

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q/A  
(Amendment No. 2 to Form 10-Q)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
QUARTERLY PERIOD ENDED **June 30, 2003**

Commission File Number **0-2525**

**Huntington Bancshares Incorporated**

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**31-0724920**  
(I.R.S. Employer  
Identification No.)

**41 South High Street, Columbus, Ohio 43287**

Registrant's telephone number **(614) 480-8300**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes **X** No       

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes **X** No       

There were 228,693,313 shares of Registrant's without par value common stock outstanding on July 31, 2003.

# Huntington Bancshares Incorporated

## INTRODUCTORY NOTE

Huntington Bancshares Incorporated (Huntington) originally filed its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, with the Securities and Exchange Commission (SEC) on August 14, 2003. Huntington filed Amendment No. 1 to its Quarterly Report on Form 10-Q/A (Amendment No. 1 to Form 10-Q/A) on August 18, 2003, to reflect proofreading changes inadvertently not made during the Edgarization process which were not detected prior to filing on August 14, 2003.

This Amendment No. 2 to Quarterly Report on Form 10-Q/A (Amendment No. 2 to Form 10-Q/A) is being filed to correct and restate Huntington's consolidated financial statements at June 30, 2003 and 2002 and for the three and six months ended June 30, 2003 and 2002 to:

- Apply, on a retroactive basis, deferral accounting for loan and lease origination fees and costs;
- Correct an amount included in Amendment No. 1 to Form 10-Q/A related to the automobile debt cancellation product; and
- Correct for certain timing errors related to income recognition on a 1998 sale-leaseback transaction, the recognition of a gain on an interest rate swap initiated in 1992 and sold in 2000, and the recognition of income on Bank Owned Life Insurance in 2001 and 2002.

All of the above are described in more detail in Note 3, "Restatement of Results of Operations and Financial Condition," to Huntington's Consolidated Financial Statements and Supplementary Data included in Item 1 of this report. In addition, this Amendment No. 2 to Form 10-Q/A is being filed to amend:

- Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, to take into account the effects of the restatement;
- Item 3, Quantitative and Qualitative Disclosures about Market Risk, to take into account the effects of the restatement;
- Item 4, Controls and Procedures, to comply with changes in the SEC regulations which became effective in August 2003; and
- Item 6, Exhibits and Reports on Form 8-K, to update certain exhibits to take into account the effects of the restatement and to comply with changes in the SEC regulations which became effective in August 2003.

This Amendment No. 2 to Form 10-Q/A corrects and restates the original Quarterly Report on Form 10-Q, as amended by Amendment No. 1 to Form 10-Q/A, but continues to speak as of the date of the original filing of the Form 10-Q on August 14, 2003. Huntington has not updated the disclosure in this Amendment No. 2 to Form 10-Q/A to speak as of a later date. All information contained in this Amendment No. 2 to Form 10-Q/A is subject to updating and supplementing as provided in the periodic reports filed subsequent to the original filing date with the SEC.

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## Part 1. Financial Information

### Financial Statements

#### Consolidated Balance Sheets - Restated

<i>(in thousands)</i>	June 30, 2003 <i>(Unaudited)</i>	December 31, 2002	June 30, 2002 <i>(Unaudited)</i>
<b>Assets</b>			
Cash and due from banks	\$ 1,153,108	\$ 969,483	\$ 858,561
Federal funds sold and securities purchased under resale agreements	74,473	49,280	75,824
Interest bearing deposits in banks	44,906	37,300	28,385
Trading account securities	19,426	241	10,532
Loans held for sale	713,722	528,379	190,724
Securities available for sale - at fair value	3,702,761	3,403,369	3,006,273
Investment securities - fair value \$6,780, \$7,725, and \$10,963, respectively	6,593	7,546	10,769
Total loans and direct financing leases	19,059,533	18,587,403	16,767,447
Less allowance for loan and lease losses	340,947	336,648	351,696
Net loans and direct financing leases	18,718,586	18,250,755	16,415,751
Operating lease assets	1,672,608	2,200,525	2,739,207
Bank owned life insurance	906,823	886,214	864,768
Premises and equipment	339,793	341,366	353,931
Goodwill and other intangible assets	218,080	218,567	210,685
Customers' acceptance liability	8,372	16,745	16,778
Accrued income and other assets	724,682	620,355	572,384
<b>Total Assets</b>	<b>\$ 28,303,933</b>	<b>\$ 27,530,125</b>	<b>\$ 25,354,572</b>
<b>Liabilities and Shareholders' Equity</b>			
Total deposits	\$ 18,371,359	\$ 17,499,326	\$ 16,861,100
Short-term borrowings	918,771	2,141,016	1,814,275
Federal Home Loan Bank advances	1,273,000	1,013,000	13,000
Subordinated notes	496,666	738,678	880,706
Other long-term debt	3,508,397	2,495,123	2,082,438
Company obligated mandatorily redeemable preferred capital securities of subsidiary trusts holding solely junior subordinated debentures of the Parent Company	300,000	300,000	300,000
Bank acceptances outstanding	8,372	16,745	16,778
Accrued expenses and other liabilities	1,225,169	1,136,444	1,122,471
Total Liabilities	26,101,734	25,340,332	23,090,768
<b>Shareholders' equity</b>			
Preferred stock - authorized 6,617,808 shares; none outstanding	---	---	---
Common stock - without par value; authorized 500,000,000 shares; issued 257,866,255 shares; outstanding 228,660,038, 232,878,851, and 242,919,872 shares, respectively	2,483,105	2,484,421	2,487,887
Less 29,206,217, 24,987,404, and 14,946,383 treasury shares, respectively	(555,176)	(475,399)	(289,705)
Accumulated other comprehensive income	40,817	62,300	28,655
Retained earnings	233,453	118,471	36,967
Total Shareholders' Equity	2,202,199	2,189,793	2,263,804
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 28,303,933</b>	<b>\$ 27,530,125</b>	<b>\$ 25,354,572</b>

See notes to unaudited consolidated financial statements.

## Consolidated Statements of Income - Restated

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts)	2003	2002	2003	2002
Interest and fee income				
Loans and leases	\$ 266,369	\$ 263,160	\$ 537,348	\$ 540,169
Securities	42,033	44,424	84,111	89,205
Other	8,923	3,499	15,880	10,211
<b>Total Interest Income</b>	<b>317,325</b>	<b>311,083</b>	<b>637,339</b>	<b>639,585</b>
Deposits	76,383	93,759	156,093	202,589
Short-term borrowings	4,313	6,156	9,872	14,668
Federal Home Loan Bank advances	5,634	212	11,219	468
Subordinated notes and other long-term debt including preferred capital securities	28,554	30,695	55,955	62,730
<b>Total Interest Expense</b>	<b>114,884</b>	<b>130,822</b>	<b>233,139</b>	<b>280,455</b>
<b>Net Interest Income</b>	<b>202,441</b>	<b>180,261</b>	<b>404,200</b>	<b>359,130</b>
Provision for loan and lease losses	49,193	49,876	86,037	88,886
<b>Net Interest Income After Provision for Loan and Lease Losses</b>	<b>153,248</b>	<b>130,385</b>	<b>318,163</b>	<b>270,244</b>
Operating lease income	128,574	171,617	266,767	347,651
Service charges on deposit accounts	40,914	35,608	80,783	74,423
Trust services	15,580	16,247	30,491	31,748
Brokerage and insurance income	14,196	16,899	29,693	34,504
Gains on sales of automobile loans	13,496	---	23,751	---
Other service charges and fees	11,372	10,529	21,710	21,161
Bank Owned Life Insurance income	11,043	10,722	22,180	21,678
Mortgage banking	7,185	7,835	18,310	23,909
Gain on sale of Florida operations	---	---	---	182,470
Securities gains	6,887	966	8,085	1,423
Other	27,704	18,291	48,105	32,280
<b>Total Non-Interest Income</b>	<b>276,951</b>	<b>288,714</b>	<b>549,875</b>	<b>771,247</b>
Personnel costs	105,242	99,115	218,331	207,144
Operating lease expense	102,939	131,695	214,527	272,480
Equipment	16,341	16,659	32,753	33,608
Outside data processing and other services	16,104	16,592	32,683	35,031
Net occupancy	15,377	14,504	31,986	31,493
Professional services	9,872	7,864	19,157	14,294
Marketing	8,454	7,231	15,080	14,234
Telecommunications	5,394	5,320	11,095	11,338
Printing and supplies	2,253	3,683	5,934	7,520
Restructuring (releases) charges	(5,315)	---	(6,315)	56,184
Other	20,372	21,083	37,281	42,016
<b>Total Non-Interest Expense</b>	<b>297,033</b>	<b>323,746</b>	<b>612,512</b>	<b>725,342</b>
<b>Income Before Income Taxes</b>	<b>133,166</b>	<b>95,353</b>	<b>255,526</b>	<b>316,149</b>
Income taxes	36,676	24,375	67,306	149,696
<b>Net Income</b>	<b>\$ 96,490</b>	<b>\$ 70,978</b>	<b>\$ 188,220</b>	<b>\$ 166,453</b>
<b>Per Common Share</b>				
Net Income				
Basic	\$0.42	\$0.29	\$0.82	\$0.67
Diluted	\$0.42	\$0.29	\$0.81	\$0.67
Cash Dividends Declared	\$0.16	\$0.16	\$0.32	\$0.32
<b>Average Common Shares</b>				
Basic	228,633	246,106	229,987	248,415
Diluted	230,572	247,867	231,684	249,946

See notes to unaudited consolidated financial statements.

## Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(in thousands)	Common Stock		Treasury Stock		Accumulated Other Comprehensive	Retained Earnings	Total
	Shares	Amount	Shares	Amount	Income (Loss)	(Deficit)	
						(Restated)	(Restated)
Six Months Ended June 30, 2002:							
Balance, beginning of period	257,866	\$ 2,490,724	(6,672)	\$ (123,849)	\$ 25,488	\$ (50,466)	\$ 2,341,897
Comprehensive Income:							
Net income						166,453	166,453
Unrealized net holding gains on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income					5,926		5,926
Unrealized losses on derivative instruments used in cash flow hedging relationships					(2,759)		(2,759)
Total comprehensive income							169,620
Stock issued for acquisition			203	3,952			3,952
Cash dividends declared						(79,020)	(79,020)
Stock options exercised		(2,837)	312	5,365			2,528
Treasury shares purchased			(8,789)	(175,173)			(175,173)
Balance, end of period	257,866	\$ 2,487,887	(14,946)	\$ (289,705)	\$ 28,655	\$ 36,967	\$ 2,263,804
Six Months Ended June 30, 2003:							
Balance, beginning of period	257,866	\$ 2,484,421	(24,987)	\$ (475,399)	\$ 62,300	\$ 118,471	\$ 2,189,793
Comprehensive Income:							
Net income						188,220	188,220
Unrealized net holding losses on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income					(4,391)		(4,391)
Unrealized losses on derivative instruments used in cash flow hedging relationships					(17,092)		(17,092)
Total comprehensive income							166,737
Cash dividends declared						(73,238)	(73,238)
Stock options exercised		(1,316)	118	1,902			586
Treasury shares purchased			(4,300)	(81,061)			(81,061)
Other			(37)	(618)			(618)
Balance, end of period	257,866	\$ 2,483,105	(29,206)	\$ (555,176)	\$ 40,817	\$ 233,453	\$ 2,202,199

See notes to unaudited consolidated financial statements.

## Consolidated Statements of Cash Flows - Restated

(Unaudited)

	Six Months Ended June 30,	
(in thousands of dollars)	2003	2002
<b>Operating Activities</b>		
Net Income	\$ 188,220	\$ 166,453
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	86,037	88,886
Depreciation on operating lease assets	187,914	243,614
Other depreciation and amortization	42,209	30,382
Deferred income tax expense	31,479	238,325
(Increase) decrease in trading account securities	(19,185)	2,860
(Increase) decrease in mortgages held for sale	(185,343)	438,662
Gains on sales of securities available for sale	(8,085)	(1,423)
Gains on sales/securitizations of loans	(30,797)	(3,138)
Gain on sale of Florida banking operations	---	(182,470)
Restructuring charges (releases)	(6,315)	56,184
Other, net	(68,002)	(333,085)
<b>Net Cash Provided by Operating Activities</b>	<b>218,132</b>	<b>745,250</b>
<b>Investing Activities</b>		
Increase in interest bearing deposits in banks	(7,606)	(7,180)
Proceeds from:		
Maturities and calls of investment securities	954	1,548
Maturities and calls of securities available for sale	945,534	381,329
Sales of securities available for sale	591,497	456,411
Purchases of securities available for sale	(1,649,721)	(782,961)
Proceeds from sales/securitizations of loans	1,390,378	226,707
Net loan and lease originations, excluding sales	(2,119,933)	(1,248,133)
Net decrease (increase) in operating lease inventory	340,003	(32,133)
Proceeds from sale of premises and equipment	4,049	15,180
Purchases of premises and equipment	(22,220)	(26,389)
Proceeds from sales of other real estate	4,872	4,770
Cash paid in purchase acquisition	---	(4,026)
Net cash paid related to sale of Florida banking operations	---	(1,289,917)
<b>Net Cash Used for Investing Activities</b>	<b>(522,193)</b>	<b>(2,304,794)</b>
<b>Financing Activities</b>		
Increase in total deposits	869,313	1,435,665
(Decrease) increase in short-term borrowings	(1,222,245)	108,349
Payment of subordinated notes	(250,000)	---
Proceeds from Federal Home Loan Bank advances	270,000	---
Maturity of Federal Home Loan Bank advances	(10,000)	(4,000)
Proceeds from long term debt	1,235,000	675,000
Maturity of long-term debt	(225,000)	(690,000)
Dividends paid on common stock	(73,714)	(80,193)
Repurchases of common stock	(81,061)	(175,173)
Net proceeds from issuance of common stock	586	2,528
<b>Net Cash Provided by Financing Activities</b>	<b>512,879</b>	<b>1,272,176</b>
<b>Change in Cash and Cash Equivalents</b>	<b>208,818</b>	<b>(287,256)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,018,763</b>	<b>1,221,641</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 1,227,581</b>	<b>\$ 934,385</b>
Supplemental disclosures:		
Income taxes paid	\$ 65,859	\$ 20,136
Interest paid	247,126	298,235
Non-cash activities		
Mortgage loans securitized	171,586	---
Common stock dividends accrued not paid	27,932	39,040

See notes to unaudited consolidated financial statements.

## Notes to Unaudited Consolidated Financial Statements - Restated

### Note 1 – Basis of Presentation

The accompanying unaudited consolidated financial statements of Huntington Bancshares Incorporated (Huntington) reflect all adjustments consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position, the results of operations, and cash flows for the periods presented. These unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted. The Notes to the Consolidated Financial Statements appearing in Huntington's second amended 2002 Annual Report on Form 10-K/A, filed on November 14, 2003 (Amendment No. 2 to Form 10-K/A), which include descriptions of significant accounting policies as updated by the information contained in this report, should be read in conjunction with these interim financial statements.

In preparing financial statements in conformity with GAAP, management of Huntington is required to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenue and expenses during the reporting period. An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements of Huntington if a different amount within a range of estimates were used or if estimates changed from period to period. Actual results could differ from those estimates.

Certain amounts in the prior year's financial statements have been reclassified to conform to the 2003 presentation.

### Note 2 – New Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). This Interpretation changes current practice in the accounting for, and disclosure of, guarantees which, for Huntington, apply generally to its standby letters of credit. The Interpretation requires certain guarantees to be recorded at fair value, which differs from the prior practice of recording a liability generally when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, *Accounting for Contingencies*. The Interpretation also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote, which also differs from current practice. The recognition requirements of this Interpretation were adopted prospectively January 1, 2003. The impact of adopting FIN 45 was not material.

In December 2002, the FASB issued Statement No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. This Statement amends Statement No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition to Statement No. 123's fair value method of accounting for stock-based employee compensation. Statement No. 148 also amends the disclosure provisions of Statement 123 and Accounting Principles Board (APB) Opinion No. 28, *Interim Financial Reporting*, to require disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While Statement No. 148 does not require companies to account for employee stock options using the fair value method, the disclosure provisions of Statement No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of Statement No. 123 or the intrinsic value method of APB Opinion No. 25, which is the method currently used by Huntington. Huntington will adopt the fair value method of recording stock options under the transitional guidance of Statement No. 148. Huntington is currently evaluating which of the three methods under the transitional guidance it will adopt.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). This Interpretation of Accounting Research Bulletin No. 51 (ARB 51), *Consolidated Financial Statements*, addresses consolidation by business enterprises where ownership interests in an entity may vary over time or, in many cases, of special-purpose entities (SPEs). To be consolidated for financial reporting, these entities must have certain characteristics. ARB 51 requires that an enterprise's consolidated financial statements include subsidiaries in which the enterprise has a controlling financial interest. This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. An enterprise that holds significant variable interests in such an entity, but is not the primary beneficiary, is required to disclose certain information regarding its interests in that entity. This Interpretation applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds an interest that it acquired before February 1, 2003. It also applies immediately to variable interest entities created after January 31, 2003, and to variable



interest entities in which an enterprise obtains an interest after that date. This Interpretation may be applied (1) prospectively with a cumulative effect adjustment as of the date on which it is first applied, or (2) by restating previously issued financial statements for one or more years with a cumulative effect adjustment as of the beginning of the first year restated.

Effective July 1, 2003, Huntington adopted FIN 46 resulting in the consolidation of a securitization trust formed in 2000. The consolidation of that trust involved recognition of the trust's assets and liabilities, elimination of the related retained interest and servicing asset, recognition of other related assets, and establishment of a 1.01% allowance for loan and lease losses. Reflecting these impacts, the adoption of FIN 46 will result in a cumulative effect charge of approximately \$13 million, or \$0.06 per share, in the third quarter, a reduction of the ALLL by approximately 3 basis points, and a reduction of the tangible common equity ratio of approximately 30 basis points. Regulatory capital was minimally impacted since these assets were reflected previously in risk-based assets.

Huntington owns the common stock of two fully-consolidated subsidiary unrelated business trusts, which have issued company-obligated mandatorily redeemable preferred capital securities to third party investors. The trusts' only assets, which totaled \$300 million at June 30, 2003, are debentures issued by Huntington, which were acquired by the trusts using proceeds from the issuance of the preferred securities and common stock. With the implementation of FIN 46 in the third quarter of 2003, Huntington will no longer consolidate these trusts. Upon de-consolidation, Huntington will include the debentures in other long-term debt and Huntington's equity interest in the trusts will be included in "accrued income and other assets" on the balance sheet. For regulatory reporting purposes, the Federal Reserve Board has advised that such preferred securities will continue to constitute Tier 1 capital until further notice.

In April 2003, the FASB issued Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The changes in this Statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. In particular, this Statement (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative discussed in paragraph 6(b) of Statement No. 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an "underlying" to conform it to language used in FIN 45, and (4) amends certain other existing pronouncements. Those changes will result in more consistent reporting of contracts as either derivatives or hybrid instruments. This Statement is substantially effective on a prospective basis for contracts entered into or modified after June 30, 2003. Huntington is in the process of assessing the impact of Statement No. 149 on its results of operations and financial condition.

In May 2003, the FASB issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. This Statement establishes standards for how an issuer such as Huntington classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, *Elements of Financial Statements*. The remaining provisions of this Statement are consistent with the FASB's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between the holder and the issuer. This Statement does not apply to features that are embedded in a financial instrument that is not a derivative in its entirety. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Huntington is in the process of assessing the impact of Statement No. 150 on its results of operations and financial condition.

### **Note 3 – Restatements of Results of Operations and Financial Condition**

Huntington has voluntarily corrected and restated its earnings in this Amendment No. 2 to its Quarterly Report on Form 10-Q/A (Amendment No. 2 to Form 10-Q/A) to correct for timing errors in the recognition of certain revenues and expenses. Specifically, this Amendment No. 2 to Form 10-Q/A includes the following corrections:

- Huntington previously did not defer loan and lease origination fees and certain expenses, but rather recognized the net amount in the period of origination. This restatement applies, on a retroactive basis, deferral accounting for loan and lease origination fees and costs.
- Huntington previously recorded revenue from the sale of a contingent automobile debt cancellation product by allocating a fixed portion of the proceeds from each sale to revenue and reserves. The impact of the restatement increased the amount of the reserve to cover claim losses on the products purchased by customers.
- In 1998, Huntington entered into a sale-leaseback transaction. Huntington recognized gains in 1998 and 1999 as a reduction in occupancy expense above the amounts that should have been recognized under a normal amortization schedule. The restatement corrects this timing error.
- In 1998, Huntington marked to market the ineffective portion of an interest rate swap associated with a fixed rate subordinated debt offering initiated in 1992. The swap was subsequently sold in 2000. The restatement marks to market the ineffective portion of the swap for all periods prior to 1998 and then annually through 2000.
- In 2001, Huntington negotiated a reduction in expenses on Bank Owned Life Insurance, which resulted in an increase in the cash surrender value of the policies at year end 2001, but did not recognize the resulting income until 2002. The restatement corrects this timing error.

The results of this restatement are reflected in the consolidated financial statements and these notes for all current and prior periods reported in this Amendment No. 2 to its Form 10-Q/A. The following tables reflect the previously reported amounts included in Amendment No. 1 to its Form 10-Q/A filed on August 18, 2003, as well as the restated amounts by financial statement line in Huntington's balance sheets at June 30, 2003, December 31, 2002, and June 30, 2002, and the income statements for the three and six months ended June 30, 2003 and 2002:

<i>(in thousands of dollars)</i>	June 30, 2003		December 31, 2002		June 30, 2002	
	Previously	Restated	Previously	Restated	Previously	Restated
	Reported <i>(Unaudited)</i>	Restated <i>(Unaudited)</i>	Reported	Restated	Reported <i>(Unaudited)</i>	Restated <i>(Unaudited)</i>
<b>Balance Sheet:</b>						
Total loans and leases	\$ 19,098,929	\$ 19,059,533	\$ 18,619,211	\$ 18,587,403	\$ 16,784,144	\$ 16,767,447
Net loans and leases	18,757,982	18,718,586	18,282,563	18,250,755	16,432,448	16,415,751
Operating lease assets	1,717,194	1,672,608	2,252,445	2,200,525	2,801,239	2,739,207
Accrued income and other assets	635,663	731,559	522,611	620,355	492,766	572,384
Total Assets	28,292,019	28,303,933	27,516,109	27,530,125	25,352,242	25,354,572
Accrued expenses and other liabilities	1,144,917	1,225,169	1,053,833	1,136,444	1,055,614	1,122,471
Total liabilities	26,021,482	26,101,734	25,257,721	25,340,332	23,023,911	23,090,768
Retained earnings	301,791	233,453	187,066	118,471	101,494	36,967
Total shareholders' equity	2,270,537	2,202,199	2,258,388	2,189,793	2,328,331	2,263,804
Total Liabilities and Shareholders' Equity	\$ 28,292,019	\$ 28,303,933	\$ 27,516,109	\$ 27,530,125	\$ 25,352,242	\$ 25,354,572

	Three Months Ended (Unaudited)			
	June 30, 2003		June 30, 2002	
	Previously Reported	Restated	Previously Reported	Restated
<i>(in thousands of dollars)</i>				
<b>Income Statement:</b>				
Interest income	\$ 330,642	\$ 317,325	\$ 322,816	\$ 311,083
Net interest income	215,578	202,441	191,994	180,261
Net interest income after provision for loan and lease losses	166,385	153,248	142,118	130,385
Operating lease income	124,209	128,574	168,047	171,617
Gains on sales of automobile loans	11,626	13,496	---	---
Bank Owned Life Insurance income	11,043	11,043	11,443	10,722
Mortgage banking income	11,033	7,185	10,115	7,835
Gain on sale of Florida operations	---	---	---	---
Other non-interest income	24,164	27,704	16,068	18,291
Total non-interest income	274,206	276,951	287,665	288,714
Personnel costs	114,047	105,242	106,808	99,115
Net occupancy	15,583	15,377	14,756	14,504
Total non-interest expense	306,044	297,033	331,691	323,746
Income before income taxes	134,547	133,166	98,092	95,353
Income taxes	37,160	36,676	25,081	24,375
Net income	\$ 97,387	\$ 96,490	\$ 73,011	\$ 70,978
Earnings per share:				
Basic	\$0.43	\$0.42	\$0.30	\$0.29
Diluted	\$0.42	\$0.42	\$0.29	\$0.29

	Six Months Ended (Unaudited)			
	June 30, 2003		June 30, 2002	
	Previously Reported	Restated	Previously Reported	Restated
<i>(in thousands of dollars)</i>				
<b>Income Statement:</b>				
Interest income	\$ 662,543	\$ 637,339	\$ 658,017	\$ 639,585
Net interest income	429,314	404,200	377,562	359,130
Net interest income after provision for loan and lease losses	343,277	318,163	288,676	270,244
Operating lease income	257,964	266,767	343,953	347,651
Gains on sales of automobile loans	19,876	23,751	---	---
Bank Owned Life Insurance income	22,180	22,180	23,119	21,678
Mortgage banking income	24,822	18,310	28,469	23,909
Gain on sale of Florida operations	---	---	181,344	182,470
Other non-interest income	39,587	48,105	28,557	32,280
Total non-interest income	542,237	549,875	771,839	771,247
Personnel costs	235,790	218,331	222,491	207,144
Net occupancy	32,398	31,986	31,995	31,493
Total non-interest expense	630,383	612,512	741,191	725,342
Income before income taxes	255,131	255,526	319,324	316,149
Income taxes	67,168	67,306	150,302	149,696
Net income	\$ 187,963	\$ 188,220	\$ 169,022	\$ 166,453
Earnings per share:				
Basic	\$0.82	\$0.82	\$0.68	\$0.67
Diluted	\$0.81	\$0.81	\$0.68	\$0.67

## Note 4 – Restructuring Charges

During the second quarter 2003, Huntington released \$5.3 million of restructuring reserves through a credit to the restructuring charge line of non-interest expense in the accompanying unaudited consolidated financial statements. Released reserves of \$3.8 million related to those established in 1998 and \$1.5 million related to the strategic refocusing plan established in 2001 and 2002. The 1998 reserve was established for, among other items, the exit of under performing product lines, including possible third party claims related to these exits. Management reviewed this reserve and determined that future claims would be immaterial and reduced the level of the reserve accordingly.

As of June 30, 2003, Huntington has remaining reserves for restructuring of \$9.4 million. Huntington expects that these remaining reserves will be adequate to fund the remaining estimated future cash outlays that are expected in the completion of the exit activities.

## Note 5– Securities Available for Sale

Securities available for sale at June 30, 2003 and December 31, 2002 were as follows:

	June 30, 2003		December 31, 2002	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(in thousands of dollars)</i>				
U.S. Treasury				
Under 1 year	\$ 327	\$ 331	\$ ---	\$ ---
1-5 years	38,930	39,543	13,434	14,066
6-10 years	64,063	66,158	4,704	5,367
Over 10 years	---	---	412	479
Total	103,320	106,032	18,550	19,912
Federal agencies				
Mortgage-backed securities				
1-5 years	23,879	24,661	48,618	50,428
6-10 years	248,896	254,564	356,082	363,596
Over 10 years	1,668,613	1,699,875	1,350,737	1,385,233
Total	1,941,388	1,979,100	1,755,437	1,799,257
Other agencies				
Under 1 year	137,797	141,375	34,923	35,966
1-5 years	294,977	313,029	743,609	768,271
6-10 years	171,343	169,976	3,755	4,278
Total	604,117	624,380	782,287	808,515
Total U.S. Treasury and Federal				
Agencies	2,648,825	2,709,512	2,556,274	2,627,684
Other				
Under 1 year	7,720	7,731	7,133	7,183
1-5 years	59,007	59,735	62,939	63,886
6-10 years	57,989	59,974	49,581	51,046
Over 10 years	649,192	651,330	451,108	449,958
Retained interest in securitizations	148,177	163,664	146,160	159,978
Marketable equity securities	50,809	50,815	42,846	43,634
Total	972,894	993,249	759,767	775,685
<b>Total Securities Available for Sale</b>	<b>\$3,621,719</b>	<b>\$3,702,761</b>	<b>\$3,316,041</b>	<b>\$3,403,369</b>

## Note 6 – Operating Lease Assets

Operating lease assets at June 30, 2003 and 2002 and December 31, 2002, were as follows:

<i>(in thousands of dollars)</i>	<b>June 30, 2003</b>	<b>December 31, 2002</b>	<b>June 30, 2002</b>
Cost of automobiles under operating leases	\$ 2,689,413	\$ 3,260,897	\$ 3,782,647
Accumulated depreciation	(972,219)	(1,008,452)	(981,408)
Deferred origination fees and costs	(44,586)	(51,920)	(62,032)
<b>Operating Lease Assets, Net</b>	<b>\$ 1,672,608</b>	<b>\$ 2,200,525</b>	<b>\$ 2,739,207</b>

Depreciation expense related to leased automobiles was \$89.8 million and \$119.6 million for the three months ended June 30, 2003 and 2002, respectively. For the respective six-month periods, depreciation expense was \$187.9 million and \$243.6 million.

## Note 7 – Earnings per Share

Basic earnings per share is the amount of earnings for the period available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted for the potential issuance of common shares upon the exercise of stock options. The calculation of basic and diluted earnings per share for each of the three and six months ended June 30 is as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
<i>(in thousands, except per share amounts)</i>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Net Income</b>	<b>\$ 96,490</b>	<b>\$ 70,978</b>	<b>\$ 188,220</b>	<b>\$ 166,453</b>
Average common shares outstanding	228,633	246,106	229,987	248,415
Dilutive effect of common stock equivalents	1,939	1,761	1,697	1,531
<b>Diluted Average Common Shares Outstanding</b>	<b>230,572</b>	<b>247,867</b>	<b>231,684</b>	<b>249,946</b>
<b>Earnings Per Share</b>				
Basic	<b>\$0.42</b>	\$0.29	<b>\$0.82</b>	\$0.67
Diluted	<b>\$0.42</b>	\$0.29	<b>\$0.81</b>	\$0.67

The average market price of Huntington's common stock for the period was used in determining the dilutive effect of outstanding stock options. Common stock equivalents are computed based on the number of shares subject to stock options that have an exercise price less than the average market price of Huntington's common stock for the period.

Approximately 5.1 million and 3.1 million stock options were outstanding at June 30, 2003 and 2002, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares for the period and, therefore, the effect would be antidilutive. The weighted-average exercise price for these options was \$23.73 per share and \$26.60 per share at the end of the same respective periods.

At June 30, 2003, a total of 535,337 common shares associated with a 2002 acquisition were held in escrow, subject to future issuance contingent upon meeting certain contractual performance criteria. These shares, which were included in treasury stock, will be included in the computation of basic and diluted earnings per share at the beginning of the period when all conditions necessary for their issuance have been met. Dividends paid on these shares are reinvested in common stock and also are held in escrow.

## Note 8 – Comprehensive Income

The changes in the components of Huntington's Other Comprehensive Income in each of the three and six months ended June 30 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in thousands of dollars)</i>	2003	2002	2003	2002
Minimum pension liability:				
Unrealized net loss	\$ ---	\$ ---	\$ ---	\$ ---
Related tax benefit	---	---	---	---
Net	---	---	---	---
Unrealized holding gains (losses) on securities available for sale arising during the period:				
Unrealized net gains	9,046	32,852	1,799	10,540
Related tax expense	(3,162)	(11,498)	(935)	(3,689)
Net	5,884	21,354	864	6,851
Unrealized holding losses on derivatives used in cash flow hedging relationships arising during the period:				
Unrealized net losses	(23,415)	(2,392)	(26,295)	(4,245)
Related tax benefit	8,195	837	9,203	1,486
Net	(15,220)	(1,555)	(17,092)	(2,759)
Less: Reclassification adjustment for net gains from sales of securities available for sale realized during the period:				
Realized net gains	6,887	966	8,085	1,423
Related tax expense	(2,410)	(338)	(2,830)	(498)
Net	4,477	628	5,255	925
<b>Total Other Comprehensive Income</b>	<b>\$ (13,813)</b>	<b>\$ 19,171</b>	<b>\$ (21,483)</b>	<b>\$ 3,167</b>

Activity in Accumulated Other Comprehensive Income for the six months ended June 30, 2003 and 2002 was as follows:

	Minimum pension liability	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments used in cash flow hedging relationships	Total
<i>(in thousands of dollars)</i>				
Balance, December 31, 2001	\$ ---	\$ 29,469	\$ (3,981)	\$ 25,488
Period change	---	5,926	(2,759)	3,167
Balance, June 30, 2002	\$ ---	\$ 35,395	\$ (6,740)	\$ 28,655
Balance, December 31, 2002	\$ (195)	\$ 56,856	\$ 5,639	\$ 62,300
Current-period change	---	(4,391)	(17,092)	(21,483)
Balance, June 30, 2003	\$ (195)	\$ 52,465	\$ (11,453)	\$ 40,817

## Note 9 – Stock-Based Compensation

Huntington's stock-based compensation plans are accounted for based on the intrinsic value method promulgated by APB Opinion 25, *Accounting for Stock Issued to Employees*, and related interpretations. Compensation expense for employee stock options is generally not recognized if the exercise price of the option equals or exceeds the fair value of the stock on the date of grant.

In December 2002, the FASB issued Statement No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. This Statement amends Statement No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition to Statement No. 123's fair value method of accounting for stock-based employee compensation. Statement No. 148 also amends the disclosure provisions of Statement 123 and APB Opinion No. 28, *Interim Financial Reporting*, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While Statement No. 148 does not amend Statement No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of Statement No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of Statement No. 123 or the intrinsic value method of APB Opinion No. 25.

The following pro forma disclosures for net income and earnings per diluted common share are presented as if Huntington had applied the fair value method of accounting of Statement No. 123 in measuring compensation costs for stock options. The fair values of the stock options granted were estimated using the Black-Scholes option-pricing model. This model assumes that the estimated fair value of the options is amortized over the options' vesting periods and the compensation costs would be included in personnel expense on the income statement. The following table also includes the weighted-average assumptions that were used in the option-pricing model for options granted in the three and six month periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<b>Period-end Options Outstanding (in thousands)</b>	<b>17,399</b>	13,729	<b>17,399</b>	13,729
<b>Assumptions</b>				
Risk-free interest rate	<b>4.46%</b>	4.13%	<b>4.30%</b>	4.13%
Expected dividend yield	<b>3.26%</b>	3.34%	<b>3.30%</b>	3.34%
Expected volatility of Huntington's common stock	<b>33.8%</b>	33.8%	<b>33.8%</b>	33.8%
<b>Pro Forma Results (in millions of dollars)</b>				
Net income, as reported	<b>\$ 96.5</b>	\$ 71.0	<b>\$ 188.2</b>	\$ 166.5
Less pro forma expense, net of tax, related to options granted	<b>2.9</b>	2.9	<b>5.9</b>	6.6
<b>Pro Forma Net Income</b>	<b>\$ 93.6</b>	\$ 68.1	<b>\$ 182.3</b>	\$ 159.9
<b>Net Income Per Common Share:</b>				
Basic, as reported	<b>\$0.42</b>	\$0.29	<b>\$0.82</b>	\$0.67
Basic, pro forma	<b>0.41</b>	0.28	<b>0.79</b>	0.64
Diluted, as reported	<b>0.42</b>	0.29	<b>0.81</b>	0.67
Diluted, pro forma	<b>0.41</b>	0.27	<b>0.79</b>	0.64

## **Note 10 – Segment Reporting**

Huntington has three distinct lines of business: Regional Banking, Dealer Sales, and the Private Financial Group (PFG). A fourth segment includes Huntington's Treasury function and other unallocated assets, liabilities, revenue, and expense. Line of business results are determined based upon Huntington's management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around Huntington's organizational and management structure and, accordingly, the results below are not necessarily comparable with similar information published by other financial institutions.

Accounting policies for the lines of business are the same as those used in the preparation of the unaudited consolidated financial statements with respect to activities specifically attributable to each business line. However, the preparation of business line results requires management to establish methodologies to allocate funding costs and benefits, expenses, and other financial elements to each line of business. Changes are made in these methodologies utilized for certain balance sheet and income statement allocations performed by Huntington's management reporting system, as appropriate. Prior periods are typically not restated for these changes.

The chief decision-makers for Huntington rely on "operating earnings" for review of performance and for critical decision-making purposes. Operating earnings adjust net income as reported to exclude the 2002 gain from the sale of the Florida operations, the historical Florida banking and insurance operating results, and restructuring charges or release of previously established restructuring reserves. See Note 10 to the unaudited consolidated financial statements for further discussions regarding the 2002 restructuring charges and Note 11 regarding the 2002 sale of the Florida banking and insurance operations. The reconciling items between operating earnings and net income as reported are presented on an after-tax basis.

Operating earnings that were previously reported have been restated, where appropriate, to reflect a change in the timing of certain revenues and expenses. See Note 3 to the unaudited consolidated financial statements for further discussion regarding this restatement.

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

### **Regional Banking**

This segment provides products and services to retail, business banking, and commercial customers. This segment's products include home equity loans, first mortgage loans, direct installment loans, business loans, personal and business deposit products, as well as sales of investment and insurance services. These products and services are offered in six operating regions within the five states of Ohio, Michigan, Indiana, West Virginia, and Kentucky through Huntington's traditional banking network, Direct Bank--Huntington's customer service center, and Web Bank at [www.huntington.com](http://www.huntington.com). Regional Banking also represents middle-market and large commercial banking relationships which use a variety of banking products and services including, but not limited to, commercial loans, commercial real estate loans, international trade, and cash management.

### **Dealer Sales**

This segment finances the purchase of automobiles by customers of automotive dealerships, purchases automobiles from dealers and simultaneously leases the automobile under long-term operating and direct financing leases, finances the dealership's inventory of automobiles, and provides other banking services to the automotive dealerships and their owners.

### **Private Financial Group (PFG)**

This segment provides products and services designed to meet the needs of Huntington's higher wealth customers. Revenue is derived through the sale of personal trust, asset management, investment advisory, brokerage, insurance, and deposit and loan products and services. Income and related expenses from the sale of brokerage and insurance products is shared with the line of business that generated the sale or provided the customer referral.



## Treasury / Other

This segment includes assets, liabilities, equity, revenue, and expense that are not directly assigned or allocated to one of the lines of business. Since a match-funded transfer pricing system is used to allocate interest income and interest expense to other business segments, Treasury / Other results include the net impact of any over or under allocations arising from centralized management of interest rate risk including the net impact of derivatives used to hedge interest rate sensitivity. Furthermore, this segment's results include the net impact of administering Huntington's investment securities portfolio as part of overall liquidity management, as well as the impact of mezzanine lending activity conducted through Huntington's Capital Markets Group. Additionally, amortization expense of intangible assets, the 2002 gain on sale of the Florida operations, the 2002 restructuring charges, and other gains or losses not allocated to other business segments are also a component.

Listed below is certain reported financial information reconciled to Huntington's three and six month 2003 and 2002 operating results by line of business.

<b>Income Statements</b> <i>(in thousands of dollars)</i>	<b>Three Months Ended June 30,</b>				
	Regional Banking	Dealer Sales	PFG	Treasury/ Other	Huntington Consolidated
<b>2003</b>					
Net interest income	\$ 148,127	\$ 11,631	\$ 9,794	\$ 32,889	\$ 202,441
Provision for loan and lease losses	40,525	9,191	(458)	(65)	49,193
Non-Interest income	71,836	153,266	27,847	24,002	276,951
Non-Interest expense	141,029	124,513	25,886	5,605	297,033
Income taxes	13,443	10,918	4,275	8,040	36,676
Net income, as reported	24,966	20,275	7,938	43,311	96,490
Restructure charges (releases), net of tax	---	---	---	(3,455)	(3,455)
Operating earnings	\$ 24,966	\$ 20,275	\$ 7,938	\$ 39,856	\$ 93,035
<b>2002</b>					
Net interest income	\$ 141,978	\$ (3,496)	\$ 8,917	\$ 32,862	\$ 180,261
Provision for loan and lease losses	36,844	10,737	447	1,848	49,876
Non-Interest income	64,270	179,807	31,344	13,293	288,714
Non-Interest expense	131,915	153,005	26,991	11,835	323,746
Income taxes	13,121	4,399	4,488	2,367	24,375
Net income, as reported	24,368	8,170	8,335	30,105	70,978
Florida operating results, net of tax	---	---	532	---	532
Operating earnings	\$ 24,368	\$ 8,170	\$ 7,803	\$ 30,105	\$ 70,446

<b>Six Months Ended June 30,</b>					
<b>Income Statements</b> <i>(in thousands of dollars)</i>	Regional Banking	Dealer Sales	PFG	Treasury/ Other	Huntington Consolidated
<b>2003</b>					
Net interest income	\$ 292,280	\$ 27,252	\$ 19,312	\$ 65,356	\$ 404,200
Provision for loan and lease losses	64,066	20,576	1,454	(59)	86,037
Non-Interest income	143,432	311,676	55,057	39,710	549,875
Non-Interest expense	279,069	257,731	52,502	23,210	612,512
Income taxes	32,402	21,218	7,145	6,541	67,306
Net income, as reported	60,175	39,403	13,268	75,374	188,220
Restructure charges (releases), net of tax	---	---	---	(4,105)	(4,105)
Operating earnings	\$ 60,175	\$ 39,403	\$ 13,268	\$ 71,269	\$ 184,115
<b>2002</b>					
Net interest income	\$ 296,696	\$ (9,705)	\$ 16,398	\$ 55,741	\$ 359,130
Provision for loan and lease losses	64,356	20,386	2,036	2,108	88,886
Non-Interest income	136,562	360,758	62,708	211,219	771,247
Non-Interest expense	269,241	313,028	56,264	86,809	725,342
Income taxes	34,881	6,173	7,282	101,360	149,696
Net income, as reported	64,780	11,466	13,524	76,683	166,453
Florida operating results, net of tax	(2,639)	(794)	(927)	5,885	1,525
Gain on sale of Florida operations, net of tax	---	---	---	(61,422)	(61,422)
Restructuring charges, net of tax	---	---	---	36,519	36,519
Operating earnings	\$ 62,141	\$ 10,672	\$ 12,597	\$ 57,665	\$ 143,075
<b>Period-end Balance Sheet Data</b> <i>(in millions of dollars)</i>	<b>Total Assets at June 30,</b>		<b>Total Deposits at June 30,</b>		
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	
Regional Banking	\$ 14,585	\$ 13,045	\$ 16,628	\$ 15,121	
Dealer Sales	6,607	6,534	67	50	
Private Financial Group	1,328	1,000	1,027	826	
Treasury / Other	5,784	4,776	649	864	
Total	\$ 28,304	\$ 25,355	\$ 18,371	\$ 16,861	

#### **Note 11 – Divestitures**

On July 25, 2003, Huntington sold four banking offices located in eastern West Virginia. This sale included approximately \$50 million of loans and \$130 million of deposits. Huntington expects to report a pre-tax gain from this sale of approximately \$13 million in the third quarter of 2003.

On July 2, 2002, Huntington completed the sale of its Florida insurance operations, The J. Rolfe Davis Insurance Agency, Inc., to members of its management. Though the sale affected selected Non-interest income and Non-interest expense categories, it had no material gain or impact to net income.

On February 15, 2002, Huntington completed the sale of its Florida operations to SunTrust Banks, Inc. Included in the sale were \$4.8 billion of deposits and other liabilities and \$2.8 billion of loans and other assets. Huntington received a deposit premium of 15%, or \$711.9 million. The total net pre-tax gain from the sale was \$182.5 million and is reflected in Non-interest income. The after-tax gain was \$61.4 million, or \$0.24 per share. Income taxes related to this transaction were \$121.0 million, an amount higher than the tax impact at the statutory rate of 35% because most of the goodwill relating to the Florida operations was non-deductible for tax purposes.

## **Note 12 – SEC Investigation**

On June 26, 2003, Huntington announced that the Securities and Exchange Commission (SEC) staff is conducting a formal investigation, and that Huntington is cooperating fully with the investigation. The formal investigation began following Huntington's announcement on April 16, 2003 that it intended to restate its financial statements in order to reclassify its accounting for automobile leases from the direct financing lease method to the operating lease method. The investigation also follows allegations by a former Huntington employee regarding certain aspects of Huntington's accounting and financial reporting practices, including the recognition of automobile loan and lease origination fees and costs, as well as certain year-end reserves. These allegations were immediately reviewed with the Audit/Risk Committee, a Board committee composed entirely of independent directors. The Audit/Risk committee retained independent legal counsel who, in turn, retained independent accountants to assist it in its investigation of the allegations. While the investigation is ongoing, progress reports have been shared with the Audit/Risk Committee and the SEC. The SEC investigation is ongoing and Huntington is continuing to cooperate fully.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### ***INTRODUCTION***

Huntington Bancshares Incorporated (Huntington) is a multi-state diversified financial services company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through its subsidiaries, Huntington is engaged in providing full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, and discount brokerage services, as well as underwriting credit life and disability insurance, and selling other insurance and financial products and services. Huntington's banking offices are located in Ohio, Michigan, Indiana, Kentucky, and West Virginia. Selected financial services are also conducted in other states including Arizona, Florida, Georgia, Maryland, New Jersey, Pennsylvania, and Tennessee. Huntington also has a foreign office in the Cayman Islands and a foreign office in Hong Kong. The Huntington National Bank (the Bank) is Huntington's only bank subsidiary.

The following discussion and analysis provides investors and others with information that management believes to be necessary for an understanding of Huntington's financial condition, changes in financial condition, results of operations, and cash flows, and should be read in conjunction with the financial statements, notes, and other information contained in this document.

### ***Forward-Looking Statements***

This interim report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements about Huntington. These include descriptions of products or services, plans, or objectives of management for future operations, and forecasts of revenues, earnings, cash flows, or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts.

By their nature, forward-looking statements are subject to numerous assumptions, risks, and uncertainties. A number of factors could cause actual conditions, events, or results to differ significantly from those described in the forward-looking statements. These factors include, but are not limited to, those set forth under the heading "Business Risks" included in Item 1 of Huntington's Amendment No. 2 to its 2002 Annual Report on Form 10-K/A (Amendment No. 2 to Form 10-K/A) filed on November 14, 2003, and other factors described from time to time in other filings with the Securities and Exchange Commission.

Management encourages readers of this interim report to understand forward-looking statements to be strategic objectives rather than absolute forecasts of future performance. Forward-looking statements speak only as of the date they are made. Huntington does not 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.

### ***Restatements of Results of Operations and Financial Condition***

Huntington has voluntarily corrected and restated its earnings in this Amendment No. 2 to its Quarterly Report on Form 10-Q/A (Amendment No. 2 to Form 10-Q/A) to correct for timing errors in the recognition of certain revenues and expenses. Specifically, this Amendment No. 2 to Form 10-Q/A includes the following corrections:

- Huntington previously did not defer loan and lease origination fees and certain expenses, but rather recognized the net amount in the period of origination. This restatement applies, on a retroactive basis, deferral accounting for loan and lease origination fees and costs.
- Huntington previously recorded revenue from the sale of a contingent automobile debt cancellation product by allocating a fixed portion of the proceeds from each sale to revenue and reserves. The impact of the restatement increased the amount of the reserve to cover claim losses on the products purchased by customers.
- In 1998, Huntington entered into a sale-leaseback transaction. Huntington recognized gains in 1998 and 1999 as a reduction in occupancy expense above the amounts that should have been recognized under a normal amortization schedule. The restatement corrects this timing error.
- In 1998, Huntington marked to market the ineffective portion of an interest rate swap associated with a fixed rate subordinated debt offering initiated in 1992. The swap was subsequently sold in 2000. The restatement marks to market the ineffective portion of the swap for all periods prior to 1998 and then annually through 2000.

- In 2001, Huntington negotiated a reduction in expenses on Bank Owned Life Insurance, which resulted in an increase in the cash surrender value of the policies at year end 2001, but did not recognize the resulting income until 2002. The restatement corrects this timing error.

The results of this restatement are reflected in the unaudited consolidated financial statements, notes to the unaudited consolidated financial statements, and management's discussion and analysis for all current and prior periods reported in this Amendment No.2 to Form 10-Q/A. Note 3 in the notes to the unaudited consolidated financial statements contains additional information regarding this restatement.

### ***Critical Accounting Policies***

Note 1 to the consolidated financial statements included in Huntington's Amendment No. 2 to Form 10-K/A lists significant accounting policies used in the development and presentation of its financial statements. These significant accounting policies, as well as this discussion and analysis, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors that are necessary for an understanding and evaluation of the organization, its financial position, results of operations, and cash flows.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires Huntington's management to establish critical accounting policies and make accounting estimates, assumptions, and judgments that affect amounts recorded and reported in its financial statements. An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements of Huntington if a different amount within a range of estimates were used or if estimates changed from period to period. Readers of this interim report should understand that estimates are made under facts and circumstances at a point in time and changes in those facts and circumstances could produce actual results that differ from when those estimates were made. Huntington's management has identified the most significant accounting estimates and their related application in Huntington's Amendment No. 2 to Form 10-K/A.

### ***Adoption of Financial Interpretation No. (FIN) 46 involving Special Purpose Entities (SPEs)***

Huntington established two securitization trusts, or SPEs, in 2000. These two trusts had total assets of approximately \$1.1 billion at June 30, 2003. In the securitization transactions, indirect automobile loans that Huntington originated were sold to these trusts. Under GAAP at June 30, 2003, these trusts were not required to be consolidated in Huntington's financial statements. As such, the loans and the debt within the trusts were not included on Huntington's balance sheets at June 30. See Note 11 to the consolidated financial statements in Huntington's Amendment No. 2 to Form 10-K/A for more information regarding securitized loans.

In January 2003, the Financial Accounting Standards Board (FASB) issued FIN 46, *Consolidation of Variable Interest Entities*. This Interpretation of Accounting Research Bulletin No. 51 (ARB 51), *Consolidated Financial Statements*, addresses consolidation by business enterprises where ownership interests in an entity may vary over time or, in many cases, of special-purpose entities (SPEs). To be consolidated for financial reporting, these entities must have certain characteristics. ARB 51 requires that an enterprise's consolidated financial statements include subsidiaries in which the enterprise has a controlling financial interest. This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. An enterprise that holds significant variable interests in such an entity, but is not the primary beneficiary, is required to disclose certain information regarding its interests in that entity. This Interpretation applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds an interest that it acquired before February 1, 2003. It also applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. This Interpretation may be applied (1) prospectively with a cumulative effect adjustment as of the date on which it is first applied, or (2) by restating previously issued financial statements for one or more years with a cumulative effect adjustment as of the beginning of the first year restated.

Effective July 1, 2003, Huntington adopted FIN 46 resulting in the consolidation of one of the securitization trusts formed in 2000. The consolidation of that trust involved recognition of the trust's assets and liabilities, elimination of the related retained interest and servicing asset, recognition of other related assets, and establishment of a 1.01% allowance for loan and lease losses. Reflecting these impacts, the adoption of FIN 46 will result in a cumulative effect charge of approximately \$13 million, or \$0.06 per share, in the third quarter, a reduction of the ALLL by approximately 3 basis points, and a reduction in the tangible common equity ratio of approximately 30 basis points. Regulatory capital will have minimal impact since these assets are currently reflected in risk-based assets.

#### ***Derivatives and Other Off-Balance Sheet Arrangements***

Huntington uses a variety of derivatives, principally interest rate swaps, in its asset and liability management activities to mitigate the risk of adverse interest rate movements on either cash flows or market value of certain assets and liabilities.

Like other financial organizations, Huntington uses various commitments in the ordinary course of business that, under GAAP, are not recorded in the financial statements. Specifically, Huntington makes various commitments to extend credit to customers, to sell loans, and to maintain obligations under operating-type noncancelable leases for its facilities. Derivatives and other off-balance sheet arrangements are discussed under the "Interest Rate Risk Management" section of this interim report and in the notes to the unaudited consolidated financial statements.

#### ***Related Party Transactions***

Various directors and executive officers of Huntington, and entities affiliated with those directors and executive officers, are customers of Huntington's subsidiaries. All such transactions with Huntington's directors and executive officers and their affiliates are conducted in the ordinary course of business under normal credit terms, including interest rate and collateralization, and do not represent more than the normal risk of collection. A summary of the indebtedness of management can be found in Note 10 to the consolidated financial statements in Huntington's Amendment No. 2 to Form 10-K/A. All other related party transactions, including those reported in Huntington's 2003 Proxy Statement and transactions subsequent to December 31, 2002, were considered immaterial to its financial condition, results of operations, and cash flows.

### ***SUMMARY DISCUSSION OF RESULTS***

#### ***2003 Second Quarter versus 2002 Second Quarter***

Huntington's second quarter 2003 earnings were \$96.5 million, or \$0.42 per common share, up 36% and 45%, respectively, from \$71.0 million, or \$0.29 per common share in the year-ago quarter. This primarily reflected the benefit of a 13% increase in fully taxable equivalent net interest income and an 8% decline in non-interest expense, partially offset by a 4% decline in non-interest income. The higher percent change in per common share earnings reflected the benefit of repurchased common shares. The return on average assets (ROA) and return on average equity (ROE) were 1.38% and 18.0%, respectively, compared with 1.14% and 12.5% in the year-ago quarter.

Fully taxable equivalent net interest income increased \$23.2 million, or 13%, reflecting a \$4.0 billion, or 20%, increase in average earning assets, partially offset by a 23 basis point, or an effective 6%, decline in the fully taxable equivalent net interest margin to 3.47% from 3.70%. The decline in non-interest expense of \$26.7 million, or 8%, primarily reflected a \$28.8 million, or 22%, decline in operating lease expense, and \$5.3 million decrease in restructuring charges, partially offset by a \$6.1 million, or 6%, increase in personnel costs. Non-interest income decreased \$11.8 million, or 4%, primarily due to a \$43.0 million, or 25%, decline in operating lease income, partially offset by a \$13.5 million gain from the sale of automobile loans.

#### ***2003 Second Quarter versus 2003 First Quarter***

Compared with the first quarter 2003 earnings of \$91.7 million, or \$0.39 per common share, second quarter earnings and earnings per common share were up 5% and 8%, respectively. This increase primarily reflected the benefit of a 6% decline in non-interest expense and 1% increase in non-interest income, partially offset by a 34% increase in provision for loan and lease losses. Fully taxable equivalent net interest income was essentially unchanged between quarters. ROA and ROE were 1.36% and 17.2%, respectively, in the first quarter 2003.

The \$18.4 million, or 6%, decline in non-interest expense was driven primarily by an \$8.6 million, or 8%, decline in operating lease expense, a \$7.8 million, or 7%, decline in personnel costs, and a \$4.3 million decline in restructuring charges. The \$4.0 million, or 1%, increase in non-interest income reflected the \$3.2 million increase in gains from sales of automobile loans and a \$5.7 million increase in securities gains, partially offset by a \$9.6 million, or 7%, decline in operating lease income.

**Table 1 - Selected Quarterly Income Statement Data <sup>(1)</sup>**

	2003		2002		
(in thousands, except per share amounts)	Second	First	Fourth	Third	Second
<b>Total Interest Income</b>	<b>\$ 317,325</b>	<b>\$ 320,014</b>	<b>\$ 329,340</b>	<b>\$ 324,177</b>	<b>\$ 311,083</b>
<b>Total Interest Expense</b>	<b>114,884</b>	<b>118,255</b>	<b>130,161</b>	<b>132,912</b>	<b>130,822</b>
<b>Net Interest Income</b>	<b>202,441</b>	<b>201,759</b>	<b>199,179</b>	<b>191,265</b>	<b>180,261</b>
Provision for loan and lease losses	49,193	36,844	51,236	54,304	49,876
<b>Net Interest Income After Provision for Loan and Lease Losses</b>	<b>153,248</b>	<b>164,915</b>	<b>147,943</b>	<b>136,961</b>	<b>130,385</b>
Operating lease income	128,574	138,193	149,259	160,164	171,617
Service charges on deposit accounts	40,914	39,869	41,435	37,706	35,608
Trust services	15,580	14,911	15,306	14,997	16,247
Brokerage and insurance income	14,196	15,497	13,941	13,664	16,899
Gains on sales of automobile loans	13,496	10,255	---	---	---
Other service charges and fees	11,372	10,338	10,890	10,837	10,529
Bank Owned Life Insurance income	11,043	11,137	10,722	10,723	10,722
Mortgage banking	7,185	11,125	5,530	2,594	7,835
Securities gains	6,887	1,198	2,339	1,140	966
Merchant Services gain	---	---	---	24,550	---
Other	27,704	20,401	22,433	22,227	18,291
<b>Total Non-Interest Income</b>	<b>276,951</b>	<b>272,924</b>	<b>271,855</b>	<b>298,602</b>	<b>288,714</b>
Personnel costs	105,242	113,089	110,231	100,662	99,115
Operating lease expense	102,939	111,588	120,747	125,743	131,695
Equipment	16,341	16,412	17,337	17,378	16,659
Outside data processing and other services	16,104	16,579	17,209	15,128	16,592
Net occupancy	15,377	16,609	13,370	14,676	14,504
Professional services	9,872	9,285	9,111	9,680	7,864
Marketing	8,454	6,626	6,186	7,491	7,231
Telecommunications	5,394	5,701	5,714	5,609	5,320
Printing and supplies	2,253	3,681	3,999	3,679	3,683
Restructuring (releases) charges	(5,315)	(1,000)	(7,211)	---	---
Other	20,372	16,909	32,616	19,450	21,083
<b>Total Non-Interest Expense</b>	<b>297,033</b>	<b>315,479</b>	<b>329,309</b>	<b>319,496</b>	<b>323,746</b>
<b>Income Before Income Taxes</b>	<b>133,166</b>	<b>122,360</b>	<b>90,489</b>	<b>116,067</b>	<b>95,353</b>
Income taxes	36,676	30,630	21,226	28,052	24,375
<b>Net Income</b>	<b>\$ 96,490</b>	<b>\$ 91,730</b>	<b>\$ 69,263</b>	<b>\$ 88,015</b>	<b>\$ 70,978</b>
<b>Per Common Share</b>					
Net Income - Diluted	\$0.42	\$0.40	\$0.30	\$0.37	\$0.29
Cash Dividends Declared	\$0.16	\$0.16	\$0.16	\$0.16	\$0.16
<b>Return on:</b>					
Average total assets	1.38%	1.36%	1.02%	1.35%	1.14%
Average total shareholders' equity	18.0%	17.2%	12.7%	15.8%	12.5%
Net interest margin <sup>(2)</sup>	3.47%	3.63%	3.62%	3.69%	3.70%
Efficiency ratio <sup>(3)</sup>	62.5%	66.3%	69.9%	65.2%	69.0%
Effective tax rate	27.5%	25.0%	23.5%	24.2%	25.6%
<b>Revenue - Fully Taxable Equivalent (FTE)</b>					
Net Interest Income	\$ 202,441	\$ 201,759	\$ 199,179	\$ 191,265	\$ 180,261
Tax Equivalent Adjustment <sup>(2)</sup>	2,076	2,096	1,869	1,096	1,071
Net Interest Income	204,517	203,855	201,048	192,361	181,332
Non-Interest Income	276,951	272,924	271,855	298,602	288,714
<b>Total Revenue</b>	<b>\$ 481,468</b>	<b>\$ 476,779</b>	<b>\$ 472,903</b>	<b>\$ 490,963</b>	<b>\$ 470,046</b>
<b>Total Revenue Excluding Securities Gains</b>	<b>\$ 474,581</b>	<b>\$ 475,581</b>	<b>\$ 470,564</b>	<b>\$ 489,823</b>	<b>\$ 469,080</b>

<sup>(1)</sup> See note 3 to the unaudited consolidated financial statements for further information regarding the restatement.

<sup>(2)</sup> Represents the tax-exempt portion of net interest income increased by an amount equivalent to taxes that would have been paid if this income had been taxed at a 35% statutory tax rate.

<sup>(3)</sup> Non-interest expense less amortization of intangible assets divided by the sum of fully taxable equivalent net interest income and non-interest income excluding securities gains.

### 2003 First Six Months versus 2002 First Six Months

For the first six months of 2003, earnings were \$188.2 million, or \$0.81 per common share, up 13% and 19%, respectively, from \$166.5 million, or \$0.67 per common share, in the comparable year-ago period. This increase primarily reflected the benefits of a 13% increase in fully taxable equivalent net interest income, a 16% decline in non-interest expense, a 3% decline in provision for loan and lease losses, and a lower effective tax rate, partially offset by a 29% decline in non-interest income. The year-ago six-month period included two significant items. The first consisted of a \$182.5 million pre-tax gain (\$61.4 million after tax, or \$0.24 per common share) from the sale of the Florida banking operations reported in non-interest income. The second was \$56.2 million (\$36.5 million after tax, or \$0.15 per common share) in restructuring charges related to the strategic initiatives announced in July 2001 reported in non-interest expense. The higher percent change in per common share earnings reflected the benefit of repurchased shares. ROA and ROE were 1.37% and 17.5%, respectively, up from 1.30% and 14.5%, in the year-ago six-month period.

The \$47.0 million, or 13%, increase in fully taxable equivalent net interest income reflected a \$3.1 billion, or 15%, increase in average earnings assets, partially offset by a 9 basis point, or an effective 3%, decline in the fully taxable equivalent net interest margin to 3.36% from 3.45%. The \$112.8 million, or 16%, decline in non-interest expense primarily reflected a \$62.5 million decline in restructuring charges and a \$58.0 million, or 21%, decline in operating lease expense, partially offset by an \$11.2 million, or 5%, increase in personnel costs. Provision for loan and lease losses decreased \$2.8 million, or 3%, and reflected a release of provision associated with the loans sold with Florida banking operations in the prior year, partially offset by higher provision expense due to loan growth and higher net charge-offs.

The reduction in tax expense reflects the decline in the effective tax rate to 26.3% in the current six-month period, down from 47.3%, in the year-ago six-month period. The higher effective tax rate in the year-ago period reflected the fact that most of the goodwill relating to the sold Florida operations was not deductible for tax purposes.

## **RESULTS OF OPERATIONS**

### ***Net Interest Income***

#### 2003 Second Quarter versus 2002 Second Quarter

Compared with the year-ago quarter, fully taxable equivalent net interest income increased \$23.2 million, or 13%, reflecting the benefit of an increase in average earning assets, partially offset by a 23 basis point, or an effective 6%, decline in the net interest margin to 3.47% from 3.70%. The decline in the fully taxable equivalent net interest margin was driven by a number of factors including significant repayments and prepayments of higher rate mortgages and mortgage backed securities, growth in lower rate but higher quality automobile loans and direct financing leases, and the difficulty in lowering deposit rates as fast as the decline in rates on loans and securities. Average total earning assets increased \$4.0 billion, or 20%, of which \$0.8 billion related to higher securities and \$3.1 billion related to higher average loans and leases and mortgages held for sale.

Average securities increased \$0.8 billion, or 29%, from the year-ago quarter reflecting the investment of deposit inflows, proceeds from loan sales, and pay downs of operating leases in excess of loan and lease originations. Average mortgages held for sale increased \$0.4 billion, more than twice the level of a year earlier, due to high loan originations of mortgages reflecting continued heavy refinancing activity.

Compared with the year-ago quarter, average loans and leases increased \$2.7 billion, or 16%. Average automobile loans and leases increased \$1.4 billion, or 51%. This high growth rate was influenced by the significant growth in direct financing automobile leases as this portfolio is relatively new and consists only of leases originated after April 2002 with no meaningful offsetting impact from maturing leases. Average automobile loans were up 10%. As part of a plan to reduce loan concentration exposure to the automobile financing business, \$567 million of automobile loans were sold in the second quarter 2003, following the sale of \$556 million in the first quarter. This brought 2003 year-to-date sales to \$1.1 billion. Each sale occurred at the end of their respective quarter and, thus, did not have a material impact on average balances for their respective quarters. However, the first quarter sale did have a material impact on second quarter 2003 averages and comparisons to the year-ago quarter. Excluding the impact of the first quarter sale, average automobile loans in the second quarter 2003 were up 28% from the year-ago quarter.

Average residential mortgages increased \$0.5 billion, or 36%, with average home equity loans and lines up \$0.4 billion, or 16%, reflecting the impact low interest rates had on home borrowing and refinancing. Total average commercial real estate loans increased \$0.4 billion, or 11%. Average commercial loans were essentially flat with the year-ago period. While small business banking loans showed some growth, this was offset by declines in larger commercial loans, including a reduction in exposure to shared national credits.



Compared with the year-ago quarter, average core deposits increased \$0.7 billion, or 5%, including a \$0.7 billion, or 20%, decline in retail CDs. Retail CDs, which continued to be a relatively expensive source of funds, were de-emphasized in the company's deposit generation strategies. Average core deposits excluding retail CDs were up 13% from the year-ago quarter.

#### 2003 Second Quarter versus 2003 First Quarter

Fully taxable equivalent net interest income in the second quarter 2003 increased \$0.7 million from the first quarter, reflecting growth in average earning assets substantially offset by a decline in the net interest margin. The fully taxable equivalent net interest margin declined to 3.47% from 3.63%, down 16 basis points, or an effective 4%, driven by the same factors that affected comparisons to the year-ago quarter, as noted above. Average total earning assets increased \$0.9 billion, or 4%, of which \$0.4 billion related to higher securities and \$0.5 billion related to higher average loans and leases and mortgages held for sale.

Average securities increased \$0.4 billion, or 11%, from the first quarter reflecting the investment of deposit inflows, proceeds from loan sales, and pay downs of operating leases in excess of loan and lease originations. Average mortgages held for sale increased \$0.1 billion, or 31%, from the first quarter due to high loan originations reflecting continued heavy refinancing activity.

Average loans and leases increased \$0.3 billion, or 2%, from the first quarter, or 4% excluding the impact of automobile loan sales. Reflecting the impact of the low interest rate environment, average residential mortgages grew 3% and average home equity loans and lines of credit increased 4%. Average automobile loans and leases increased 1%, or 12% excluding the impact of the first quarter sale of \$556 million of automobile loans. Loans sold in the first quarter impacted average loans and leases in that quarter by \$457 million. Year-to-date sales of automobile loans totaled \$1.1 billion with such sales reflecting a strategy to reduce loan concentration exposure to the automobile financing business. Total average commercial real estate loans increased 3%. In contrast, average commercial loans were essentially unchanged reflecting a 3% growth in small business loans, offset by declines in larger commercial credits.

Total average core deposits in the second quarter 2003 increased \$0.5 billion, or 3%, from the first quarter including a \$0.2 billion, or 6%, decline in retail CDs. Excluding retail CDs, average core deposits increased 5%.

Table 2 of this report reflects quarterly average balance sheets and rates earned and paid on Huntington's interest-earning assets and interest-bearing liabilities.

#### 2003 First Six Months versus 2002 First Six Months

Net interest income on a fully taxable equivalent basis for the first six months of 2003 increased \$47.0 million, or 13%, from the comparable year-ago period. This reflected 15% growth in average earnings assets, as the fully taxable equivalent net interest margin declined slightly to 3.36% from 3.45%, down 9 basis points, or an effective 3%. Average total earning assets increased \$3.1 billion, or 15%, of which \$0.7 billion related to higher average securities, \$0.3 billion to higher average mortgages held for sale, and \$2.1 billion related to higher average loans and leases.

The higher average balances in securities and mortgages held for sale reflect the same factors influencing the year-over-year quarterly comparisons discussed above.

Average loans and leases increased \$2.1 billion, or 13%, from the year-ago six-month period. This increase was driven primarily by a \$1.3 billion, or 49%, increase in average automobile loans and leases, impacted by the significant growth in direct financing automobile leases given reclassification of all April 2002 and prior originations as operating leases. Average automobile loans increased 12%, but rose 25% excluding the impact of the loan sales. Average residential mortgages were up \$0.6 billion, or 45%, and average home equity loans and lines of credit were up \$0.2 billion, or 8%. Average commercial real estate loans were \$0.2 million, or 7%, higher than in the year-ago period, whereas average commercial loans were down \$0.2 billion, or 4%, reflecting the continued weak demand for commercial credits and planned decline in the shared national credit portfolio, partially offset by growth in small business loans.

Total average core deposits for the first six months of 2003 were down \$298 million, or 2%, reflecting the impact of the 2002 first quarter sale of \$4.7 billion of deposits sold with the Florida banking operations. Excluding the impact of these sold deposits, six-month 2003 average core deposits were up \$833 million, or 6%, from the comparable year-ago period. Excluding retail CDs, average core deposits increased 6%.

Table 3 of this report reflects year-to-date 2003 and 2002 average balance sheets, related interest income and expense, and rates earned and paid on Huntington's interest-earning assets and interest-bearing liabilities.

**Table 2 - Consolidated Quarterly Average Balance Sheets and Net Interest Margin Analysis**

(in millions)

Fully Tax Equivalent Basis <sup>(1)</sup>	Quarterly Average Balances					Quarterly Average Rates <sup>(3)</sup>				
	2003		2002			2003		2002		
	Second	First	Fourth	Third	Second	Second	First	Fourth	Third	Second
<b>Assets</b>										
Interest bearing deposits in banks	\$ 45	\$ 37	\$ 34	\$ 35	\$ 29	1.58 %	1.61 %	1.93 %	2.06 %	2.44 %
Trading account securities	23	12	9	7	6	4.15	4.63	3.37	4.95	5.37
Federal funds sold and securities purchased										
under resale agreements	69	57	83	76	68	2.19	2.14	1.83	1.40	1.51
Mortgages held for sale	602	459	467	267	174	5.42	5.56	5.84	6.57	7.07
Securities:										
Taxable	3,382	3,014	3,029	2,953	2,735	4.59	5.17	5.53	6.01	6.33
Tax exempt	275	274	234	108	96	7.29	7.22	7.15	7.52	7.69
Total Securities	3,657	3,288	3,263	3,061	2,831	4.79	5.34	5.64	6.07	6.37
Loans and leases: <sup>(2)</sup>										
Commercial	5,626	5,623	5,555	5,504	5,616	5.26	5.40	5.59	5.69	5.67
Real Estate										
Construction	1,239	1,187	1,070	1,247	1,258	4.13	4.06	4.15	4.60	5.05
Commercial	2,621	2,565	2,601	2,315	2,232	5.25	5.60	5.79	6.17	6.39
Consumer										
Automobile loans and leases	4,136	4,085	3,699	3,225	2,733	6.78	7.40	7.83	8.50	8.67
Home equity	3,359	3,238	3,166	3,060	2,907	5.02	5.17	5.64	5.83	6.00
Residential mortgage	1,887	1,832	1,694	1,486	1,385	5.76	5.95	6.06	6.27	6.46
Other loans	379	389	399	406	415	7.22	6.60	7.21	7.66	7.70
Total Consumer	9,761	9,544	8,958	8,177	7,440	5.99	6.33	6.69	7.05	7.16
Total loans and leases	19,247	18,919	18,184	17,243	16,546	5.56	5.82	6.08	6.32	6.39
Allowance for loan and lease losses	338	349	386	367	357					
Net loans and leases	18,909	18,570	17,798	16,876	16,189					
Total earning assets	23,643	22,772	22,040	20,689	19,654	5.42 %	5.72 %	5.99 %	6.26 %	6.37 %
Operating lease assets	1,802	2,076	2,328	2,597	2,842					
Cash and due from banks	735	740	717	763	722					
Intangible assets	218	218	225	202	213					
All other assets	2,005	1,967	1,937	1,905	1,891					
<b>Total Assets</b>	<b>\$ 28,065</b>	<b>\$ 27,424</b>	<b>\$ 26,861</b>	<b>\$ 25,789</b>	<b>\$ 24,965</b>					
<b>Liabilities and Shareholders' Equity</b>										
Core deposits										
Non-interest bearing deposits	\$ 3,046	\$ 2,958	\$ 2,955	\$ 2,868	\$ 2,739					
Interest bearing demand deposits	6,100	5,597	5,305	5,269	4,920	1.39 %	1.44 %	1.55 %	1.75 %	1.82 %
Savings deposits	2,804	2,771	2,746	2,766	2,808	1.55	1.85	1.69	1.77	1.79
Retail certificates of deposit	2,798	2,963	3,305	3,453	3,509	3.75	3.87	4.36	4.37	4.51
Other domestic time deposits	673	682	702	714	718	3.85	4.00	4.19	4.37	4.48
Total core deposits	15,421	14,971	15,013	15,070	14,694	2.09	2.28	2.51	2.65	2.76
Domestic time deposits of \$100,000 or more	808	769	730	777	843	2.55	2.76	2.64	3.27	3.12
Brokered time deposits and negotiable CDs	1,241	1,155	1,057	907	649	1.79	1.98	2.25	2.37	2.48
Foreign time deposits	426	514	409	370	296	1.03	1.06	1.29	1.43	1.38
Total deposits	17,896	17,409	17,209	17,124	16,482	2.06	2.24	2.46	2.63	2.74
Short-term borrowings	1,635	1,947	2,115	1,793	1,636	1.06	1.16	1.40	1.44	1.51
Federal Home Loan Bank advances	1,267	1,216	848	228	14	1.76	1.84	1.99	2.02	5.89
Subordinated notes and other long-term debt,										
including preferred capital securities	4,010	3,570	3,380	3,281	3,375	2.85	3.12	3.52	3.70	3.64
Total interest bearing liabilities	21,762	21,184	20,597	19,558	18,768	2.11 %	2.26 %	2.51 %	2.70 %	2.80 %
All other liabilities	1,106	1,116	1,146	1,149	1,180					
Shareholders' equity	2,151	2,166	2,163	2,214	2,278					
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 28,065</b>	<b>\$ 27,424</b>	<b>\$ 26,861</b>	<b>\$ 25,789</b>	<b>\$ 24,965</b>					
Net interest rate spread						3.31 %	3.46 %	3.48 %	3.56 %	3.57 %
Impact of non-interest bearing funds on margin						0.16	0.17	0.14	0.13	0.13
<b>Net Interest Margin</b>						<b>3.47 %</b>	<b>3.63 %</b>	<b>3.62 %</b>	<b>3.69 %</b>	<b>3.70 %</b>

<sup>(1)</sup> Fully tax equivalent yields are calculated assuming a 35% tax rate.

<sup>(2)</sup> Individual loan components include applicable fees.

<sup>(3)</sup> Loan and deposit average rates include impact of applicable derivatives.

**Table 3 - Consolidated Six-Month Average Balance Sheets and Net Interest Margin Analysis**

(in millions)

Fully Tax Equivalent Basis <sup>(1)</sup>	Six-Month Average Balances		Interest Income / Expense		Six-Month Average Rates <sup>(3)</sup>	
	2003	2002	2003	2002	2003	2002
<b>Assets</b>						
Interest bearing deposits in banks	\$ 41	\$ 31	\$ 0.3	\$ 0.3	1.59 %	2.21 %
Trading account securities	17	6	0.4	0.1	4.31	4.18
Federal funds sold and securities purchased under resale agreements	63	65	0.7	0.5	2.16	1.47
Mortgages held for sale	531	277	14.5	9.3	5.47	6.70
Securities:						
Taxable	3,199	2,724	77.6	86.7	4.86	6.38
Tax exempt	275	99	10.0	3.8	7.26	7.73
Total Securities	3,474	2,823	87.6	90.5	5.05	6.43
Loans and leases: <sup>(2)</sup>						
Commercial	5,625	5,830	144.0	157.8	5.16	5.46
Real Estate						
Construction	1,214	1,271	23.5	31.8	3.91	5.05
Commercial	2,593	2,297	66.9	72.4	5.23	6.39
Consumer						
Automobile loans and leases	4,112	2,763	135.8	114.7	6.71	8.41
Home equity	3,298	3,056	83.2	93.5	5.03	6.11
Residential mortgage	1,859	1,286	49.5	36.5	5.40	5.74
Other loans	384	449	13.8	18.0	7.23	8.05
Total Consumer	9,653	7,554	282.3	262.7	5.90	7.00
Total loans and leases	19,085	16,952	516.7	524.7	5.46	6.24
Allowance for loan and lease losses	343	364				
Net loans and leases	18,742	16,588				
Total earning assets / Total interest income / Rate	23,211	20,154	620.2	625.4	5.38 %	6.25 %
Operating lease assets	1,937	2,909				
Cash and due from banks	738	770				
Intangible assets	218	354				
All other assets	1,986	1,916				
<b>Total Assets</b>	<b>\$ 27,747</b>	<b>\$ 25,739</b>				
<b>Liabilities and Shareholders' Equity</b>						
Core deposits						
Non-interest bearing deposits	\$ 2,984	\$ 2,889				
Interest bearing demand deposits	5,868	5,033	41.9	45.1	1.44 %	1.81 %
Savings deposits	2,788	2,952	22.6	26.2	1.63	1.79
Retail certificates of deposit	2,880	3,863	54.4	91.3	3.81	4.76
Other domestic time deposits	678	759	13.2	17.4	3.92	4.63
Total core deposits	15,198	15,496	132.1	180.0	2.18	2.88
Domestic time deposits of \$100,000 or more	789	944	10.4	14.4	2.66	3.08
Brokered time deposits and negotiable CDs	1,198	476	11.2	5.9	1.88	2.48
Foreign time deposits	470	283	2.4	2.3	1.05	1.63
Total deposits	17,655	17,199	156.1	202.6	2.15	2.85
Short-term borrowings	1,789	1,692	9.9	14.7	1.11	1.75
Federal Home Loan Bank advances	1,242	16	11.2	0.5	1.80	5.99
Subordinated notes and other long-term debt, including preferred capital securities	3,792	3,403	55.9	62.7	2.97	3.71
Total interest bearing liabilities / Total interest expense / Rate	21,494	19,421	233.1	280.5	2.19 %	2.91 %
All other liabilities	1,096	1,122				
Shareholders' equity	2,173	2,307				
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 27,747</b>	<b>\$ 25,739</b>				
Net interest rate spread					3.19 %	3.34 %
Impact of non-interest bearing funds on margin					0.17	0.11
<b>Net Interest Income (FTE)<sup>(1)</sup> / Margin</b>			<b>\$ 387.1</b>	<b>\$ 344.9</b>	<b>3.36 %</b>	<b>3.45 %</b>

<sup>(1)</sup> Fully tax equivalent net interest income and yields are calculated assuming a 35% tax rate.

<sup>(2)</sup> Individual loan components include applicable fees.

<sup>(3)</sup> Loan and deposit average rates include impact of applicable derivatives.

## ***Provision for Loan and Lease Losses***

The provision for loan and lease losses is the expense necessary to maintain the allowance for loan and lease losses (ALLL) at a level adequate to absorb management's estimate of inherent losses in the total loan and lease portfolio. Taken into consideration are such factors as current period net charge-offs that are charged against the ALLL, current period loan and lease growth and any related estimate of likely losses associated with that growth based on historical experience, the current economic outlook, the anticipated impact on credit quality of existing loans and leases, and other factors.

### **2003 Second Quarter versus 2002 Second Quarter**

Provision for loan and lease losses in the second quarter was \$49.2 million, down \$0.7 million, or 1%, from the year-ago quarter. At June 30, 2003, the allowance for loan and lease losses as a percent of period-end loans and leases was 1.79%, down from 2.10% at the end of the year-ago quarter. The decline in this ratio reflected a 40% decrease in non-performing assets between the end of the year-ago quarter and June 30, 2003. In contrast, as a percent of non-performing assets, the ALLL increased to 255% at June 30, 2003, from 158% at June 30, 2002. (See Tables 10 and 11.)

### **2003 Second Quarter versus 2003 First Quarter**

Provision for loan and lease losses in the second quarter was up \$12.3 million, or 34%, from the first quarter due primarily to an \$8.1 million provision expense reflecting loan growth, and to a lesser degree higher net charge-offs between periods. The June 30, 2003, ALLL as a percent of period-end loans and leases was 1.79%, up slightly from 1.78% at March 31, 2003. The allowance for loan and lease losses as a percent of non-performing assets increased to 255% at June 30, 2003, from 240% at the end of the immediately preceding quarter.

### **2003 First Six Months versus 2002 First Six Months**

Provision for loan and lease losses for the first six months was \$86.0 million, down \$2.8 million, or 3%, reflecting a \$6.1 million, or 8%, decline in net charge-offs, partially offset by loan and lease growth.

## ***Non-Interest Income***

### **2003 Second Quarter versus 2002 Second Quarter**

Non-interest income in the second quarter 2003 was \$277.0 million, down \$11.8 million, or 4%, from \$288.7 million in the year-ago quarter. This decline was driven primarily by a \$43.0 million, or 25%, decline in operating lease income as this portfolio runs off due to the fact that all automobile leases originated after April 2002 are direct financing leases. Unlike income on operating leases, the income on direct financing leases is reflected in net interest income. (See Operating Lease discussion.) Excluding operating lease income of \$128.6 million and \$171.6 million from the current and year-ago quarters, respectively, non-interest income was up \$31.3 million, or 27%. (See Table 4.)

Fee income categories that increased over this period included service charges on deposit accounts, up \$5.3 million, or 15%, due to higher NSF and overdraft fees on retail accounts. The gains on sales of automobile loans were \$13.5 million in the current quarter. The \$9.4 million increase in other income reflected a \$4.4 million increase in trading-related revenue, \$4.1 million of higher fees from automobile lease terminations, and a \$3.2 million increase in the market value of certain equity investments partially offset by declines in other miscellaneous income categories. Securities gains were up \$5.9 million from the same period last year. Other service charge income increased \$0.8 million, or 8%, reflecting higher transaction-based product fees.

Fee income categories that decreased included brokerage and insurance income, down \$2.7 million, or 16%, primarily due to lower insurance income associated with the sold J. Rolfe Davis Insurance Agency, Inc. Trust services income was down \$0.7 million, or 4%, due to a decline in average asset values. Mortgage banking income decreased \$0.7 million, or 8%, reflecting an acceleration in the amortization of mortgage servicing rights (MSRs) and a \$6.4 million MSR impairment charge in the current quarter versus \$0.9 million in the year-ago quarter, partially offset by higher origination-related fees due to the increased volume of mortgage originations. The MSR impairment charge and acceleration in the amortization of MSRs reflected high mortgage prepayment levels as the low interest rate environment continued to produce high refinancing activity. At June 30, 2003, MSRs as a percent of serviced mortgages were 0.72%, down from 1.00% at June 30, 2002. Table 4 shows details of non-interest income for the three and six-month periods ended June 30, 2003 and 2002:

**Table 4 - Non-Interest Income***(in thousands of dollars)*

	<b>Three Months Ended June 30,</b>		
	<b>2003</b>	<b>2002</b>	<b>% Change</b>
Operating lease income	\$ 128,574	\$ 171,617	(25.1) %
Service charges on deposit accounts	40,914	35,608	14.9
Trust services	15,580	16,247	(4.1)
Brokerage and insurance income	14,196	16,899	(16.0)
Gains on sales of automobile loans	13,496	---	N.M.
Other service charges and fees	11,372	10,529	8.0
Bank Owned Life Insurance income	11,043	10,722	3.0
Mortgage banking	7,185	7,835	(8.3)
Securities gains	6,887	966	N.M.
Other	27,704	18,291	51.5
<b>Total Non-Interest Income</b>	<b>\$ 276,951</b>	<b>\$ 288,714</b>	<b>(4.1) %</b>

*(in thousands of dollars)*

	<b>Six Months Ended June 30,</b>		
	<b>2003</b>	<b>2002</b>	<b>% Change</b>
Operating lease income	\$ 266,767	\$ 347,651	(23.3) %
Service charges on deposit accounts	80,783	74,423	8.5
Trust services	30,491	31,748	(4.0)
Brokerage and insurance income	29,693	34,504	(13.9)
Gains on sales of automobile loans	23,751	---	N.M.
Other service charges and fees	21,710	21,161	2.6
Bank Owned Life Insurance income	22,180	21,678	2.3
Mortgage banking	18,310	23,909	(23.4)
Gain on sale of Florida operations	---	182,470	N.M.
Securities gains	8,085	1,423	N.M.
Other	48,105	32,280	49.0
<b>Total Non-Interest Income</b>	<b>\$ 549,875</b>	<b>\$ 771,247</b>	<b>(28.7) %</b>

**2003 Second Quarter versus 2003 First Quarter**

Non-interest income of \$277.0 million in the second quarter was up \$4.0 million, or 1%, from \$272.9 million in the first quarter, despite a \$9.6 million decline in operating lease income. Excluding operating lease income of \$128.6 million from the current quarter and \$138.2 million in the 2003 first quarter, non-interest income was up \$13.6 million, or 10%.

Income categories that increased included other income, up \$7.3 million. This increase reflected higher fees from the termination of operating lease assets, an increase in the market value of certain equity investments, as well as higher letter of credit fees offset by lower securitization gains. The gains on sales of automobile loans were \$3.2 million higher than gains in the first quarter. Securities gains totaled \$6.9 million, up \$5.7 million from the first quarter. Service charges on deposit accounts increased \$1.0 million, or 3%, due to higher retail fees. Other service charges and fees were up \$1.0 million, or 10%, reflecting higher transaction-based product fees from the seasonally weak first quarter. Trust services increased \$0.7 million, or 4%, due to higher institutional fees.

Partially offsetting these increases were declines in several fee income categories, including brokerage and insurance income, down \$1.3 million, or 8%, due to an 18% decline in annuity sales, though mutual fund sales increased 45%. Mortgage banking income declined \$3.9 million, or 35%, from the first quarter reflecting a \$6.4 million impairment of MSR in the current quarter, compared with no impairment in the first quarter 2003. Excluding the MSR impairment, mortgage banking income increased \$2.5 million, or 22%, reflecting a 34% increase in closed loan production. At June 30, 2003, MSRs as a percent of mortgages serviced for others were 0.72%, down from 0.80% at March 31, 2003.

### 2003 First Six Months versus 2002 First Six Months

Non-interest income for the first six months of 2003 was \$549.9 million, down \$221.4 million, or 29%, from \$771.2 million in the comparable year-ago period. This decline reflected the \$182.5 million gain from the sale of the Florida banking operations in the year-ago period, as well as an \$80.9 million, or 23%, decline in operating lease income as this portfolio runs off. (See Operating Lease discussion.) Excluding the year-ago gain, as well as operating lease income of \$266.8 million and \$347.7 million from the current and year-ago six-month periods, respectively, non-interest income was up \$42.0 million, or 17%.

Non-interest income categories contributing to the increase included service charges on deposit accounts, up \$6.4 million, or 9%; a \$6.7 million increase in securities gains; and a \$15.8 million increase in other income. The increase in other income was due to a \$7.6 million increase in lease termination fees, and a \$7.5 million increase in capital markets-related income including trading and sales activities, partially offset by a \$3.1 million decrease in standby letter of credit fees related to the implementation of FIN 45, as well as lower other miscellaneous fees. Gains on sales of automobile loans were \$23.8 million in the first six months of 2003. Brokerage and insurance income was down \$4.8 million, or 14%, and trust services declined \$1.3 million, or 4%, reflecting the same factors influencing the declines between second quarters. Mortgage banking income declined \$5.6 million, or 23%, reflecting year-to-date MSR impairments totaling \$6.4 million in 2003 versus \$1.1 million in the year-ago period.

### ***Non-Interest Expense***

#### 2003 Second Quarter versus 2002 Second Quarter

Non-interest expense in the second quarter 2003 was \$297.0 million, down \$26.7 million, or 8%, from \$323.7 million in the year-ago quarter. This decline was driven primarily by a \$28.8 million, or 22%, decline in operating lease expense as this portfolio runs off. (See Operating Lease discussion.) Excluding operating lease expense of \$102.9 million and \$131.7 million from the current and year-ago quarters, respectively, non-interest expense was up \$2.0 million, or 1%. (See Table 5.) This \$2.0 million increase reflected a \$6.1 million, or 6%, increase in personnel costs with higher salaries, sales commissions, and benefit expenses each contributing equally to the increase. In the second quarter, Huntington reversed a reserve it had established for payment of bonuses to management under its Long Term Incentive Plan for the cycle covering the years 2000-2002 because it determined that there would be no pay-out under this plan for that cycle. The reversal decreased personnel expenses by \$5.3 million in that quarter. Additionally, at the end of the second quarter 2003, Huntington increased its accrual for earned but unpaid salaries of its exempt employees. This accrual increased personnel expenses by \$4.9 million. Full-time equivalent staff at the end of June 2003 was 8,093, down slightly from 8,174 at the end of the second quarter last year. Professional services expense increased \$2.0 million, or 26%, primarily related to legal and audit expenses associated with the restatement announced in May of this year and costs pertaining to the investigation by the SEC. Also contributing to the increase were higher marketing expenses, up \$1.2 million, or 17%.

These increases were partially offset by the benefit of a \$5.3 million release of restructuring reserves, of which \$3.8 million related to reserves established in 1998 and \$1.5 million related to reserves established in 2001 and 2002. The 1998 reserve was established for, among other items, the exit of underperforming product lines, including possible third-party claims related to these exits. Management reviewed this reserve and determined that future claims were unlikely or would be immaterial, and therefore, reduced the level of the reserve through a credit, or reserve release, to the restructuring charge expense category. As of June 30, 2003, Huntington has remaining reserves for restructuring of \$0.3 million related to the 1998 strategic initiative, and \$9.1 million related to the 2001 strategic initiatives, respectively. Huntington expects that this remaining reserve will be adequate to fund the remaining estimated future cash outlays that are expected in the completion of the exit activities contemplated by Huntington's 2001 strategic refocusing plan. Cost for printing and supplies declined \$1.4 million, or 39%, due largely to incentives received from a new check-printing vendor that partially offset such costs in the second quarter 2003.

Table 5 reflects details of non-interest expense for the three and six months ended June 30, 2003 and 2002:

**Table 5 - Non-Interest Expense**

(in thousands of dollars)

	Three Months Ended June 30,		
	2003	2002	% Change
Personnel costs	\$ 105,242	\$ 99,115	6.2 %
Operating lease expense	102,939	131,695	(21.8)
Equipment	16,341	16,659	(1.9)
Outside data processing and other services	16,104	16,592	(2.9)
Net occupancy	15,377	14,504	6.0
Professional services	9,872	7,864	25.5
Marketing	8,454	7,231	16.9
Telecommunications	5,394	5,320	1.4
Printing and supplies	2,253	3,683	(38.8)
Restructuring (releases) charges	(5,315)	---	N.M.
Other	20,372	21,083	(3.4)
<b>Total Non-Interest Expense</b>	<b>\$ 297,033</b>	<b>\$ 323,746</b>	<b>(8.3) %</b>

(in thousands of dollars)

	Six Months Ended June 30,		
	2003	2002	% Change
Personnel costs	\$ 218,331	\$ 207,144	5.4 %
Operating lease expense	214,527	272,480	(21.3)
Equipment	32,753	33,608	(2.5)
Outside data processing and other services	32,683	35,031	(6.7)
Net occupancy	31,986	31,493	1.6
Professional services	19,157	14,294	34.0
Marketing	15,080	14,234	5.9
Telecommunications	11,095	11,338	(2.1)
Printing and supplies	5,934	7,520	(21.1)
Restructuring (releases) charges	(6,315)	56,184	N.M.
Other	37,281	42,016	(11.3)
<b>Total Non-Interest Expense</b>	<b>\$ 612,512</b>	<b>\$ 725,342</b>	<b>(15.6) %</b>

2003 Second Quarter versus 2003 First Quarter

Non-interest expense of \$297.0 million in the current quarter was down \$18.4 million, or 6%, from \$315.4 million in the first quarter. This decline reflected an \$8.6 million, or 8%, decline in operating lease expense as the operating lease portfolio runs off. (See Operating Lease discussion.) Excluding operating lease expense of \$102.9 million and \$111.6 million from the current and prior quarters, respectively, non-interest expense was down \$9.8 million, or 5%.

Contributing to the \$9.8 million decline were lower personnel costs, down \$7.8 million, or 7%, due to a combination of lower salaries, benefit, and severance costs. Net occupancy expense decreased \$1.2 million, or 7%, as the first quarter results included significant seasonal costs, while printing and supplies costs declined \$1.4 million, or 39%. Partially offsetting these declines were increases in a number of expense categories including a \$3.5 million, or 20%, increase in other expenses spread across a number of categories. Marketing expense increased \$1.8 million, or 28%, with professional services expense up \$0.6 million, or 6%, primarily related to legal and audit expenses associated with the restatement announced in May of this year and the investigation by the SEC. Restructuring releases were \$4.3 million higher in the second quarter than the immediately preceding quarter.

2003 First Six Months versus 2002 First Six Months

Non-interest expense for the first six months of 2003 was \$612.5 million, down \$112.8 million, or 16%, from \$725.3 million in the comparable year-ago period. Two items significantly affect this year-over-year comparison. Changes in restructuring reserves for the six month 2003 period represented a net credit, or release, to reserves of \$6.3 million compared with \$56.2 million of charges in the year-ago period primarily related to the last significant charges associated with the strategic initiatives announced in July 2001, including the sale of the Florida banking operations. The second is a \$58.0 million, or 21%, decline in operating lease expense as the portfolio of operating lease assets runs off. (See Operating Lease discussion.) Excluding the impact of restructuring charges and releases, as well as operating lease expense of \$214.5 million and \$272.5 million from the current and year-ago six-month periods, respectively, non-interest expense was up \$7.6 million, or 2%.

This \$7.6 million increase reflected increases of \$11.2 million, or 5%, in personnel costs, and a \$4.9 million, or 34%, increase in professional services. Partially offsetting these increases were declines of \$2.3 million, or 7%, in outside data processing and other services, and a \$1.6 million, or 21%, decline in printing and supply costs. These year-to-date changes reflect the same factors influencing comparisons between second quarters. In addition, other expenses declined \$4.7 million, or 11%, reflecting lower state and local tax expense and amortization of intangible assets.

### ***Operating Lease Assets***

Operating lease assets represent automobile leases originated before May 2002. This operating lease portfolio will run-off over time since all automobile lease originations after April 2002 have been recorded as direct finance leases and are reported in the automobile loan and lease category in earning assets. As a result, the non-interest income and non-interest expenses associated with the operating lease portfolio will also decline over time. Average operating lease assets in the second quarter 2003 were \$1.8 billion, down 36% from the year-ago quarter and 13% from the first quarter 2003.

Operating lease income, which totaled \$128.6 million in the second quarter 2003, represented 46% of non-interest income in that quarter. Operating lease income was down \$43.0 million, or 25%, from the year-ago quarter and \$9.6 million, or 7%, from the first quarter 2003, reflecting declines in average operating leases of 36% and 13%, respectively. As no new operating leases have been originated after April 2002, the operating lease asset balances will continue to decline through both depreciation and lease terminations. Net rental income was down 25% and 8%, respectively, from the year-ago and first quarter. Fees declined 24% and 4%, respectively, from the year-ago and prior quarters. Recoveries from early terminations declined 31% from the year-ago quarter, but were up 16% from the first quarter.

Operating lease expense totaled \$102.9 million, down \$28.8 million, or 22%, from the year-ago quarter and was down \$8.6 million, or 8%, from the 2003 first quarter. These declines also reflected the fact that this portfolio is decreasing over time as no new operating leases are being originated. Losses on early terminations declined \$0.2 million, or 2%, from the year-ago quarter, and \$0.8 million, or 6%, from the prior quarter.

For the first six months of 2003, operating lease income totaled \$266.8 million, compared with \$347.7 million for the same period last year. This decline reflected 33% lower average operating lease balances for the comparable periods. Net rental income and fees were down 23% and 22%, respectively, from a year ago. Recoveries from early terminations declined nearly 35%. Operating lease expense declined from \$272.5 million for the six-month period last year to \$214.5 million. Losses on early terminations declined almost 16% from \$28.3 million in the year-ago six month period to \$23.9 million this year.

Losses on operating lease assets consist of residual losses at termination and losses on early terminations. Residual losses arise if the ultimate value or sales proceeds from the automobile are less than *Black Book* value, which represents the insured amount under the company's residual value insurance policies. This situation may occur due to excess wear-and-tear or excess mileage not collected from the lessee. Losses on early terminations occur when a lessee, due to credit or other reasons, turns in the automobile before the end of the lease term. A loss is realized if the automobile is sold for a value less than the net book value at the date of turn-in. Such losses are not covered by the residual value insurance policies. To the extent the company is successful in collecting any deficiency from the lessee, amounts received are recorded as recoveries from early terminations.



Table 6 details operating lease assets performance for the three and six months ended June 30, 2003 and 2002:

**Table 6 - Operating Lease Assets Performance**

	Three Months Ended June 30,		
	2003	2002	% Change
<b>Balance Sheet (in millions)</b>			
Average operating lease assets outstanding	\$ 1,802	\$ 2,842	(36.6) %
<b>Income Statement (in thousands)</b>			
Net rental income	\$ 120,502	\$ 160,658	(25.0) %
Fees	5,414	7,108	(23.8)
Recoveries - early terminations	2,658	3,851	(31.0)
<b>Total Operating Lease Income</b>	<b>128,574</b>	<b>171,617</b>	<b>(25.1)</b>
Depreciation and residual losses at termination	91,387	119,941	(23.8)
Losses - early terminations	11,552	11,754	(1.7)
<b>Total Operating Lease Expense</b>	<b>102,939</b>	<b>131,695</b>	<b>(21.8)</b>
<b>Net Earnings Contribution</b>	<b>\$ 25,635</b>	<b>\$ 39,922</b>	<b>(35.8) %</b>
Earnings ratios <sup>(1)</sup>			
Net rental income	26.75%	22.61%	
Depreciation	20.29%	16.88%	

(1) As a percent of average operating lease assets, quarterly amounts annualized.

	Six Months Ended June 30,		
	2003	2002	% Change
<b>Balance Sheet (in millions)</b>			
Average operating lease assets outstanding	\$ 1,939	\$ 2,909	(33.3) %
<b>Income Statement (in thousands)</b>			
Net rental income	\$ 250,776	\$ 325,827	(23.0) %
Fees	11,047	14,241	(22.4)
Recoveries - early terminations	4,944	7,583	(34.8)
<b>Total Operating Lease Income</b>	<b>266,767</b>	<b>347,651</b>	<b>(23.3)</b>
Depreciation and residual losses at termination	190,670	244,185	(21.9)
Losses - early terminations	23,857	28,295	(15.7)
<b>Total Operating Lease Expense</b>	<b>214,527</b>	<b>272,480</b>	<b>(21.3)</b>
<b>Net Earnings Contribution</b>	<b>\$ 52,240</b>	<b>\$ 75,171</b>	<b>(30.5) %</b>
Earnings ratios <sup>(1)</sup>			
Net rental income	25.87%	22.40%	
Depreciation	19.67%	16.79%	

(1) As a percent of average operating lease assets, six-month amounts annualized.

### **Income Taxes**

Income taxes in the second quarter 2003 were \$36.7 million and represented an effective tax rate on income before taxes of 27.5%. This was up \$12.3 million from the year-ago quarter primarily due to higher pre-tax income, as the effective tax rate in the year-ago quarter was lower at 25.6%. The effective tax rate in the first quarter 2003 was 25.0%. Each quarter, taxes for the full year are re-estimated and year-to-date tax accrual adjustments are made. A number of factors, such as year-to-date adjustments, can result in fluctuations in quarterly effective tax rates.

For the first six months of 2003, income taxes were \$67.3 million and represented an effective tax rate on income before taxes of 26.3%. This was down \$82.4 million from the comparable year-ago period in which the effective tax rate was 47.3%, reflecting the fact that most of the goodwill relating to the Florida operations sold in the first quarter of 2002 was not deductible for tax purposes.

## **CREDIT RISK**

Huntington's exposure to credit risk is managed through the use of consistent underwriting standards that emphasize "in-market" lending while avoiding excessive industry and other concentrations. The credit administration function employs risk management techniques to ensure that loans and leases adhere to corporate policy and problem loans and leases are promptly identified. These procedures provide executive management with the information necessary to implement policy adjustments where necessary, and to take corrective actions on a proactive basis. Beginning in 2002, management increased its emphasis on commercial lending to customers with existing or potential relationships within Huntington's primary markets. As a result, outstanding shared national credits were \$832 million at June 30, 2003, down from \$994 million at March 31, 2003, and \$998 million at the same period-end last year, and down from a peak of \$1.5 billion at June 30, 2001.

In the first quarter of 2003, Huntington implemented a revised internal risk grading methodology for commercial and commercial real estate credits. Huntington's new methodology is a dual risk grading system that separately measures the probability of default and loss in the event of default and provides Huntington with more specificity in the risk assessment process.

### **Loan and Lease Composition**

Table 7 shows the period-end loan portfolio by loan type and business segment:

**Table 7 - Loan and Lease Composition**

<i>(in millions of dollars)</i>		<b>June 30, 2003</b>		December 31, 2002		June 30, 2002	
<b>By Type</b>		<b>Balance</b>	<b>%</b>	Balance	%	Balance	%
Commercial		\$ 5,532	29.0	\$ 5,606	30.2	\$ 5,593	33.4
Commercial real estate		3,951	20.7	3,729	20.1	3,529	21.0
Total Commercial and Commercial Real Estate		9,483	49.7	9,335	50.3	9,122	54.4
Consumer							
Automobile loans		2,367	12.4	3,042	16.4	2,603	15.5
Automobile direct financing leases		1,481	7.8	874	4.7	270	1.6
Home equity		3,436	18.0	3,198	17.2	2,988	17.8
Residential mortgage		1,915	10.0	1,741	9.4	1,374	8.2
Other loans		378	2.1	397	2.0	410	2.5
Total Consumer		9,577	50.3	9,252	49.7	7,645	45.6
<b>Total Loans and Leases</b>		<b>\$ 19,060</b>	<b>100.0</b>	<b>\$ 18,587</b>	<b>100.0</b>	<b>\$ 16,767</b>	<b>100.0</b>
<b>By Business Segment</b>							
Regional Banking							
Central Ohio / West Virginia		\$ 4,876	25.6	\$ 4,812	25.9	\$ 4,591	27.4
Northern Ohio		2,712	14.2	2,600	14.0	2,727	16.3
Southern Ohio / Kentucky		1,547	8.1	1,502	8.1	1,434	8.6
West Michigan		1,967	10.3	1,866	10.0	1,838	11.0
East Michigan		1,225	6.4	1,189	6.4	1,055	6.3
Indiana		729	3.8	681	3.7	683	4.1
Total Regional Banking		13,056	68.4	12,650	68.1	12,328	73.7
Dealer Sales		4,624	24.3	4,711	25.3	3,467	20.7
Private Financial Group		1,181	6.2	1,062	5.7	866	5.2
Treasury / Other		199	1.1	164	0.9	106	0.4
<b>Total Loans and Leases</b>		<b>\$ 19,060</b>	<b>100.0</b>	<b>\$ 18,587</b>	<b>100.0</b>	<b>\$ 16,767</b>	<b>100.0</b>

### Net Charge-offs

Net charge-offs in the second quarter and first six months of 2003 were \$41.1 million and \$73.9 million, respectively, and represented an annualized 0.85% and 0.77% of average loans and leases. For the same respective periods in the prior year, net charge-offs were \$37.0 million, or 0.90%, and \$80.0 million, or 0.94%. Table 8 reflects net charge-offs and annualized net charge-offs as a percent of average loans and leases by type of loan:

**Table 8 - Net Loan and Lease Charge-offs**

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2003	2002	2003	2002
<b>Net Charge-offs</b>				
Commercial	\$ 26,546	\$ 21,528	\$ 41,450	\$ 41,114
Commercial real estate	607	2,037	1,153	6,020
Total commercial and commercial real estate	27,153	23,565	42,603	47,134
Consumer				
Automobile loans	7,524	7,356	18,147	20,115
Automobile direct financing leases	1,422	498	2,342	498
Home equity loans	3,671	3,096	7,724	7,046
Residential mortgage	267	555	412	677
Other loans	1,019	1,927	2,664	4,499
Total consumer	13,903	13,432	31,289	32,835
<b>Total Net Charge-offs</b>	<b>\$ 41,056</b>	<b>\$ 36,997</b>	<b>\$ 73,892</b>	<b>\$ 79,969</b>
<b>Annualized Net Charge-offs as a % of Average Loans and Leases</b>				
Commercial	1.89 %	1.54 %	1.47 %	1.41 %
Commercial real estate	0.06	0.23	0.06	0.34
Total commercial and commercial real estate	1.14	1.04	0.90	1.00
Consumer				
Automobile loans	1.06	1.15	1.23	1.53
Automobile direct financing leases	0.44	1.22	0.40	0.78
Home equity loans & lines of credit	0.44	0.43	0.47	0.46
Residential mortgage	0.06	0.16	0.04	0.11
Other loans	1.08	1.86	1.39	2.00
Total consumer	0.57	0.72	0.65	0.87
<b>Annualized Net Charge-offs as a % of Average Loans and Leases</b>	<b>0.85 %</b>	<b>0.90 %</b>	<b>0.77 %</b>	<b>0.94 %</b>

Commercial charge-offs totaled \$26.5 million, or an annualized 1.89% of average commercial loans, for the second quarter 2003, up from \$21.5 million, or 1.54%, in the year-ago quarter, and \$14.9 million, or 1.06%, from the first quarter 2003. The primary driver of this increase was the charge-off of one of the second quarter's new non-performing assets, and which accounted for 45% of total commercial charge-offs in the recent quarter. Total consumer net charge-offs were \$13.9 million, or an annualized 0.57% of average consumer loans, during the second quarter 2003. This compares with \$13.4 million, or 0.72%, in the second quarter of last year and \$17.4 million, or 0.73%, in the first quarter 2003. The recent decline from the first quarter was driven by a \$3.1 million, or 29%, drop in automobile loan net charge-offs, from 1.38% to 1.06%. Automobile direct financing lease net charge-offs totaled \$1.4 million, or 0.44%, in the second quarter 2003 versus \$0.5 million, or 1.22%, and \$0.9 million, or 0.37%, for the second quarter 2002 and first quarter 2003, respectively. As this lease portfolio is new and rapidly growing, management anticipates that it may take a year or two to reach a mature, stable net charge-off run rate, and therefore, the net charge-off ratio is likely to increase over this period.

Management is not anticipating any significant increase in economic activity in the second half of this year, nor any further weakening. Even though economic uncertainty exists, management expects net charge-offs for the full-year 2003 to be in the 0.70%-0.80% range.

### ***Non-Performing Assets***

Non-performing assets (NPAs) consist of loans and leases that are no longer accruing interest, loans and leases that have been renegotiated to below market rates based upon financial difficulties of the borrower, and real estate acquired through foreclosure. 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. Commercial and commercial real estate loans are generally placed on non-accrual status when collection of principal or interest is in doubt or when the loan is 90 days past due. Consumer loans and leases, excluding residential mortgages, are not placed on non-accrual status but are charged off in accordance with regulatory statutes, which is generally no more than 120 days past due. Residential mortgages, while highly secured, are placed on non-accrual status within 180 days past due as to principal and 210 days past due as to interest, regardless of security. A charge-off on a residential mortgage is recorded when the loan has been foreclosed and the loan balance exceeds the fair value of the real estate. The fair value of the collateral is then recorded as real estate owned. When, in management's judgment, the borrower's ability to make periodic interest and principal payments resumes and collectibility is no longer in doubt, the loan is returned to accrual status.

Table 9 summarizes NPAs at the end of each of the recent five quarters in addition to 90 day past due information:

***Table 9 - Non-Performing Assets and Past Due Loans and Leases***

<i>(in thousands)</i>	<b>2003</b>		<b>2002</b>		
	<b>Second</b>	<b>First</b>	<b>Fourth</b>	<b>Third</b>	<b>Second</b>
Non-accrual loans and leases:					
Commercial	\$ 86,021	\$ 94,754	\$ 91,861	\$ 147,392	\$ 156,252
Commercial real estate	22,398	22,585	26,765	47,537	45,795
Residential mortgage	11,735	9,302	9,443	8,488	8,776
Total Nonaccrual Loans and Leases	120,154	126,641	128,069	203,417	210,823
Renegotiated loans	---	---	---	37	1,268
<b>Total Non-Performing Loans and Leases</b>	<b>120,154</b>	<b>126,641</b>	<b>128,069</b>	<b>203,454</b>	<b>212,091</b>
Other real estate, net	13,568	14,084	8,654	10,675	11,146
<b>Total Non-Performing Assets</b>	<b>\$ 133,722</b>	<b>\$ 140,725</b>	<b>\$ 136,723</b>	<b>\$ 214,129</b>	<b>\$ 223,237</b>
Non-performing loans and leases as a %					
of total loans and leases	0.63%	0.67%	0.69%	1.14%	1.26%
Non-performing assets as a % of total					
loans and leases and other real estate	0.70%	0.74%	0.74%	1.20%	1.33%
<b>Accruing loans and leases past due</b>					
<b>90 days or more</b>	<b>\$ 55,287</b>	<b>\$ 57,241</b>	<b>\$ 61,526</b>	<b>\$ 57,337</b>	<b>\$ 47,663</b>

Total NPAs were \$133.7 million at June 30, 2003, down \$89.5 million, or 40%, from the year-ago quarter, and down \$7.0 million, or 5%, from March 31, 2003. The significant decrease in NPAs from the third to fourth quarter of 2002 was primarily due to the sale of NPAs that occurred in the fourth quarter 2002. NPAs as a percent of total loans and leases and other real estate were 0.70% at June 30, 2003, compared with 1.33% a year ago and 0.74% at March 31, 2003.

Loans and leases past due ninety days or more and still accruing interest at the end of the second quarter of 2003 were \$55.3 million versus \$47.7 million at the end of the same period a year ago. These past due loans and leases represented 0.29% and 0.28% of total loans and leases at the end of the second quarter of 2003 and 2002, respectively. At March 31, 2003, these loans and leases amounted to \$57.2 million and represented 0.30% of total loans and leases. Table 10 reflects the change in NPAs for the recent five quarters:

**Table 10 - Non-Performing Asset Activity**

(in thousands)	2003		2002		
	Second	First	Fourth	Third	Second
<b>Beginning of Period</b>	<b>\$ 140,725</b>	\$ 136,723	\$ 214,129	\$ 223,237	\$ 225,530
New non-performing assets	<b>83,104</b>	48,359	65,506	47,275	73,002
Returns to accruing status	<b>(9,866)</b>	(5,993)	(12,658)	(380)	(337)
Loan and lease losses	<b>(30,204)</b>	(17,954)	(72,767)	(25,480)	(28,297)
Payments	<b>(26,831)</b>	(15,440)	(28,500)	(26,308)	(44,303)
Sales	<b>(23,206)</b>	(4,970)	(28,987)	(4,215)	(2,358)
<b>End of Period</b>	<b>\$ 133,722</b>	\$ 140,725	\$ 136,723	\$ 214,129	\$ 223,237

New NPAs increased to \$83.1 million during the most recent quarter from \$48.4 million in the first quarter 2003. Approximately 60% of the increase was concentrated in three commercial credits, one in the manufacturing sector with part of its business supporting automobile manufacturing, another in the teleconferencing business, and the third in a combination of businesses including marine shipping, mining, and raw materials. Of these credits, one was charged off and another sold during the recent quarter. The level of payments from the first to the second quarter 2003 increased, returning to levels experienced in earlier quarters. This increase was spread over a number of credits with no notable borrower concentrations. Despite the modest decline in NPAs this recent quarter, management expects the level of NPAs to remain near current levels throughout the second half of this year.

#### **Allowance for Loan and Lease Losses (ALLL)**

The ALLL was \$340.9 million at June 30, 2003, down from \$351.7 million at the end of the second quarter of 2002, but up slightly from the \$337.0 million at March 31, 2003. The ALLL represented 1.79% of total loans and leases at June 30, 2003, 2.10% at the end of the second quarter last year and 1.78% at March 31, 2003. It is expected that the adoption of FIN 46 will decrease this ratio by approximately 3 basis points as the 1.01% reserve associated with the \$1.0 billion of consolidated loans is less than the 1.79% ratio as of June 30, 2003. The period-end ALLL was 255% of NPAs at June 30, 2003, compared with 158% a year ago and 240% at March 31, 2003.

Table 11 reflects the activity in the ALLL for the recent five quarters. The \$3.5 million and \$3.0 million allowance of sold loans in the second and first quarters of 2003 related to the \$567 million and \$556 million of automobile loans sold in the respective quarters. The \$1.3 million of allowance related to purchased loans in the third quarter of last year was attributed to the LeaseNet acquisition.

**Table 11 - Allowance for Loan and Lease Losses and Related Statistics**

(in thousands)	2003		2002		
	Second	First	Fourth	Third	Second
<b>Allowance for Loan and Lease Losses, Beginning of Period</b>	<b>\$ 337,017</b>	\$ 336,648	\$ 371,033	\$ 351,696	\$ 340,851
Loan and lease losses	<b>(49,985)</b>	(40,265)	(93,890)	(43,748)	(45,728)
Recoveries	<b>8,929</b>	7,429	10,732	9,963	8,731
Net loan and lease losses	<b>(41,056)</b>	(32,836)	(83,158)	(33,785)	(36,997)
Provision for loan and lease losses	<b>49,193</b>	36,844	51,236	54,304	49,876
Allowance of (sold) purchased loans	<b>(3,477)</b>	(2,981)	---	1,264	---
Allowance of securitized loans	<b>(730)</b>	(658)	(2,463)	(2,446)	(2,034)
<b>Allowance for Loan and Lease Losses, End of Period</b>	<b>\$ 340,947</b>	\$ 337,017	\$ 336,648	\$ 371,033	\$ 351,696

Allowance for loan and lease losses

as a percent of:

Total loans and leases	<b>1.79 %</b>	1.78 %	1.81 %	2.08 %	2.10 %
Non-performing loans and leases	<b>283.8</b>	266.1	262.9	182.4	165.8
Non-performing assets	<b>255.0</b>	239.5	246.2	173.3	157.5

Huntington allocates the ALLL to each loan and lease category based on an expected loss ratio determined by continuous assessment of credit quality reflecting portfolio risk characteristics and other relevant factors such as historical performance, significant acquisitions and dispositions of loans, and internal controls. For the commercial and commercial real estate credits, expected loss factors are assigned by credit grade at the individual loan and lease level at the time the loan or lease is originated, then subsequently re-evaluated on a periodic basis. The aggregation of these factors represents management's estimate of the inherent loss in the portfolio.

The portion of the allowance allocated to the more homogeneous consumer loan and lease segments is determined by expected loss ratios based on the risk characteristics of the various segments and giving consideration to existing economic conditions and trends. Expected loss ratios incorporate factors such as trends in past due amounts, recent loan and lease loss experience, and specific risk characteristics at the loan and lease level. Actual loss ratios experienced in the future could vary from those expected, as performance is a function of factors unique to each customer as well as general economic conditions. While amounts are allocated to various portfolio segments, the total ALLL, excluding impairment reserves prescribed under provisions of Statement of Financial Accounting Standard No. 114, is available to absorb losses from any segment of the portfolio.

As of June 30, 2003, the entire ALLL is allocated to discrete loan categories with the result being the elimination of any unallocated reserve.

### ***INTEREST RATE RISK MANAGEMENT***

Huntington seeks to minimize earnings volatility by managing the sensitivity of net interest income and the fair value of its net assets to changes in market interest rates. The Board of Directors and the Asset and Liability Management Committee (ALCO) oversee various risks by establishing broad policies and specific operating limits that govern a variety of risks inherent in operations, including liquidity, counterparty credit risk, settlement, and market risks.

Market risk is the potential for declines in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. Interest rate risk is Huntington's primary market risk. It results from timing differences in the repricing and maturity of assets and liabilities and changes in relationships between market interest rates and the yields on assets and rates on liabilities, including the impact of embedded options.

Interest rate risk management is a dynamic process that encompasses new business flows onto the balance sheet, wholesale investment and funding, and the changing market and business environment. Effective management of interest rate risk begins with appropriately diversified investments and funding sources. To accomplish overall balance sheet objectives, management regularly accesses money, bond, futures, and options markets, as well as trading exchanges. In addition, Huntington contracts with dealers in over-the-counter financial instruments for interest rate swaps. ALCO regularly monitors position concentrations and the level of interest rate sensitivity to ensure compliance with approved risk tolerances. Interest rate risk modeling is performed monthly. An income simulation model is used to measure the sensitivity of forecasted net interest income to changes in market rates over a one-year horizon. Although Bank Owned Life Insurance and automobile operating lease assets are classified as non-interest earning assets, Huntington includes these portfolios in its interest sensitivity analysis because both have attributes similar to fixed-rate interest earning assets. Balance sheet growth assumptions are also considered in the income simulation model.

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

Market value risk (referred to as Economic Value of Equity or EVE) is measured using a static balance sheet. The models used for these measurements take into account prepayment speeds on mortgage loans, mortgage-backed securities, and consumer installment loans, as well as cash flows of other loans and deposits. Moreover, the models incorporate the effects of embedded options, such as interest rate caps, floors, and call options, and account for changes in relationships among interest rates.

When evaluating short-term interest rate risk exposure, management uses, for its primary measurement, scenarios that model parallel shifts in the yield curve resulting in a gradual 200 basis point increase/decrease in rates over the next twelve-month period. However, at December 31, 2002, only the 200 basis point increasing parallel shift in the yield curve was reported because a 200 basis point decrease in the interest rate curve was not feasible given the overall low level of interest rates. At June 30, 2003, that scenario modeled net interest income by approximately 0.8% lower than the internal forecast of net interest income over the same time period using the current level of forward rates. This was relatively unchanged from the negative impact to net interest income generated by the same 200 basis point scenario at the end of 2002. Management believes further declines in market rates would put modest downward pressure on net interest income, resulting from the implicit pricing floors in non-maturity deposits.

The net interest margin has been adversely impacted in recent months by: (1) fixed-rate consumer loan repayments being reinvested at lower market rates; (2) high repayments and prepayments of residential mortgage loans and mortgage-backed securities; (3) the implicit floors in retail deposits as rates declined to historically low levels; (4) the rapid growth of lower-yielding residential adjustable-rate mortgage loans retained on the balance sheet; (5) the lower yield on the higher quality automobile loan originations; and (6) the flattening of the yield curve. The net interest margin will continue to be adversely affected by some of these factors over the next few quarters.

The primary measurement for EVE risk assumes an immediate and parallel increase in rates of 200 basis points. At June 30, 2003, the model indicated that such an increase in rates would be expected to reduce the EVE by approximately 1.4% compared with an estimated negative impact of approximately 3.8% at December 31, 2002.

These models are a useful but simplified representation of Huntington's underlying interest rate risk profile. Simulations reflect choices of statistical techniques, functional forms, model parameters, and numerous other assumptions. Nonetheless, experience has demonstrated and management believes that these models provide reliable guidance for measuring and managing interest rate sensitivity.

## ***LIQUIDITY***

Effectively managing liquidity involves meeting the cash flow requirements of depositors and borrowers, as well as satisfying the operating cash needs of the organization to fund corporate expansion and other activities. ALCO establishes guidelines and regularly monitors the overall liquidity position of the business and ensures that various alternative strategies exist to cover unanticipated events. Furthermore, ALCO policies and/or guidelines ensure that wholesale funding sources are diversified in order to avoid concentration in any one market source. Management believes sufficient liquidity was available at the end of the recent quarter to meet estimated funding needs of the Bank and parent company.

Deposits are Huntington's primary source of funding, and represent 65% of total assets of which 91% were provided by the Regional Banking segment. Table 12 details the types and sources of deposits by business segment at June 30, 2003, and compares these balances by type and source to balances at December 31, 2002 and June 30, 2002:

**Table 12 - Deposit Liabilities**

<i>(in millions of dollars)</i>						
<b>By Type</b>	<b>June 30, 2003</b>		<b>December 31, 2002</b>		<b>June 30, 2002</b>	
	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>
Demand deposits						
Non-interest bearing	\$ 3,110	16.9	\$ 3,074	17.6	\$ 2,770	16.4
Interest bearing	6,332	34.5	5,374	30.7	5,105	30.3
Savings deposits	3,085	16.8	2,851	16.3	2,839	16.8
Other domestic time deposits	3,400	18.5	3,956	22.6	4,239	25.2
<b>Total Core Deposits</b>	<b>15,927</b>	<b>86.7</b>	<b>15,255</b>	<b>87.2</b>	<b>14,953</b>	<b>88.7</b>
Domestic time deposits of						
\$100,000 or more	826	4.5	732	4.2	765	4.5
Brokered and negotiable CDs	1,227	6.7	1,093	6.2	849	5.0
Foreign time deposits	391	2.1	419	2.4	294	1.8
<b>Total Deposits</b>	<b>\$ 18,371</b>	<b>100.0</b>	<b>\$ 17,499</b>	<b>100.0</b>	<b>\$ 16,861</b>	<b>100.0</b>
<b>By Business Segment</b>						
Regional Banking						
Central Ohio / West Virginia	\$ 6,223	33.9	\$ 5,361	30.6	\$ 5,295	31.4
Northern Ohio	3,692	20.1	3,602	20.6	3,391	20.1
Southern Ohio / Kentucky	1,412	7.7	1,365	7.8	1,344	8.0
West Michigan	2,582	14.1	2,402	13.7	2,557	15.2
East Michigan	2,079	11.3	1,962	11.2	1,931	11.5
Indiana	640	3.4	613	3.5	603	3.6
<b>Total Regional Banking</b>	<b>16,628</b>	<b>90.5</b>	<b>15,305</b>	<b>87.4</b>	<b>15,121</b>	<b>89.8</b>
Dealer Sales	67	0.4	59	0.3	50	0.3
Private Financial Group	1,027	5.6	924	5.3	826	4.9
Treasury / Other	649	3.5	1,211	7.0	864	5.0
<b>Total Deposits</b>	<b>\$ 18,371</b>	<b>100.0</b>	<b>\$ 17,499</b>	<b>100.0</b>	<b>\$ 16,861</b>	<b>100.0</b>

Core deposits, which include non-interest bearing and interest bearing demand deposits, savings accounts, and other domestic time deposits, including certificates of deposit under \$100,000 and IRAs, satisfy 86.7% of Huntington's funding needs. Sources of wholesale funding include Federal funds purchased, securities sold under repurchase agreement, brokered CDs, and medium- and long-term debt. Wholesale funding activities are governed by the Bank's ALCO, which establishes policies and guidelines to diversify funding sources and avoid borrowing concentrations from any one market source.

Other sources of liquidity include the sale or maturity of investment securities, the sale or securitization of loans, collateralized borrowings such as Federal Home Loan Bank advances, and the issuance of common and preferred securities in the capital markets. Huntington also has available a \$6.0 billion domestic bank note program through its bank subsidiary, Huntington National Bank, of which \$4.9 billion was available at June 30, 2003. In addition, the Bank shares a \$2.0 billion Euronote program with the parent company, of which \$1.4 billion was available on June 30, 2003. In addition, the parent company has \$295 million availability under a \$750 million medium term note program as of the same date.

## **CAPITAL**

Capital is managed at each legal subsidiary based upon the respective risks and growth opportunities, as well as regulatory requirements. Huntington places significant emphasis on the maintenance of a strong capital position, which promotes investor confidence, provides access to the national markets under favorable terms, and enhances business growth and acquisition opportunities. The importance of managing capital is also recognized and management continually strives to maintain an appropriate balance between capital adequacy and returns to shareholders.



Shareholders' equity increased \$46 million for the recent quarter and \$12 million during the first six months of 2003 but declined \$62 million from June 30, 2002. The increase was less for the six-month period in 2003 primarily due to the repurchase of 4.3 million common shares at a value of \$81.1 million in the 2003 first quarter. In February 2002, the Board of Directors authorized a common share repurchase program for up to 22 million common shares and canceled the previously existing authorization. Under this authorization, a total of 19.4 million common shares were repurchased: 19.2 million in 2002, including 8.8 million common shares purchased in the first six months of 2002, and 0.2 million in the 2003 first quarter. In mid-January 2003, the Board of Directors authorized a new common share repurchase program, canceling the 2.6 million common shares remaining under the February 2002 authorization, and approved a new common share repurchase authorization for up to 8.0 million common shares. Under this authorization, 4.1 million common shares were repurchased in the 2003 first quarter, leaving 3.9 million common shares remaining for repurchase at June 30, 2003.

Average equity to average assets in the second quarter of 2003 was 7.67% versus 9.14% for the same period last year. Tangible period-end equity to period-end assets, which excludes intangible assets, was 7.07% at the end of June 2003, down from 8.17% a year earlier. The high tangible equity to asset ratio in the year-ago quarter reflected excess capital generated from the sale of the Florida operations in the first quarter 2002. Management has a longer-term targeted tangible equity to asset ratio of 7.00%, given the current asset mix and risk profile.

Risk-based capital guidelines established by the Federal Reserve Board set minimum capital requirements and require institutions to calculate risk-based capital ratios by assigning risk weightings to assets and off-balance sheet items, such as interest rate swaps, loan commitments, and securitizations. These guidelines further define "well-capitalized" levels for Tier 1, total capital, and leverage ratio purposes at 6%, 10%, and 5%, respectively. Huntington's Tier 1 risk-based capital ratio, total risk-based capital ratio, leverage ratio, risk-adjusted assets, and its tangible equity to assets ratio for the recent five quarters are shown in Table 13:

**Table 13 - End of Period Capital Data**

(in millions)	2003		2002		
	Second	First	Fourth	Third	Second
Total risk-adjusted assets	\$ 27,570	\$ 27,437	\$ 27,132	\$ 26,226	\$ 25,200
Tier 1 risk-based capital ratio	8.32%	8.13%	8.32%	8.82%	9.42%
Total risk-based capital ratio	11.11%	11.00%	11.22%	11.78%	12.46%
Tier 1 leverage ratio	8.25%	8.22%	8.48%	9.05%	9.60%
Tangible equity / asset ratio	7.06%	7.01%	7.22%	7.64%	8.17%

As Huntington is supervised and regulated by the Federal Reserve, The Huntington National Bank, Huntington's bank subsidiary, is supervised and regulated by the Office of the Comptroller of the Currency, which establishes similar regulatory capital guidelines for banks. The Bank also had regulatory capital ratios in excess of the levels established for well-capitalized institutions at June 30, 2003.

Table 14 details the cash dividends that were declared in the first quarter 2003 and four prior quarters along with common stock prices (based on NASDAQ intra-day and closing stock price quotes):

**Table 14 - Quarterly Stock Summary**

	2003		2002		
	Second	First	Fourth	Third	Second
High	\$ 21.540	\$ 19.800	\$ 19.980	\$ 20.430	\$ 21.770
Low	18.030	17.780	16.160	16.000	18.590
Close	19.510	18.590	18.710	18.190	19.420
Average daily closing price	19.790	18.876	18.769	19.142	20.089
Cash dividends declared	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16

In July 2003, the board of directors declared a dividend of \$0.175 per common share for the third quarter 2003, an increase of 9.4% over the previous quarterly dividend. The dividend is payable October 1, 2003, to shareholders of record

on September 19, 2003. Management has increased its dividend payout target range to 40%-45% of earnings, up from the previous target range of 35%-45%.

## ***LINES OF BUSINESS DISCUSSION***

Below is a brief description of each line of business and a discussion of business segment results for the three and six months ended June 30, 2003 and 2002. Regional Banking, Dealer Sales, and the Private Financial Group are the major business lines. The fourth segment includes the impact of the Treasury function and other unallocated assets, liabilities, revenue, and expense.

For analytical purposes in understanding performance trends, strategic decision making, determining incentive compensation, and evaluating line of business performance, chief decision-makers review and analyze certain data on an “operating basis”, which excludes the impact of restructuring charges and releases and other items, as well as the results of operations from the Florida banking and insurance operations sold in 2002. Since the items excluded are associated with exited businesses and/or restructurings that have been completed and no longer contribute to current or future period performance, management believes their exclusion for analytical purposes provides a clearer picture of underlying performance trends, as well as progress made in improving the company’s financial performance.

### ***Regional Banking***

Regional Banking provides products and services to retail, business banking, and commercial customers. This segment’s products include home equity loans, first mortgage loans, direct installment loans, business loans, personal and business deposit products, as well as sales of investment and insurance services. These products and services are offered in six operating regions within the five states of Ohio, Michigan, Indiana, West Virginia, and Kentucky through Huntington’s traditional banking network, Direct Bank—Huntington’s customer service center, and Web Bank at [www.huntington.com](http://www.huntington.com). Regional Banking also represents middle-market and large commercial banking relationships which use a variety of banking products and services including, but not limited to, commercial loans, commercial real estate loans, international trade, and cash management.

***Table 15 - Regional Banking***

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>(in thousands of dollars)</i>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Net interest income	\$ 148,127	\$ 141,978	\$ 292,280	\$ 282,276
Provision for loan and lease losses	40,525	36,844	64,066	59,819
Non-interest income	71,836	64,270	143,432	130,611
Non-interest expense	141,029	131,915	279,069	257,467
Income before taxes	38,409	37,489	92,577	95,601
Income taxes	13,443	13,121	32,402	33,460
Operating earnings	\$ 24,966	\$ 24,368	\$ 60,175	\$ 62,141

Regional Banking’s operating earnings were \$25.0 million for the second quarter 2003, an increase of 2% from \$24.4 million for the same period a year ago. For the six months ended June 30, 2003 and 2002, operating earnings was \$60.2 million and \$62.1 million, respectively.

Net interest income in the second quarter 2003 was up \$6.1 million, or 4%, over the prior-year quarter. The increase reflected a 7% increase in average loans and a 4% increase in average deposits. The increase was largely attributed to increased mortgage loan balances, which reflected robust refinancing activity. The net interest income on other loan and deposit growth was largely offset by continued rate declines and the resulting repricing impact of loans and deposits. Further margin compression resulted from the lower interest rate environment and the inability to pass along lower rates to deposit customers.

Total average loans for the 2003 second quarter increased 7% to \$13.0 billion from \$12.2 billion in the year-ago quarter. Consumer loans grew 16% in the comparable periods, most notably in home equity loans and lines, as well as residential mortgage loans, which were up 14% and 28%, respectively. Business banking loans, including commercial and industrial real estate loans, which are a continued strategic focus of this segment, grew 6%. Average total deposits for the second quarter 2003 were up \$635 million, or 4%, from the same period a year ago. This increase reflected a 12% increase in commercial demand deposits. Retail CDs, which continue to be a relatively expensive source of funds, were de-

emphasized in the company's deposit generation strategies. Excluding retail CDs, this segment's average core deposits increased 14%.

The provision for loan losses for the second quarter 2003 increased \$3.7 million, or 10%, over the same quarter last year. This increase was largely attributed to loan growth. Net charge-offs were \$31.5 million, or an annualized 0.97% of average total loans and leases, for the three months ended June 30, 2003, compared to \$32.5 million, or 1.07%, for the prior year quarter. Commercial and commercial real estate net charge-offs declined \$1.1 million along with declines in net charge-offs for residential mortgage loans and other consumer loans of \$0.3 million and \$0.4 million, respectively, for the comparable periods, while net charge-offs for home equity loans increased \$0.8 million.

Non-interest income for the second quarter 2003 was up \$7.6 million, or 12%, from the year-ago quarter. Increased fee based revenue was driven by deposit service charges, electronic banking, and mortgage banking revenue, despite \$6.4 million of mortgage servicing rights impairment recognized in the second quarter of 2003, versus \$1.1 million in the year-ago quarter. Standby letters of credit income was down, due to the January 1, 2003 adoption of FASB Interpretation No. 45 (see Note 2 to Huntington's unaudited consolidated financial statements). Revenue generated from sales referrals from investment in insurance products is included in Regional Banking's non-interest income as fee sharing. Second quarter referrals generated \$4.3 million of higher fee sharing revenue versus the second quarter of last year.

Non-interest expense for the 2003 second quarter was \$141.0 million, up \$9.1 million, or 7%, from the second quarter of 2002. The increase is due primarily to personnel, occupancy and equipment expense. The increase in salaries and benefits is reflective of investment in our management team and volume related increases in performance based incentive compensation. Partially offsetting these increases were decreases in printing and supplies, charge card processing, and lower operating losses.

Regional Banking contributed 46% and 27% of total revenues and total operating earnings, respectively, in the second quarter of 2003, and represented 52% of total assets and 91% of total deposits at June 30, 2003.

#### **Dealer Sales**

Dealer Sales serves automotive dealerships within Huntington's primary banking markets, as well as in Arizona, Florida, Georgia, Pennsylvania, and Tennessee. This segment finances the purchase of automobiles by customers of the automotive dealerships, purchases automobiles from dealers and simultaneously leases the automobile under long-term operating and direct financing leases, finances the dealership's inventory of automobiles, and provides other banking services to the automotive dealerships and their owners.

**Table 16 - Dealer Sales**

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in thousands of dollars)</i>	2003	2002	2003	2002
Net interest income	\$ 11,631	\$ (3,496)	\$ 27,252	\$ (11,575)
Provision for loan and lease losses	9,191	10,737	20,576	19,737
Non-interest income	153,266	179,807	311,676	360,758
Non-interest expense	124,513	153,005	257,731	313,028
Income before taxes	31,193	12,569	60,621	16,418
Income taxes	10,918	4,399	21,218	5,746
Operating earnings	\$ 20,275	\$ 8,170	\$ 39,403	\$ 10,672

Dealer Sales operating earnings were \$20.3 million in the second quarter 2003, up from \$8.2 million for the year-ago quarter. For the six months, operating earnings was \$39.4 million for 2003, up from \$10.7 million for 2002.

Dealer Sales financial results are significantly impacted by changes made in regard to accounting for automobile leases. As previously noted, leases originated before May 2002 are accounted for as operating leases, and leases originated afterwards accounted for as direct financing leases. Therefore, for automobile leases originated before May 2002, the related financial results are reported as non-interest income and non-interest expense with the cost of funding these leases included in interest expense. Such non-interest income, non-interest expense, and interest expense will continue to trend lower in subsequent periods as this portfolio continues to run off. For leases originated after April 2002, revenue is reported in interest income and a provision for loan and lease losses is recorded in order to maintain an appropriate level of reserve for loan and lease losses. As a result, net interest income and the provision for loan and lease losses for the Dealer Sales line of business should trend higher in future periods.

Net interest income was \$11.6 million in the recent quarter, an increase of \$15.1 million from a loss of \$3.5 million in the second quarter of 2002. This increase reflected growth in average loan and direct financing lease balances from \$2.7 billion in 2002 to \$4.1 billion in 2003. This change in average balances was due primarily to direct financing leases, which accounted for \$1.1 billion of the increase. The margin was also reduced by a \$10.0 million charge to interest expense associated with unwinding funding related to the loans sold in the second quarter and \$6.0 million related to loans sold in the first quarter.

The provision for loan and lease losses of \$9.2 million for the second quarter 2003 decreased \$1.5 million from \$10.7 million for the same period last year. Net charge-offs totaled \$9.1 million for the recent three months, or an annualized 0.73% of average loans and direct financing leases, compared to \$8.7 million, or 1.03%, during the year-ago quarter. This improvement continued to reflect stronger underwriting practices for automobile loan and lease originations.

Total non-interest income declined \$26.5 million to \$153.3 million for the second quarter 2003 from \$179.8 for the same period last year. This reflected a \$43.0 million decline in operating lease income from the second quarter 2002 compared with the current year's second quarter, partially offset by a gain of \$13.5 million on the sale of \$567 million of automobile loans in the second quarter of 2003. Excluding operating lease income in the second quarter of 2003 and 2002 of \$128.6 million and \$171.6 million, respectively, as well as the \$13.5 million gain on sale of automobile loans in the 2003 second quarter, noninterest income was up \$3.0 million, or 36%.

A decline in operating lease expense of \$28.8 million in a year-over-year comparison for the second quarter drove non-interest expense down to \$124.5 million for the second quarter 2003 from \$153.0 million for the year ago quarter. Excluding operating lease expense of \$102.9 million in the 2003 second quarter and \$131.7 million in the year-ago quarter, non-interest expense was up \$0.3 million, or 1%.

Dealer Sales contributed 34% of total second quarter 2003 revenues, 22% of total operating earnings in the second quarter of 2003, and represented 23% of total assets at June 30, 2003.

#### ***Private Financial Group***

The Private Financial Group provides products and services designed to meet the needs of Huntington's higher wealth customers. Revenue is derived through the sale of personal trust, asset management, investment advisory, brokerage, insurance, and deposit and loan products and services. Income and related expenses from the sale of brokerage and insurance products is shared with the line of business that generated the sale or provided the customer referral.

***Table 17 - Private Financial Group***

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>(in thousands of dollars)</i>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Net interest income	\$ 9,794	\$ 8,917	\$ 19,312	\$ 16,695
Provision for loan losses	(458)	447	1,454	2,036
Non-interest income	27,847	28,634	55,057	55,376
Non-interest expense	25,886	25,116	52,502	50,672
Income before taxes	12,213	11,988	20,413	19,363
Income taxes	4,275	4,185	7,145	6,766
Operating earnings	\$ 7,938	\$ 7,803	\$ 13,268	\$ 12,597

Operating earnings in the second quarter 2003 were \$7.9 million, compared with \$7.8 million for the second quarter 2002 as improvement in net interest income and provision for loan losses were offset by lower non-interest income (net of fee sharing to Regional Banking) and higher non-interest expense. On a year-to-date basis, operating earnings was \$13.3 million for 2003, up slightly from \$12.6 million in the same period of 2002.

Net interest income for the 2003 second quarter increased \$0.9 million, or 10%, from the year-ago quarter as average loan balances increased 35% to \$1.2 billion and average deposit balances increased 23% to \$974 million. Most of the loan growth occurred in personal credit lines and residential mortgage loans largely due to the favorable mortgage rate environment and refinancing activity. A majority of the deposit growth occurred in the personal management accounts, which resulted from a combination of new business and a customer shift in sweep options from the Huntington Funds money market funds to money market deposit accounts. The significant balance growth more than offset margin compression that was caused by a loan product mix shift to lower-yielding products and deposit rates that did not decrease as much as market rates.

Provision for loan and lease losses for the recent three months decreased \$0.9 million from the year-ago quarter due to a combination of lower charge-offs and reduced loan provision resulting from the impact of reduced non-performing assets from the first quarter 2003. Net charge-offs were \$0.4 million for the second quarter 2003, or an annualized 0.15% of average total loans and leases, compared with \$1.1 million, or 0.51%, for the same period a year ago.

Non-interest income decreased \$0.8 million, or 3%. However, excluding fee income shared with Regional Banking of \$3.5 million in the 2003 second quarter, and \$2.5 million in the year-ago quarter, non-interest income increased \$0.2 million, or 1%, from the year-ago quarter. This increase reflected higher insurance income and other income partially offset by a decrease in trust and brokerage revenue. Insurance revenue increased \$0.7 million, or 28%, mainly from an increase in title insurance revenue that was reflective of increased mortgage loan refinancing. Trust income decreased \$0.7 million, or 4%, mainly due to a market-related decline in average asset values in two product areas that are mostly market-rate sensitive: personal trust and Huntington Funds. Brokerage revenue decreased \$0.4 million, or 4%, primarily from a decline in mutual fund revenue that was also reflective of the more bearish market environment. Although the sales volume from mutual fund trades actually increased from the year-ago quarter, revenue decreased because much of the increased volume resulted from several large multi-million dollar trades that generated 12b-1 fees and no upfront revenue. Revenue from annuities also declined due to decreased sales, but that was offset by revenue from the sale of the new wealth transfer insurance product. Additional fee sharing income of \$1.0 million was shared out to Regional Banking primarily due to a change in methodology that equates to approximately 0.75% of total mutual fund and annuity sales generated through the banking offices.

Non-interest expense for the 2003 second quarter increased \$0.8 million, or 3%, from the year-ago quarter.

Private Financial Group contributed 8% of both total revenues and total operating earnings in the second quarter of 2003, and represented 5% and 6% of total assets and total deposits at June 30, 2003, respectively.

#### ***Treasury / Other***

The Treasury / Other segment includes assets, liabilities, equity, revenue, and expense not directly assigned or allocated to one of the lines of business. Since a match-funded transfer pricing system is used to allocate interest income and interest expense to other business segments, Treasury / Other results include the net impact of any over or under allocations arising from centralized management of interest rate risk including the net impact of derivatives used to hedge interest rate sensitivity. Furthermore, this segment's results include the net impact of administering Huntington's investment securities portfolio as part of overall liquidity management, as well as the impact of mezzanine lending activity conducted through Huntington's Capital Markets Group. Additionally, amortization expense of intangible assets and gains or losses not allocated to other business segments are also a component.

***Table 18 - Treasury / Other***

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in thousands of dollars)</i>	2003	2002	2003	2002
Net interest income	\$ 32,889	\$ 32,862	\$ 65,356	\$ 62,010
Provision for loan losses	(65)	1,848	(59)	2,108
Non-interest income	24,002	13,293	39,710	28,689
Non-interest expense	9,060	11,835	27,315	27,781
Income before taxes	47,896	32,472	77,810	60,810
Income taxes	8,040	2,367	6,541	3,145
Operating earnings	\$ 39,856	\$ 30,105	\$ 71,269	\$ 57,665

Treasury / Other's operating earnings were \$39.9 million and \$71.3 million in the second quarter and first half of 2003, respectively, up from last year's respective operating earnings of \$30.1 million and \$57.7 million. Net interest income for the recent three months was flat compared to the same period last year despite transfer pricing charges made to the Dealer Sales line of business for the early termination of funding related to the aforementioned June and March 2003 sales of automobile loans.

Provision for loan and lease loss activity is related to the Capital Markets Group, which provides mezzanine loans to customers. This particular group manages certain loans, which require a level of ALLL that, in management's judgment, is sufficient to cover losses inherent in the portfolio.

Non-interest income for 2003 second quarter was \$24.0 million compared with \$13.3 million for the same period a year ago. Higher securities gains and income from trading activities were the primary drivers for this increase. Non-interest expense for the recent quarter was down \$2.8 million from the second quarter last year. This decline reflected higher allocated expenses to other lines of business due to methodology changes.

Income tax expense for each of the other business segments is calculated at a statutory 35% tax rate. However, Huntington's overall effective tax rate was lower and, as a result, Treasury / Other reflected the reconciling items to the statutory tax rate in its income taxes.

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

Quantitative and qualitative disclosures for the current period are found beginning on page 36 of this report, which includes changes in market risk exposures from disclosures presented in Huntington's Amendment No. 2 to its Form 10-K/A.

### Item 4. Controls and Procedures

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

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

## PART II. OTHER INFORMATION

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

### Item 4. Submission of Matters to a Vote of Security Holders

Huntington Bancshares Incorporated held its annual meeting of shareholders on April 24, 2003. At that meeting, shareholders approved the following management proposals:

	<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN/ WITHHELD</u>	<u>BROKER NONVOTES</u>
1. Election of directors to serve as Class I Directors until the year 2006 Annual Meeting of Shareholders as follows:				
Raymond J. Biggs	195,553,012		5,065,260	
John B. Gerlach, Jr.	195,413,444		5,204,828	
Thomas E. Hoaglin	195,520,935		5,097,337	
Robert H. Schottenstein	195,227,521		5,390,750	
2. Election of directors to serve as Class II Directors until the year 2004 Annual Meeting of Shareholders as follows:				
David P. Lauer	195,570,699		5,047,573	
Kathleen H. Ransier	193,621,762		6,996,510	

3. Election of directors  
to serve as Class III  
Directors until the year 2005  
Annual Meeting of  
Shareholders as follows:

Michael J. Endres	195,838,699	4,779,572
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4. Proposal to increase the  
number of shares of  
Huntington common  
Stock authorized for the  
Deferred Compensation  
Plan for Huntington  
Bancshares Incorporated  
Directors as follows:

179,719,653	17,238,672	3,659,947
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5. Ratification of Ernst &  
Young LLP to serve as  
independent auditors for  
the Corporation for the  
year 2003

194,233,436	4,365,241	2,019,595
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#### **Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

3. (i)(a). Articles of Restatement of Charter, Articles of Amendment to Articles of Restatement of Charter, and Articles Supplementary – previously filed as Exhibit 3(i) to Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference.

- (i)(b). Articles of Amendment to Articles of Restatement of Charter – previously filed as Exhibit 3(i)(c) to Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, and incorporated herein by reference.

- (ii). Amended and Restated Bylaws as of July 16, 2002 – previously filed as Exhibit 3(ii) to Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, and incorporated herein by reference.

4. Instruments defining the Rights of Security Holders:

Reference is made to Articles Fifth, Eighth and Tenth of Articles of Restatement of Charter, as amended and supplemented, previously filed as Exhibit 3(i) to Annual Report on Form 10-K for the year ended December 31, 1993 and Exhibit 3(i)(c) to Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, and incorporated herein by reference. Also, reference is made to Rights Plan, dated February 22, 1990, previously filed as Exhibit 1 to Registration Statement on Form 8-A, and incorporated herein by reference and to Amendment No. 1 to the Rights Agreement, dated as of August 16, 1995, previously filed as Exhibit 4(b) to Form 8-K filed with the Securities and Exchange Commission on August 28, 1995, and



incorporated herein by reference. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.

10. Material contracts:

- (a) \* Sixth Amendment to the Huntington Bancshares Incorporated 1990 Stock Option Plan, previously filed as Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, and incorporated herein by reference.
- (b) \* Fourth Amendment to the Amended and Restated Huntington Bancshares Incorporated 1994 Stock Option Plan, previously filed as Exhibit 10(b) to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, and incorporated herein by reference.

12. Earnings to Fixed Charges

31.1 Certification - Chief Executive Officer

31.2 Certification - Chief Financial Officer

32.1 Section 1350 Certification - Chief Executive Officer

32.2 Section 1350 Certification - Chief Financial Officer

(b) Reports on Form 8-K

- 1. A report on Form 8-K, dated April 16, 2003, was filed under report item numbers 5, 7, and 9, concerning Huntington's results of operations for the first quarter ended March 31, 2003.
- 2. A report on Form 8-K, dated May 20, 2003, was filed under report item numbers 5, 7, and 9, regarding Huntington's filing of its amended 2002 annual report on Form 10-K/A and its Form 10-Q for the first quarter ended March 31, 2003.
- 3. A report on Form 8-K, dated June 26, 2003, was filed under report item numbers 5 and 7, concerning the staff of the Securities and Exchange Commission (SEC) conducting a formal investigation of Huntington.

\* Denotes management contract or compensatory plan or arrangement.

SIGNATURES

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

Huntington Bancshares Incorporated  
(Registrant)

Date: November 14, 2003

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

Date: November 14, 2003

/s/ Michael J. McMennamin  
Michael J. McMennamin  
Vice Chairman, Chief Financial Officer and  
Treasurer (Principal Financial Officer)

**Huntington Bancshares Incorporated**  
**Quarterly Ratios of Earnings to Fixed Charges**  
*(Unaudited and Restated)*

<i>(in thousands of dollars)</i>	<b>2003</b>		<b>2002</b>		
	<b>Second</b>	<b>First</b>	<b>Fourth</b>	<b>Third</b>	<b>Second</b>
<b>Earnings:</b>					
Income before taxes	\$ 133,166	\$ 122,360	\$ 90,489	\$ 116,067	\$ 95,353
Add: Fixed charges, excluding interest on deposits	41,390	41,411	44,690	41,131	39,942
Earnings available for fixed charges, excluding interest on deposits	174,556	163,771	135,179	157,198	135,295
Add: Interest on deposits	76,383	79,710	88,404	94,647	93,759
Earnings available for fixed charges, including interest on deposits	\$ 250,939	\$ 243,481	\$ 223,583	\$ 251,845	\$ 229,054
<b>Fixed Charges:</b>					
Interest expense, excluding interest on deposits	\$ 38,501	\$ 38,545	\$ 41,757	\$ 38,265	\$ 37,063
Interest factor in net rental expense	2,889	2,866	2,933	2,866	2,879
Total fixed charges, excluding interest on deposits	41,390	41,411	44,690	41,131	39,942
Add: Interest on deposits	76,383	79,710	88,404	94,647	93,759
Total fixed charges, including interest on deposits	\$ 117,773	\$ 121,121	\$ 133,094	\$ 135,778	\$ 133,701
<b>Ratio of Earnings to Fixed Charges</b>					
Excluding interest on deposits	<b>4.22 x</b>	<b>3.95 x</b>	<b>3.02 x</b>	<b>3.82 x</b>	<b>3.39 x</b>
Including interest on deposits	<b>2.13 x</b>	<b>2.01 x</b>	<b>1.68 x</b>	<b>1.85 x</b>	<b>1.71 x</b>

**CERTIFICATION**

I, Thomas E. Hoaglin, certify that:

1. I have reviewed this amended Quarterly Report on Form 10-Q/A of Huntington Bancshares Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

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

**CERTIFICATION**

I, Michael J. McMennamin, certify that:

1. I have reviewed this amended Quarterly Report on Form 10-Q/A of Huntington Bancshares Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

/s/ Michael J. McMennamin  
Michael J. McMennamin  
Chief Financial Officer

**SECTION 1350 CERTIFICATION**

In connection with the amended Quarterly Report of Huntington Bancshares Incorporated (the "Company") on Form 10-Q/A for the quarter ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Hoaglin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas E. Hoaglin

Thomas E. Hoaglin  
Chief Executive Officer  
November 14, 2003

A signed original of this written statement required by Section 906 has been provided to Huntington Bancshares Incorporated and will be retained by Huntington Bancshares Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

**SECTION 1350 CERTIFICATION**

In connection with the amended Quarterly Report of Huntington Bancshares Incorporated (the “Company”) on Form 10-Q/A for the quarter ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. McMennamin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. McMennamin

Michael J. McMennamin  
Chief Financial Officer  
November 14, 2003

A signed original of this written statement required by Section 906 has been provided to Huntington Bancshares Incorporated and will be retained by Huntington Bancshares Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.