negotiable CDs	**1,535**	**4**	1,486	4	1,253	3	1,532	4	1,576	4
Deposits in foreign offices	**445**	**1**	297		378	1	383	1	436	1
Total deposits	**$ 43,220**	**100%**	$ 41,402	100%	$ 41,366	100%	$ 41,854	100%	$ 41,072	100%
Total core deposits:										
Commercial	**$ 15,526**	**38%**	$ 13,541	35%	$ 12,785	33%	$ 12,476	32%	$ 12,262	32%
Consumer	**25,293**	**62**	25,642	65	26,419	67	26,788	68	26,068	68
Total core deposits	**$ 40,819**	**100%**	$ 39,183	100%	$ 39,204	100%	$ 39,264	100%	$ 38,330	100%

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Table 35 Federal Funds Purchased and Repurchase Agreements

	2011			2010	
(dollar amounts in millions)	**September 30,**	June 30,	March 31,	December 31,	September 30,
Balance at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 2,201**	$ 1,983	$ 2,017	$ 1,966	$ 1,773
Other short-term borrowings	**24**	40	34	75	86
Weighted average interest rate at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**0.16%**	0.15%	0.17%	0.19%	0.22%
Other short-term borrowings	**1.01**	0.69	0.92	0.53	0.40
Maximum amount outstanding at month-end during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 2,431**	$ 2,361	$ 2,091	$ 2,084	$ 1,773
Other short-term borrowings	**53**	50	86	108	99
Average amount outstanding during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 2,200**	$ 2,067	$ 2,064	$ 2,045	$ 1,645
Other short-term borrowings	**51**	45	69	89	94
Weighted average interest rate during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**0.16%**	0.15%	0.17%	0.19%	0.21%
Other short-term borrowings	**0.56**	0.58	0.52	0.38	0.35

To the extent we are unable to obtain sufficient liquidity through core deposits, we may meet our liquidity needs through sources of wholesale funding. These sources include other domestic time deposits of $250,000 or more, brokered deposits and negotiable CDs, deposits in foreign offices, short-term borrowings, FHLB advances, other long-term debt, and subordinated notes. At September 30, 2011, total wholesale funding was $7.6 billion, a decrease from $8.4 billion at December 31, 2010. There are no maturities of Bank obligations until 2012, when debt maturities of $664.9 million are payable.

The Bank also has access to the Federal Reserve s discount window. These borrowings are secured by commercial loans and home equity lines-of-credit. The Bank is also a member of the FHLB, and as such, has access to advances from this facility. These advances are generally secured by residential mortgages, other mortgage-related loans, and available-for-sale securities. Information regarding amounts pledged, for the ability to borrow if necessary, and the unused borrowing capacity at both the Federal Reserve Bank and the FHLB, is outlined in the following table:

Table 36 Federal Reserve and FHLB Borrowing Capacity

(dollar amounts in billions)	**September 30, 2011**	December 31, 2010
Loans and securities pledged:		
Federal Reserve Bank	$ **10.2**	$ 9.7
FHLB	**7.9**	7.8
Total loans and securities pledged	$ **18.1**	$ 17.5
Total unused borrowing capacity at Federal Reserve Bank and FHLB	$ **9.8**	$ 8.8

We can also obtain funding through other methods including: (1) purchasing federal funds, (2) selling securities under repurchase agreements, (3) the sale or maturity of investment securities, (4) the sale or securitization of loans, (5) the sale of national market certificates of deposit, (6) paydowns and/or securitization arising from the relatively shorter-term structure of our commercial loans and automobile loans, and (7) the issuance of common and preferred stock.

During the 2011 third quarter, Huntington transferred automobile loans totaling $1.0 billion to a trust in a securitization transaction. The securitization qualified for sale accounting. Net proceeds of $1.0 billion from the transaction will be used for general corporate purposes, including repayment of other long-term debt.

At September 30, 2011, we believe the Bank has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Parent Company Liquidity

The parent company s funding requirements consist primarily of dividends to shareholders, debt service, income taxes, operating expenses, funding of nonbank subsidiaries, repurchases of our stock, and acquisitions. The parent company obtains funding to meet obligations from interest received from the Bank, interest and dividends received from direct subsidiaries, net taxes collected from subsidiaries included in the federal consolidated tax return, fees for services provided to subsidiaries, and the issuance of debt securities.

At September 30, 2011, December 31, 2010, and September 30, 2010, the parent company had $0.7 billion, $0.6 billion and $0.9 billion, respectively, in cash and cash equivalents. The decrease from September 30, 2010, primarily reflected the repurchase of our TARP Capital in the 2010 fourth quarter, along with dividend payments on our common and preferred stock, partially offset by the net impact of the equity and debt public offerings. Appropriate limits and guidelines are in place to ensure the parent company has sufficient cash to meet operating expenses and other commitments over the next 12 months without relying on subsidiaries or capital markets for funding.

During the 2010 fourth quarter, we completed a public offering and sale of 146.0 million shares of common stock at a price of $6.30 per share, or $920.0 million in aggregate gross proceeds. Also during the 2010 fourth quarter, we completed the public offering and sale of $300.0 million aggregate principal amount of 7.00% Subordinated Notes due 2020. We used the net proceeds from these transactions to repurchase our TARP Capital. On January 19, 2011, we repurchased the warrant we had issued to the Treasury at an agreed upon purchase price of $49.1 million. The warrant had entitled the Treasury to purchase 23.6 million shares of common stock.

On October 20, 2011, we announced that the board of directors had declared a quarterly common stock cash dividend of $0.04 per common share. The dividend is payable on January 3, 2012, to shareholders of record on December 20, 2011. Based on the dividend increase to $0.04 per common share, cash demands required for common stock dividends are estimated to be approximately $34.6 million per quarter. Based on the current dividend, cash demands required for Series A Preferred Stock are estimated to be approximately $7.7 million per quarter.

Based on a regulatory dividend limitation, the Bank could not have declared and paid a dividend to the parent company at September 30, 2011, without regulatory approval. We do not anticipate that the Bank will need to request regulatory approval to pay dividends in the near future. 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.

With the exception of the common and preferred dividends previously discussed, the parent company does not have any significant cash demands. There are no maturities of parent company obligations until 2013, when a debt maturity of $50.0 million is payable. It is our policy to keep operating cash on hand at the parent company to satisfy any cash demands for the next 12 months.

We sponsor a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The Plan provides benefits based upon length of service and compensation levels. Our policy is to contribute an annual amount that is at least equal to the minimum funding requirements. The Bank and other subsidiaries fund approximately 90% of pension contributions. There is no required minimum contribution for 2011, although we contributed $50 million in March 2011 and anticipate contributing an additional $40 million in the 2011 fourth quarter. Funding requirements are calculated annually as of the end of the year and are heavily dependent on the value of our pension plan assets and the interest rate used to discount plan obligations. To the extent that the low interest rate environment continues, including as a result of the Federal Reserve Maturity Extension Program Operation Twist , or the pension plan does not earn the expected asset return rates, annual pension contribution requirements in future years could increase and such increases could be significant. However, any additional pension contributions are not expected to significantly impact liquidity.

Considering the factors discussed above, and other analyses that we have performed, we believe the parent company has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Off-Balance Sheet Arrangements

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

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

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, 2011, we had $0.5 billion of standby letters-of-credit outstanding, of which 80% were collateralized. Included in this $0.5 billion are letters-of-credit issued by the Bank that support securities that were issued by our customers and remarketed by The Huntington Investment Company, our broker-dealer subsidiary.

We enter into forward contracts relating to the mortgage banking business to hedge the exposures we have from commitments to extend new residential mortgage loans to our customers and from our mortgage loans held for sale. At September 30, 2011, December 31, 2010, and September 30, 2010, we had commitments to sell residential real estate loans of $673.5 million, $998.7 million, and $1,254.4 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.

Operational Risk

As with all companies, we are subject to operational risk. Operational risk is the risk of loss due to human error; inadequate or failed internal systems and controls; violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards; and external influences such as market conditions, fraudulent activities, disasters, and security risks. We continuously strive to strengthen our system of internal controls to ensure compliance with laws, rules, and regulations, and to improve the oversight of our operational risk.

To mitigate operational risks, we have established a senior management Operational Risk Committee and a senior management Legal, Regulatory, and Compliance Committee. The responsibilities of these committees, among other duties, include establishing and maintaining management information systems to monitor material risks and to identify potential concerns, risks, or trends that may have a significant impact and ensuring that recommendations are developed to address the identified issues. Both of these committees report any significant findings and recommendations to the Risk Management Committee. Additionally, potential concerns may be escalated to our Board Risk Oversight Committee, as appropriate.

The goal of this framework is to implement effective operational risk techniques and strategies, minimize operational and fraud losses, and enhance our overall performance.

Representation and Warranty Reserve

We primarily conduct our loan sale and securitization activity with FNMA and FHLMC. In connection with these and other securitization transactions, we make certain representations and warranties that the loans meet certain criteria, such as collateral type and underwriting standards. We may be required to repurchase individual loans and / or indemnify these organizations against losses due to a loan not meeting the established criteria. We have a reserve for such losses, which is included in accrued expenses and other liabilities. The reserves were estimated based on historical and expected repurchase activity, average loss rates, and current economic trends. The level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions containing a level of uncertainty and risk that may change over the life of the underlying loans. We do not believe we have sufficient information to estimate the range of reasonably possible loss related to representation and warranty exposure.

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The table below reflects activity in the representations and warranties reserve:

Table 37 Summary of Reserve for Representations and Warranties on Mortgage Loans Serviced for Others

	2011			2010	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third
Reserve for representations and warranties, beginning of period	**$ 24,496**	$ 23,785	$ 20,170	$ 18,026	$ 10,519
Assumed reserve for representations and warranties					7,000
Reserve charges	**(3,340)**	(365)	(270)	(4,242)	(1,787)
Provision for representations and warranties	**2,697**	1,076	3,885	6,386	2,294
Reserve for representations and warranties, end of period	**$ 23,853**	$ 24,496	$ 23,785	$ 20,170	$ 18,026

Table 38 Mortgage Loan Repurchase Statistics

	2011			2010	
(dollar amounts in thousands)	**Third**	Second	First	Fourth	Third
Number of loans sold	**3,877**	3,875	8,933	10,314	6,944
Amount of loans sold (UPB)	**$ 529,722**	$ 512,069	$ 1,313,994	$ 1,577,879	$ 1,043,024
Number of loans repurchased	**43**	36	15	71	118
Amount of loans repurchased (UPB)	**$ 7,325**	$ 4,755	$ 2,343	$ 13,198	$ 15,356
Number of claims received	**96**	130	118	105	108
Successful dispute rate (1)	**27%**	49%	86%	21%	36%
Number of make whole payments	**38**	8	6	44	19
Amount of make whole payments	**$ 3,392**	$ 445	$ 560	$ 3,835	$ 1,444

(1) Successful disputes are a percent of close out requests. Process changes in 2011 significantly decreased close out requests inflating this ratio.

Process changes in 2011 increased the number of make whole payment request disputes and significantly decreased close outs of make whole requests. The related reserves were increased to account for the delay in close out requests.

Foreclosure Documentation

Compared to the high volume servicers, we service a relatively low volume of residential mortgage foreclosures, with approximately 4,100 foreclosure cases as of September 30, 2011, in states that require foreclosures to proceed through the courts. We have reviewed and are continuing to review our residential foreclosure process. We have not found any evidence suggesting that any foreclosure by the Bank should not have proceeded. We have and are strengthening our processes and controls to ensure that our foreclosure processes do not have the deficiencies identified in those institutions which are the subject of the consent orders between the high volume servicers and their respective federal regulators.

Compliance Risk

Financial institutions are subject to several laws, rules, and regulations emanating at both the federal and state levels. These broad-based mandates include, but are not limited to, expectations on anti-money laundering, lending limits, client privacy, fair lending, community reinvestment, and other important areas. Recently, the volume and complexity of regulatory changes have added to the overall compliance risk. We have invested in various resources to help ensure we meet expectations, and we have a team of compliance experts dedicated to ensuring our conformance. We require training for our colleagues for several broad-based laws and regulations. For example, all of our colleagues are expected to pass courses on anti-money laundering and customer privacy. Those colleagues who are engaged in lending activities must also take training related to flood disaster protection, equal credit opportunity, fair lending, and / or a variety of other courses related to the extension of credit. We set a high standard of expectation for adherence to compliance management and seek to continuously enhance our performance.

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. Shareholders equity totaled $5.4 billion at September 30, 2011, an increase of $0.4 billion, or 8%, from December 31, 2010, primarily reflecting an increase in retained earnings. We believe our current level of capital is adequate.

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TARP Capital

As discussed in our 2010 Form 10-K, we fully exited our TARP relationship during the 2011 first quarter by repurchasing for $49.1 million the ten-year warrant we had issued to the Treasury as part of the TARP. Refer to the 2010 Form 10-K for a complete discussion regarding the issuing and repayment of our TARP Capital.

Capital Adequacy

The following table presents risk-weighted assets and other financial data necessary to calculate certain financial ratios that we use to measure capital adequacy:

Table 39 Capital Adequacy

	2011			2010	
(dollar amounts in millions)	**September 30,**	June 30,	March 31,	December 31,	September 30,
Consolidated capital calculations:					
Common shareholders equity	**$ 5,037**	$ 4,890	$ 4,676	$ 4,618	$ 3,867
Preferred shareholders equity	**363**	363	363	363	1,700
Total shareholders equity	**5,400**	5,253	5,039	4,981	5,567
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(188)**	(202)	(215)	(229)	(244)
Other intangible assets deferred tax liability (1)	**66**	71	75	80	85
Total tangible equity (2)	**4,834**	4,678	4,455	4,388	4,964
Preferred shareholders equity	**(363)**	(363)	(363)	(363)	(1,700)
Total tangible common equity (2)	**$ 4,471**	$ 4,315	$ 4,092	$ 4,025	$ 3,264
Total assets	**$ 54,979**	$ 53,050	$ 52,949	$ 53,820	$ 53,247
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(188)**	(202)	(215)	(229)	(244)
Other intangible assets deferred tax liability (1)	**66**	71	75	80	85
Total tangible assets (2)	**$ 54,413**	$ 52,475	$ 52,365	$ 53,227	$ 52,644
Tier 1 capital	**$ 5,488**	$ 5,352	$ 5,179	$ 5,022	$ 5,480
Preferred shareholders equity	**(363)**	(363)	(363)	(363)	(1,700)
Trust-preferred securities	**(565)**	(565)	(570)	(570)	(570)
REIT-preferred stock	**(50)**	(50)	(50)	(50)	(50)
Tier 1 common equity (2)	**$ 4,510**	$ 4,374	$ 4,196	$ 4,039	$ 3,160
Risk-weighted assets (RWA)	**$ 44,376**	$ 44,080	$ 43,024	$ 43,471	$ 42,759

Tier 1 common equity / RWA ratio (2)	**10.17%**	9.92%	9.75%	9.29%	7.39%
Tangible equity / tangible asset ratio (2)	**8.88**	8.91	8.51	8.24	9.43
Tangible common equity / tangible asset ratio (2)	**8.22**	8.22	7.81	7.56	6.20
Tangible common equity / RWA ratio (2)	**10.08**	9.79	9.51	9.26	7.63

(1) Other intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.

(2) Tangible equity, Tier 1 common equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.

Capital continued to strengthen as period-end capital ratios improved compared to December 31, 2010. Our Tier 1 common risk-based ratio improved 88 basis points to 10.17% at September 30, 2011 compared to 9.29% at December 31, 2010. This increase primarily reflected the combination of an increase in retained earnings and a reduction in the disallowed tax deferred asset.

The Tier 1 common risk-based ratio is the metric that has gained prominence with regulators. The recent international banking Basel III accord sets this ratio minimum at 7.0% with an additional buffer of up to 2.5% for a GSIFI. While we are not a GSIFI, the Dodd-Frank Act requires that any bank with assets over $50.0 billion would be subject to additional scrutiny. U.S. regulators have identified such qualifying banks as SIFIs. With $55 billion in assets at September 30, 2011, we are at the lower range of the SIFI group. Although we do not know at this time how much, if any, our required buffer will be, we believe that our current period-end capital ratios are well positioned.

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Regulatory Capital

Regulatory capital ratios are the primary metrics used by regulators in assessing the safety and soundness of banks. We intend to maintain both our and the Bank s risk-based capital ratios at levels at which both would be considered Well-capitalized by regulators. 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.

Regulatory capital primarily consists of Tier 1 capital and Tier 2 capital. The sum of Tier 1 capital and Tier 2 capital equals our total risk-based capital. The following table reflects changes and activity to the various components utilized in the calculation of our consolidated Tier 1, Tier 2, and total risk-based capital amounts during the first nine-month period of 2011.

Table 40 Consolidated Regulatory Capital Activity

	Tier 1 Capital					
(dollar amounts in millions)	Common Shareholders Equity (1)	Preferred Shareholders Equity	Qualifying Core Capital (2)	Disallowed Goodwill & Intangible assets	Disallowed Other Adjustments (net)	Total Tier 1 Capital
Balance at December 31, 2010	$ 4,815	$ 363	$ 620	$ (607)	$ (169)	$ 5,022
Earnings	416					416
Changes to disallowed adjustments				39	(13)	26
Dividends	(75)					(75)
Repurchase of TARP Capital warrant	(49)					(49)
Repurchase of qualifying trust preferred securities			(5)			(5)
Disallowance of deferred tax assets					142	142
Other	11					11
Balance at September 30, 2011	$ 5,118	$ 363	$ 615	$ (568)	$ (40)	$ 5,488

	Total risk-based capital				
	Qualifying ACL	Qualifying Subordinated Debt	Tier 2 Capital	Tier 1 Capital (from above)	Total risk-based capital
Balance at December 31, 2010	$ 552	$ 711	$ 1,263	$ 5,022	$ 6,285
Change in qualifying subordinated debt		(56)	(56)		(56)
Change in qualifying ACL	9		9		9
Changes to Tier 1 Capital (see above)				466	466

Balance at September 30, 2011	$	561	$	655	$	1,216	$	5,488	$	6,704

(1) Excludes accumulated other comprehensive income and minority interest.

(2) Includes minority interest.

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The following table presents our regulatory capital ratios at both the consolidated and Bank levels for each of the past five quarters:

Table 41 Regulatory Capital Ratios

		2011			2010	
		September 30,	June 30,	March 31,	December 31,	September 30,
Total risk-weighted assets *(in millions)*	Consolidated	**$ 44,376**	$ 44,080	$ 43,024	$ 43,471	$ 42,759
	Bank	**44,242**	43,907	42,750	43,281	42,503
Tier 1 leverage ratio	Consolidated	**10.24%**	10.25%	9.80%	9.41%	10.54%
	Bank	**7.79**	7.62	7.23	6.97	6.85
Tier 1 risk-based capital ratio	Consolidated	**12.37**	12.14	12.04	11.55	12.82
	Bank	**9.40**	9.01	8.87	8.51	8.28
Total risk-based capital ratio	Consolidated	**15.11**	14.89	14.85	14.46	15.08
	Bank	**13.54**	13.17	13.11	12.82	12.69

The increase in our consolidated Tier 1 risk-based capital ratios compared with December 31, 2010 primarily reflected earnings from the first nine-month period of 2011 and a reduction in the disallowed deferred tax asset, partially offset by an increase in risk-weighted assets and the negative impact related to the payment of dividends and the repurchase of the TARP warrants.

At September 30, 2011, our Tier 1 and total risk-based capital in excess of the minimum level required to be considered Well-capitalized were $2.8 billion and $2.3 billion, respectively. The Bank had Tier 1 and total risk-based capital in excess of the minimum level required to be considered Well-capitalized of $1.5 billion and $1.6 billion, respectively, at September 30, 2011.

Other Capital Matters

On October 20, 2011, our board of directors declared a quarterly cash dividend of $0.04 per common share, payable in January 2012. A $0.04 per common share cash dividend was also declared on July 21, 2011. The $0.04 cash dividend per common share represented an increase from a cash dividend of $0.01 per common share that had been declared for several quarters prior to these declarations.

On October 20, 2011, our board of directors also declared a quarterly cash dividend on our 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock of $21.25 per share. The dividend is payable January 17, 2012, to share holders of record on January 1, 2012.

We consider disciplined capital management as a key objective, with dividends representing one component. Our strong capital ratios and expectations for continued earnings growth positions us to continue to actively explore additional capital management opportunities.

During the 2012 first quarter, we will be participating, for the first time, in the Federal Reserve s Comprehensive Capital Analysis and Review (CCAR). The Federal Reserve will evaluate our capital plan based on our risk profile and the strength of our internal capital assessment process under regulatory capital standards currently applicable and in accordance with our plans to address proposed revisions to the regulatory capital framework as set forth in Basel III and relevant provisions of the Dodd-Frank Act. The Federal Reserve s evaluation will take into consideration any capital distribution plans, such as plans to increase common stock dividends or to reinstate common stock repurchase programs.

BUSINESS SEGMENT DISCUSSION

Overview

We have four major business segments: Retail and Business Banking; Regional and Commercial Banking; Automobile Finance and Commercial Real Estate; and Wealth Advisors, Government Finance, and Home Lending. A Treasury / Other function also includes our insurance business and other unallocated assets, liabilities, revenue, and expenses. While this section reviews financial performance from a business segment perspective, it should be read in conjunction with the Discussion of Results of Operations, Note 18 of the Notes to Unaudited Condensed Consolidated Financial Statements, and other sections for a full understanding of our consolidated financial performance.

Business segment 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.

Funds Transfer Pricing

We use an active and centralized FTP methodology to attribute appropriate net interest income to the business segments. The intent of the FTP methodology is to eliminate all interest rate risk from the business segments 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 the Treasury / Other function where it can be centrally monitored and managed. The Treasury / Other function charges (credits) an internal cost of funds for assets held in (or pays for funding provided by) each business segment. The FTP rate is based on prevailing market interest rates for comparable duration assets (or liabilities), and includes an estimate for the cost of liquidity (liquidity premium). Deposits of an indeterminate maturity receive an FTP credit based on a combination of vintage-based average lives and replicating portfolio pool rates. Other assets, liabilities, and capital are charged (credited) with a four-year moving average FTP rate. The denominator in the net interest margin calculation has been modified to add the amount of net funds provided by each business segment for all periods presented.

Optimal Customer Relationship (OCR)

Our OCR initiative is a cross-business segment strategy designed to increase overall customer profitability and retention by deepening product and service penetration. We believe this can be accomplished by taking our broad array of services and products and delivering them through a rigorous and disciplined sales management process that is consistent across all business segments and regions. It is also supported by robust sales and cross-referral technology.

OCR was introduced in late 2009. To date much of the effort has been spent on defining processes, sales training, and systems development to fully capture and measure OCR performance metrics. This quarter, we are introducing OCR-related metrics for commercial relationships, which complements the previously disclosed consumer OCR-related metrics.

Consumer OCR Performance

For consumer OCR performance there are three key performance metrics: (1) the number of checking account households, (2) the number of services penetration per consumer checking account household, and (3) the revenue generated.

The growth in consumer checking account number of households is a result of both new sales of checking accounts and improved retention of existing checking account households. The overall objective is to grow the number of households, along with an increase in product penetration.

We use the checking account since it typically represents the primary banking relationship product. Further, in our definition of a checking account household, we only count a product or service once. We believe this is a better metric in that consumer behavior and loyalty are driven more by the variety of products used rather than just the number of products. For example, a household that has one checking account and one mortgage, we count as having two services. A household with four checking accounts, we count as having one service. The household relationship utilizing two services is viewed to be more profitable and loyal, even though it has a smaller number of accounts. The overall objective, therefore, is to decrease the percentage of 1-3 services per consumer checking account household, while increasing the percentage of those with 4 or more services.

The following table presents consumer checking account household OCR metrics:

Table 42 Consumer Checking Household OCR Cross-sell Report

	2011			2010	
	Third	Second	First	Fourth	Third
Number of households	**1,073,708**	1,042,424	1,015,951	993,272	980,167
Product Penetration by Number of Services					
1 Service	**4.4%**	4.5%	4.9%	5.3%	5.5%
2-3 Services	**22.8**	24.2	24.6	25.3	26.0
4+ Services	**72.8**	71.3	70.5	69.4	68.5
Total revenue *(in millions)*	**$ 251.9**	$ 260.0	$ 248.6	$ 240.3	$ 239.6

Our emphasis on cross-sell, coupled with customers increasingly being attracted by the benefits offered through our Fair Play banking philosophy with programs such as 24-Hour Grace® on overdrafts and more recently the launch of Asterisk-Free Checking , are having a positive effect. The percent of consumer households with over four products at the end of the 2011 third quarter was 72.8%, up from 69.4% at the end of last year. For the first nine-month period of 2011, consumer checking account households grew at a 10.8% annualized rate, up from an annualized 6.8% in 2010. Total consumer checking account household revenue in the 2011 third quarter was $251.9 million, down $8.1 million, or 3%, from the 2011 second quarter. This was primarily driven by a decline in the FTP related net interest income on average deposits and lower average balances of core certificates of deposit. Total consumer checking account household revenue was up $12.3 million, or 5%, from the year-ago quarter.

Commercial OCR Performance

For commercial OCR performance there are three key performance metrics: (1) the number of commercial relationships, (2) the number of services penetration per commercial relationship, and (3) the revenue generated.

The growth in the number of commercial relationships is a result of both new sales of checking accounts and improved retention of existing commercial accounts. The overall objective is to grow the number of relationships, along with an increase in product service distribution.

The commercial relationship is defined as a business banking or commercial banking customer with a checking account relationship. We use this metric because we believe that the checking account anchors a business relationship and creates the opportunity to increase our cross-sell.

The following table presents commercial relationship OCR metrics:

Table 43 Commercial Relationship OCR Cross-sell Report

	2011			2010	
	Third	Second	First	Fourth	Third
Commercial Relationships	**135,826**	133,165	130,240	127,596	126,569
Product Penetration by Number of Services					
1 Service	**29.7%**	30.7%	32.1%	32.9%	33.8%
2-3 Services	**41.1**	42.6	42.5	42.9	43.1
4+ Services	**29.2**	26.7	25.4	24.2	23.1
Total revenue *(in millions)*	**$ 175.5**	$ 166.6	$ 157.7	$ 160.8	$ 151.9

By focusing on targeted relationships we are able to achieve higher product service distribution among our commercial relationships. Our expanded product offerings allow us to focus not only on the credit driven relationship, but leverage these relationships to generate a deeper share of wallet. The percent of commercial relationships with over four products at the end of the 2011 third quarter was 29.2%, up from 24.2% at the end of last year. For the first nine-month period of 2011, commercial relationships grew at a 8.6% annualized rate. Total commercial relationship revenue in the 2011 third quarter was $175.5 million, up $8.9 million, or 5%, from the 2011 second quarter, and $23.6 million, or 16%, higher than the year-ago quarter.

Revenue Sharing

Revenue is recorded in the business segment responsible for the related product or service. Fee sharing is recorded to allocate portions of such revenue to other business segments involved in selling to, or providing service to, customers. Results of operations for the business segments reflect these fee sharing allocations.

Expense Allocation

The management accounting process that develops the business segment reporting utilizes various estimates and allocation methodologies to measure the performance of the business segments. Expenses are allocated to business segments using a two-phase approach. The first phase consists of measuring and assigning unit costs (activity-based costs) to activities related to product origination and servicing. These activity-based costs are then extended, based on volumes, with the resulting amount allocated to business segments that own the related products. The second phase consists of the allocation of overhead costs to all four business segments from Treasury / Other. We utilize a full-allocation methodology, where all Treasury / Other expenses, except those related to our insurance business, reported Significant Items (except for the goodwill impairment), and a small amount of other residual unallocated expenses, are allocated to the four business segments.

Treasury / Other

The Treasury / Other function includes revenue and expense related to our insurance business, and assets, liabilities, and equity not directly assigned or allocated to one of the four business segments. Assets include investment securities and bank owned life insurance. The financial impact associated with our FTP methodology, as described above, is also included.

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

Net Income by Business Segment

We reported net income of $415.8 million during the first nine-month period of 2011. This compared with net income of $189.4 million during the first nine-month period of 2010. The segregation of net income by business segment for the first nine-month period of 2011 and 2010 is presented in the following table:

Table 44 Net Income by Business Segment

	Nine Months Ended September 30,	
(dollar amounts in thousands)	**2011**	2010
Retail and Business Banking	**$ 139,245**	$ 76,393
Regional and Commercial Banking	**69,744**	41,138
AFCRE	**151,968**	(7,060)
WGH	**18,115**	38,764
Treasury/Other	**36,683**	40,212

Total net income	**$ 415,755**	$ 189,447

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Average Loans/Leases and Deposits by Business Segment

The segregation of total average loans and leases and total average deposits by business segment for the first nine-month period of 2011, is presented in the following table:

Table 45 Average Loans/Leases and Deposits by Business Segment

	Nine Months Ended September 30, 2011					
(dollar amounts in millions)	Retail and Business Banking	Regional and Commercial Banking	AFCRE	WGH	Treasury / Other	TOTAL
Average Loans/Leases						
Commercial and industrial	$ 3,039	$ 7,763	$ 1,739	$ 765	$ 81	$ 13,387
Commercial real estate	442	347	5,325	174		6,288
Total commercial	3,481	8,110	7,064	939	81	19,675
Automobile			5,957		1	5,958
Home equity	7,043	12	1	791	22	7,869
Residential mortgage	1,032	5		3,566	4	4,607
Other consumer	397	5	128	42	(33)	539
Total consumer	8,472	22	6,086	4,399	(6)	18,973
Total loans and leases	$ 11,953	$ 8,132	$ 13,150	$ 5,338	$ 75	$ 38,648
Average Deposits						
Demand deposits noninterest-bearing	$ 3,748	$ 2,059	$ 421	$ 1,565	$ 165	$ 7,958
Demand deposits interest-bearing	4,459	94	44	897	5	5,499
Money market deposits	7,923	1,273	248	3,784	2	13,230
Savings and other domestic deposits	4,579	13	13	140	(1)	4,744
Core certificates of deposit	7,835	28	3	146	5	8,017
Total core deposits	28,544	3,467	729	6,532	176	39,448
Other deposits	190	217	53	1,171	655	2,286
Total deposits	$ 28,734	$ 3,684	$ 782	$ 7,703	$ 831	$ 41,734

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Retail and Business Banking
Table 46 Key Performance Indicators for Retail and Business Banking

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2011**	2010	Amount	Percent
Net interest income	**$ 702,666**	$ 637,863	$ 64,803	10%
Provision for credit losses	**94,825**	150,320	(55,495)	(37)
Noninterest income	**311,598**	300,444	11,154	4
Noninterest expense	**705,216**	670,458	34,758	5
Provision for income taxes	**74,978**	41,136	33,842	82
Net income	**$ 139,245**	$ 76,393	$ 62,852	82%
Number of employees (full-time equivalent)	**5,649**	5,421	228	4%
Total average assets *(in millions)*	**$ 13,345**	$ 13,165	$ 180	1
Total average loans/leases *(in millions)*	**11,953**	11,801	152	1
Total average deposits *(in millions)*	**28,734**	28,615	119	
Net interest margin	**3.25%**	2.96%	0.29	10
NCOs	**$ 125,360**	$ 239,083	$ (113,723)	(48)
NCOs as a % of average loans and leases	**1.40%**	2.70%	(1.30)	(48)
Return on average common equity	**13.1**	7.1	6.0	85

eop End of Period.

2011 First Nine Months vs. 2010 First Nine Months

Retail and Business Banking reported net income of $139.2 million for the first nine-month period of 2011. This was an increase of $62.9 million, or 82%, compared with the year-ago period.

Results for the current year continued to be positively impacted by an increase in the number of households and improved product penetration, along with loan and deposit balance growth, plus deposit spread management. The household and relationship growth for both consumer and small business customers has come from an increase in direct mail and media, plus improvements in sales execution. The retail deposit strategy is focused on increased checking balances and improved deposit margin on the remaining deposit portfolio through reductions in CD balances and increased money market and savings balances. This strategy has improved deposit spreads by 27 basis points when compared to the year-ago period. Provision for credit losses for the first nine-month period was lower than the year-ago period as loan credit quality benefitted from aggressive account management and disciplined centralized underwriting both in consumer and small business. Finally, loan balances are up 1% over the year-ago period even though $187 million of SBA loans were sold during 2011. The loan portfolio has also had a 10 basis point improvement in the portfolio spread.

The increase in net income reflected a combination of factors including:

$64.8 million, or 10%, increase in net interest income.

$55.5 million, or 37%, decline in the provision of credit losses.

Partially offset by:

$34.8 million, or 5%, increase in noninterest expense.

The increase in net interest income from the year-ago period reflected:

$0.2 billion, or 1%, increase in total average loans and leases.

27 basis point increase in our deposit spread.

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Partially offset by:

- $9.9 million of lower equity funding related to lower rate environment.

The increase in total average loans and leases from the year-ago period reflected:

- $266 million, or 4%, increase in the consumer portfolio.
- $102 million, or 3%, increase in our C&I (Business Banking) portfolio.

Partially offset by:

- $149 million, or 13%, decrease in the residential portfolio reflecting the continued strategy of originating residential real estate for sale and not to hold in the portfolio.
- $143 million increase in sales of SBA loans involving $13.7 million in additional gains.
- $95 million, or 18%, decrease in the CRE portfolio reflecting our commitment to reduce exposure to CRE loans.

The increase in total average deposits from the year-ago period reflected:

- $0.6 billion, or 8%, increase in money market deposits.
- $0.5 billion, or 16%, increase in noninterest-bearing demand deposits.
- $0.3 billion, or 7%, increase in interest-bearing demand deposits.

Partially offset by:

- $1.3 billion, or 15% decrease in core certificates of deposit.

The decrease in the provision for credit losses from the year-ago period reflected:

- $92.2 million, or 49%, decrease in consumer NCOs and a $21.6 million, or 42%, decrease in commercial NCOs. Expressed as an annualized percentage of related average balance, total NCOs decreased to 1.40% in the first nine-month period of 2011 from 2.70% in the year-ago period. The overall decline in NCOs was the result of improved credit quality of the portfolio.

The increase in noninterest income from the year-ago period reflected:

- $24.9 million, or 122%, increase in other income, which is primarily related to gains on sale of SBA loans and loan fees.
- $11.7 million, or 15%, increase in electronic banking income, which reflected higher activation rates on new and existing cards coupled with higher transaction volumes.
- $2.5 million, or 6%, increase in fee sharing income due to an increase in brokerage income driven by increased sales in structured investment products.

Partially offset by:

- $28.5 million, or 17%, decrease in deposit service charge income due to an amendment to Reg E relating to certain overdraft fees and the launch of Huntington s 24-Hour Grace® feature on all consumer checking accounts in September 2010.

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The increase in noninterest expense from the year-ago period reflected:

$20.0 million, or 10%, increase in personnel costs, which represent a 4% increase in full-time equivalent employees in support of strategic initiatives, such as the introduction of the in-store branches during the 2010 fourth quarter and the first nine-month period of 2011, as well as expanded Saturday hours in traditional branches.

$6.7 million, or 2%, increase in other expenses, primarily due to a $4.0 million increase in services expense related to the increase in debit card processes and conversion expenses, $3.7 million increase in Building and Equipment associated with the rebrand and refurbishment effort of the branch and ATM network, and a $3.3 million increase in FDIC expense due to higher balances. This was offset by a $2.9 million decrease in OREO loss expenses.

$8.1 million, or 20%, increase in marketing expenses, which primarily reflected a greater focus on direct mail and advertising. Our brand advertising did not start until June 2010; therefore 2011 is a more normalized run rate.

Regional and Commercial Banking

Table 47 Key Performance Indicators for Regional and Commercial Banking

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2011**	2010	Amount	Percent
Net interest income	**$ 178,787**	$ 155,686	$ 23,101	15%
Provision for credit losses	**23,957**	57,607	(33,650)	(58)
Noninterest income	**94,657**	80,667	13,990	17
Noninterest expense	**142,189**	115,457	26,732	23
Provision for income taxes	**37,554**	22,151	15,403	70
Net income	**$ 69,744**	$ 41,138	$ 28,606	70%
Number of employees (full-time equivalent)	**662**	516	146	28%
Total average assets *(in millions)*	**$ 9,062**	$ 8,127	$ 935	12
Total average loans/leases *(in millions)*	**8,132**	7,333	799	11
Total average deposits *(in millions)*	**3,684**	3,074	610	20
Net interest margin	**2.95%**	2.83%	0.12	4
NCOs	**$ 38,619**	$ 28,415	$ 10,204	36
NCOs as a % of average loans and leases	**0.63%**	0.52%	0.11	21
Return on average common equity	**13.2**	8.2	5.0	61

2011 First Nine Months vs. 2010 First Nine Months

Regional and Commercial Banking reported net income of $69.7 million for the first nine-month period of 2011. This was an increase of $28.6 million, or 70%, compared with the year-ago period.

Contributing to the increase in net income was growth in both net interest income and noninterest income due to the successful execution of our strategic initiatives. In addition, current year results continue to reflect significant improvement in provision for credit losses, resulting from the proactive treatment of problem credits and an improved credit environment.

Significant investments have been made in our sales process, which entails robust customer relationship planning, as well as a renewed investment in technology, including a referral tracking system and new customer relationship management system. These investments have resulted in a 28% increase in loan originations in the first nine-month period of 2011 compared to the year-ago period. Additionally, the Commercial Relationship Manager sales teams were focused on the importance of deposit relationships as well as partnering with Treasury Management to deliver customer-focused liquidity management solutions.

The increase in net income reflected a combination of factors including:

- $23.1 million, or 15%, increase in net interest income.
- $14.0 million, or 17%, increase in noninterest income.
- $33.7 million, or 58%, decline in the provision of credit losses.

Partially offset by:

- $26.7 million, or 23%, increase in noninterest expense, due to our strategic initiatives investments.

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The increase in net interest income from the year-ago period reflected:

$0.8 billion, or 11%, increase in total average loans and leases.

$0.7 billion, or 24%, increase in average core deposits.

12 basis point increase in the net interest margin due to a 46 basis point increase in the commercial loan spread. The commercial loan spread increase reflected lower cost of funds on our renewals. In addition, as the liquidity position of the Bank improved in 2010, the liquidity premium was lowered for new and renewed loans.

The increase in total average loans and leases from the year-ago period reflected:

$0.4 billion, or 10%, increase in the core middle market loan portfolio average balance. The majority of this growth was due to marketing efforts and community development within our Michigan and Cleveland markets.

$0.4 billion, or 62%, increase in the large corporate portfolio average balance due to establishing relationships with targeted prospects within our footprint.

$0.2 billion, or 20%, increase in the equipment finance portfolio average balance which reflected our focus on developing vertical strategies in business aircraft, rail industry, lender finance and syndications.

The increase in total average deposits from the year-ago period reflected:

$0.7 billion, or 24%, increase in average core deposits reflected a $0.5 billion increase in average money market deposits.

Strategic initiatives to deepen customer relationships, new and innovative product offerings, pricing discipline, and sales and retention initiatives.

Targeted money market promotions and sales campaigns for loans and other products. They served as an effective door opener to drive success in ultimately obtaining operating accounts supported with treasury management solutions to promote customer retention.

Best practices from each region were shared and institutionalized.

A money desk was created to assist commercial bankers with tailored solutions for customers having large dollar depository needs. This additional support and expertise provided additional value and helped our bankers win relationships and encouraged their expanded prospecting efforts.

The decrease in the provision for credit losses from the year-ago period reflected:

Improved credit quality of the portfolio.

Partially offset by:

$10.2 million increase in NCOs. Expressed as a percentage of related average balance, NCOs increased to 0.63% in the first nine-month period of 2011 from 0.52% in the year-ago period. The increase in NCOs was the result of proactive treatment of problem credits in the portfolio.

The increase in noninterest income from the year-ago period reflected:

$13.7 million, or 35%, increase in other income resulting primarily from increased sales of customer interest rate derivatives.

$4.4 million, or 216%, increase in brokerage income primarily due to the transfer of our institutional sales business to our business segment from WGH during the nine-month period of 2011.

$3.4 million, or 85%, increase in capital markets income resulting from strategic investments made over the last year in these types of products and services.

Partially offset by:

$2.1 million, or 6%, decrease in deposit service charge income resulting primarily from completed strategic exits.

$1.9 million, or 46%, decrease in operating lease income as lease originations were structured as direct finance leases beginning in the 2009 second quarter.

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The increase in noninterest expense from the year-ago period reflected:

- $22.0 million, or 48%, increase in personnel costs, which represent a 28% increase in FTE employees. This increase in personnel is attributable to our strategic investments in our core footprint markets, vertical strategies, and product capabilities.
- $6.1 million, or 9%, increase in other expenses, which reflect expanded marketing efforts and community development.

Partially offset by:

- $1.4 million, or 42%, decrease in operating lease expense.

Automobile Finance and Commercial Real Estate
Table 48 Key Performance Indicators for Automobile Finance and Commercial Real Estate

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2011**	2010	Amount	Percent
Net interest income	**$ 271,510**	$ 247,319	$ 24,191	10%
Provision for credit losses	**(30,050)**	202,440	(232,490)	115
Noninterest income	**57,886**	58,625	(739)	(1)
Noninterest expense	**125,649**	114,366	11,283	10
Provision (benefit) for income taxes	**81,829**	(3,802)	85,631	N.R.
Net income (loss)	**$ 151,968**	$ (7,060)	$ 159,028	N.R.%
Number of employees (full-time equivalent)	**273**	267	6	2%
Total average assets *(in millions)*	**$ 13,157**	$ 12,803	$ 354	3
Total average loans/leases *(in millions)*	**13,150**	12,931	219	2
Total average deposits *(in millions)*	**782**	673	109	16
Net interest margin	**2.70%**	2.50%	0.20	8
NCOs	**$ 124,877**	$ 291,565	$ (166,688)	(57)
NCOs as a % of average loans and leases	**1.27%**	3.01%	(1.74)	(58)
Return on average common equity	**29.3**	(1.1)	30.4	N.R.

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

2011 First Nine Months vs. 2010 First Nine Months

AFCRE reported net income of $152.0 million for the first nine-month period of 2011. This was an increase of $159.0 million compared with the year-ago period.

Results for the current year continued to be significantly and positively impacted by lower provisions for credit losses due to reductions in required reserve levels as the underlying credit quality of the portfolios continued to improve and / or stabilize. This was in contrast to the year-ago period, which included higher provisions for credit losses in order to increase reserves due to economic and CRE-related weaknesses in our markets. Also contributing to the increase in net income was growth in net interest income. This primarily reflected the benefit of a higher net interest margin due to improved risk-based pricing. Growth in average total loans and leases reflected the positive impact of an increase in auto finance loan production, which is on pace to exceed the record production levels reached in 2010, partially offset by the planned continued reduction in our CRE exposure.

The increase in net income reflected a combination of factors including:

- $24.2 million, or 10%, increase in net interest income.
- $232.5 million, or 115%, decline in the provision of credit losses.

Partially offset by:

- $11.3 million, or 10%, increase in noninterest expense.

The increase in net interest income from the year-ago period reflected:

- 20 basis point increase in the net interest margin. This increase primarily reflected the continuation of a risk-based pricing strategy in the CRE portfolio that began in early 2009 and has resulted in improved spreads on CRE loan renewals as well as new business originated.
- $0.2 billion, or 2%, increase in total average loans and leases.

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The increase in total average loans and leases from the year-ago period reflected:

$1.3 billion, or 27%, increase in the average consumer automobile portfolio. This increase resulted from continued strong origination levels. Total production for the first nine months of 2011 was $2.8 billion compared to $2.6 billion for the year-ago period. Contributing to this increase was the positive impact of our expansion into eastern Pennsylvania and New England.

Partially offset by:

$1.0 billion, or 13%, decrease in our average commercial portfolio. This decrease primarily reflected a $1.1 billion decrease in CRE loans offset, in part, by a $0.3 billion increase in automobile floor plan loans. The decline in CRE loans continued to reflect our managed reduction of this overall exposure, particularly in the noncore portfolio.

The increase in total average deposits from the year-ago period reflected:

$92 million, or 14%, increase in average core deposits reflecting our commitment to strengthening relationships with core customers and prospects as well as new commercial automobile dealer relationships developed in 2010 and 2011.

The decrease in the provision for credit losses from the year-ago period reflected:

$157.3 million, or 58%, decrease in commercial NCOs. Expressed as a percentage of related average balances, commercial NCO s decreased to 1.27% in the first nine months of 2011 from 3.01% in the year-ago period.

$8.7 million, or 45%, decrease in indirect automobile-related NCOs. As a percentage of related average balances, indirect automobile-related NCO s were 0.24% in the first nine months of 2011 compared to 0.56% in the year-ago period. This decrease reflected our consistent focus on high credit quality of originations combined with a very strong resale market for used vehicles.

A reduction in required reserve levels, primarily due to lower levels of commercial NALs which totaled $255 million at September 30, 2011, down 50% compared to September 30, 2010.

The decrease in noninterest income from the year-ago period reflected:

$13.5 million, or 38%, decrease in operating lease income resulting from the continued runoff of that portfolio as we exited that business at the end of 2008.

Partially offset by:

$12.4 million, or 59%, increase in other income which reflected a $15.5 million gain on securitization and sale of $1.0 billion of indirect auto loans, partially offset by a $3.1 million decrease in net gains resulting from valuation adjustments of certain loans and associated notes payable that are recorded at fair value.

The increase in noninterest expense from the year-ago period reflected:

$19.0 million, or 28%, increase in other expenses, primarily reflecting a $15.8 million increase in allocated costs associated with higher production and other activity levels. In addition, other expense in the year-ago period was reduced by $3.7 million of OREO-related gains. There were no comparable OREO gains in the current nine-month period.

$4.6 million, or 26%, increase in personnel costs, which primarily related to higher origination related activities, including automobile lending market expansion and additions to the CRE team to support our core CRE customers.

Partially offset by:

$12.2 million, or 42%, decrease in operating lease expense resulting from the continued runoff of that portfolio.

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Wealth Advisors, Government Finance, and Home Lending

Table 49 Key Performance Indicators for Wealth Advisors, Government Finance, and Home Lending

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2011**	2010	Amount	Percent
Net interest income	**$ 145,614**	$ 120,511	$ 25,103	21%
Provision for credit losses	**40,036**	45,700	(5,664)	(12)
Noninterest income	**187,443**	246,704	(59,261)	(24)
Noninterest expense	**265,151**	261,876	3,275	1
Provision for income taxes	**9,755**	20,875	(11,120)	(53)
Net income	**$ 18,115**	$ 38,764	$ (20,649)	(53)%
Number of employees (full-time equivalent)	**2,041**	2,223	(182)	(8)%
Total average assets *(in millions)*	**$ 6,633**	$ 6,161	$ 472	8
Total average loans/leases *(in millions)*	**5,338**	4,752	586	12
Total average deposits *(in millions)*	**7,703**	6,874	829	12
Net interest margin	**2.17%**	2.22%	(0.05)	(2)
NCOs	**$ 48,002**	$ 51,789	$ (3,787)	(7)
NCOs as a % of average loans and leases	**1.20%**	1.45%	(0.25)	(17)
Return on average common equity	**3.6**	8.7	(5.1)	(59)
Mortgage banking origination volume (in millions)	**$ 2,797**	$ 3,649	$ (852)	(23)
Noninterest income shared with other business segments[1]	**$ 31,295**	$ 31,363	$ (68)	
Total assets under management *(in billions)* *eop*	**14.4**	13.6	0.8	6
Total trust assets *(in billions)* *eop*	**58.6**	58.9	(0.3)	(1)

(1) Amount is not included in noninterest income reported above.

eop End of Period.

2011 First Nine Months vs. 2010 First Nine Months

WGH reported net income of $18.1 million for the first nine-month period of 2011. This was a decrease of $20.7 million, or 53%, compared with the year-ago period.

Results for the current year were impacted by a decrease in mortgage banking revenue which reflected a decline in originations and the impact of net MSR activity. The other businesses within the WGH segment experienced significant growth, with increased revenues for the nine-month period in 2011 when compared to the year-ago period. As a result of improved credit quality in the portfolio, NCO activity has decreased in 2011 when compared to the same period in 2010. A focus on structured investment sales increased brokerage commissions and, despite market value declines in assets under management in the third quarter of 2011, trust income increased in the first nine-month period of 2011 when compared to the year-ago period.

The decrease in net income reflected a combination of factors including:

- $59.3 million, or 24%, decrease in noninterest income.

Partially offset by:

- $25.1 million, or 21%, increase in net interest income.
- $5.7 million, or 12%, decrease in the provision for credit losses.

The increase in net interest income from the year-ago period reflected:

$0.6 billion, or 12%, increase in average total loans and leases.

$0.8 billion, or 12%, increase in average total deposits.

Partially offset by:

5 basis point decrease in the net interest margin.

The increase in total average loans and leases from the year-ago period reflected:

$0.5 billion, or 15%, increase in the residential mortgage portfolio driven by historically low interest rates.

The increase in average total deposits from the year-ago period reflected:

$0.9 billion, or 30%, increase in money market deposits.

Partially offset by:

$0.4 billion, or 32%, decrease in interest-bearing demand deposits.

The decrease in the provision for credit losses from the year-ago period reflected:

$3.8 million, or 7%, decrease in NCOs. Expressed as an annualized percentage of related average balance, NCOs decreased to 1.20% in the first nine-month period of 2011 from 1.45% in the year-ago period. The overall decline in NCOs was the result of improved credit quality of the portfolio.

The decrease in noninterest income from the year-ago period reflected:

$64.6 million, or 60%, decrease in mortgage banking income due primarily to a $46.2 million decline in the net impact of MSR hedging.

$1.7 million, or 19%, decrease in insurance-related income which reflected lower sales of wealth transfer products in 2011.

Partially offset by:

$7.4 million, or 9%, increase in trust service income reflecting a $0.8 billion increase in assets under management and growth in new accounts.

$2.9 million, or 9%, increase in brokerage income. Brokerage commissions increased $8.3 million, or 18%. The increase in retail brokerage commissions reflected improved sales of structured investment products. Institutional brokerage was transferred to the Commercial segment and the amount reported in WGH declined by $3.0 million. The first nine-month period of 2011 also included $2.4 million of higher commissions shared with other segments.

The increase in noninterest expense from the year-ago period reflected:

$8.1 million, or 6%, increase in personnel costs, which reflected higher benefit-related expenses as well as higher sales commissions.

Partially offset by:

$4.8 million, or 4%, decrease in other expenses, which reflected primarily lower expenses allocated from other segments.

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ADDITIONAL DISCLOSURES

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including certain plans, expectations, goals, projections, and statements, which are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as expect, anticipate, believe, intend, estimate, plan, target, goal, or similar expressions, or future or conditional verbs such as will, may, might, should, would, could, or similar variations. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995.

While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: (1) worsening of credit quality performance due to a number of factors such as the underlying value of the collateral could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected; (2) changes in economic conditions; (3) movements in interest rates; (4) competitive pressures on product pricing and services; (5) success, impact, and timing of our business strategies, including market acceptance of any new products or services introduced to implement our Fair Play banking philosophy; (6) changes in accounting policies and principles and the accuracy of our assumptions and estimates used to prepare our financial statements; (7) extended disruption of vital infrastructure; (8) the final outcome of significant litigation; (9) the nature, extent, and timing of governmental actions and reforms, including the Dodd-Frank Act, as well as future regulations which will be adopted by the relevant regulatory agencies, including the CFPB, to implement the Dodd-Frank Act s provisions; and (10) the outcome of judicial and regulatory decisions regarding practices in the residential mortgage industry, including among other things the processes followed for foreclosing residential mortgages. Additional factors that could cause results to differ materially from those described above can be found in our 2010 Annual Report on Form 10-K, and documents subsequently filed by us with the Securities and Exchange Commission.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. We assume no obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

Risk Factors

Information on risk is discussed in the Risk Factors section included in Item 1A of our 2010 Form 10-K. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion of this report.

Critical Accounting Policies and Use of Significant Estimates

Our financial statements are prepared in accordance with 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 Notes to Consolidated Financial Statements included in our 2010 Form 10-K as supplemented by this report lists significant accounting policies we use in the development and presentation of our financial statements. This MD&A, 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. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce results that significantly differ from when those estimates were made.

Our most significant accounting estimates relate to our ACL, fair value measurements, and income taxes and deferred tax assets. These significant accounting estimates and their related application are discussed in our 2010 Form 10-K.

Fair Value Measurements

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. We estimate the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. We characterize active markets as those where transaction volumes are sufficient to provide objective pricing information, with reasonably narrow bid/ask spreads, and where received quoted prices do not vary widely. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. Inactive markets are characterized by low transaction volumes, price quotations that vary substantially among market participants, or in which minimal information is released publicly. When observable market prices do not exist, we estimate fair value primarily by using cash flow and other financial modeling methods. Our valuation methods consider factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk. Other factors such as model assumptions, market dislocations, and unexpected correlations can affect estimates of fair value. Changes in these underlying factors, assumptions, or estimates in any of these areas could materially impact the amount of revenue or loss recorded.

The FASB ASC Topic 820, Fair Value Measurements, establishes a framework for measuring the fair value of financial instruments that considers the attributes specific to particular assets or liabilities and establishes a three-level hierarchy for determining fair value based on the transparency of inputs to each valuation as of the fair value measurement date. The three levels are defined as follows:

- Level 1 quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices of identical or similar assets or liabilities in markets that are not active, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs that are unobservable and significant to the fair value measurement. Financial instruments are considered Level 3 when values are determined using pricing models, discounted cash flow methodologies, or similar techniques, and at least one significant model assumption or input is unobservable.

At the end of each quarter, we assess the valuation hierarchy for each asset or liability measured. As necessary, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs at the measurement date. The fair values measured at each level of the fair value hierarchy, as well as additional discussion regarding fair value measurements, can be found in Note 13 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

Below is a brief description of how fair value is determined for categories that have unobservable inputs.

Available-for-sale securities

Consist of certain asset-backed securities, pooled-trust-preferred securities, private-label CMOs, and municipal securities for which fair value is estimated. Assumptions used to determine the fair value of these securities have greater subjectivity due to the lack of observable market transactions. Generally, there are only limited trades of similar instruments and a discounted cash flow approach is used to determine fair value.

MSRs

MSRs do not trade in an active, open market with readily observable prices. Although sales of MSRs do occur, the precise terms and conditions typically are not readily available. Fair value is determined on an income approach model based upon month-end interest rate curve and prepayment assumptions.

Automobile loans

Effective January 1, 2010, we consolidated an automobile loan securitization that previously had been accounted for as an off-balance sheet transaction. We elected to account for the automobile loan receivables and the associated notes payable at fair value per guidance supplied in ASC 825, Financial Instruments .

The key assumptions used to determine the fair value of the automobile loan receivables included a projection of expected losses and prepayment of the underlying loans in the portfolio and a market assumption of interest rate spreads. Certain interest rates are available from similarly traded securities while other interest rates are developed internally based on similar asset-backed security transactions in the market. The associated notes payable are valued based upon interest rates for similar financial instruments.

Recent Accounting Pronouncements and Developments

Note 2 to the Unaudited Condensed Consolidated Financial Statements discusses new accounting pronouncements adopted during 2011 and the expected impact of accounting pronouncements recently issued but not yet required to be adopted. To the extent the adoption of new accounting standards materially affect financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section of this MD&A and the Notes to Unaudited Condensed Consolidated Financial Statements.

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Franklin-Related Impacts

NCOS

The following table reflects the Franklin-related impact to NCOs for the first nine-month periods of 2011 and 2010:

Table 50 Year to Date Net Charge-off Analysis Franklin-Related Impact

	Nine Months Ended September 30,			
(dollar amounts in millions)		**2011**		2010
Total home equity net charge-offs (recoveries):				
Franklin	**$**		$	20.7
Non-Franklin		**78.4**		89.5
Total	**$**	**78.4**	$	110.2
Total home equity net charge-offs annualized percentages:				
Total		**1.33%**		1.95%
Non-Franklin		**1.33**		1.59
Total residential mortgage net charge-offs (recoveries):				
Franklin	**$**	**(2.5)**	$	75.7
Non-Franklin		**49.4**		50.4
Total	**$**	**46.9**	$	126.1
Total residential mortgage net charge-offs annualized percentages:				
Total		**1.36%**		3.74%
Non-Franklin		**1.43**		1.58
Total consumer net charge-offs (recoveries):				
Franklin	**$**	**(2.5)**	$	96.6
Non-Franklin		**157.2**		179.1
Total	**$**	**154.7**	$	275.7
Total consumer net charge-offs annualized percentages:				
Total		**1.09%**		2.11%
Non-Franklin		**1.11**		1.39
Total net charge-offs (recoveries):				
Franklin	**$**	**(2.5)**	$	91.5
Non-Franklin		**355.7**		610.7
Total	**$**	**353.2**	$	702.2
Total net charge-offs annualized percentages:				
Total		**1.22%**		2.52%
Non-Franklin		**1.23**		2.21

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Item 1: Financial Statements
Huntington Bancshares Incorporated
Condensed Consolidated Balance Sheets
(Unaudited)

	2011	2010	
(dollar amounts in thousands, except number of shares)	**September 30,**	December 31,	September 30,
Assets			
Cash and due from banks	**$ 2,190,276**	$ 847,888	$ 1,139,226
Interest-bearing deposits in banks	**105,454**	135,038	274,240
Trading account securities	**85,711**	185,404	138,677
Loans held for sale (includes $331,883, $754,117 and $699,001 respectively, measured at fair value) (1)	**334,606**	793,285	744,439
Available-for-sale and other securities	**8,713,530**	9,895,244	9,723,558
Held-to-maturity securities	**658,250**		
Loans and leases (includes $344,529, $522,717 and $590,223 respectively, measured at fair value) (2)	**39,011,894**	38,106,507	37,500,587
Allowance for loan and lease losses	**(1,019,710)**	(1,249,008)	(1,336,352)
Net loans and leases	**37,992,184**	36,857,499	36,164,235
Bank owned life insurance	**1,494,251**	1,458,224	1,450,335
Premises and equipment	**543,324**	491,602	489,349
Goodwill	**444,268**	444,268	444,268
Other intangible assets	**188,477**	228,620	243,666
Accrued income and other assets	**2,228,376**	2,482,570	2,434,783
Total assets	**$ 54,978,707**	$ 53,819,642	$ 53,246,776
Liabilities and shareholders equity			
Liabilities			
Deposits	**$ 43,219,727**	$ 41,853,898	$ 41,072,371
Short-term borrowings	**2,224,986**	2,040,732	1,859,134
Federal Home Loan Bank advances	**14,157**	172,519	23,643
Other long-term debt (includes $173,045, $356,089 and $422,294 respectively, measured at fair value) (2)	**1,421,518**	2,144,092	2,393,071
Subordinated notes	**1,537,293**	1,497,216	1,202,568
Accrued expenses and other liabilities	**1,160,547**	1,130,643	1,128,586
Total liabilities	**49,578,228**	48,839,100	47,679,373
Shareholders equity			
Preferred stock authorized 6,617,808 shares;			
5.00% Series B Non-voting, Cumulative Preferred Stock, par value of $0.01 and liquidation value per share of $1,000			1,337,749
8.50% Series A Non-cumulative Perpetual Convertible Preferred Stock, par value of $0.01 and liquidation value per share of $1,000	**362,507**	362,507	362,507
Common stock	**8,652**	8,642	7,180

Capital surplus	**7,594,090**	7,630,093	6,743,724
Less treasury shares, at cost	**(10,161)**	(8,771)	(8,969)
Accumulated other comprehensive loss	**(80,404)**	(197,496)	(28,396)
Retained (deficit) earnings	**(2,474,205)**	(2,814,433)	(2,846,392)
Total shareholders equity	**5,400,479**	4,980,542	5,567,403
Total liabilities and shareholders equity	**$ 54,978,707**	$ 53,819,642	$ 53,246,776
Common shares authorized (par value of $0.01)	**1,500,000,000**	1,500,000,000	1,500,000,000
Common shares issued	**865,204,511**	864,195,369	718,015,276
Common shares outstanding	**864,074,883**	863,319,435	717,132,197
Treasury shares outstanding	**1,129,628**	875,934	883,079
Preferred shares issued	**1,967,071**	1,967,071	1,967,071
Preferred shares outstanding	**362,507**	362,507	1,760,578

(1) Amounts represent loans for which Huntington has elected the fair value option.

(2) Amounts represent certain assets and liabilities of a consolidated VIE for which Huntington has elected the fair value option.

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated
Condensed Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,	Nine Months Ended September 30,