# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2003

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number **0-2525**

# Huntington Bancshares Incorporated

**(Exact name of registrant as specified in its charter)**

| **Maryland** | **31-0724920** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **Huntington Center, 41 S. High Street, Columbus, OH** | **43287** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code (614) 480-8300**

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Stock - Without Par Value**
**(Title of class)**

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).☒ Yes ☐ No

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2003, determined by using a per share closing price of $19.51, as quoted by NASDAQ on that date, was $5,030,970,635. As of February 27, 2004, 229,374,834 shares of common stock without par value were outstanding.

Documents Incorporated By Reference

Part I and II of this Form 10-K incorporates by reference certain information from the registrant's Annual Report to Shareholders for the period ended December 31, 2003.

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for its 2004 Annual Shareholders' Meeting.

## HUNTINGTON BANCSHARES INCORPORATED

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## Huntington Bancshares Incorporated

Part I

**Item 1: Business**

Huntington Bancshares Incorporated (Huntington or the company) is a multi-state diversified financial holding 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. The Huntington National Bank (the Bank), organized in 1866, is Huntington's only bank subsidiary. At December 31, 2003, Huntington Bank had 162 banking offices in Ohio, 114 banking offices in Michigan, 25 banking offices in West Virginia, 22 banking offices in Indiana, 12 banking offices in Kentucky, 3 private banking offices in Florida, one foreign office in the Cayman Islands and one foreign office in Hong Kong. Selected financial services, including those of Huntington Mortgage Group, a division of Huntington Bank, are also conducted in other states including Arizona, Florida, Georgia, Maryland, New Jersey, Pennsylvania, and Tennessee. Foreign banking activities, in total or with any individual country, are not significant to the operations of Huntington. At December 31, 2003, Huntington and its subsidiaries had 7,983 full-time equivalent employees.

A discussion of Huntington's lines of business can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference. The financial statement results for each line of business can be found in Note 17 of the Notes to Consolidated Financial Statements included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

Competition is intense in most of the markets Huntington serves. Huntington competes on price and service with other banks and financial companies such as savings and loans, credit unions, finance companies, mortgage banking companies, insurance companies, and brokerage firms. Competition could intensify in the future as a result of industry consolidation, the increasing availability of products and services from non-banks, greater technological developments in the industry, and banking reform. For example, financial services reform legislation enacted in 1999 eliminated the long-standing Glass-Steagall Act restrictions on securities activities of bank holding companies and banks. The legislation, among other things, permits securities and insurance firms to engage in banking activities under specified conditions.

On January 27, 2004, Huntington announced the signing of a definitive agreement to merge with Unizan Financial Corp. (Unizan), a financial holding company based in Canton, Ohio, with assets of $2.7 billion at December 31, 2003. Under the terms of the agreement, Unizan shareholders will receive 1.1424 shares of Huntington common stock, on a tax-free basis, for each share of Unizan. The merger is expected to close late in the second quarter of 2004, subject to applicable regulatory approvals and Unizan shareholder approval.

### Regulatory Matters

To the extent that the following information describes statutory or regulatory provisions, it is qualified in its entirety by reference to such statutory or regulatory provisions.

### General

As a financial holding company, Huntington is subject to examination and supervision by the Board of Governors of the Federal Reserve System (FRB). Huntington is required to file with the FRB reports and other information regarding its business operations and the business operations of its subsidiaries. It is also required to obtain FRB approval prior to acquiring, directly or indirectly, ownership or control of voting shares of any bank, if, after such acquisition, it would own or control more than 5% of the voting stock of such bank.

Pursuant to the GLB Act, however, Huntington may engage in, or own or control companies that engage in, any activities determined by the FRB to be financial in nature or incidental to activities financial in nature, or complementary to financial activities, provided that such complementary activities do not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The GLB Act designated various lending, advisory, insurance underwriting, securities underwriting, dealing and market-making, and merchant banking activities (as well as those activities previously approved for bank holding companies by the FRB) as financial in nature, and authorized by the FRB,

in coordination with the Office of the Comptroller of the Currency (OCC), to determine that additional activities are financial in nature or incidental to activities that are financial in nature. Except for the acquisition of a savings association, Huntington may commence any new financial activity with notice to the FRB within 30 days subsequent to the commencement of the new financial activity.

The Bank is subject to examination and supervision by the OCC. Its deposits are insured by the Bank Insurance Fund (BIF) of the Federal Deposit Insurance Corporation (FDIC). Huntington's non-bank subsidiaries are also subject to examination and supervision by the FRB (or, in the case of non-bank subsidiaries of the Bank, by the OCC), and examination by other federal and state agencies, including, in the case of certain securities and investment management activities, regulation by the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers.

In addition to the impact of federal and state regulation, the Bank and non-bank subsidiaries of Huntington are affected significantly by the actions of the FRB as it attempts to control the money supply and credit availability in order to influence the economy.

**Holding Company Structure**

Huntington is a financial holding company with one national bank subsidiary, Huntington National Bank and numerous non-bank subsidiaries. See Exhibit 21 for a list of Huntington's subsidiaries. The Bank is subject to affiliate transaction restrictions under federal laws, which limit the transfer of funds by the subsidiary bank to the parent and any non-bank subsidiary of the parent, whether in the form of loans, extensions of credit, investments, or asset purchases. Such transfers by a subsidiary bank to its parent corporation or to any individual non-bank subsidiary of the parent are limited to 10% of the subsidiary bank's capital and surplus and, with respect to such parent together with all such non-bank subsidiaries of the parent, to an aggregate of 20% of the subsidiary bank's capital and surplus. Furthermore, such loans and extensions of credit are required to be secured within specified amounts. In addition, all affiliate transactions must be conducted on terms and under circumstances that are substantially the same as such transactions with unaffiliated entities.

As a matter of policy, the FRB expects a bank holding company to act as a source of financial and managerial strength to each of its subsidiary banks and to commit resources to support each such subsidiary bank. Under the source of strength policy, the FRB may require a bank holding company to make capital injections into a troubled subsidiary bank, and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. A capital injection may be required at times when Huntington does not have the resources to provide it. Any loans by a holding company to its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. Moreover, in the event of a bank holding company's bankruptcy, any commitment by such holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Federal law permits the OCC to order the pro rata assessment of shareholders of a national bank whose capital stock has become impaired, by losses or otherwise, to relieve a deficiency in such national bank's capital stock. This statute also provides for the enforcement of any such pro rata assessment of shareholders of such national bank to cover such impairment of capital stock by sale, to the extent necessary, of the capital stock owned by any assessed shareholder failing to pay the assessment. Huntington, as the sole shareholder of the Bank, is subject to such provisions. Moreover, the claims of a receiver of an insured depository institution for administrative expenses and the claims of holders of deposit liabilities of such an institution are accorded priority over the claims of general unsecured creditors of such an institution, including the holders of the institution's note obligations, in the event of a liquidation or other resolution of such institution. Claims of a receiver for administrative expenses and claims of holders of deposit liabilities of the Bank (including the FDIC, as the subrogee of such holders) would receive priority over the holders of notes and other senior debt of the Bank in the event of a liquidation or other resolution and over the interests of Huntington as sole shareholder of the Bank.

**Dividend Restrictions**

Dividends from the Bank are the primary source of funds for payment of dividends to Huntington's shareholders. In the year ended December 31, 2003, Huntington declared cash dividends to its shareholders of $153.5 million. There are, however, statutory limits on the amount of dividends that the Bank can pay to Huntington without regulatory approval.

The Bank may not, without prior regulatory approval, pay a dividend in an amount greater than its undivided profits. In addition, the prior approval of the OCC is required for the payment of a dividend by a national bank if the total of all dividends declared in a calendar year would exceed the total of its net income for the year combined with its retained net income for the two preceding years. Under these provisions and in accordance with the above-described formula, the Bank

could, without regulatory approval, declare dividends to Huntington in 2004 of approximately $332.7 million plus an additional amount equal to its net profits during 2004.

If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FRB and the OCC have issued policy statements that provide that insured banks and bank holding companies should generally only pay dividends out of current operating earnings.

**FDIC Insurance**

The Bank was classified by the FDIC as a “well-capitalized” institution in the highest supervisory subcategory and was therefore not obliged under FDIC assessment practices to pay deposit insurance premiums in 2003, either on its deposits insured by the BIF or on that portion of its deposits acquired from savings and loan associations and insured by the Savings and Loan Association Insurance Fund (SAIF). As a result of restatements in 2003 of its financial statements for 2002 and 2001, the Bank would have been classified by the FDIC as an adequately capitalized institution in the second highest supervisory subcategory. Neither “well-capitalized” nor adequately capitalized institutions are obliged currently to pay deposit insurance premiums. Although not currently subject to FDIC assessments for insurance premiums, the Bank is required to make payments for the servicing of obligations of the Financing Corporation (FICO) that were issued in connection with the resolution of savings and loan associations, so long as such obligations remain outstanding.

The FDIC may alter its assessment practices in the future if required by developments affecting the resources of the BIF or the SAIF. Assessment practices may also be altered if pending legislative initiatives involving the merger of the BIF and the SAIF, as well as other changes, become law.

**Capital Requirements**

The FRB has issued risk-based capital ratio and leverage ratio guidelines for bank holding companies such as Huntington. The risk-based capital ratio guidelines establish a systematic analytical framework that makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures into explicit account in assessing capital adequacy, and minimizes disincentives to holding liquid, low-risk assets. Under the guidelines and related policies, bank holding companies must maintain capital sufficient to meet both a risk-based asset ratio test and a leverage ratio test on a consolidated basis. The risk-based ratio is determined by allocating assets and specified off-balance sheet commitments into four weighted categories, with higher weighting being assigned to categories perceived as representing greater risk. A bank holding company’s capital (as described below) is then divided by total risk weighted assets to yield the risk-based ratio. The leverage ratio is determined by relating core capital (as described below) to total assets adjusted as specified in the guidelines. The Bank is subject to substantially similar capital requirements.

Generally, under the applicable guidelines, a financial institution’s capital is divided into two tiers. Institutions that must incorporate market risk exposure into their risk-based capital requirements may also have a third tier of capital in the form of restricted short-term subordinated debt. “Tier 1”, or core capital, includes common equity, noncumulative perpetual preferred stock (excluding auction rate issues), and minority interests in equity accounts of consolidated subsidiaries, less both goodwill and, with certain limited exceptions, all other intangible assets. Bank holding companies, however, may include cumulative preferred stock in their Tier 1 capital, up to a limit of 25% of such Tier 1 capital. “Tier 2”, or supplementary capital, includes, among other things, cumulative and limited-life preferred stock, hybrid capital instruments, mandatory convertible securities, qualifying subordinated debt, and the allowance for loan and lease losses, subject to certain limitations. “Total capital” is the sum of Tier 1 and Tier 2 capital.

The FRB and the other federal banking regulators require that all intangible assets, with certain limited exceptions, be deducted from Tier 1 capital. Under the FRB’s rules the only types of intangible assets that may be included in (i.e., not deducted from) a bank holding company’s capital are originated or purchased mortgage servicing rights, non-mortgage servicing assets, and purchased credit card relationships, provided that, in the aggregate, the total amount of these items included in capital does not exceed 100% of Tier 1 capital.

Under the risk-based guidelines, financial institutions are required to maintain a risk-based ratio (total capital to risk-weighted assets) of 8%, of which 4% must be Tier 1 capital. The appropriate regulatory authority may set higher capital requirements when an institution’s circumstances warrant.

Under the leverage guidelines, financial institutions are required to maintain a leverage ratio (Tier 1 capital to adjusted total assets, as specified in the guidelines) of at least 3%. The 3% minimum ratio is applicable only to financial institutions that meet certain specified criteria, including excellent asset quality, high liquidity, low interest rate exposure,

and the highest regulatory rating. Financial institutions not meeting these criteria are required to maintain a minimum Tier 1 leverage ratio of 4%.

Special minimum capital requirements apply to equity investments in nonfinancial companies. The requirements consist of a series of marginal capital charges that increase within a range from 8% to 25% as a financial institution's over-all exposure to equity investments increases as a percentage of its Tier 1 capital.

Failure to meet applicable capital guidelines could subject the financial institution to a variety of enforcement remedies available to the federal regulatory authorities. These include limitations on the ability to pay dividends, the issuance by the regulatory authority of a capital directive to increase capital, and the termination of deposit insurance by the FDIC, as well as the measures described below under "Prompt Corrective Action" as applicable to "under-capitalized" institutions.

To be considered "well capitalized" under the regulatory framework for "Prompt Corrective Action", the ratios must be at least 6.00% for Tier 1 risk-based capital ratio, 10.00% for Total risk-based capital ratio, and 5.00% for Tier 1 leverage capital. As of December 31, 2003, the ratios for Huntington were 8.53%, 11.95%, and 7.98%, respectively. In addition, the ratios for the Bank at December 31, 2003, were 6.36%, 10.65%, and 6.01%, respectively. Both Huntington and the Bank had regulatory capital ratios in excess of the levels established for "well-capitalized" institutions at December 31, 2003.

The risk-based capital standards of the FRB, the OCC, and the FDIC specify that evaluations by the banking agencies of a bank's capital adequacy will include an assessment of the exposure to declines in the economic value of the bank's capital due to changes in interest rates. These banking agencies issued a joint policy statement on interest rate risk describing prudent methods for monitoring such risk that rely principally on internal measures of exposure and active oversight of risk management activities by senior management.

**Prompt Corrective Action**

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) requires federal banking regulatory authorities to take "prompt corrective action" with respect to depository institutions that do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: "well-capitalized", "adequately-capitalized", "under-capitalized", "significantly under-capitalized", and "critically under-capitalized".

An institution is deemed to be "well-capitalized" if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or greater and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be "adequately-capitalized" if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 4% or greater, and, generally, a Tier 1 leverage ratio of 4% or greater and the institution does not meet the definition of a "well-capitalized" institution. An institution that does not meet one or more of the "adequately-capitalized" tests is deemed to be "under-capitalized". If the institution has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3%, or a Tier 1 leverage ratio that is less than 3%, it is deemed to be "significantly under-capitalized". Finally, an institution is deemed to be "critically under-capitalized" if it has a ratio of tangible equity, as defined in the regulations, to total assets that is equal to or less than 2%.

FDICIA generally prohibits a depository institution from making any capital distribution, including payment of a cash dividend or paying any management fee to its holding company if the depository institution would thereafter be "under-capitalized". "Under-capitalized" institutions are subject to growth limitations and are required to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan by the appropriate federal banking agency. If an "under-capitalized" institution fails to submit an acceptable plan, it is treated as if it is "significantly under-capitalized". "Significantly under-capitalized" institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately-capitalized", requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. "Critically under-capitalized" institutions may not, beginning 60 days after becoming "critically under-capitalized", make any payment of principal or interest on their subordinated debt. In addition, "critically under-capitalized" institutions are subject to appointment of a receiver or conservator within 90 days of becoming so classified.

Under FDICIA, a depository institution that is not "well-capitalized" is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market. As a result of restatements in 2003 of its financial statements for 2002 and 2001, the Bank could have been classified under FDICIA as "adequately capitalized" but not "well-capitalized". The Bank, however, restored itself to "well-capitalized" status by the

end of the second quarter 2003, and, therefore, the FDICIA's brokered deposit rule did not adversely affect the ability of the Bank to accept brokered deposits. Under the regulatory definition of brokered deposits, the Bank had $1.8 billion of such deposits at December 31, 2003.

**Gramm-Leach-Bliley Act of 1999**

The United States Congress in 1999 enacted major financial services modernization legislation, known as the "Gramm-Leach-Bliley Act of 1999" (GLB Act), which was signed into law on November 12, 1999. Under the GLB Act, banks are no longer prohibited by the Glass-Steagall Act from associating with, or having management interlocks with, a business organization engaged principally in securities activities. By qualifying as a new entity known as a "financial holding company", a bank holding company may acquire new powers not otherwise available to it. In order to qualify, a bank holding company's depository subsidiaries must all be both "well-capitalized" and well managed, and must meet their Community Reinvestment Act obligations. The bank holding company must also declare its intention to become a financial holding company to the FRB and certify that its depository subsidiaries meet the capitalization and management requirements. The repeal of the Glass-Steagall Act and the availability of new powers both became effective on March 11, 2000, and Huntington became a financial holding company on March 13, 2000.

Financial holding company powers relate to "financial activities" that are determined by the FRB, in coordination with the Secretary of the Treasury, to be financial in nature, incidental to an activity that is financial in nature, or complementary to a financial activity (provided that the complementary activity does not pose a safety and soundness risk). The statute itself defines certain activities as financial in nature, including but not limited to underwriting insurance or annuities; providing financial or investment advice; underwriting, dealing in, or making markets in securities; merchant banking, subject to significant limitations; insurance company portfolio investing, subject to significant limitations; and any activities previously found by the FRB to be closely related to banking.

National and state banks are permitted under the GLB Act (subject to capital, management, size, debt rating, and Community Reinvestment Act qualification factors) to have "financial subsidiaries" that are permitted to engage in financial activities not otherwise permissible. However, unlike financial holding companies, financial subsidiaries may not engage in insurance or annuity underwriting; developing or investing in real estate; merchant banking (for at least five years); or insurance company portfolio investing. Other provisions of the GLB Act establish a system of functional regulation for financial holding companies and banks involving the Securities and Exchange Commission, the Commodity Futures Trading Commission, and state securities and insurance regulators; deal with bank insurance sales and title insurance activities in relation to state insurance regulation; prescribe consumer protection standards for insurance sales; and establish minimum federal standards of privacy to protect the confidentiality of the personal financial information of consumers and regulate its use by financial institutions. Federal bank regulatory agencies continued to issue a variety of proposed, interim, and final rules during the year 2003 for the implementation of the GLB Act.

**Recent Regulatory Developments**

Possible authority for financial holding companies to engage in real estate brokerage and property management services remained under consideration by federal banking regulators at the end of 2003. However, renewal of a statutory moratorium on implementation of regulations granting such authority passed one house of Congress and was pending in the other house at the end of the year. It is not possible at present to assess the likelihood of ultimate adoption of final regulations.

Changes in the federal deposit insurance program were recommended during 2003 by the FDIC and in the federal budget. A deposit insurance reform bill that would, among other things, merge the BIF and the SAIF, increase and index deposit insurance coverage, give the FDIC flexibility in setting premium assessments, and replace a fixed deposit reserve ratio with a reserve range, was passed by the House of Representatives in April 2003, but no action on the subject was taken by the Senate during the remainder of the year. It is not possible to predict if deposit insurance reform legislation will be enacted, or if enacted, what its effect will be on Huntington.

Federal banking regulators continued their preparations for the expected issuance in mid-2004 by the Basel Committee on Banking Supervision of final "Basel II" regulatory capital guidelines, which would mandate changes for large banks in the way in which their risk-based capital requirements are calculated. The guidelines are widely believed to likely permit significant reductions in levels of required capital for such banks. It is uncertain at the present time if Huntington will be either required or permitted to make changes in its regulatory capital structure in accordance with Basel II guidelines.

**Business Risks**

Huntington, like other financial companies, is subject to a number of risks, many of which are outside of Management's control, though Management strives to manage those risks while optimizing returns. Among the risks assumed are: (1) credit risk, which is the risk that loan and lease customers or other counter parties will be unable to perform their contractual obligations, (2) market risk, which is the risk that changes in market rates and prices will adversely affect Huntington's financial condition or results of operation, (3) liquidity risk, which is the risk that Huntington and / or the Bank will have insufficient cash or access to cash to meet its operating needs, and (4) operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

In addition to the other information included or incorporated by reference into this report, readers should carefully consider that the following important factors, among others, could materially impact Huntington's business, future results of operations, and future cash flows.

***(1) Credit Risk:***

**Huntington extends credit to a variety of customers based on internally set standards and the judgment of Management. Huntington manages the credit risk it takes through a program of underwriting standards that it follows, the review of certain credit decisions, and an on-going process of assessment of the quality of the credit it has already extended. There can be no assurance that Huntington's credit standards and its on-going process of credit assessment will protect Huntington from significant credit losses.**

Huntington takes credit risk by virtue of funding loans and leases, purchasing non-governmental securities, extending loan commitments and letters of credit, and being counterparties to off-balance sheet financial instruments such as interest rate and foreign exchange derivatives.

Huntington's exposure to credit risk is managed through the use of consistent underwriting standards that emphasize "in-market" lending while avoiding highly leveraged transactions as well as 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 Management with the information necessary to implement policy adjustments where necessary, and to take proactive corrective actions. In 2003, Management continued to focus on commercial lending to customers with existing or potential relationships within Huntington's primary markets.

At December 31, 2003, Huntington's total credit exposure was $22.4 billion, consisting of $21.1 billion of loans and direct financing leases and $1.3 billion of operating lease assets. Of the $22.4 billion total credit exposure, 27.7%, or $6.2 billion, represented exposure to the automobile financing sector with $4.9 billion representing loans and direct financing leases and $1.3 billion representing automobile operating lease assets. A key corporate objective has been to lower the total risk exposure to automobile loans and leases. While this exposure presented 28% of credit exposure at December 31, 2003, this was down from 33.0% at December 31, 2002. The next largest credit exposure sector was to commercial real estate loans, which totaled $4.2 billion at December 31, 2003, and represented 18.6% of total credit exposure, and 19.8% of total loans and leases. There was no other concentration of lending to a particular industry or group of industries that would be considered a concentration of lending risk.

For further discussion about Huntington's management of credit risk, see "Credit Risk" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference. There can be no assurance that Huntington's credit standards and its on-going process of credit assessment will protect Huntington from significant credit losses.

**Huntington's loans, leases, and deposits are focused in five states and adverse economic conditions in those states, in particular, could negatively impact results from operations, cash flows, and financial condition.**

Concentration of credit risk can also arise with respect to loans and leases when the borrowers are located in the same geographical region. Huntington's customers with loan and/or deposit balances at December 31, 2003, were located predominantly in Ohio, Michigan, West Virginia, Indiana, and Kentucky. Because of the concentration of loans, leases, and deposits in these states, in the event of adverse economic conditions in these states, Huntington could experience more difficulty in attracting deposits and experience higher rates of loss and delinquency on its loans and leases than if the loans and leases were more geographically diversified. Adverse economic conditions and other factors, such as political or business developments or natural hazards that may affect these states, may reduce demand for credit or fee-based products and could negatively affect real estate and other collateral values, interest rate levels, and the availability of credit to refinance loans at or prior to maturity.

*(2) Market Risk:*

**Huntington could experience losses on its residual values related to its automobile lease portfolio.**

At December 31, 2003, Huntington had a $3.2 billion automobile lease portfolio, comprised of $1.9 billion of direct financing leases and $1.3 billion of operating lease assets. Inherently, automobile lease portfolios are subject to residual risk, which arises when the market price of the leased vehicle at the end of the lease term is below the estimated residual value at the time the lease is originated. This situation arises due to a decline in used car market values. For further discussion about Huntington's management of lease residual risk, see "Lease Residual Risk" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**Changes in interest rates could negatively impact Huntington's financial condition and results of operations.**

Huntington's results of operations depend substantially on net interest income, the difference between interest earned on interest-earning assets (such as investments, loans, and direct financing leases) and interest paid on interest-bearing liabilities (such as deposits and borrowings). Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Conditions such as inflation, recession, unemployment, money supply, and other factors beyond Management's control may also affect interest rates. If Huntington's interest-earning assets mature or reprice more quickly than interest-bearing liabilities in a given period, a decrease in market interest rates could adversely affect net interest income. Likewise, if interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, an increase in market interest rates could adversely affect net interest income.

At December 31, 2003, Huntington's commercial and industrial commercial real estate construction loans, automobile loans and leases, and operating leases totalled $12.2 billion. Of this total group of loans and leases, 49% had variable interest rates and 51% had fixed interest rates. Fixed-rate loans and leases increase Huntington's exposure to interest rate risk in a rising rate environment because interest-bearing liabilities would be subject to repricing before assets become subject to repricing. Adjustable-rate loans and leases decrease these risks associated with changes in interest rates but involve other risks, such as the inability of borrowers to make higher payments in an increasing interest rate environment. At the same time, for secured loans, the marketability of the underlying collateral may be adversely affected by higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as the borrowers refinance their loans at lower interest rates. Under these circumstances, Huntington's results of operations could be negatively impacted.

When evaluating short-term interest rate risk exposure, the primary measurement represents scenarios that model a 200 basis point increasing (decreasing) parallel shift in rates over the next twelve-month period versus rates implied by the current yield curve. At the end of 2003, that scenario modeled net interest income to be approximately 0.5% lower than the internal forecast of net interest income using the baseline scenario. This position is well within the board of directors' 4.0% policy limit for change in net interest income given a +/- 200 basis point change in rates.

Changes in interest rates also can affect the value of loans and other assets, including retained interests in securitizations, mortgage and non-mortgage servicing rights, and Huntington's ability to realize gains on the sale of assets. A portion of Huntington's earnings results from transactional income. Examples of this type of earnings result from gains on sales of loans and other real estate owned. This type of income can vary significantly from quarter-to-quarter and year-to-year based on a number of different factors, including the interest rate environment. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans and leases may lead to an increase in non-performing assets and a reduction of discount accreted into income, which could have a material adverse effect on Huntington's results of operations and cash flows. For further discussion, see "Loan Sales and Securitizations" in the Notes to Consolidated Financial Statements included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

Although fluctuations in market interest rates are neither completely predictable nor controllable, Huntington's Asset and Liability Management Committee (ALCO) meets periodically to monitor Huntington's interest rate sensitivity position and oversee its financial risk management by establishing policies and operating limits. For further discussion, see "Interest Rate Risk" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

***(3) Liquidity Risk:***

**If Huntington is unable to borrow funds through access to capital markets, it may not be able to meet the cash flow requirements of its depositors and borrowers, or meet the operating cash needs of Huntington to fund corporate expansion and other activities.**

Liquidity policies and limits are established by the board of directors, with operating limits set by ALCO, based upon analyses of the ratio of loans to deposits and percentage of assets funded with non-core or wholesale funding. ALCO regularly monitors the overall liquidity position of the Bank and the parent company to ensure that various alternative strategies exist to cover unanticipated events that could affect liquidity. Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The liquidity of the Bank is used to make loans and leases and to repay deposit liabilities as they become due or are demanded by customers. The Bank's ALCO establishes policies and monitors guidelines to diversify the Bank's wholesale funding sources to avoid concentrations in any one market source. Wholesale funding sources include Federal funds purchased, securities sold under repurchase agreements, non-core deposits, and medium- and long-term debt, which includes a domestic bank note program and a Euronote program. The Bank is also a member of the Federal Home Loan Bank of Cincinnati (FHLB), which provides funding through advances to its members that are collateralized with mortgage-related assets.

Huntington maintains a portfolio of securities that can be used as a secondary source of liquidity. There are other sources of liquidity should they be needed. These sources include the sale or securitization of loans, the ability to acquire additional national market, non-core deposits, additional collateralized borrowings such as FHLB advances, the issuance of debt securities, and the issuance of preferred or common securities in public or private transactions. The Bank also can borrow through the Federal Reserve's discount window.

If Huntington were unable to access any of these funding sources when needed, it might be unable to meet the needs of its customers, which could adversely impact Huntington's financial condition, its results of operations, cash flows, and its level of regulatory-qualifying capital. For further discussion, see "Liquidity" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**If Huntington's credit rating were downgraded, its ability to access funding sources may be negatively impacted or eliminated and Huntington's liquidity and the market price of its common stock could be adversely impacted.**

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

As a result of a formal SEC investigation announced June 26, 2003, Standard and Poor's rating agency placed the company's debt ratings on "Credit Watch Negative" pending completion of the investigation. As a precautionary measure, Management increased the volume of long-term wholesale borrowings, while reducing overnight Federal Funds borrowings. The cost of short-term borrowings has not been materially affected by the downgrade, although at least one investor has reduced exposure limits as a result of this action by a rating agency. This action had no adverse impact on rating triggers inherent in financial contracts. Management believes that sufficient liquidity exists to meet the funding needs of the Bank and the parent company. Credit ratings as of December 31, 2003 for the parent company and the Bank were:

| | Senior Unsecured Notes | Subordinated Notes | Short Term | Outlook |
|---|---|---|---|---|
| **Huntington Bancshares Incorporated** | | | | |
| Moody's Investor Service | A2 | A3 | P1 | Negative |
| Standard & Poor's Corporation | A- | BBB+ | A2 | Credit Watch Negative |
| Fitch Ratings | A | A- | F1 | Stable |
| **The Huntington National Bank** | | | | |
| Moody's Investor Service | A1 | A2 | P1 | Negative |
| Standard & Poor's Corporation | A | A- | A1 | Credit Watch Negative |
| Fitch Ratings | A | A- | F1 | Stable |

Huntington relies on certain funding sources such as large corporate deposits, public fund deposits, federal funds, Euro deposits, FHLB advances, and bank notes. Although not contractually tied to credit ratings, Huntington's ability to access these funding sources may be impacted by negative changes in credit ratings. In the case of public funds or FHLB advances, a credit downgrade also may trigger a requirement that Huntington pledge additional collateral against outstanding borrowings.

A downgraded credit rating by any of the three credit rating agencies could negatively affect Huntington's common stock price and accelerate the timing of the pass through of cash flows from obligors to its securitization trusts. In addition, if the unsecured senior debt of the Bank falls below BBB+ or Baa1, a Servicer Downgrade Event automatically occurs, which will trigger an early amortization event in Huntington's largest securitization. At that point, Huntington would no longer be permitted to sell additional loans to the trust.

At December 31, 2003, Huntington provided letters of credit for approximately $983 million of taxable and tax-exempt notes and bonds. Huntington Capital Corporation (HCC), a consolidated subsidiary of Huntington, acts as the remarketing agent for approximately $580 million of the outstanding issues. These obligations are currently owned by a variety of money market funds that have the right to put these bonds back to HCC for remarketing every seven days. A lower credit rating could impact HCC's ability to remarket these instruments. A short-term rating downgrade may cause these obligations to be put back to HCC for subsequent remarketing or inclusion into HCC holdings. Letter of credit issuance for the purpose of credit enhancement of bond issues may be impacted.

***(4) Operational Risk:***

**Huntington has significant competition in both attracting and retaining deposits and in originating loans and leases.**

Competition is intense in most of the markets Huntington serves. Huntington competes on price and service with other banks and financial companies such as savings and loans, credit unions, finance companies, mortgage banking companies, insurance companies and brokerage firms. Competition could intensify in the future as a result of industry consolidation, the increasing availability of products and services from non-banks, greater technological developments in the industry, and banking reform.

**Management maintains internal operational controls and Huntington has invested in technology to help it process large volumes of transactions. However, there can be no assurance that Huntington will be able to continue processing at the same or higher levels of transactions. If Huntington's system of internal controls should fail to work as expected, if its systems were to be used in an unauthorized manner, or if employees were to subvert the system of internal controls, significant losses to Huntington could occur.**

Huntington processes large volumes of transactions on a daily basis and is exposed to numerous types of operational risk. Operational risk resulting from inadequate or failed internal processes, people, and systems includes the risk of fraud by employees or persons outside Huntington, the execution of unauthorized transactions by employees, errors relating to transaction processing and systems, and breaches of the internal control system and compliance requirements. This risk of loss also includes the potential legal actions that could arise as a result of the operational deficiency or as a result of noncompliance with applicable regulatory standards.

Huntington establishes and maintains systems of internal operational controls that provide Management with timely and accurate information about its level of operational risk. While not foolproof, these systems have been designed to manage operational risk at appropriate, cost effective levels. Huntington has also established procedures that are designed to ensure that policies relating to conduct, ethics, and business practices are followed. From time to time,

Huntington experiences losses from operational risk, including the effects of operational errors, and these losses are recorded as non-interest expense.

While Management continually monitors and improves its system of internal controls, data processing systems, and corporate-wide processes and procedures, there can be no assurance that Huntington will not suffer such losses in the future.

**Huntington's acquisitions may not meet income expectations and/or cost savings levels or may not be integrated within timeframes originally anticipated. Huntington may encounter unforeseen difficulties, including unanticipated integration problems and business disruption in connection with its acquisitions. Acquisitions could also dilute stockholder value and adversely affect operating results.**

On January 27, 2004, Huntington announced the signing of a definitive agreement to merge with Unizan Financial Corp. (Unizan) a financial holding company based in Canton, Ohio, with $2.7 billion of assets at December 31, 2003. Under the terms of the agreement, Unizan shareholders will receive 1.1424 shares of Huntington common stock, on a tax-free basis, for each share of Unizan. Based on the $23.10 closing price of Huntington's common stock on January 26, 2004, this represented a price of $26.39 per Unizan share, and valued the transaction at approximately $587 million. The merger was unanimously approved by both boards and is expected to close late in the second quarter, pending customary regulatory approvals, as well as Unizan shareholder approval.

During 2002, Huntington acquired Haberer Investment Advisor, Inc. (Haberer), a Cincinnati-based registered investment advisory firm with approximately $500 million in assets under management. Huntington paid cash to Haberer shareholders and issued 202,695 shares of common stock from treasury. Also during 2002, Huntington acquired LeaseNet Group, Inc. (LeaseNet), a $90 million leasing company located in Dublin, Ohio. Huntington paid cash to LeaseNet shareholders and issued 835,035 shares of common stock from treasury. In addition, Huntington holds 544,357 common shares in escrow, to be released to LeaseNet's shareholders contingent upon the achievement of certain performance levels. Both of these acquisitions were accounted for using the purchase method of accounting.

The proposed merger with Unizan presents several risks. The completion of any merger, including the proposed merger with Unizan, is dependent on, among other things, receipt of shareholder and regulatory approvals, the timing of which cannot be predicted with precision and which may not be received at all. Additionally, a merger may be more expensive to complete than anticipated, as a result of unexpected factors or events and the anticipated cost savings of a merger may take longer to be realized or may not be achieved in their entirety. The integration of acquired businesses and operations with those of Huntington, including systems conversions, may take longer than anticipated, may be more costly than anticipated and may have unanticipated adverse results relating to Huntington's existing businesses or the businesses acquired. Further, decisions to sell or close units or otherwise change the business mix of either company may adversely impact combined results. Moreover, Huntington may be unable to identify, negotiate, or finance future acquisitions successfully. Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities, or amortization expenses.

**The extended disruption of vital infrastructure could negatively impact Huntington's business, results of operations, and financial condition.**

Huntington's operations depend upon, among other things, its infrastructure, including its equipment and facilities. Extended disruption of its vital infrastructure by fire, power loss, natural disaster, telecommunications failure, computer hacking or viruses, terrorist activity or the domestic and foreign response to such activity, or other events outside of Huntington's control could have a material adverse impact on the financial services industry as a whole and on Huntington's business, results of operations, cash flows, and financial condition in particular. To mitigate this risk, Huntington has established a business recovery plan.

**Huntington's financial statements must conform to accounting principles generally accepted in the United States (GAAP), which require Management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.**

The preparation of financial statements in conformity with GAAP requires 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 if a different amount within a range of estimates were used or if estimates changed from period to period. Huntington's financial statements include estimates related to accruals of income and expenses and determination of fair values or carrying values of certain, but not all, assets and liabilities. These estimates are based on information available to Management at the time the estimates are made. Factors involved in these estimates could change

in the future leading to a change of those estimates, which could be material to Huntington's results of operations or financial condition.

For further discussion, see "Critical Accounting Policies and Use of Significant Estimates" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**New, or changes in existing, tax, accounting, and regulatory laws, regulations, rules, standards, policies, and interpretations could significantly impact strategic initiatives, results of operations, cash flows, and financial condition.**

The financial services industry is extensively regulated. Federal and state banking regulations are designed primarily to protect the deposit insurance funds and consumers, not to benefit a financial company's shareholders. These regulations may sometimes impose significant limitations on operations. The significant federal and state banking regulations that affect Huntington are described in this report under the heading "Regulatory Matters." These regulations, along with the currently existing tax, accounting, securities, insurance, and monetary laws, regulations, rules, standards, policies, and interpretations control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies, and interpretations are constantly evolving and may change significantly over time. Events that may not have a direct impact on Huntington, such as the bankruptcy of major U.S. companies, have resulted in legislators, regulators, and authoritative bodies, such as the Financial Accounting Standards Board, the Securities and Exchange Commission, the Public Company Accounting Oversight Board, and various taxing authorities responding by adopting and/or proposing substantive revisions to laws, regulations, rules, standards, policies, and interpretations. International capital standards developed in the framework of the Basel Committee on Banking Supervision may also affect the competitive environment for United States banks. The nature, extent, and timing of the adoption of significant new laws and regulations, or changes in or repeal of existing laws and regulations may have a material impact on Huntington's business and results of operations; however, it is impossible to predict at this time the extent to which any such adoption, change, or repeal would impact Huntington.

**The OCC may impose dividend payment and other restrictions on the Bank, which would impact Huntington's ability to pay dividends to its shareholders or repurchase its stock.**

The OCC is the primary regulatory agency that examines the Bank, its subsidiaries, and their respective activities. Under certain circumstances, including any determination that the activities of the Bank or its subsidiaries constitute an unsafe and unsound banking practice, the OCC has the authority by statute to restrict the Bank's ability to transfer assets, make distributions to its shareholder, and redeem preferred securities.

Under applicable statutes and regulations, dividends by a national bank may be paid out of current or retained net profits, but a national bank is prohibited from declaring a cash dividend on shares of its common stock out of net profits until the surplus fund equals the amount of capital stock or, if the surplus fund does not equal the amount of capital stock, until certain amounts from net profits are transferred to the surplus fund. Moreover, the prior approval of the OCC is required for the payment of a dividend if the total of all dividends declared by a national bank in any calendar year would exceed the total of its net profits for the year combined with its net profits for the two preceding years, less any required transfers to surplus or a fund for the retirement of any preferred securities.

Payment of dividends could also be subject to regulatory limitations if the Bank became under-capitalized for purposes of the OCC prompt corrective action regulations. Under-capitalized is currently defined as having a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 4.0%, or a core capital, or leverage, ratio of less than 4.0%. The Bank's inability to pay dividends to Huntington would negatively impact Huntington's ability to pay dividends to its shareholders and repurchase its stock.

At December 31, 2003, the Bank was in compliance with all regulatory capital requirements and considered to be "well-capitalized". As of that date, its total risk-based capital ratio was 10.65%, its Tier 1 risk-based capital ratio was 6.36%, and its Tier 1 leverage capital ratio was 6.01%. Management intends to maintain the Bank's capital ratios in excess of the "well-capitalized" levels under the OCC's regulations. Management cannot guarantee, however, that it will be able to maintain the capital ratios for the Bank in excess of "well-capitalized" levels.

For further discussion, see "Bank Liquidity" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**The Federal Reserve Board may require Huntington to commit capital resources to support the Bank.**

The FRB, which examines Huntington and its non-bank subsidiaries, has a policy stating that a bank holding company is expected to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the source of strength doctrine, the FRB may require a bank holding company to make capital injections into a troubled subsidiary bank, and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it, and therefore may be required to borrow the funds. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. Moreover, in the event of a bank holding company's bankruptcy, any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's results of operations and cash flows.

Management does not foresee the need to make capital injections to the Bank under the source of strength doctrine in the foreseeable future.

**If either of Huntington's Real Estate Investment Trust (REIT) affiliates fail to qualify as a REIT, Huntington will be subject to a higher consolidated effective tax rate.**

Huntington Preferred Capital, Inc. (HPCI) and Huntington Preferred Capital II, Inc. (HPC-II) operate as REITs for federal income tax purposes. HPCI and HPC-II are consolidated subsidiaries of Huntington that were established to acquire, hold, and manage mortgage assets and other authorized investments to generate net income for distribution to their shareholders.

Qualification as a REIT involves application of specific provisions of the Internal Revenue Code relating to various asset tests. A REIT must satisfy six asset tests quarterly: (1) 75% of the value of the REIT's total assets must consist of real estate assets, cash and cash items, and government securities; (2) not more than 25% of the value of the REIT's total assets may consist of securities, other than those includible under the 75% test; (3) not more than 5% of the value of its total assets may consist of securities of any one issuer, other than those securities includible under the 75% test or securities of taxable REIT subsidiaries; (4) not more than 10% of the outstanding voting power of any one issuer may be held, other than those securities includible under the 75% test or securities of taxable REIT subsidiaries; (5) not more than 10% of the total value of the outstanding securities of any one issuer may be held, other than those securities includible under the 75% test or securities of taxable REIT subsidiaries; and (6) a REIT cannot own securities in one or more taxable REIT subsidiaries which comprise more than 20% of its total assets. At December 31, 2003, HPCI had met all of the quarterly asset tests.

Also, a REIT must annually satisfy two gross income tests: (1) 75% of its gross income must be from qualifying income closely connected with real estate activities; and (2) 95% of its gross income must be derived from sources qualifying for the 75% test plus dividends, interest and gains from the sale of securities. In addition, a REIT must distribute 90% of the REIT's taxable income for the taxable year, excluding any net capital gains, to maintain its non-taxable status for federal income tax purposes. As of December 31, 2003, HPCI had met all annual income and distribution tests. If these REIT affiliates fail to meet any of the required provisions for REITs, HPCI or HPC II will no longer qualify as a REIT and the resulting tax consequences would increase Huntington's effective tax rate.

**Huntington could be held responsible for environmental liabilities of properties acquired through foreclosure of loans secured by real estate.**

In the event that Huntington is forced to foreclose on a defaulted commercial mortgage and/or residential mortgage loan to recover its investment in the mortgage loan, Huntington may be subject to environmental liabilities in connection with the underlying real property, which could exceed the value of the real property. Although Huntington exercises due diligence to discover potential environmental liabilities prior to the acquisition of any property through foreclosure, hazardous substances or wastes, contaminants, pollutants, or their sources may be discovered on properties during Huntington's ownership or after a sale to a third party. There can be no assurance that Huntington would not incur full recourse liability for the entire cost of any removal and clean-up on an acquired property, that the cost of removal and clean-up would not exceed the value of the property, or that Huntington could recover any of the costs from any third party.

**Huntington is currently under investigation by the SEC, the final results of which are unknown.**

On June 26, 2003, Huntington announced that the Securities and Exchange Commission (SEC) staff is conducting a formal investigation. The SEC 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, and following 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. The investigation is ongoing and Huntington believes that the actions it has taken to date have addressed all known accounting issues. The final results of the investigation, however, are not known at the time of this filing and therefore, the impact to Huntington's financial condition, results of operations, and cash flows is not known.

**Guide 3 Information**

Information required by Industry Guide 3 relating to statistical disclosure by bank holding companies is contained in the information incorporated by reference in response to Items 7 and 8 of this report.

**Available Information**

Huntington makes available free of charge on its Internet website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after those reports have been electronically filed or submitted to the SEC. These filings can be accessed under the "Investor Relations" link found in the "About Us" section of Huntington's website at huntington.com. These filings are also accessible on the SEC's website at www.sec.gov.

**Item 2: Properties**

The headquarters of Huntington and the Bank are located in the Huntington Center, a thirty-seven-story office building located in Columbus, Ohio. Of the building's total office space available, Huntington leases approximately 39%. The lease term expires in 2015, with nine five-year renewal options for up to 45 years but with no purchase option. The Bank has an indirect minority equity interest in the building. Huntington's other major properties consist of a thirteen-story and a twelve-story office building, both of which are located adjacent to the Huntington Center; a twenty-one story office building, known as the Huntington Building, located in Cleveland, Ohio; an eighteen-story office building in Charleston, West Virginia; a three-story office building located in Holland, Michigan; a Business Service Center in Columbus, Ohio, which serves as Huntington's primary operations and data center; The Huntington Mortgage Group's building, located in the greater Columbus area; an office complex located in Troy, Michigan; and two data processing and operations centers located in Ohio. The office buildings above serve as regional administrative offices occupied predominantly by Huntington's Regional and Private Financial Group lines of business. The Dealer Sales line of business is primarily located in a three-story office building located in Columbus Ohio. Of these properties, Huntington owns the thirteen-story and twelve-story office buildings, and the Business Service Center. All of the other major properties are held under long-term leases. In 1998, Huntington entered into a sale/leaseback agreement that included the sale of 51 of its locations. The transaction included a mix of branch banking offices, regional offices, and operational facilities, including certain properties described above, which Huntington will continue to operate under a long-term lease.

**Item 3: Legal Proceedings**

Information required by this item is set forth in Notes 25 and 26 of Notes to Consolidated Financial Statements included in Huntington's 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**Item 4: Submission of Matters to a Vote of Security Holders**

Not Applicable.

## Part II

**Item 5: Market for Registrant's Common Equity and Related Shareholder Matters**

The common stock of Huntington Bancshares Incorporated is traded on the NASDAQ Stock Market under the symbol "HBAN". The stock is listed as "HuntgBcshr" or "HuntBanc" in most newspapers. As of February 27, 2004, Huntington had 27,764 shareholders of record.

Information regarding the high and low sale prices of Huntington Common Stock and cash dividends declared on such shares, as required by this item, is set forth in Table 27 entitled "Quarterly Stock Summary, Key Ratios and Statistics, and Capital Data" included in the 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference. Information regarding restrictions on dividends, as required by this item, is set

forth in Item 1 "Business-Regulatory Matters-Dividend Restrictions" and in Notes 16 and 29 of Notes to Consolidated Financial Statements of the Annual Report to Shareholders which is incorporated into this report by reference.

Huntington did not sell any unregistered equity securities during the year ended December 31, 2003. Neither Huntington nor any "affiliated purchaser" (as defined by Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) repurchased any equity securities of Huntington in any month within the fourth quarter ended December 31, 2003.

**Item 6: Selected Financial Data**

Information required by this item is set forth in Table 1 included in the 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations**

Information required by this item is set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**Item 7a: Quantitative and Qualitative Disclosures About Market Risk**

Information required by this item is set forth in the caption "Interest Rate Risk" and "Liquidity" included in the 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**Item 8: Financial Statements and Supplementary Data**

Information required by this item is set forth in the Independent Auditor's Report, Consolidated Financial Statements and Notes and Selected Quarterly Income Statements included in the 2003 Annual Report to Shareholders, portions of which are filed as exhibit 13 to this report and incorporated herein by reference.

**Item 9: Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.**

On February 18, 2004, the Audit/Risk Committee of Huntington's Board of Directors dismissed Ernst & Young LLP as Huntington's independent auditors and appointed Deloitte & Touche LLP as Huntington's independent auditors for 2004. Ernst & Young LLP's dismissal is effective on March 5, 2004. The change was the result of a competitive bidding process involving several accounting firms.

The audit reports of Ernst & Young LLP on the consolidated financial statements of Huntington and its subsidiaries as of the end of the fiscal years ended December 31, 2003 and 2002, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except that its audit report for 2003 was modified to reflect a change in Huntington's method of accounting for variable interest entities in 2003 in accordance with FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* and its audit report for 2002 was modified to reflect a change in Huntington's method of accounting for amortization of goodwill in 2002 in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets.*

During Huntington's two most recent fiscal years ended December 31, 2003, and the subsequent interim period through March 5, 2004, there were no disagreements between Huntington and Ernst & Young LLP on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure (within the meaning of Item 304(a)(1)(iv) of Regulation S-K) and there were no reportable events (as defined by Item 304(a)(1)(v) of Regulation S-K.

Also during Huntington's two most recent fiscal years ended December 31, 2003, and the subsequent interim period through March 5, 2004, neither Huntington nor anyone on its behalf consulted with Deloitte & Touche LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

**Item 9A: Controls and Procedures**

Huntington's Management, with the participation of its Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of Huntington's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon such evaluation, Huntington's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, Huntington's disclosure controls and procedures 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 quarter ended December 31, 2003 to which this report relates that have materially affected, or are reasonably likely to materially affect, Huntington's internal control over financial reporting.

## Part III

### Item 10: Directors and Executive Officers of The Registrant

Information required by this item is set forth under the captions "Election of Directors", "Corporate Governance", "Executive Officers of Huntington's", and "Section 16(a) Beneficial Ownership Reporting Compliance" of Huntington's 2004 Proxy Statement, which is expected to be filed on or about March 16, 2004, and is incorporated herein by reference.

### Item 11: Executive Compensation

Information required by this item is set forth under the captions "Executive Compensation" and "Director Compensation" of Huntington's 2004 Proxy Statement, which is expected to be filed on or about March 16, 2004, and is incorporated herein by reference.

### Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is set forth under the caption "Ownership of Voting Stock" and in a table entitled "Equity Compensation Plan Information" of Huntington's 2004 Proxy Statement, which is expected to be filed on or about March 16, 2004, and is incorporated herein by reference.

### Item 13: Certain Relationships and Related Transactions

Information required by this item is set forth under the caption "Transactions With Directors and Executive Officers" of Huntington's 2004 Proxy Statement, which is expected to be filed on or about March 16, 2004, and is incorporated herein by reference.

### Item 14: Principal Accounting Fees and Services

Information required by this item is set forth under the caption "Proposal to Ratify the Appointment of Independent Auditors" of Huntington's 2004 Proxy Statement, which is expected to be filed on or about March 16, 2004, and is incorporated herein by reference.

## Part IV

### Item 15: Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this report:

(1) The report of independent auditors and consolidated financial statements appearing in Huntington's 2003 Annual Report to Shareholders on the pages indicated below are incorporated by reference in Item 8.

| | Annual Report Page |
|---|---|
| Independent Auditor's Report | 97 |
| Consolidated Balance Sheets as of December 31, 2003 and 2002 | 98 |
| Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001 | 99 |
| Consolidated Statements of Changes in Shareholders Equity For the years ended December 31, 2003, 2002 and 2001 | 100 |
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(2) Huntington is not filing separately financial statement schedules because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or the notes thereto.

(3) The exhibits required by this item are listed in the Exhibit Index of this Form 10-K. The management contracts and compensation plans or arrangements required to be filed as exhibits to this Form 10-K are listed as Exhibits 10(a) through 10(p) in the Exhibit Index.

(b) The following reports on Form 8-K were filed during the fourth quarter of 2003:

(1) Form 8-K, dated October 15, 2003, filed under Items 5, 7, and 12, reporting earnings for the three and nine months ended September 30, 2003, and related matters.

(2) Form 8-K, dated November 13, 2003, filed under Item 9, announcing Huntington's participation on that date in the 2003 Financial Services Conference hosted by Sandler O'Neill and Partners, L.P.

(c) The exhibits to this Form 10-K begin on page 20.

(d) See Item 15(a)(2) above.

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**Signatures**

Pursuant to the requirements of Section 13 or 15(d) 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, on the 5th day of March, 2004.

HUNTINGTON BANCSHARES INCORPORATED
(Registrant)

By: /s/ Thomas E. Hoaglin

Thomas E. Hoaglin
Chairman, President, Chief Executive Officer, and Director
(Principal Executive Officer)

By: /s/ Michael J. McMennamin

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

By: /s/ John D. Van Fleet

John D. Van Fleet
Senior Vice President and Controller
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 5th day of March, 2004.

Raymond J. Biggs *

Raymond J. Biggs
Director

Don M. Casto, III *

Don M. Casto, III
Director

Michael J. Endres *

Michael J. Endres
Director

John B. Gerlach, Jr. *

John B. Gerlach, Jr.
Director

David P. Lauer *

David P. Lauer
Director

Wm. J. Lhota *

Wm. J. Lhota
Director

David L. Porteous *

David L. Porteous
Director

Kathleen H. Ransier *

Kathleen H. Ransier
Director

Robert H. Schottenstein
Director

George A Skestos *

George A Skestos
Director

Lewis R. Smoot, Sr.
Director

* /s/ Michael J. McMennamin

Michael J. McMennamin
Attorney-in-fact for each of the persons indicated

**Exhibit Index**

This document incorporates by reference the documents listed below that Huntington has previously filed with the SEC. The SEC allows Huntington to incorporate by reference information in this document. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document.

This information may be read and copied at the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains an internet world-wide web site that contains reports, proxy statements and other information about issuers, like Huntington, who file electronically with the SEC. The address of the site is *http://www.sec.gov*. The reports and other information filed by Huntington with the SEC are also available at Huntington's internet world-wide web site. The address of the site is *http://www.huntington.com*. Except as specifically incorporated by reference into this Annual Report on Form 10-K, information on those web sites is not part of this proxy statement/prospectus. You also should be able to inspect reports, proxy statements and other information about Huntington at the offices of the Nasdaq National Market at 33 Whitehall Street, New York, New York.

| | |
|---|---|
| 2. | Agreement and Plan of Merger, dated January 27, 2004, by and between Unizan Financial Corp. and Huntington Bancshares Incorporated. |
| 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)(a). | 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, 2003, and incorporated herein by reference. |
| 4.(a). | Instruments defining the Rights of Security Holders — reference is made to Articles Fifth, Eighth, and Tenth of Articles of Restatement of Charter, as amended and supplemented. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request. |
| (b). | Rights Plan, dated February 22, 1990, between Huntington Bancshares Incorporated and The Huntington National Bank (as successor to The Huntington Trust Company, National Association) — previously filed as Exhibit 1 to Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on February 22, 1990, and incorporated herein by reference. |
| (c). | Amendment No. 1 to the Rights Agreement, dated August 16, 1995— previously filed as Exhibit 4(b) to Form 8-K, dated August 16, 1995, and incorporated herein by reference. |
| 10. | Material contracts: |
| (a). * | Tier I Executive Agreement for certain executive officers — previously filed as Exhibit 10(a) to Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference. |
| (b). * | Tier II Executive Agreement for certain executive officers — previously filed as Exhibit 10(b) to Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference. |
| (c). * | Schedule identifying material details of Executive Agreements, substantially similar to Exhibits 10(a) and 10(b). |
| (d)(1). * | Huntington Bancshares Incorporated Amended and Restated Incentive Compensation Plan, effective for performance cycles beginning on or after January 1, 1999 — previously filed as Exhibit 10(e) to Annual Report on Form 10-K for the year ended December 31, 1998, and incorporated herein by reference. |
| (d)(2). * | First Amendment to the Huntington Bancshares Incorporated Amended and Restated 1999 Incentive Compensation Plan — previously filed as Exhibit 10(g) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |

| | |
|---|---|
| (d)(3). * | Second Amendment to the Huntington Bancshares Incorporated Amended and Restated 1999 Incentive Compensation Plan — previously filed as Exhibit 10(a) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, and incorporated herein by reference. |
| (e). * | Restated Huntington Supplemental Retirement Income Plan — previously filed as Exhibit 10(n) to Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference. |
| (f). * | Deferred Compensation Plan and Trust for Directors — reference is made to Exhibit 4(a) of Post-Effective Amendment No. 2 to Registration Statement on Form S-8, Registration No. 33-10546, filed with the Securities and Exchange Commission on January 28, 1991, and incorporated herein by reference. |
| (g)(1). * | Deferred Compensation Plan and Trust for Huntington Bancshares Incorporated Directors — reference is made to Exhibit 4(a) of Registration Statement on Form S-8, Registration No. 33-41774, filed with the Securities and Exchange Commission on July 19, 1991, and incorporated herein by reference. |
| (g)(2). * | First Amendment to Huntington Bancshares Incorporated Deferred Compensation Plan and Trust for Huntington Bancshares Incorporated Directors – previously filed as Exhibit 10(q) to Quarterly Report 10-Q for the quarter ended March 31, 2001, and incorporated herein by reference. |
| (h). * | Executive Deferred Compensation Plan of Huntington Bancshares Incorporated (as amended and restated as of October 9, 2002). |
| (i)(1). * | The Huntington Supplemental Stock Purchase and Tax Savings Plan and Trust (as amended and restated as of February 9, 1990) — previously filed as Exhibit 4(a) to Registration Statement on Form S-8, Registration No. 33-44208, filed with the Securities and Exchange Commission on November 26, 1991, and incorporated herein by reference. |
| (i)(2). * | First Amendment to The Huntington Supplemental Stock Purchase and Tax Savings Plan and Trust Plan — previously filed as Exhibit 10(o)(2) to Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference. |
| (j)(1). * | 1990 Stock Option Plan — reference is made to Exhibit 4(a) of Registration Statement on Form S-8, Registration No. 33-37373, filed with the Securities and Exchange Commission on October 18, 1990, and incorporated herein by reference. |
| (j)(2). * | First Amendment to Huntington Bancshares Incorporated 1990 Stock Option Plan — previously filed as Exhibit 10(q)(2) to Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference. |
| (j)(3). * | Second Amendment to Huntington Bancshares Incorporated 1990 Stock Option Plan — previously filed as Exhibit 10(n)(3) to Annual Report on Form 10-K for the year ended December 31, 1996, and incorporated herein by reference. |
| (j)(4). * | Third Amendment to Huntington Bancshares Incorporated 1990 Stock Option Plan — previously filed as Exhibit 10(b) to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference. |
| (j)(5). * | Fourth Amendment to Huntington Bancshares Incorporated 1990 Stock Option Plan — previously filed as Exhibit 10(a) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |
| (j)(6). * | Fifth Amendment to Huntington Bancshares Incorporated 1990 Stock Option Plan — previously filed as Exhibit 10(b) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |
| (k)(1). * | Amended and Restated 1994 Stock Option Plan — previously filed as Exhibit 10(r) to Annual Report on Form 10-K for the year ended December 31, 1996, and incorporated herein by reference. |

| | |
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| (k)(2). * | First Amendment to Huntington Bancshares Incorporated 1994 Stock Option Plan — previously filed as Exhibit 10(a) to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference. |
| (k)(3). * | First Amendment to Huntington Bancshares Incorporated Amended and Restated 1994 Stock Option Plan — previously filed as Exhibit 10(c) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |
| (k)(4). * | Second Amendment to Huntington Bancshares Incorporated Amended and Restated 1994 Stock Option Plan — previously filed as Exhibit 10(d) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |
| (k)(5). * | Third Amendment to Huntington Bancshares Incorporated Amended and Restated 1994 Stock Option Plan — previously filed as Exhibit 10(e) to Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |
| (l)(1). * | Huntington Bancshares Incorporated 2001 Stock and Long-Term Incentive Plan — previously filed as Exhibit 10(r) to Quarterly Report 10-Q for the quarter ended March 31, 2001, and incorporated herein by reference. |
| (l)(2). * | First Amendment to the Huntington Bancshares Incorporated 2001 Stock and Long-Term Incentive Plan — previously filed as Exhibit 10(h) to Quarterly Report 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |
| (l)(3). * | Second Amendment to the Huntington Bancshares Incorporated 2001 Stock and Long-Term Incentive Plan — previously filed as Exhibit 10(i) to Quarterly Report 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference. |
| (m). * | Employment Agreement, dated February 15, 2004, between Huntington Bancshares Incorporated and Thomas E. Hoaglin. |
| (n) * | Huntington Investment and Tax Savings Plan — reference is made to Exhibit 4(a) of Post-effective Amendment No. 1 to Registration Statement on Form S-8, Registration 33-46327, previously filed with the Securities and Exchange Commission on April 1, 1998. |
| (o) * | Huntington Bancshares Incorporated Employee Stock Incentive Plan (incorporating changes made by first amendment to Plan) – reference is made to Exhibit 4(a) of Registration Statement on Form S-8, Registration 333-75032, previously filed with the Securities and Exchange Commission on December 13, 2001. |
| (p) * | Second Amendment to Huntington Bancshares Incorporated Employee Stock Incentive Plan — previously filed as Exhibit 10(s) to Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference. |
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| 32.2 | Sarbanes-Oxley Act 906 Certification—Chief Financial Officer. |

* Denotes management contract or compensatory plan or arrangement.

**Exhibit 2**

AGREEMENT AND PLAN OF MERGER

by and between

Unizan Financial Corp.

and

Huntington Bancshares Incorporated

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DATED AS OF JANUARY 27, 2004

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of January 27, 2004 (this "Agreement"), by and between Unizan Financial Corp., an Ohio corporation ("Unizan"), and Huntington Bancshares Incorporated, a Maryland corporation ("Huntington").

W I T N E S S E T H:

WHEREAS, the Boards of Directors of Unizan and Huntington have determined that it is in the best interests of their respective companies and their shareholders and stockholders to consummate the strategic business combination transaction provided for in this Agreement in which Unizan will, on the terms and subject to the conditions set forth in this Agreement, merge with and into Huntington (the "Merger"), so that Huntington is the surviving corporation in the Merger (sometimes referred to in such capacity as the "Surviving Corporation"); and

WHEREAS, for Federal income Tax purposes, it is intended that the Merger shall qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and this Agreement is intended to be and is adopted as a "plan of reorganization" for purposes of Sections 354 and 361 of the Code; and

WHEREAS, the parties desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

THE MERGER

1.1 The Merger. (a) Subject to the terms and conditions of this Agreement, in accordance with the Ohio General Corporation Law (the "OGCL") and the Maryland General Corporation Law (the "MGCL"), at the Effective Time, Unizan shall merge with and into Huntington. Huntington shall be the Surviving Corporation in the Merger, and shall continue its corporate existence under the laws of the State of Maryland. As of the Effective Time, the separate corporate existence of Unizan shall cease.

(b) Huntington may at any time change the method of effecting the combination (including by providing for the merger of Unizan and a wholly owned subsidiary of Huntington), and Unizan shall cooperate in such efforts, including by entering into an appropriate amendment to this Agreement (to the extent such amendment only changes the method of effecting the business combination and does not substantively affect this Agreement or the rights and obligations of the parties or their respective shareholders hereunder); provided,

however, that no such change shall (i) alter or change the amount or kind of consideration to be issued to holders of the capital stock of Unizan as provided for in this Agreement (the "Merger Consideration"), (ii) adversely affect the Tax treatment of Unizan's shareholders as a result of receiving the Merger Consideration or the Tax treatment of either party pursuant to this Agreement or (iii) materially impede or delay consummation of the transactions contemplated by this Agreement.

1.2 Effective Time. The Merger shall become effective as set forth in the articles of merger (the "Articles of Merger") that shall be filed with the Maryland State Department of Assessments and Taxation and the certificate of merger (the "Certificate of Merger") that shall be filed with the Secretary of State of the State of Ohio on or before the Closing Date. The term "Effective Time" shall be the date and time when the Merger becomes effective as set forth in the Articles of Merger and the Certificate of Merger. "Effective Date" shall mean the date on which the Effective Time occurs.

1.3 Effects of the Merger. At and after the Effective Time, the Merger shall have the effects set forth in Section 1701.72 of the OGCL and Section 3-114 of the MGCL.

1.4 Conversion of Unizan Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Huntington, Unizan or the holder of any of the following securities:

(a) Subject to Section 2.2(e), each share of the common stock, without par value, of Unizan issued and outstanding immediately prior to the Effective Time ("Unizan Common Stock"), except for shares of Unizan Common Stock owned by Unizan or Huntington (other than shares of Unizan Common Stock held in trust accounts, managed accounts and the like, or otherwise held in a fiduciary or agency capacity, that are beneficially owned by third parties (any such shares, "Trust Account Common Shares") and other than shares of Unizan Common Stock held, directly or indirectly, by Unizan or Huntington in respect of a debt previously contracted (any such shares, "DPC Common Shares")) and for Dissenting Shares (as defined in Section 1.10), shall be converted into the right to receive 1.1424 shares (the "Exchange Ratio") of common stock, without par value, of Huntington (together with the preferred share purchase rights attached thereto issued pursuant to that certain Rights Agreement (the "Rights Agreement"), dated as of February 22, 1990, by and between Huntington and The Huntington National Bank, as successor to The Huntington Trust Company, N.A., as rights agent, as amended, "Huntington Common Stock").

(b) All of the shares of Unizan Common Stock converted into the right to receive Huntington Common Stock (as defined in Section 1.4(a)) pursuant to this Article I shall no longer be outstanding and shall automatically be cancelled and shall cease to exist as of the Effective Time, and, subject to Section 1.10, each certificate previously representing any such shares of Unizan Common Stock (each a "Certificate") shall thereafter represent only the right to receive (A) a certificate representing the number of whole shares of Huntington Common Stock and (B) cash in lieu of fractional shares into which the shares of Unizan Common Stock represented by such Certificate have been converted pursuant to this Section 1.4 and Section 2.2(e). Certificates previously representing shares of Unizan Common Stock shall be exchanged for certificates representing whole shares of Huntington Common Stock and cash in

lieu of fractional shares issued in consideration therefor upon the surrender of such Certificates in accordance with Section 2.2, without any interest thereon. If, prior to the Effective Time, the outstanding shares of Huntington Common Stock or Unizan Common Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, an appropriate and proportionate adjustment shall be made to the Exchange Ratio.

(c) Notwithstanding anything in the Agreement to the contrary, at the Effective Time, all shares of Unizan Common Stock that are owned by Unizan or Huntington (other than Trust Account Shares and DPC Shares) shall be cancelled and shall cease to exist and no stock of Huntington or other consideration shall be delivered in exchange therefor.

1.5 Huntington Common Stock. At and after the Effective Time, each share of Huntington capital stock issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding and shall not be affected by the Merger.

1.6 Unizan Stock Plans. (a) Effective as of the Effective Time, each then outstanding option to purchase shares of Unizan Common Stock (each a "Unizan Stock Option"), pursuant to the equity-based compensation plans identified on Schedule 3.11(a) (the "Unizan Stock Plans"), granted to any current or former employee or director of, or consultant to, Unizan or any of its subsidiaries shall be assumed by Huntington and shall be converted into an option to purchase a number of shares of Huntington Common Stock (rounded to the nearest whole share) (an "Assumed Stock Option") equal to (i) the number of shares of Unizan Common Stock subject to such Unizan Stock Option immediately prior to the Effective Time multiplied by (ii) the Exchange Ratio; and the per share exercise price for Huntington Common Stock issuable upon the exercise of such Assumed Stock Option shall be equal to (i) the exercise price per share of Unizan Common Stock at which such Unizan Stock Option was exercisable immediately prior to the Effective Time divided by (ii) the Exchange Ratio (rounded to the nearest whole cent); provided, however, that in the case of any Unizan Stock Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code, the conversion formula shall be adjusted, if necessary, to comply with Section 424(a) of the Code. Except as otherwise provided herein, the Assumed Stock Options shall be subject to the same terms and conditions (including expiration date, vesting and exercise provisions) as were applicable to the corresponding Unizan Stock Options immediately prior to the Effective Time.

(b) Huntington has taken all corporate actions necessary to reserve for issuance a sufficient number of shares of Huntington Common Stock upon the exercise of the Assumed Stock Options. On or as soon as practicable following the Closing, Huntington shall file a registration statement on an appropriate form or a post-effective amendment to a previously filed registration statement under the Securities Act with respect to the issuance of the shares of Huntington Common Stock subject to the Assumed Stock Options and shall use its reasonable efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such equity awards remain outstanding.

(c) Unizan shall take such action as is necessary to (i) cause the exercise (as of a date that is no later than the earlier of the expiration of the current purchase period and three business days prior to the Effective Date) of each outstanding purchase right under the Unizan Employee Stock Purchase Plan (the "Unizan ESPP"); (ii) provide that no further purchase period shall commence under the Unizan ESPP following such date; provided, however, that such exercise and cessation of further purchase periods shall be conditioned upon the consummation of the Merger; (iii) provide that participation in the Unizan ESPP shall be limited to those employees who were participants on the date hereof; and (iv) provide that participants as of the date hereof may not increase their payroll deduction election or purchase elections from those in effect on the date hereof. On such new exercise date, Unizan shall apply the funds credited as of such date under the Unizan ESPP within each participant's payroll withholding account to the purchase of shares of Unizan Common Stock in accordance with the terms of the Unizan ESPP. In addition, Unizan shall take such action as is necessary to provide that as of no later than three business days prior to the Effective Date no further shares of Unizan Common Stock will be purchased under the Unizan Automatic Dividend Reinvestment Plan (the "Unizan DRIP" and, together with the Unizan ESPP, the "Unizan Stock Purchase Plans"); provided, however, that such cessation of further purchases shall be conditioned upon the consummation of the Merger. Immediately prior to and effective as of the Effective Time and subject to the consummation of the Merger, Unizan shall terminate the Unizan Stock Purchase Plans.

1.7 Certificate of Incorporation of Huntington. At the Effective Time, the Huntington Charter (as defined in Section 4.1(b)) shall be the certificate of incorporation of the Surviving Corporation until thereafter amended in accordance with applicable law.

1.8 Bylaws of Huntington. At the Effective Time, the Huntington Bylaws shall be the Bylaws of the Surviving Corporation until thereafter amended in accordance with applicable law.

1.9 Tax Consequences. It is intended that the Merger shall constitute a "reorganization" within the meaning of Section 368(a) of the Code, and that this Agreement shall constitute a "plan of reorganization" for purposes of Sections 354 and 361 of the Code.

1.10 Dissenting Shares. No outstanding shares of Unizan Common Stock as to which rights have been asserted pursuant to Section 1701.75 of the OGCL and duly perfected in accordance therewith and not effectively withdrawn ("Dissenting Shares") shall be converted into or represent a right to receive the Huntington Common Stock in the Merger, and the holder thereof shall be entitled only to such rights as are granted by the OGCL. Unizan shall give Huntington (i) prompt notice upon receipt by Unizan of the assertion of any such rights and of withdrawals thereof (any holder of such shares, a "Dissenting Shareholder") and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands or notices. Unizan shall not, without the prior written consent of Huntington, make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands. If any Dissenting Shareholder shall effectively withdraw or lose (through failure to perfect or otherwise) his right to such payment, such holder's shares of the Unizan Common Stock shall be converted into a right to receive shares of Huntington Common Stock in accordance with Section 1.4(a) and the other applicable provisions of this Agreement.

## ARTICLE II

## EXCHANGE OF SHARES

2.1 Huntington to Make Shares Available. As promptly as practicable following the Effective Time, Huntington shall deposit, or shall cause to be deposited, with a bank or trust company Subsidiary of Huntington, or another bank or trust company reasonably acceptable to each of Unizan and Huntington (the "Exchange Agent"), for the benefit of the holders of Certificates, for exchange in accordance with this Article II, certificates representing the shares of Huntington Common Stock, and cash in lieu of any fractional shares (such cash and certificates for shares of Huntington Common Stock, together with any dividends or distributions with respect thereto, being referred to as the "Exchange Fund"), to be issued pursuant to Section 1.4 and paid pursuant to Section 2.2(e) in exchange for outstanding shares of Unizan Common Stock (other than Dissenting Shares).

2.2 Exchange of Shares. (a) As soon as practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of one or more Certificates (except to the extent representing Dissenting Shares) a letter of transmittal in customary form as prepared by Huntington and reasonably acceptable to Unizan (which shall specify, among other things, that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates in exchange for certificates representing the shares of Huntington Common Stock and any cash in lieu of fractional shares into which the shares of Unizan Common Stock represented by such Certificate or Certificates shall have been converted pursuant to this Agreement. Upon proper surrender of a Certificate or Certificates for exchange and cancellation to the Exchange Agent, together with such properly completed letter of transmittal, duly executed, the holder of such Certificate or Certificates shall be entitled to receive in exchange therefor, as applicable, (i) a certificate representing the number of whole shares of Huntington Common Stock to which such holder of Unizan Common Stock shall have become entitled pursuant to the provisions of Article I, (ii) a check representing the amount of any cash in lieu of fractional shares which such holder has the right to receive in respect of the Certificate or Certificates surrendered pursuant to the provisions of this Article II, and (iii) a check representing the amount of any dividends or distributions then payable pursuant to Section 2.2(b)(i), and the Certificate or Certificates so surrendered shall forthwith be cancelled. No interest will be paid or accrued on any cash in lieu of fractional shares or on any unpaid dividends and distributions payable to holders of Certificates.

(b) No dividends or other distributions declared with respect to Huntington Common Stock shall be paid to the holder of any unsurrendered Certificate until the holder thereof shall surrender such Certificate in accordance with this Article II. After the surrender of a Certificate in accordance with this Article II, the record holder thereof shall be entitled to receive (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid, without any interest thereon, with respect to the whole shares of Huntington Common Stock represented by such Certificate and (ii), at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender, with respect to shares of Huntington Common Stock represented by such Certificate.

(c) If any certificate representing shares of Huntington Common Stock is to be issued in a name other than that in which the Certificate or Certificates surrendered in exchange therefor is or are registered, it shall be a condition to the issuance thereof that the Certificate or Certificates so surrendered shall be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the person requesting such exchange shall pay to the Exchange Agent in advance any transfer or other Taxes required by reason of the issuance of a certificate representing shares of Huntington Common Stock in any name other than that of the registered holder of the Certificate or Certificates surrendered, or required for any other reason, or shall establish to the satisfaction of the Exchange Agent that such Tax has been paid or is not payable.

(d) After the Effective Time, there shall be no transfers on the stock transfer books of Unizan of the shares of Unizan Common Stock that were issued and outstanding immediately prior to the Effective Time other than to settle transfers of Unizan Common Stock that occurred prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented for transfer to the Exchange Agent, they shall be cancelled and exchanged for certificates representing shares of Huntington Common Stock as provided in this Article II.

(e) Notwithstanding anything to the contrary contained in this Agreement, no certificates or scrip representing fractional shares of Huntington Common Stock shall be issued upon the surrender of Certificates for exchange, no dividend or distribution with respect to Huntington Common Stock shall be payable on or with respect to any fractional share, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a stockholder of Huntington. In lieu of the issuance of any such fractional share, Huntington shall pay to each former shareholder of Unizan who otherwise would be entitled to receive such fractional share an amount in cash (rounded to the nearest cent) determined by multiplying (i) the average of the closing-sale prices of Huntington Common Stock on the Nasdaq National Market (the "Nasdaq") as reported by The Wall Street Journal for the five full Nasdaq trading days immediately preceding (but not including) the date on which the Effective Time occurs by (ii) the fraction of a share (rounded to the nearest thousandth when expressed in decimal form) of Huntington Common Stock to which such holder would otherwise be entitled to receive pursuant to Section 1.4.

(f) Any portion of the Exchange Fund that remains unclaimed by the shareholders of Unizan as of the first anniversary of the Effective Time shall be paid to Huntington. Any former shareholders of Unizan who have not theretofore complied with this Article II shall thereafter look only to Huntington for payment of the shares of Huntington Common Stock, cash in lieu of any fractional shares and any unpaid dividends and distributions on the Huntington Common Stock deliverable in respect of each share of Unizan Common Stock, as the case may be, such shareholder holds as determined pursuant to this Agreement, in each case, without any interest thereon. Notwithstanding the foregoing, none of Huntington, Unizan, the Exchange Agent or any other person shall be liable to any former holder of shares of Unizan Common Stock for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

(g) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if reasonably required by Huntington, the posting by such person of a bond in such amount as Huntington may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the shares of Huntington Common Stock and any cash in lieu of fractional shares deliverable in respect thereof pursuant to this Agreement.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES OF UNIZAN

Except as disclosed in a correspondingly numbered section of the disclosure schedule (the "Unizan Disclosure Schedule") delivered by Unizan to Huntington prior to the execution of this Agreement, Unizan hereby represents and warrants to Huntington as follows:

3.1 Corporate Organization.

(a) Unizan is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio. Unizan has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary.

(b) Unizan is duly registered as a financial holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). True and complete copies of the Amended and Restated Articles of Incorporation of Unizan (the "Unizan Articles") and the Amended Code of Regulations of Unizan (the "Unizan Code"), as in effect as of the date of this Agreement, have previously been made available to Huntington.

(c) Each of Unizan's Subsidiaries (i) is duly organized and validly existing under the laws of its jurisdiction of organization, (ii) is duly qualified to do business and in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified and (iii) has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted, except in each of (i) – (iii) as would not be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan. As used in this Agreement, (i) the word "Subsidiary" when used with respect to either party, means any bank, corporation, partnership, limited liability company or other organization, whether incorporated or unincorporated, that is consolidated with such party for financial reporting purposes under U.S. generally accepted accounting principles ("GAAP"), and the terms "Unizan Subsidiary" and "Huntington Subsidiary" shall mean any direct or indirect Subsidiary of Unizan or Huntington, respectively, and (ii) the term "Material Adverse Effect" means, with respect to Huntington, Unizan or the Surviving Corporation, as the case may be, a material adverse effect

on (A) the business, results of operations or financial condition of such party and its Subsidiaries (as defined above) taken as a whole (provided, however, that, with respect to this clause (A), Material Adverse Effect shall not be deemed to include effects to the extent resulting from (1) changes, after the date hereof, in generally accepted accounting principles or regulatory accounting requirements applicable to banks or savings associations and their holding companies generally, (2) changes, after the date hereof, in laws, rules or regulations of general applicability or interpretations thereof by courts or Governmental Entities (as defined in Section 3.4), (3) actions or omissions of Huntington or Unizan taken with the prior written consent of the other or required hereunder, (4) changes, after the date hereof, in general economic or market conditions affecting banks or their holding companies generally, (5) the payment of regular quarterly cash dividends by Unizan in accordance with Section 5.2 or (6) public disclosure of the transactions contemplated hereby), or (B) the ability of such party to timely consummate the transactions contemplated by this Agreement.

3.2 Capitalization. (a) The authorized capital stock of Unizan consists of 100,000,000 shares of Unizan Common Stock, of which, as of the date hereof, 21,713,267.3 shares were issued and outstanding. As of the date hereof, 409,802.2 shares of Unizan Common Stock were held in Unizan's treasury. As of the date hereof, no shares of Unizan Common Stock were reserved for issuance except for 1,489,856.6 shares of Unizan Common Stock reserved for issuance upon the exercise of Unizan Stock Options issued pursuant to the Unizan Stock Plans. All of the issued and outstanding shares of Unizan Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date hereof, except pursuant to this Agreement and the Unizan Stock Plans, Unizan does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of Unizan Common Stock or any other equity securities of Unizan or any securities representing the right to purchase or otherwise receive any shares of Unizan Common Stock. Unizan has provided Huntington with a true and complete list of all the Unizan Stock Options outstanding under the Unizan Stock Plans as of January 24, 2004, the number of shares subject to each such Unizan Stock Option, the grant date of each such Unizan Stock Option, the vesting schedule of each such Unizan Stock Option and the exercise price for each such Unizan Stock Option; since January 24, 2004 through the date hereof, Unizan has not issued or awarded, or authorized the issuance or award of, any options, restricted stock or other equity-based awards under the Unizan Stock Plans.

(b) All of the issued and outstanding shares of capital stock or other equity ownership interests of each Subsidiary of Unizan are owned by Unizan, directly or indirectly, free and clear of any material liens, pledges, charges and security interests and similar encumbrances (other than Liens for property Taxes not yet due and payable and in the case of depository institution Subsidiaries of a Party, pledges to secure deposits, "Liens"), and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable (subject to 12 U.S.C. §§ 55) and free of preemptive rights. No such Subsidiary has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such Subsidiary.

3.3 Authority; No Violation. (a) Unizan has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of Unizan. The Board of Directors of Unizan has determined that this Agreement and the transactions contemplated hereby are in the best interests of Unizan and its shareholders and has directed that this Agreement and the transactions contemplated by this Agreement be submitted to Unizan's shareholders for adoption at a duly held meeting of such shareholders and, except for the approval of this Agreement and the transactions contemplated by this Agreement by the affirmative vote of the holders of two-thirds of the outstanding shares of Unizan Common Stock entitled to vote at such meeting, no other corporate proceedings on the part of Unizan are necessary to approve this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Unizan and (assuming due authorization, execution and delivery by Huntington) constitutes the valid and binding obligation of Unizan, enforceable against Unizan in accordance with its terms (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(b) Neither the execution and delivery of this Agreement by Unizan nor the consummation by Unizan of the transactions contemplated hereby, nor compliance by Unizan with any of the terms or provisions of this Agreement, will (i) violate any provision of the Unizan Articles or the Unizan Code or (ii) assuming that the consents, approvals and filings referred to in Section 3.4 are duly obtained and/or made, (A) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or Injunction (as defined in Section 7.1(e)) applicable to Unizan, any of its Subsidiaries or any of their respective properties or assets or (B) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of Unizan or any of its Subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Unizan or any of its Subsidiaries is a party, or by which they or any of their respective properties or assets may be bound or affected, except for such violations, conflicts, breaches or defaults with respect to clause (ii) that are not reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan.

3.4 Consents and Approvals. Except for (i) the filing of applications and notices, as applicable, with the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") under the BHC Act and the Federal Reserve Act, as amended, and approval of such applications and notices, and, in connection with the merger of the national bank Subsidiaries of Unizan and Huntington, the filing of applications and notices, as applicable, with the Office of the Comptroller of the Currency (the "OCC"), and approval of such applications and notice, (ii) the filing of any required applications or notices with any foreign or state banking, insurance or other regulatory authorities and approval of such applications and notices (the "Other Regulatory Approvals"), (iii) the filing with the Securities and Exchange Commission (the "SEC") of a Proxy Statement in definitive form relating to the meetings of

Unizan's shareholders to be held in connection with this Agreement and the transactions contemplated by this Agreement (the "Proxy Statement") and of a registration statement on Form S-4 (the "Form S-4") in which the Proxy Statement will be included as a prospectus, and declaration of effectiveness of the Form S-4, (iv) the filing of the Articles of Merger with the Maryland Department of Assessments and Taxation pursuant to the MGCL and the issuance by the Maryland Secretary of a Certificate of Merger and the filing of the Certificate of Merger with the Secretary of State of the State of Ohio pursuant to the OGCL, (v) any notices to or filings with the Small Business Administration (the "SBA"), (vi) any notices or filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (vii) any consents, authorizations, approvals, filings or exemptions in connection with compliance with the applicable provisions of federal and state securities laws relating to the regulation of broker-dealers, investment advisers or transfer agents and the rules and regulations thereunder and of any applicable industry self-regulatory organization ("SRO"), and the rules of the Nasdaq, or that are required under consumer finance, mortgage banking and other similar laws, (viii) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of the shares of Huntington Common Stock pursuant to this Agreement, (ix) the approval of this Agreement by the requisite vote of shareholders of Unizan and (x) filings, if any, required as a result of the particular status of Huntington, no consents or approvals of or filings or registrations with any court, administrative agency or commission or other governmental authority or instrumentality (each a "Governmental Entity") are necessary in connection with (A) the execution and delivery by Unizan of this Agreement and (B) the consummation by Unizan of the Merger and the other transactions contemplated by this Agreement.

3.5 Reports. Unizan and each of its Subsidiaries have timely filed all reports, registrations and statements, together with any amendments required to be made with respect thereto, that they were required to file since January 1, 2000 with (i) the Federal Reserve Board, (ii) the Federal Deposit Insurance Corporation, (iii) any state regulatory authority, (iv) the SEC, (v) any foreign regulatory authority and (vi) any SRO (collectively, "Regulatory Agencies"), and all other reports and statements required to be filed by them since January 1, 2000, including any report or statement required to be filed pursuant to the laws, rules or regulations of the United States, any state, any foreign entity, or any Regulatory Agency, and have paid all fees and assessments due and payable in connection therewith. Except for normal examinations conducted by a Regulatory Agency in the ordinary course of the business of Unizan and its Subsidiaries, no Regulatory Agency has initiated or has pending any proceeding or, to the knowledge of Unizan, investigation into the business or operations of Unizan or any of its Subsidiaries since January 1, 2000. There (i) is no unresolved violation, criticism, or exception by any Regulatory Agency with respect to any report or statement relating to any examinations or inspections of Unizan or any of its Subsidiaries and (ii) has been no formal or informal inquiries by, or disagreements or disputes with, any Regulatory Agency with respect to the business, operations, policies or procedures of Unizan since January 1, 2000.

3.6 Financial Statements. Unizan has previously made available to Huntington copies of (i) the consolidated balance sheet of Unizan and its Subsidiaries as of December 31, 2000, 2001 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended as reported in Unizan's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (as amended prior to the date

hereof, the "Unizan 2002 10-K") filed with the SEC under the Securities Exchange Act of 1934, as amended (the 'Exchange Act"), accompanied by the audit report of Crowe, Chizek and Company LLP, independent public accountants with respect to Unizan for the year ended December 31, 2002, and accompanied by the audit report of PricewaterhouseCoopers LLP, independent public accountants with respect to Unizan for the years ended December 31, 2000 and 2001, and (ii) the unaudited consolidated balance sheet of Unizan and its Subsidiaries as of September 30, 2002 and 2003, and the related consolidated statements of income, changes in shareholders equity and cash flows of the three- and nine-month periods then ended, as reported in Unizan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 (the "Unizan 10-Q"). The December 31, 2002 consolidated balance sheet of Unizan (including the related notes, where applicable) fairly presents in all material respects the consolidated financial position of Unizan and its Subsidiaries as of the date thereof, and the other financial statements referred to in this Section 3.6 (including the related notes, where applicable) fairly present in all material respects the results of the consolidated operations and changes in shareholders equity and consolidated financial position of Unizan and its Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth, subject to normal year-end audit adjustments in amounts consistent with past experience in the case of unaudited statements; each of such statements (including the related notes, where applicable) complies in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto; and each of such statements (including the related notes, where applicable) has been prepared in all material respects in accordance with GAAP consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto. The books and records of Unizan and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions.

3.7 Broker's Fees. Neither Unizan nor any Unizan Subsidiary nor any of their respective officers or directors has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees in connection with the Merger or related transactions contemplated by this Agreement, other than Sandler O'Neill & Partners, L.P.; and a true and complete copy of the agreement with respect to such engagement is included in Section 3.7 of the Unizan Disclosure Schedule.

3.8 Absence of Certain Changes or Events. Except for liabilities incurred in connection with this Agreement or as publicly disclosed in the Unizan Reports (as defined in Section 3.12) filed prior to the date of this Agreement, since September 30, 2003, Unizan and its Subsidiaries have conducted their respective businesses, in all material respects, only in the ordinary course and there has not been:

(a) any Material Adverse Effect with respect to Unizan;

(b) any issuance or awards of Unizan Stock Options, restricted shares or other equity-based awards in respect of Unizan Common Stock to any director, officer or employee of Unizan or any of its Subsidiaries;

(c) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of Unizan's capital stock,

other than regular quarterly cash dividends not in excess of $0.135 per share on Unizan Common Stock and regular cash distributions on the 9.875% Capital Securities, Series A, of BFOH Capital Trust I in the amounts and at the times required by the Amended and Restated Declaration of Trust of BFOH Capital Trust I;

(d) (i) any granting by Unizan or any of its Subsidiaries to any current or former director, officer or employee of any increase in compensation, bonus or other benefits, except for (x) normal annual increases in base salary to employees who are not current or former directors or officers that were made in the ordinary course of business consistent with past practice, (y) as required from time to time by governmental legislation affecting wages and (z) as required by the terms of plans or arrangements existing prior to such date and described in Section 3.11 of the Unizan Disclosure Schedule, (ii) any granting by Unizan or any of its Subsidiaries to any such current or former director, officer or employee of any increase in severance or termination pay, or (iii) any entry by Unizan or any of its Subsidiaries into, or any amendment of, any employment, deferred compensation, consulting, severance, termination or indemnification agreement with any such current or former director, officer or employee;

(e) other than as described in the public reports of Unizan filed prior to the date hereof with the SEC pursuant to the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act, any (i) change in any material respect in accounting methods, principles or practices by Unizan affecting its assets, liabilities or business, other than changes after the date hereof to the extent required by a change in GAAP or regulatory accounting principles, or (ii) Tax election or change in or revocation of any Tax election, amendment to any Tax return, closing agreement with respect to Taxes, or settlement or compromise of any income Tax liability by Unizan or its Subsidiaries;

(f) any material change in its investment or risk management or other similar policies; or

(g) any agreement or commitment (contingent or otherwise) to do any of the foregoing.

3.9 Legal Proceedings. (a) Except as set forth in Section 3.9 of the Unizan Disclosure Schedule, which contains a true and current summary description of any pending and, to Unizan's knowledge, threatened litigation, action, suit, proceeding, investigation or arbitration material to Unizan and its Subsidiaries, taken as a whole, the forum, the parties thereto, the subject matter thereof and the amount of damages claimed or other remedies requested as of the date hereof, no action, demand, charge, requirement or investigation by any Governmental Entity and no litigation, action, suit, proceeding, investigation or arbitration by any individual, partnership, corporation, trust, joint venture, organization or other entity (collectively, "Person") or Governmental Entity that is material to Unizan and its Subsidiaries, taken as a whole, in each case with respect to Unizan or any of its Subsidiaries or any of their respective properties or permits, licenses or authorizations, is pending or, to the knowledge of Unizan, threatened.

(b) There is no material Injunction, judgment, or regulatory restriction (other than those of general application that apply to similarly situated financial or bank holding

companies or their Subsidiaries) imposed upon Unizan, any of its Subsidiaries or the assets of Unizan or any of its Subsidiaries.

3.10 Taxes and Tax Returns. (a) Each of Unizan and its Subsidiaries has duly filed all federal, state, foreign and local information returns and Tax returns required to be filed by it on or prior to the date of this Agreement (all such returns being accurate and complete in all material respects) and has duly paid or made provision for the payment of all Taxes that have been incurred or are due or claimed to be due from it by federal, state, foreign or local taxing authorities other than (i) Taxes that are not yet delinquent or are being contested in good faith, have not been finally determined and have been adequately reserved against or (ii) information returns, Tax returns or Taxes as to which the failure to file, pay or make provision for is not reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan. The federal income Tax returns of Unizan and its Subsidiaries have been examined by the Internal Revenue Service (the "IRS") for all years to and including 1999 and any liability with respect thereto has been satisfied or any liability with respect to deficiencies asserted as a result of such examination is covered by adequate reserves. There are no material disputes pending, or claims asserted, for Taxes or assessments upon Unizan or any of its Subsidiaries for which Unizan does not have adequate reserves. Neither Unizan nor any of its Subsidiaries is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among Unizan and its Subsidiaries). Within the past five years, neither Unizan nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify under Section 355(a) of the Code. There is and will be no disallowance of a deduction under Section 162(m) of the Code on any Tax Return filed or to be filed by Unizan or its Subsidiaries for employee remuneration of any amount paid or payable by Unizan or any of its Subsidiaries under any contract, plan, program or arrangement or understanding.

(b) As used in this Agreement, the term "Tax" or "Taxes" means (i) all federal, state, local, and foreign income, excise, gross receipts, gross income, ad valorem, profits, gains, property, capital, sales, transfer, use, payroll, employment, severance, withholding, duties, intangibles, franchise, backup withholding, and other taxes, charges, levies or like assessments together with all penalties and additions to tax and interest thereon and (ii) any liability for Taxes described in clause (i) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law).

3.11 Employee Benefits. For purposes hereof, the following terms shall have the following meaning:

"Controlled Group Liability" means any and all liabilities (i) under Title IV of ERISA, (ii) under Section 302 of ERISA, (iii) under Sections 412 and 4971 of the Code, (iv) as a result of a failure to comply with the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code, and (v) under corresponding or similar provisions of foreign laws or regulations.

A "Unizan Benefit Plan" means any employee benefit plan, program, policy, practices, or other arrangement providing benefits to any current or former employee, officer or director of Unizan or any of its Subsidiaries or any beneficiary or dependent thereof that is

sponsored or maintained by Unizan or any of its Subsidiaries or to which Unizan or any of its Subsidiaries contributes or is obligated to contribute, whether or not written, including without limitation any employee welfare benefit plan within the meaning of Section 3(1) of ERISA, any employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not such plan is subject to ERISA) and any bonus, incentive, deferred compensation, vacation, stock purchase, stock option, severance, employment, change of control or fringe benefit plan, program or policy.

"Unizan ERISA Affiliate" means, with respect to any entity, trade or business, any other entity, trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first entity, trade or business, or that is, or was at the relevant time, a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

"Employment Agreement" means a contract, offer letter or agreement of Unizan or any of its Subsidiaries with or addressed to any individual who is rendering or has rendered services thereto as an employee or consultant pursuant to which Unizan or any of its Subsidiaries has any actual or contingent liability or obligation to provide compensation and/or benefits in consideration for past, present or future services.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"Multiemployer Plan" means any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA.

"Plan" means any Unizan Benefit Plan other than a Multiemployer Plan.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as those terms are defined in Part I of Subtitle E of Title IV of ERISA.

(a) Section 3.11(a) of the Unizan Disclosure Schedule includes a complete list of all material Unizan Benefit Plans and all Employment Agreements.

(b) With respect to each Plan, Unizan has delivered to Huntington a true, correct and complete copy of: (i) each writing constituting a part of such Plan, including without limitation all plan documents, employee communications, benefit schedules, trust agreements, and insurance contracts and other funding vehicles; (ii) the most recent Annual Report (Form 5500 Series) and accompanying schedule, if any; (iii) the current summary plan description and any material modifications thereto, if any (in each case, whether or not required to be furnished under ERISA); (iv) the most recent annual financial report, if any; (v) the most recent actuarial report, if any; and (vi) the most recent determination letter from the IRS, if any. Unizan has delivered or made available to Huntington a true, correct and complete copy of each Employment Agreement. Except as specifically provided in the foregoing documents delivered to Huntington, there are no amendments to any Plan or Employment Agreement that have been

adopted or approved nor has Unizan or any of its Subsidiaries undertaken to make any such amendments or to adopt or approve any new Plan or Employment Agreement.

(c) All contributions required to be made to any Plan by applicable law or regulation or by any plan document or other contractual undertaking, and all premiums due or payable with respect to insurance policies funding any Plan, for any period through the date hereof have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the financial statements. Each Unizan Benefit Plan that is an employee welfare benefit plan under Section 3(1) of ERISA either (i) is funded through an insurance company contract and is not a “welfare benefit fund” within the meaning of Section 419 of the Code or (ii) is unfunded.

(d) With respect to each Unizan Benefit Plan, Unizan and its Subsidiaries have complied, and are now in compliance, in all material respects, with all provisions of ERISA, the Code and all laws and regulations applicable to such Unizan Benefit Plans. Each Plan has been administered in all material respects in accordance with its terms. There is not now, nor do any circumstances exist that could give rise to, any requirement for the posting of security with respect to a Plan or the imposition of any lien on the assets of Unizan or any of its Subsidiaries under ERISA or the Code. Section 3.11(c) of the Unizan Disclosure Schedule identifies each Plan that is intended to be a “qualified plan” within the meaning of Section 401(a) of the Code (“Qualified Plans”). The Internal Revenue Service has issued a favorable determination letter with respect to each Qualified Plan and the related trust that has not been revoked, and there are no existing circumstances and no events have occurred that could adversely affect the qualified status of any Qualified Plan or the related trust. No trust funding any Plan is intended to meet the requirements of Code Section 501(c)(9). None of Unizan and its Subsidiaries nor any other person, including any fiduciary, has engaged in any “prohibited transaction” (as defined in Section 4975 of the Code or Section 406 of ERISA), which could subject any of the Unizan Benefit Plans or their related trusts, Unizan, any of its Subsidiaries or any person that Unizan or any of its Subsidiaries has an obligation to indemnify, to any material tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA.

(e) With respect to each Plan that is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code: (i) there does not exist any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, whether or not waived; (ii) the fair market value of the assets of such Plan equals or exceeds the actuarial present value of all accrued benefits under such Plan (whether or not vested) on a termination basis; (iii) no reportable event within the meaning of Section 4043(c) of ERISA for which the 30-day notice requirement has not been waived has occurred, and the consummation of the transactions contemplated by this agreement will not result in the occurrence of any such reportable event; (iv) all premiums to the Pension Benefit Guaranty Corporation have been timely paid in full; (v) no liability (other than for premiums to the PBGC) under Title IV of ERISA has been or is expected to be incurred by Unizan or any of its Subsidiaries; and (vi) the PBGC has not instituted proceedings to terminate any such Plan and, to Unizan’s knowledge, no condition exists that presents a risk that such proceedings will be instituted or which would constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any such Plan.

(f) Except as set forth in Section 3.11(g) of the Unizan Disclosure Schedule: (i) no Unizan Benefit Plan is a Multiemployer Plan or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA (a "Multiple Employer Plan"); (ii) none of Unizan and its Subsidiaries nor any of their respective Unizan ERISA Affiliates has, at any time during the last six years, contributed to or been obligated to contribute to any Multiemployer Plan or Multiple Employer Plan; and (iii) none of Unizan and its Subsidiaries nor any Unizan ERISA Affiliates has incurred any Withdrawal Liability that has not been satisfied in full. There does not now exist, nor do any circumstances exist that could result in, any Controlled Group Liability that would be a liability of Unizan or any of its Subsidiaries following the Closing. Without limiting the generality of the foregoing, neither Unizan nor any of its Subsidiaries, nor any of their respective Unizan ERISA Affiliates, has engaged in any transaction described in Section 4069 or Section 4204 or 4212 of ERISA.

(g) Except for any such benefits described in Section 3.11(g) of the Unizan Disclosure Schedule with respect to the individuals listed thereon, Unizan and its Subsidiaries have no liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof, except for health continuation coverage as required by Section 4980B of the Code or Part 6 of Title I of ERISA and at no expense to Unizan and its Subsidiaries. Unizan and each of its Subsidiaries has reserved the right to amend, terminate or modify at any time all plans or arrangements providing for retiree health or life insurance coverage.

(h) Section 3.11(i) of the Unizan Disclosure Schedule sets forth (i) an accurate and complete description of each provision of any Plan or Employment Agreement under which the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby could (either along or in conjunction with any other event) result in, cause the accelerated vesting, funding or delivery of, or increase the amount or value of, any payment or benefit to any employee, officer or director of Unizan or any of its Subsidiaries, or could limit the right of Unizan or any of its Subsidiaries to amend, merge, terminate or receive a reversion of assets from any Unizan Benefit Plan or related trust or any Employment Agreement or related trust, and (ii) the maximum amount of the "excess parachute payments" within the meaning of Section 280G of the Code that could become payable by Unizan or any of its Subsidiaries in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(i) No labor organization or group of employees of Unizan or any of its Subsidiaries has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or threatened to be brought or filed, with the National Labor Relations Board or any other labor relations tribunal or authority. Each of Unizan and its Subsidiaries is in compliance with all applicable laws and collective bargaining agreements respecting employment and employment practices, terms and conditions of employment, wages and hours and occupational safety and health.

(j) Each individual who renders services to Unizan or any of its Subsidiaries who is classified by Unizan or such Subsidiary, as applicable, as having the status of an

independent contractor or other non-employee status for any purpose (including for purposes of taxation and tax reporting and under Unizan Benefit Plans) is properly so characterized. Unizan, its Subsidiaries and each member of their respective business enterprises has complied with the Worker Adjustment and Retraining Notification Act and all similar state, local and foreign laws.

(k) All Unizan Benefit Plans subject to the laws of any jurisdiction outside of the United States (i) have been maintained in accordance with all applicable requirements, (ii) if they are intended to qualify for special tax treatment meet all requirements for such treatment, and (iii) if they are intended to be funded and/or book-reserved are fully funded and/or book reserved, as appropriate, based upon reasonable actuarial assumptions.

3.12 SEC Reports. Unizan has previously made available to Huntington an accurate and complete copy of each (i) final registration statement, prospectus, report, schedule and definitive proxy statement filed since January 1, 2000 by Unizan with the SEC pursuant to the Securities Act or the Exchange Act (the "Unizan Reports"), and prior to the date of this Agreement and (ii) communication mailed by Unizan to its shareholders since January 1, 2000 and prior to the date of this Agreement, and no such Unizan Report or communication, as of the date of such Unizan Report or communication, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances in which they were made, not misleading, except that information as of a later date (but before the date of this Agreement) shall be deemed to modify information as of an earlier date. Since January 1, 2000, as of their respective dates, all Unizan Reports filed under the Securities Act and the Exchange Act complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto.

3.13 Compliance with Applicable Law. (a) Unizan and each of its Subsidiaries hold all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses under and pursuant to each, and have complied in all respects with and are not in default in any respect under any, applicable law, statute, order, rule, regulation, policy or guideline of any Governmental Entity relating to Unizan or any of its Subsidiaries, except where the failure to hold such license, franchise, permit or authorization or such noncompliance or default is not reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan. Unizan Bank, N.A., is "well-capitalized" and "well-managed" under applicable regulatory definitions, and its examination rating under the Community Reinvestment Act of 1977 is "satisfactory" or better.

(b) Except as is not reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan, Unizan and each Unizan Subsidiary have properly administered all accounts for which it acts as a fiduciary, including accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents, applicable state and federal law and regulation and common law. None of Unizan, any Unizan Subsidiary, or any director, officer or employee of Unizan or of any Unizan Subsidiary, has committed any breach of trust or fiduciary duty with respect to any such fiduciary account that is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan, and, except as would not be reasonably likely to have, either individually or in the aggregate, a

Material Adverse Effect on Unizan, and the accountings for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

3.14 Certain Contracts. (a) Except as set forth in the exhibit index for Unizan's Annual Report on Form 10-K for the year ended December 31, 2002 or as permitted pursuant to Section 5.2 or as set forth on Section 3.14 of Unizan Disclosure Schedule, neither Unizan nor any of its Subsidiaries is a party to or bound by (i) any agreement relating to the incurring of Indebtedness (as defined below) by Unizan or any of its Subsidiaries in an amount in excess in the aggregate of $250,000 (collectively, "Instruments of Indebtedness"), (ii) any "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC), (iii) any non-competition or exclusive dealing agreement, or any other agreement or obligation which purports to limit or restrict in any respect (A) the ability of Unizan or its Subsidiaries to solicit customers or (B) the manner in which, or the localities in which, all or any portion of the business of Unizan and its Subsidiaries or, following consummation of the transactions contemplated by this Agreement, Huntington and its Subsidiaries, is or would be conducted, (iv) any agreement providing for the indemnification by Unizan or a Subsidiary of Unizan of any Person other than customary agreements with directors or officers of Unizan or its Subsidiaries or with vendors providing goods or services to Unizan or its Subsidiaries where the potential indemnity obligations thereunder are not reasonably expected to be material to Unizan, (v) any joint venture or partnership agreement material to Unizan, (vi) any agreement that grants any right of first refusal or right of first offer or similar right or that limits or purports to limit the ability of Unizan or any of its Subsidiaries to own, operate, sell, transfer, pledge or otherwise dispose of any assets or business, (vii) any contract or agreement providing for any payments that are conditioned, in whole or in part, on a change of control of Unizan or any of its Subsidiaries, (viii) any collective bargaining agreement, (ix) any employment agreement (other than agreements terminable by Unizan or any Subsidiary of Unizan on not more than 30 days' notice without penalty and which will not in any respect be affected by a change of control of Unizan), with, or any agreement or arrangement that contains any severance pay or post-employment liabilities or obligations (other than as required by law) to, any current or former director, officer or employee of Unizan or its Subsidiaries, (x) any agreement regarding any agent bank or other similar relationships with respect to lines of business, (xi) any agreement that contains a "most favored nation" clause or other term providing preferential pricing or treatment to a third party, (xii) any agreement material to Unizan and its Subsidiaries, taken as a whole, pertaining to the use of or granting any right to use or practice any rights under any Intellectual Property, whether Unizan is the licensee or licensor thereunder, (xiii) any agreements pursuant to which Unizan or any of its Subsidiaries leases any real property, (xiv) any contract or agreement material to Unizan and its Subsidiaries, taken as a whole, providing for the outsourcing or provision of servicing of customers, technology or product offerings of Unizan or its Subsidiaries, and (xv) any contract or other agreement not made in the ordinary course of business which (A) is material to Unizan and its Subsidiaries taken as a whole or (B) which would reasonably be expected to materially delay the consummation of the Merger or any of the transactions contemplated by this Agreement (the agreements, contracts and obligations of the type described in clauses (i) through (xv) being referred to herein as "Unizan Material Contracts").

(b) Each Unizan Material Contract is valid and binding on Unizan (or, to the extent a Subsidiary of Unizan is a party, such Subsidiary) and, to the knowledge of Unizan, any

other party thereto and is in full force and effect. Neither Unizan nor any of its Subsidiaries is in breach or default under any Unizan Material Contract except where any such breach or default would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on Unizan. Neither Unizan nor any Subsidiary of Unizan knows of, or has received notice of, any violation or default under (nor, to the knowledge of Unizan, does there exist any condition which with the passage of time or the giving of notice or both would result in such a violation or default under) any Unizan Material Contract by any other party thereto except where any such violation or default would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on Unizan. Prior to the date hereof, Unizan has made available to Huntington true and complete copies of all Unizan Material Contracts. There are no provisions in any Instrument of Indebtedness that provide any restrictions on the repayment of the outstanding Indebtedness thereunder, or that require that any financial payment (other than payment of outstanding principal and accrued interest) be made in the event of the repayment of the outstanding Indebtedness thereunder prior to expiration. For purposes of this Section 3.14 and elsewhere through this Agreement, "Indebtedness" of a person shall mean (i) all obligations of such person for borrowed money, (ii) all obligations of such person evidenced by bonds, debentures, notes and similar instruments, (iii) all leases of such person capitalized pursuant to GAAP, and (iv) all obligations of such person under sale-and-lease back transactions, agreements to repurchase securities sold and other similar financing transactions.

3.15 Agreements with Regulatory Agencies. Neither Unizan nor any of its Subsidiaries is subject to any cease-and-desist or other order or enforcement action issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has been ordered to pay any civil money penalty by, or has been since January 1, 2000, a recipient of any supervisory letter from, or since January 1, 2000, has adopted any policies, procedures or board resolutions at the request or suggestion of any Regulatory Agency or other Governmental Entity that currently restricts in any material respect the conduct of its business or that in any material manner relates to its capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, other than those of general application that apply to similarly situated financial holding companies or their Subsidiaries (each item in this sentence, whether or not set forth in the Unizan Disclosure Schedule, a "Unizan Regulatory Agreement"), nor has Unizan or any of its Subsidiaries been advised since January 1, 2000 by any Regulatory Agency or other Governmental Entity that it is considering issuing, initiating, ordering, or requesting any such Unizan Regulatory Agreement.

3.16 Interest Rate Risk Management Instruments. Except as would not be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan, (i) all interest rate swaps, caps, floors and option agreements and other interest rate risk management arrangements, whether entered into for the account of Unizan or for the account of a customer of Unizan or any of its Subsidiaries, were entered into in the ordinary course of business consistent with past practice and in accordance with prudent banking practice and applicable rules, regulations and policies of any Regulatory Authority and with counterparties believed to be financially responsible at the time and are legal, valid and binding obligations of Unizan or one of its Subsidiaries enforceable against it in accordance with their terms (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies), and are in full force

and effect, (ii) its Subsidiaries have duly performed their obligations thereunder to the extent that such obligations to perform have accrued, and, (iii) to Unizan's knowledge, there are no breaches, violations or defaults or allegations or assertions of such by any party thereunder.

3.17 Undisclosed Liabilities. Except for those liabilities that are reflected or reserved against on the consolidated balance sheet of Unizan included in the Unizan 10-Q (including any notes thereto) and for liabilities incurred in the ordinary course of business consistent with past practice since September 30, 2003, since such date, neither Unizan nor any of its Subsidiaries has incurred any liability of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether due or to become due) that has had or is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan.

3.18 Environmental Liability. There are no legal, administrative, arbitral or other proceedings, claims, actions, causes of action, private environmental investigations or remediation activities or governmental investigations of any nature seeking to impose, or that are reasonably likely to result in the imposition, on Unizan of any liability or obligation arising under common law or under any local, state or federal environmental statute, regulation or ordinance including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, pending or threatened against Unizan, which liability or obligation is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan. To the knowledge of Unizan, there is no reasonable basis for any such proceeding, claim, action or governmental investigation that would impose any liability or obligation that would be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Unizan. Unizan is not subject to any agreement, order, judgment, decree, letter or memorandum by or with any Governmental Entity or third party imposing any liability or obligation with respect to the foregoing that is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Unizan.

3.19 Real Property.

(a) Each of Unizan and its Subsidiaries has good title free and clear of all Liens to all real property owned by such entities (the "Owned Properties"), except for Liens that do not materially detract from the present use of such real property.

(b) A true and complete copy of each agreement pursuant to which Unizan or any of its Subsidiaries leases any real property (such agreements, together with any amendments, modifications and other supplements thereto, collectively, the "Leases") has heretofore been made available to Huntington. Each Lease is valid, binding and enforceable against Unizan or its applicable Subsidiary in accordance with its terms and is in full force and effect (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies). There are no defaults by Unizan or any of its Subsidiaries, as applicable, under any of the Leases which, in the aggregate, would result in the termination of such Leases and a Material Adverse Effect on Unizan. The consummation of the transactions contemplated by this Agreement will not cause defaults under the Leases, except for any such default which would not individually or in the aggregate, have a Material Adverse Effect on Unizan.

(c) The Owned Properties and the properties (the "Leased Properties") leased pursuant to the Leases constitute all of the real estate on which Unizan and its Subsidiaries maintain their facilities or conduct their business as of the date of this Agreement, except for locations the loss of which would not result in a Material Adverse Effect on Unizan.

(d) A true and complete copy of each agreement pursuant to which Unizan or any of its Subsidiaries leases real property to a third party (such agreements, together with any amendments, modifications and other supplements thereto, collectively, the "Third Party Leases") has heretofore been made available to Huntington. Each Third Party Lease is valid, binding and enforceable in accordance with its terms and is in full force and effect (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies). There are no existing defaults by the tenant under any Third Party Lease which, in the aggregate, would result in the termination of such Third Party Leases except for any such default which would not reasonably be expected to result in a Material Adverse Effect on Unizan.

3.20 State Takeover Laws. The Board of Directors of Unizan has approved this Agreement and the transactions contemplated hereby as required to render inapplicable to such agreements and transactions the provisions of Chapter 1704 and Section 1707.043 of the OGCL, Article VIII of the Unizan Articles and all other similar "takeover" or "interested shareholder" law (any such laws, "Takeover Statutes").

3.21 Reorganization. As of the date of this Agreement, Unizan is not aware of any fact or circumstance that could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

3.22 Opinions. Prior to the execution of this Agreement, Unizan has received an opinion from Sandler O'Neill & Partners, L.P. to the effect that as of the date thereof and based upon and subject to the matters set forth therein, the Exchange Ratio is fair to the shareholders of Unizan from a financial point of view. Such opinion has not been amended or rescinded as of the date of this Agreement.

3.23 Internal Controls. None of Unizan or its Subsidiaries' records, systems, controls, data or information are recorded, stored, maintained, operated or otherwise wholly or partly dependent on or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of it or its Subsidiaries or accountants except as would not, individually or in the aggregate, reasonably be expected to result in a materially adverse effect on the system of internal accounting controls described in the next sentence. Unizan and its Subsidiaries have devised and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

3.24 Insurance. Unizan and its Subsidiaries are insured with reputable insurers against such risks and in such amounts as its management reasonably has determined to be prudent in accordance with industry practices.

3.25 Unizan Information. The information relating to Unizan and its Subsidiaries contained in the Proxy Statement and the Form S-4, or that is provided by Unizan or its representatives for inclusion in any other document filed with any other Regulatory Agency in connection with the transactions contemplated by this Agreement, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading. The Proxy Statement (except for such portions thereof that relate only to Huntington or any of its Subsidiaries) will comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

## ARTICLE IV

## REPRESENTATIONS AND WARRANTIES OF HUNTINGTON

Except as disclosed in a correspondingly numbered section of the disclosure schedule (the ‘Huntington Disclosure Schedule”) delivered by Huntington to Unizan prior to the execution of this Agreement, Huntington hereby represents and warrants to Unizan as follows:

4.1 Corporate Organization. (a) Huntington is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland. Huntington has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary.

(b) Huntington is duly registered as a financial holding company under the BHC Act. True and complete copies of the Articles of Restatement of Charter, as amended (the “Huntington Charter”) and Bylaws of Huntington, as in effect as of the date of this Agreement, have previously been made available to Unizan.

(c) Each Huntington Subsidiary (i) is duly organized and validly existing under the laws of its jurisdiction of organization, (ii) is duly qualified to do business and in good standing in all jurisdictions (whether Federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified, and (iii) has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted, except in each of (i) – (iii) as would not be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington.

4.2 Capitalization. (a) The authorized capital stock of Huntington consists of 500,000,000 shares of Huntington Common Stock, of which, as of the date hereof, 229,057,890 shares were issued and outstanding, and 6,617,808 shares of preferred stock, no par value (the “Huntington Preferred Stock”), of which, as of the date hereof, no shares were issued and outstanding. As of the date hereof, no more than 28,808,365 shares of Huntington Common Stock were held in Huntington’s treasury. As the date hereof, no shares of Huntington Common Stock or Huntington Preferred Stock were reserved for issuance, except for 19,946,505 shares reserved for issuance upon exercise of options issued pursuant to employee and director stock

plans of Huntington in effect as of the date of this Agreement (the "Huntington Stock Plans"). All of the issued and outstanding shares of Huntington Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date hereof, except pursuant to this Agreement, the Rights Agreement and the Huntington Stock Plans, Huntington does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of Huntington Common Stock or any other equity securities of Huntington or any securities representing the right to purchase or otherwise receive any shares of Huntington Common Stock. The shares of Huntington Common Stock to be issued pursuant to the Merger will be duly authorized and validly issued and, at the Effective Time, all such shares will be fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof.

(b) All of the issued and outstanding shares of capital stock or other equity ownership interests of each "significant subsidiary" (as such term is defined under Regulation S-X of the SEC) of Huntington are owned by Huntington, directly or indirectly, free and clear of any Liens, and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable (subject to 12 U.S.C. §§ 55) and free of preemptive rights. No such significant subsidiary has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such subsidiary.

4.3 Authority; No Violation. (a) Huntington has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of Huntington. The Board of Directors of Huntington has determined that this Agreement and the transactions contemplated hereby are in the best interests of Huntington and its stockholders and no other corporate proceedings on the part of Huntington are necessary to approve this Agreement to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Huntington and (assuming due authorization, execution and delivery by Unizan) constitutes the valid and binding obligation of Huntington, enforceable against Huntington in accordance with its terms (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies).

(b) Neither the execution and delivery of this Agreement by Huntington, nor the consummation by Huntington of the transactions contemplated hereby, nor compliance by Huntington with any of the terms or provisions of this Agreement, will (i) violate any provision of the Huntington Charter or the Huntington Bylaws, or (ii) assuming that the consents, approvals and filings referred to in Section 4.4 are duly obtained and/or made, (A) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or Injunction applicable to Huntington, any of its Subsidiaries or any of their respective properties or assets or (B) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a

default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of Huntington or any of its Subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Huntington or any of its Subsidiaries is a party, or by which they or any of their respective properties or assets may be bound or affected, except for such violations, conflicts, breaches or defaults with respect to clause (ii) that are not reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington.

4.4 Consents and Approvals. Except for (i) the filing of applications and notices, as applicable, with the Federal Reserve Board under the BHC Act and the Federal Reserve Act, as amended, and approval of such applications and notices, and, in connection with the merger of the national bank Subsidiaries of Unizan and Huntington, the filing of applications and notices, as applicable, with the OCC and approval of such applications and notice, (ii) the Other Regulatory Approvals, (iii) the filing with the SEC of the Proxy Statement and the filing and declaration of effectiveness of the Form S-4, (iv) the filing of the Articles of Merger with the Maryland Department of Assessments and Taxation pursuant to the MGCL and the issuance by the Maryland Secretary of a Certificate of Merger and the filing of the Certificate of Merger with the Secretary of State of the State of Ohio pursuant to the OGCL, (v) any notices to or filings with the SBA, (vi) any notices or filings under the HSR Act, (vii) any consents, authorizations, approvals, filings or exemptions in connection with compliance with the applicable provisions of federal and state securities laws relating to the regulation of broker-dealers, investment advisers or transfer agents, and the rules of the Nasdaq, or that are required under consumer finance, mortgage banking and other similar laws, (viii) such filings and approvals as are required to be made or obtained under the securities or “Blue Sky” laws of various states in connection with the issuance of the shares of Huntington Common Stock pursuant to this Agreement, and (ix) filings, if any, required as a result of the particular status of Unizan, no consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with (A) the execution and delivery by Huntington of this Agreement and (B) the consummation by Huntington of the Merger and the other transactions contemplated by this Agreement.

4.5 Reports. Huntington and each of its Subsidiaries have timely filed all reports, registrations and statements, together with any amendments required to be made with respect thereto, that they were required to file since January 1, 2000 with the Regulatory Agencies, and all other reports and statements required to be filed by them since January 1, 2000, including any report or statement required to be filed pursuant to the laws, rules or regulations of the United States, any state, any foreign entity, or any Regulatory Agency, and have paid all fees and assessments due and payable in connection therewith. Except for normal examinations conducted by a Regulatory Agency in the ordinary course of the business of Huntington and its Subsidiaries, no Regulatory Agency has initiated or has pending any proceeding or, to the knowledge of Huntington, investigation into the business or operations of Huntington or any of its Subsidiaries since January 1, 2000. There (i) is no unresolved violation, criticism, or exception by any Regulatory Agency with respect to any report or statement relating to any examinations or inspections of Huntington or any of its Subsidiaries, and (ii) has been no formal or informal inquiries by, or disagreements or disputes with, any Regulatory Agency with respect to the business, operations, policies or procedures of Huntington since January 1, 2000.

4.6 Financial Statements. Huntington has previously made available to Unizan copies of (i) the consolidated balance sheet of Huntington and its Subsidiaries as of December 31, 2000, 2001 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended as reported in Huntington's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (as amended prior to the date hereof, the "Huntington 2002 10-K") filed with the SEC under the Exchange Act, accompanied by the audit report of Ernst & Young LLP, independent public accountants with respect to Huntington, and (ii) the unaudited consolidated balance sheet of Huntington and its Subsidiaries as of September 30, 2002 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows of the three and nine month periods then ended, as reported in Huntington's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 (the "Huntington 10-Q"). The December 31, 2002 consolidated balance sheet of Huntington (including the related notes, where applicable) fairly presents in all material respects the consolidated financial position of Huntington and its Subsidiaries as of the date thereof, and the other financial statements referred to in this Section 4.6 (including the related notes, where applicable) fairly present in all material respects the results of the consolidated operations and changes in shareholders' equity and consolidated financial position of Huntington and its Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth, subject to normal year-end audit adjustments in amounts consistent with past experience in the case of unaudited statements; each of such statements (including the related notes, where applicable) complies in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto; and each of such statements (including the related notes, where applicable) has been prepared in all material respects in accordance with GAAP consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto. The books and records of Huntington and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions.

4.7 Broker's Fees. Neither Huntington nor any Huntington Subsidiary nor any of their respective officers or directors has employed any broker or finder or incurred any liability for any brokers fees, commissions or finder's fees in connection with the Merger or related transactions contemplated by this Agreement, other than Keefe, Bruyette & Woods, Inc., all of the fees and expenses of which shall be the sole responsibility of Huntington.

4.8 Absence of Certain Changes or Events. Except as publicly disclosed in Huntington Reports (as defined in Section 4.11) filed prior to the date of this Agreement, from September 30, 2003 through and including the date of this Agreement, (i) Huntington and the Huntington Subsidiaries have carried on their respective businesses in all material respects in the ordinary course, and (ii) there has not been any Material Adverse Effect with respect to Huntington.

4.9 Legal Proceedings. (a) Except as set forth in Section 4.9 of the Huntington Disclosure Schedule, there is no, and there is, to Huntington's knowledge, no threatened, litigation, action, suit, proceeding, investigation or arbitration material to Huntington and its Subsidiaries, taken as a whole, and no action, demand, charge, requirement or investigation by any Governmental Entity and no litigation, action, suit, proceeding,

investigation or arbitration by any Person or Governmental Entity that is material to Huntington and its Subsidiaries, taken as a whole, in each case with respect to Huntington or any of its Subsidiaries or any of their respective properties or permits, licenses or authorizations, is pending or, to the knowledge of Huntington, threatened.

(b) There is no material Injunction, judgment, or regulatory restriction (other than those of general application that apply to similarly situated financial or bank holding companies or their Subsidiaries) imposed upon Huntington, any of its Subsidiaries or the assets of Huntington or any of its Subsidiaries.

4.10 Taxes and Tax Returns. Each of Huntington and its Subsidiaries has duly filed all federal, state, foreign and local information returns and Tax returns required to be filed by it on or prior to the date of this Agreement (all such returns being accurate and complete in all material respects) and has duly paid or made provision for the payment of all Taxes that have been incurred or are due or claimed to be due from it by federal, state, foreign or local taxing authorities other than (i) Taxes or other governmental charges that are not yet delinquent or are being contested in good faith, have not been finally determined and have been adequately reserved against, or (ii) information returns, Tax returns or Taxes as to which the failure to file, pay or make provision for is not reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington.

4.11 SEC Reports. Huntington has previously made available to Unizan an accurate and complete copy of each (i) final registration statement, prospectus, report, schedule and definitive Proxy Statement filed since January 1, 2000 by Huntington with the SEC pursuant to the Securities Act or the Exchange Act (the "Huntington Reports") and prior to the date of this Agreement and (ii) communication mailed by Huntington to its stockholders since January 1, 2000 and prior to the date of this Agreement, and no such Huntington Report or communication, as of the date of such Huntington Report or communication, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances in which they were made, not misleading, except that information as of a later date (but before the date of this Agreement) shall be deemed to modify information as of an earlier date. Since January 1, 2000, as of their respective dates, all Huntington Reports filed under the Securities Act and the Exchange Act complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto.

4.12 Compliance with Applicable Law. (a) Huntington and each of its Subsidiaries hold all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses under and pursuant to each, and have complied in all respects with and are not in default in any respect under any, applicable law, statute, order, rule, regulation, policy or guideline of any Governmental Entity relating to Huntington or any of its Subsidiaries, except where the failure to hold such license, franchise, permit or authorization or such noncompliance or default is not reasonably likely to, either individually or in the aggregate, have a Material Adverse Effect on Huntington. The Huntington National Bank is "well-capitalized" and "well-managed" under applicable regulatory definitions, and its examination rating under the Community Reinvestment Act of 1977 is "satisfactory" or better.

(b) Except as is not reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington, Huntington and each Huntington Subsidiary have properly administered all accounts for which it acts as a fiduciary, including accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents, applicable state and federal law and regulation and common law. None of Huntington, any Huntington Subsidiary, or any director, officer or employee of Huntington or of any Huntington Subsidiary, has committed any breach of trust or fiduciary duty with respect to any such fiduciary account that is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington, and, except as would not be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington and the accountings for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

4.13 Agreements with Regulatory Agencies. Neither Huntington nor any of its Subsidiaries is subject to any cease-and-desist or other order or enforcement action issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has been since January 1, 2000, a recipient of any supervisory letter from, or has been ordered to pay any civil money penalty by, or since January 1, 2000, has adopted any policies, procedures or board resolutions at the request or suggestion of any Regulatory Agency or other Governmental Entity that currently restricts in any material respect the conduct of its business or that in any material manner relates to its capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, other than those of general application that apply to similarly situated financial holding companies or their Subsidiaries (each, whether or not set forth in the Huntington Disclosure Schedule, a "Huntington Regulatory Agreement"), nor has Huntington or any of its Subsidiaries been advised since January 1, 2000, by any Regulatory Agency or other Governmental Entity that it is considering issuing, initiating, ordering or requesting any such Huntington Regulatory Agreement.

4.14 Interest Rate Risk Management Instruments. Except as would not be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington, (i) all interest rate swaps, caps, floors and option agreements and other interest rate risk management arrangements, whether entered into for the account of Huntington or for the account of a customer of Huntington or one of its Subsidiaries, were entered into in the ordinary course of business consistent with past practice and in accordance with prudent banking practice and applicable rules, regulations and policies of any Regulatory Authority and with counterparties believed to be financially responsible at the time and are legal, valid and binding obligations of Huntington or one of its Subsidiaries enforceable against it in accordance with their terms (except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors generally and the availability of equitable remedies), and are in full force and effect, (ii) each of its Subsidiaries have duly performed their obligations thereunder to the extent that such obligations to perform have accrued, and (iii) to Huntington's knowledge, there are no breaches, violations or defaults or allegations or assertions of such by any party thereunder.

4.15 Undisclosed Liabilities. Except for those liabilities that are reflected or reserved against on the consolidated balance sheet of Huntington included in the Huntington 10-Q (including any notes thereto) and for liabilities incurred in the ordinary course of business consistent with past practice since September 30, 2003, since such date, neither Huntington nor any of its Subsidiaries has incurred any liability of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether due or to become due) that, either individually or in the aggregate, has had or is reasonably likely to have, a Material Adverse Effect on Huntington.

4.16 Environmental Liability. There are no legal, administrative, arbitral or other proceedings, claims, actions, causes of action, private environmental investigations or remediation activities or governmental investigations of any nature seeking to impose, or that are reasonably likely to result in the imposition, on Huntington of any liability or obligation arising under common law or under any local, state or federal environmental statute, regulation or ordinance including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, pending or threatened against Huntington, which liability or obligation is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington. To the knowledge of Huntington, there is no reasonable basis for any such proceeding, claim, action or governmental investigation that would impose any liability or obligation that would be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Huntington. Huntington is not subject to any agreement, order, judgment, decree, letter or memorandum by or with any Governmental Entity or third party imposing any liability or obligation with respect to the foregoing that is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Huntington.

4.17 Reorganization. As of the date of this Agreement, Huntington is not aware of any fact or circumstance that could reasonably be expected to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

4.18 Internal Controls. None of Huntington or its Subsidiaries' records, systems, controls, data or information are recorded, stored, maintained, operated or otherwise wholly or partly dependent on or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of it or its Subsidiaries or accountants except as would not, individually or in the aggregate, reasonably be expected to result in a materially adverse effect on the system of internal accounting controls described in the next sentence. Huntington and its Subsidiaries have devised and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

4.19 Huntington Information. The information relating to Huntington and its Subsidiaries that is provided by Huntington for inclusion in the Proxy Statement and the Form S-4, or the information relating to Huntington and its Subsidiaries that is provided by Huntington or its representatives for inclusion in any other document filed with any other Regulatory Agency in connection with the transactions contemplated by this Agreement, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements

therein, in light of the circumstances in which they are made, not misleading. The Form S-4 will comply with the provisions of the Securities Act and the rules and regulations thereunder in all material respects.

## ARTICLE V

## COVENANTS RELATING TO CONDUCT OF BUSINESS

5.1 Conduct of Businesses Prior to the Effective Time. During the period from the date of this Agreement to the Effective Time, except as expressly contemplated or permitted by this Agreement (including the Unizan Disclosure Schedule), Unizan shall, and shall cause each of its Subsidiaries to (i) conduct its business in the ordinary course in all material respects, (i) use reasonable best efforts to maintain and preserve intact its business organization, employees and advantageous business relationships and retain the services of its key officers and key employees and (iii) take no action that would adversely affect or materially delay the ability of the parties to obtain any necessary approvals of any Regulatory Agency or other Governmental Entity required for the transactions contemplated hereby or to perform its covenants and agreements under this Agreement or to consummate the transactions contemplated hereby or thereby.

5.2 Unizan Forbearances. During the period from the date of this Agreement to the Effective Time, except as set forth in Section 5.2 of the Unizan Disclosure Schedule and except as expressly contemplated or permitted by this Agreement, Unizan shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of Huntington:

(a) (i) other than dividends and distributions by a direct or indirect Subsidiary of Unizan to Unizan or any direct or indirect wholly owned Subsidiary of Unizan, declare, set aside or pay any dividends on, make any other distributions in respect of, or enter into any agreement with respect to the voting of, any of its capital stock (except for regular quarterly cash dividends not to exceed $0.135 per share on Unizan Common Stock), (ii) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock, except upon the exercise of Unizan Stock Options that are outstanding as of the date hereof in accordance with their present terms, or (iii) purchase, redeem or otherwise acquire any shares of capital stock or other securities of Unizan or any of its Subsidiaries, or any rights, warrants or options to acquire any such shares or other securities (other than the issuance of Unizan Common Stock upon the exercise of Unizan Stock Options that are outstanding as of the date hereof in accordance with their present terms);

(b) issue, deliver, sell, pledge or otherwise encumber or subject to any Lien any shares of its capital stock, any other voting securities, including any restricted shares of Unizan Common Stock, or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities, including any Unizan Stock Options (other than the issuance of Unizan Common Stock upon the exercise of Unizan Stock Options that are outstanding as of the date hereof in accordance with their present terms);

(c) amend its certificate of incorporation, by-laws or other comparable organizational documents;

(d) (i) acquire or agree to acquire by merging or consolidating with, or by purchasing any assets or any equity securities of, or by any other manner, any business or any Person, or otherwise acquire or agree to acquire any assets except in the ordinary course of business or (ii) open, close, sell or acquire any branches;

(e) sell, lease, license, mortgage or otherwise encumber or subject to any Lien, or otherwise dispose of any of its properties or assets other than securitizations and other transactions in the ordinary course of business and consistent with past practices or create any security interest in such assets or properties;

(f) except for borrowings having a maturity of not more than 30 days under existing credit facilities (or renewals, extensions or replacements therefor that do not provide for any termination fees or penalties, prohibit pre-payments or provide for any pre-payment penalties, or contain any like provisions limiting or otherwise affecting the ability of Unizan or its applicable Subsidiaries or successors from terminating or pre-paying such facilities, or contain financial terms less advantageous than existing credit facilities, and as they may be so renewed, extended or replaced, ("Credit Facilities")) that are incurred in the ordinary course of business consistent with past practice and with respect to which Unizan consults with Huntington on a basis not less frequently than weekly, or for borrowings under Credit Facilities or other lines of credit or refinancing of indebtedness outstanding on the date hereof in additional amounts not to exceed $2,500,000, incur any Indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for the obligations of any Person (other than Unizan or any wholly owned Subsidiary thereof), or, other than in the ordinary course of business, make any loans, advances or capital contributions to, or investments in, any Person other than its wholly owned Subsidiaries and as a result of ordinary advances and reimbursements to employees and endorsements of banking instruments;

(g) change in any material respect its accounting methods (or underlying assumptions), principles or practices affecting its assets, liabilities or business, including any reserving, renewal or residual method, practice or policy, in each case, in effect on the date hereof, except as required by changes in GAAP or regulatory accounting principles;

(h) change in any material respects its investment or risk management or other similar policies of Unizan or any of its Subsidiaries;

(i) make, change or revoke any material Tax election, amend any material Tax return, change any method of Tax accounting in any material respect, settle any material liability for Taxes, or surrender any right to claim a material refund of Taxes;

(j) other than in the ordinary course of business, terminate or waive any material provision of any material agreement, contract or obligation (collectively, "Contracts") other than normal renewals of Contracts without materially adverse changes, additions or deletions of terms, or enter into or renew any agreement or contract or other binding obligation of Unizan or its Subsidiaries containing (i) any restriction on the ability of Unizan and its

Subsidiaries to conduct its business as it is presently being conducted or (ii) any restriction on Unizan or its Subsidiaries engaging in any type or activity or business;

(k) (i) incur any capital expenditures in excess of $50,000 individually or $250,000 in the aggregate or (ii) enter into any agreement obligating Unizan to spend more than $50,000 individually or $250,000 in the aggregate;

(l) except as required by agreements or instruments in effect on the date hereof, alter in any material respect, or enter into any commitment to alter in any material respect, any interest material to Unizan and its Subsidiaries, taken as a whole, in any corporation, association, joint venture, partnership or business entity in which Unizan directly or indirectly holds any equity or ownership interest on the date hereof (other than any interest arising from any foreclosure, settlement in lieu of foreclosure or troubled loan or debt restructuring in the ordinary course of business consistent with past practice);

(m) Except for payments described in Section 5.2(m) of the Unizan Disclosure Schedule (i) grant to any current or former director, officer, employee, consultant or other service provider of Unizan or its Subsidiaries any increase in compensation or other benefits or pay any discretionary compensation or severance, except for annual salary or wage increases to employees in the ordinary course consistent with past practice (which increases do not exceed 5.0% of any applicable employee's current salary or wage or 2.5% in the aggregate for all employees) or as required by the terms existing prior to the date hereof of plans or arrangements described in Section 3.11 of the Unizan Disclosure Schedule, (ii) grant to any such current or former director, officer, employee, consultant or service provider any increase in severance or termination pay, (iii) establish, or increase the compensation or benefits provided under (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, restricted stock awards or similar instruments), or otherwise amend or clarify, any Unizan Benefit Plan or Employment Agreement, except as required by applicable law, (iv) modify any Unizan Stock Option or other equity-based award, (v) make any discretionary contributions or payments to any trust or other funding vehicle or pay any discretionary premiums in respect of benefits under any Unizan Benefit Plan or Employment Agreement, (vi) accelerate the payment or vesting of any payment or benefit provided or to be provided to any director, officer, employee, consultant or other service provider or otherwise pay any amounts not due such individual, (vii) enter into any new or amend any existing employment or consulting agreement with any director, officer, employees, consultants or service provider or hire retain the services of any such person, or (viii) establish, adopt or enter into any collective bargaining agreement;

(n) agree or consent to any material agreement or material modifications of existing agreements with any Governmental Entity in respect of the operations of its business, except as required by law;

(o) pay, discharge, settle or compromise any claim, action, litigation, arbitration, suit, investigation or proceeding, other than any such payment, discharge, settlement or compromise in the ordinary course of business consistent with past practice that involves solely money damages in an amount not in excess of $50,000 individually or $100,000 in the

aggregate, and that does not create precedent for other pending or potential claims, actions, litigation, arbitration or proceedings;

(p) issue any broadly distributed communication of a general nature to Employees (including general communications relating to benefits and compensation) or customers without the prior approval of Huntington (which will not be unreasonably delayed or withheld), except for communications in the ordinary course of business that do not relate to the Merger or other transactions contemplated hereby;

(q) take any action, or fail to take any action, which action or failure to act would be reasonably expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

(r) take any action that would materially impede or delay the ability of the parties to obtain any necessary approvals of any Regulatory Agency or other Governmental Entity required for the transactions contemplated hereby;

(s) take any action that is intended or is reasonably likely to result in any of its representations or warranties set forth in this Agreement being or becoming untrue in any material respect at any time prior to the Effective Time, or in any of the conditions to the Merger set forth in Article VII not being satisfied or in a violation of any provision of this Agreement, except, in every case, as may be required by applicable law; or

(t) agree to take, make any commitment to take, or adopt any resolutions of its board of directors in support of, any of the actions prohibited by this Section 5.2.

5.3 Huntington Forbearances. During the period from the date of this Agreement to the Effective Time, except as expressly contemplated or permitted by this Agreement, Huntington shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of Unizan, (i) amend, repeal or otherwise modify any provision of the Huntington Charter or the Huntington Bylaws (other than those that would not be adverse to Unizan or its shareholders or those that would not impede Huntington' ability to consummate the transactions contemplated hereby, and other than any provisions relating to the preferred stock of Huntington), (ii) take any action, or fail to take any action, which action or failure to act would be reasonably expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code, (iii) take any action that would materially impede or delay the ability of the parties to obtain any necessary approvals of any Regulatory Agency or other Governmental Entity required for the transactions contemplated hereby, (iv) take any action that is intended or is reasonably likely to result in any of its representations or warranties set forth in this Agreement being or becoming untrue in any material respect at any time prior to the Effective Time, or in any of the conditions to the Merger set forth in Article VII not being satisfied or in a violation of any provision of this Agreement, except, in every case, as may be required by applicable law or (v) agree to take, make any commitment to take, or adopt any resolutions of its board of directors in support of, any of the actions prohibited by this Section 5.3.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 Regulatory Matters. (a) Huntington and Unizan shall promptly prepare and file with the SEC the Proxy Statement and Huntington shall promptly prepare and file with the SEC the Form S-4, in which the Proxy Statement will be included as a prospectus. Each of Huntington and Unizan shall use their reasonable best efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing, and Unizan shall thereafter mail or deliver the Proxy Statement to its shareholders. Huntington shall also use its reasonable best efforts to obtain all necessary state securities law or "Blue Sky" permits and approvals required to carry out the transactions contemplated by this Agreement, and Unizan shall furnish all information concerning Unizan and the holders of Unizan Common Stock as may be reasonably requested in connection with any such action.

(b) The parties shall cooperate with each other and use their respective reasonable best efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Entities that are necessary or advisable to consummate the transactions contemplated by this Agreement (including the Merger), and to comply with the terms and conditions of all such permits, consents, approvals and authorizations of all such Governmental Entities. Unizan and Huntington shall have the right to review in advance, and, to the extent practicable, each will consult the other on, in each case subject to applicable laws relating to the exchange of information, all the information relating to Unizan or Huntington, as the case may be, and any of their respective Subsidiaries, which appear in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties shall act reasonably and as promptly as practicable. The parties shall consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other apprised of the status of matters relating to completion of the transactions contemplated by this Agreement.

(c) Each of Huntington and Unizan shall, upon request, furnish to the other all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement, the Form S-4 or any other statement, filing, notice or application made by or on behalf of Huntington, Unizan or any of their respective Subsidiaries to any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement.

(d) Each of Huntington and Unizan shall promptly advise the other upon receiving any communication from any Governmental Entity consent or approval of which is required for consummation of the transactions contemplated by this Agreement that causes such party to believe that there is a reasonable likelihood that any Requisite Regulatory Approval will not be obtained or that the receipt of any such approval may be materially delayed.

6.2 Access to Information. (a) Upon reasonable notice and subject to applicable laws relating to the exchange of information, each of Unizan and Huntington shall, and shall cause each of its Subsidiaries to, afford to the officers, employees, accountants, counsel and other representatives of the other, reasonable access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments and records, and, during such period, the parties shall, and shall cause its Subsidiaries to, make available to the other party all other information concerning its business, properties and personnel as the other may reasonably request. Unizan shall, and shall cause each of its Subsidiaries to, provide to Huntington a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal securities laws or federal or state banking laws (other than reports or documents that such party is not permitted to disclose under applicable law). Neither Unizan nor Huntington nor any of their Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would jeopardize the attorney-client privilege of such party or its Subsidiaries or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties shall make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) All information and materials provided pursuant to this Agreement shall be subject to the provisions of the Confidentiality Agreement entered into between the parties as of December 19, 2003 (the "Confidentiality Agreement"). Nothing in this Agreement shall prohibit the disclosure of the tax treatment and tax structure, as those terms are used in Treasury Regulation Section 1.6011-4, of the transactions contemplated by this Agreement (but no other details about the matters covered by this Agreement, including without limitation the identities of the parties) from and after the date of the public announcement by the parties of this Agreement and the Merger.

(c) No investigation by either of the parties or their respective representatives shall affect the representations and warranties of the other set forth in this Agreement.

6.3 Shareholder Approval. Unizan shall call a meeting of its shareholders to be held as soon as reasonably practicable for the purpose of obtaining the requisite shareholder approval required in connection with this Agreement and the Merger (the "Unizan Shareholder Meeting"), and shall use its reasonable best efforts to cause such meeting to occur as soon as reasonably practicable. The Board of Directors of Unizan shall recommend to Unizan's shareholders the approval and adoption of this Agreement, the Merger and the other transactions contemplated hereby (the "Unizan Recommendation"); provided, however, that Unizan's Board of Directors shall not be required to make such Unizan Recommendation to the extent provided in Section 6.13. Notwithstanding any Change in Unizan Recommendation, unless otherwise directed in writing by Huntington, this Agreement and the Merger shall be submitted to the shareholders of Unizan at the Unizan Shareholders Meeting for the purpose of approving the Agreement and the Merger and nothing contained herein shall be deemed to relieve Unizan of such obligation, provided, however, that if the Board of Directors of Unizan shall have effected a Change in Unizan Recommendation in accordance with this Agreement, then in submitting this Agreement to Unizan's shareholders, the Board of Directors of Unizan may submit this Agreement to Unizan's shareholders without recommendation (although the resolutions adopting

this Agreement and the Plan of Merger as of the date hereof may not be rescinded or amended), in which event the Board of Directors of Unizan may communicate the basis for its lack of a recommendation to Unizan's shareholders in the Proxy Statement or an appropriate amendment or supplement thereto to the extent required by law.

6.4 Legal Conditions to Merger. Each of Huntington and Unizan shall, and shall cause its Subsidiaries to, use their reasonable best efforts (i) to take, or cause to be taken, all actions necessary, proper or advisable to comply promptly with all legal requirements that may be imposed on such party or its Subsidiaries with respect to the Merger and, subject to the conditions set forth in Article VII, to consummate the transactions contemplated by this Agreement, and (ii) to obtain (and to cooperate with the other party to obtain) any material consent, authorization, order or approval of, or any exemption by, any Governmental Entity and any other third party that is required to be obtained by Unizan or Huntington or any of their respective Subsidiaries in connection with the Merger and the other transactions contemplated by this Agreement.

6.5 Affiliates. Unizan shall use its reasonable best efforts to cause each director, executive officer and other person who is an "affiliate" (for purposes of Rule 145 under the Securities Act) of Unizan to deliver to Huntington, as soon as practicable after the date of this Agreement, and prior to the date of the meeting of the Unizan shareholders to be held pursuant to Section 6.3, a written agreement, in the form of Exhibit A.

6.6 Nasdaq Approval. Huntington shall cause the shares of Huntington Common Stock to be issued in the Merger to be approved for quotation on the Nasdaq, subject to official notice of issuance, prior to the Effective Time.

6.7 Employee Matters. (a) From and after the Effective Time, the employees of Unizan who are employed by the Surviving Corporation as of the Effective Time (the "Assumed Employees") and who remain employed with the Surviving Corporation during such period will be offered participation and coverage under employee benefit plans that are comparable, on an aggregate basis, to the plans generally in effect for similarly situated employees of Huntington and its Subsidiaries ("Huntington Benefit Plans"); provided, that continued participation and coverage following the Effective Time under the employee benefit plans of Unizan and its Subsidiaries as of immediately prior to the Effective Time shall be deemed to satisfy the obligations under this sentence, it being understood that the Assumed Employees may commence participating in the Huntington Benefit Plans on different dates following the Effective Time with respect to different Huntington Benefit Plans. Notwithstanding any provision of this Section 6.7(a) to the contrary, from and after the Effective Time, each Assumed Employee (other than those with individual agreements providing for severance or "change of control" benefits) shall be eligible for participation in Huntington' Transition Pay Plan in accordance with the terms thereof, as such terms may be amended from time to time, which shall be the exclusive source of severance benefits in connection with the Merger (other than as provided under individual agreements providing for severance or "change of control" benefits, which agreements are listed in Section 6.7 of the Unizan Disclosure Schedule).

(b) To the extent permitted by applicable law or the terms of any applicable insurance policies, Huntington shall cause each Huntington Benefit Plan in which Assumed Employees are eligible to participate to take into account for purposes of eligibility, vesting and benefit accruals under the Huntington Benefit Plans (other than benefit accruals under any of Huntington' defined benefit pension plans including any supplemental defined benefit plans) the service of such employees with Unizan and its Subsidiaries (and any predecessor entities) to the same extent as such service was credited for such purpose by Unizan and its Subsidiaries, provided, however, that such service shall not be recognized to the extent that such recognition would result in a duplication of benefits with respect to the same period of service or with respect to newly implemented plans for which prior service is not taken into account; provided, further, that for purposes of calculating benefits and determining an Assumed Employee's years of service under Huntington' Transition Pay Plan, service with Huntington shall be measured commencing with the most recent hire date by Unizan and its Subsidiaries (including any predecessor employers). Nothing herein shall limit the ability of Huntington or the Surviving Corporation to amend or terminate any of the Unizan Benefit Plans or Huntington Benefits Plans in accordance with their terms at any time.

(c) At and following the Effective Time, Huntington will cause the Surviving Corporation to honor the obligations of Unizan or any of its Subsidiaries as of the Effective Time under the provisions of the Employment Agreements that are set forth on Section 6.7(c) of the Unizan Disclosure Schedule between and among Unizan or any of its Subsidiaries, on the one hand, and any current or former officer, director, consultant or employee of Unizan or any of its Subsidiaries, on the other hand, provided that this provision shall not prevent the Surviving Corporation from amending, suspending or terminating any such agreements to the extent permitted by the respective terms of such agreement.

(d) If Assumed Employees become eligible to participate in a medical, dental or health plan of Huntington or its Subsidiaries, Huntington shall cause each such plan to (i) waive any preexisting condition limitations to the extent such conditions are covered under the applicable medical, health or dental plans of Huntington, (ii) honor under such plans any deductible, co-payment and out-of-pocket expenses incurred by such employees and their beneficiaries during the portion of the calendar year prior to such participation and (iii) waive any waiting period limitation or evidence of insurability requirement which would otherwise be applicable to such employee on or after the Effective Time for the year in which the Effective Time occurs, in each case to the extent such employee had satisfied any similar limitation or requirement under an analogous medical dental or health plan of Unizan prior to the Effective Time for the year in which the Effective Time or participation in such medical, dental or health plan of Huntington, as applicable, occurs.

(e) Huntington will consider in good faith the recommendations of Mr. Mann with respect to retention payments to key Unizan employees in order to maintain continuity of management in connection with the Merger.

6.8 Indemnification; Directors' and Officers' Insurance. (a) In the event of any threatened or actual claim, action, suit, proceeding or investigation, whether civil, criminal or administrative, including any such claim, action, suit, proceeding or investigation in which any individual who is now, or has been at any time prior to the date of this Agreement, or who

becomes prior to the Effective Time, a director, officer or employee of Unizan or any of its Subsidiaries or who is or was serving at the request of Unizan or any of its Subsidiaries as a director, officer, employee or agent of another person (the "Indemnified Parties"), is, or is threatened to be, made a party based in whole or in part on, or arising in whole or in part out of, or pertaining to (i) the fact that he is or was a director, officer or employee of Unizan or any of its Subsidiaries or (ii) this Agreement or any of the transactions contemplated by this Agreement, whether asserted or arising before or after the Effective Time, the parties shall cooperate and use their best efforts to defend against and respond thereto. From and after the Effective Time, Huntington shall indemnify and hold harmless, as and to the fullest extent currently provided under applicable law, the Unizan Articles, the Unizan Code and any agreement set forth in Section 6.8 of the Unizan Disclosure Schedule, each such Indemnified Party against any losses, claims, damages, liabilities, costs, expenses (including reimbursement for reasonable fees and expenses incurred in advance of the final disposition of any claim, suit, proceeding or investigation upon receipt of any undertaking required by applicable law), judgments, fines and amounts paid in settlement in connection with any such threatened or actual claim, action, suit, proceeding or investigation.

(b) Huntington shall use its reasonable best efforts to cause the individuals serving as officers and directors of Unizan or any of its Subsidiaries immediately prior to the Effective Time to be covered for a period of six years from the Effective Time by the directors' and officers' liability insurance policy maintained by Unizan (provided that Huntington may substitute therefor policies of at least the same coverage and amounts containing terms and conditions that are not less advantageous than such policy) with respect to acts or omissions occurring prior to the Effective Time that were committed by such officers and directors in their capacity as such; provided, that in no event shall Huntington be required to expend more than 200% per year of coverage of the amount currently expended by Unizan per year of coverage as of the date of this Agreement (the "Maximum Amount") to maintain or procure insurance coverage pursuant hereto, and (iii) if notwithstanding the use of reasonable best efforts to do so, Huntington is unable to maintain or obtain the insurance called for by this Section 6.8, Huntington shall obtain as much comparable insurance as available for the Maximum Amount, and (iv) such Indemnified Parties may be required to make reasonable application and provide reasonable and customary representations and warranties to Huntington's insurance carrier for the purpose of obtaining such insurance, comparable in nature and scope to the applications, representations and warranties required of persons who are officers and directors of Huntington as of the date hereof.

(c) Huntington acknowledges and agrees that it shall assume, effective as of the Effective Time, the indemnification and other obligations of Unizan set forth in Section 7.9 of that certain Agreement of Merger and Plan of Reorganization, dated as of September 5, 2001, by and among UNB Corp. (which was subsequently renamed Unizan Financial Corp.), The United National Bank & Trust Company, BancFirst Ohio Corp. and The First National Bank of Zanesville, N.A., as amended.

(d) The provisions of this Section 6.8 shall survive the Effective Time and are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

6.9 Additional Agreements. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement (including any merger between a Subsidiary of Huntington, on the one hand, and a Subsidiary of Unizan, on the other) or to vest the Surviving Corporation with full title to all properties, assets, rights, approvals, immunities and franchises of either party to the Merger, the proper officers and directors of each party and their respective Subsidiaries shall take all such necessary action as may be reasonably requested by, and at the sole expense of, Huntington.

6.10 Advice of Changes. Each of Huntington and Unizan shall promptly advise the other of any change or event (i) having or reasonably likely to have a Material Adverse Effect on it or (ii) that it believes would or would be reasonably likely to cause or constitute a material breach of any of its representations, warranties or covenants contained in this Agreement; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties (or remedies with respect thereto) or the conditions to the obligations of the parties under this Agreement; provided further that a failure to comply with this Section 6.10 shall not constitute the failure of any condition set forth in Article VII to be satisfied unless the underlying Material Adverse Effect or material breach would independently result in the failure of a condition set forth in Article VI to be satisfied.

6.11 Dividends. After the date of this Agreement, Unizan shall coordinate with Huntington the declaration of any dividends in respect of Unizan Common Stock and the record dates and payment dates relating thereto such that holders of Unizan Common Stock shall not receive two dividends, or fail to receive one dividend, for any quarter with respect to their shares of Unizan Common Stock and any shares of Huntington Common Stock any such holder receives in exchange therefor in the Merger.

6.12 Exemption from Liability Under Section 16(b). Huntington and Unizan agree that, in order to most effectively compensate and retain Unizan Insiders (as defined below) in connection with the Merger, both prior to and after the Effective Time, it is desirable that Unizan Insiders not be subject to a risk of liability under Section 16(b) of the Exchange Act to the fullest extent permitted by applicable law in connection with the conversion of shares of Unizan Common Stock and Unizan Stock Options into shares of Huntington Common Stock and Assumed Stock Options, as applicable, in the Merger, and for that compensatory and retentive purpose agree to the provisions of this Section 6.12. Assuming that Unizan delivers to Huntington the Section 16 Information (as defined below) in a timely fashion, the Board of Directors of Huntington, or a committee of Non-Employee Directors thereof (as such term is defined for purposes of Rule 16b-3(d) under the Exchange Act), shall adopt a resolution providing that the receipt by Unizan Insiders of Huntington Common Stock in exchange for shares of Unizan Common Stock, and of options on Huntington Common Stock upon conversion of options on Unizan Common Stock, in each case pursuant to the transactions contemplated by this Agreement and to the extent such securities are listed in the Section 16 Information, are intended to be exempt from liability pursuant to Section 16(b) under the Exchange Act. "Section 16 Information" shall mean information accurate in all material respects regarding Unizan Insiders, the number of shares of Unizan Common Stock held by each such Unizan Insider and expected to be exchanged for Huntington Common Stock in the Merger, and the number and description of the options on Unizan Common Stock held by each such Unizan Insider and expected to be converted into options on Huntington Common Stock in connection with the

Merger; provided that the requirement for a description of any Unizan Stock Options shall be deemed to be satisfied if copies of all Unizan Stock Plans, and forms of agreements evidencing grants thereunder, under which such Unizan Stock Options have been granted, have been made available to Huntington. "Unizan Insiders" shall mean those officers and directors of Unizan who are subject to the reporting requirements of Section 16(a) of the Exchange Act and who are listed in the Section 16 Information.

6.13 No Solicitation.

(a) None of Unizan, its Subsidiaries or any officer, director, employee, agent or representative (including any investment banker, financial advisor, attorney, accountant or other retained representative) of Unizan or any of its Subsidiaries shall directly or indirectly (i) solicit, initiate or encourage or facilitate (including by way of furnishing information) or take any other action designed to facilitate any inquiries or proposals regarding any merger, share exchange, consolidation, sale of assets, sale of shares of capital stock (including, without limitation, by way of a tender offer) or similar transactions involving Unizan or any of its Subsidiaries that, if consummated, would constitute an Alternative Transaction (any of the foregoing inquiries or proposals being referred to herein as an "Acquisition Proposal"), (ii) participate in any discussions or negotiations regarding an Alternative Transaction or (iii) enter into any agreement regarding any Alternative Transaction. Notwithstanding the foregoing, the Board of Directors of Unizan shall be permitted, prior to the meeting of Unizan shareholders to be held pursuant to Section 6.3, and subject to compliance with the other terms of this Section 6.13 and to first entering into a confidentiality agreement with the person proposing such Acquisition Proposal on terms substantially similar to, and no less favorable to Unizan than, those contained in the Confidentiality Agreement, to (A) consider and participate in discussions and negotiations with respect to a bona fide Acquisition Proposal received by Unizan, and (B) withdraw, modify or qualify the Unizan Recommendation, in each case if and only to the extent that the Board of Directors of Unizan reasonably determines in good faith (after consultation with outside legal counsel) that failure to do so would cause it to violate its fiduciary duties.

As used in this Agreement, "Alternative Transaction" means any of (i) a transaction pursuant to which any person (or group of persons) other than Huntington or its affiliates, directly or indirectly, acquires or would acquire more than 25 percent of the outstanding shares of Unizan Common Stock or outstanding voting power or of any new series or new class of preferred stock that would be entitled to a class or series vote with respect to the Merger, whether from Unizan or pursuant to a tender offer or exchange offer or otherwise, (ii) a merger, share exchange, consolidation or other business combination involving Unizan (other than the Merger), (iii) any transaction pursuant to which any person (or group of persons) other than Huntington or its affiliates acquires or would acquire control of assets (including for this purpose the outstanding equity securities of subsidiaries of Unizan and securities of the entity surviving any merger or business combination including any of Unizan's Subsidiaries) of Unizan, or any of its subsidiaries representing more than 25 percent of the fair market value of all the assets, net revenues or net income of Unizan and its subsidiaries, taken as a whole, immediately prior to such transaction, or (iv) any other consolidation, business combination, recapitalization or similar transaction involving Unizan or any of its subsidiaries, other than the transactions contemplated by this Agreement, as a result of which the holders of shares of Unizan Common Stock immediately prior to such transaction do not, in the aggregate, own at

least 75 percent of each of the outstanding shares of common stock and the outstanding voting power of the surviving or resulting entity in such transaction immediately after the consummation thereof in substantially the same proportion as such holders held the shares of Unizan Common Stock immediately prior to the consummation thereof.

(b) Unizan shall notify Huntington promptly (but in no event later than 24 hours) after receipt of any Acquisition Proposal, or any material modification of or material amendment to any Acquisition Proposal, or any request for nonpublic information relating to Unizan or any of its Subsidiaries or for access to the properties, books or records of Unizan or any Subsidiary by any Person or entity that informs the Board of Directors of Unizan or any Subsidiary that it is considering making, or has made, an Acquisition Proposal. Such notice to Huntington shall be made orally and in writing, and shall indicate the identity of the Person making the Acquisition Proposal or intending to make or considering making an Acquisition Proposal or requesting non-public information or access to the books and records of Unizan or any Subsidiary, and the material terms of any such Acquisition Proposal or modification or amendment to an Acquisition Proposal. Unizan shall keep Huntington fully informed, on a current basis, of any material changes in the status and any material changes or modifications in the terms of any such Acquisition Proposal, indication or request. Unizan shall also promptly, and in any event within 24 hours, notify Huntington, orally and in writing, if it enters into discussions or negotiations concerning any Acquisition Proposal in accordance with Section 6.13(a).

(c) Nothing contained in this Section 6.13 shall prohibit Unizan or its Subsidiaries from taking and disclosing to its shareholders a position required by Rule 14e-2(a) or Rule 14d-9 promulgated under the Exchange Act.

(d) Unizan and its Subsidiaries shall immediately cease and cause to be terminated any existing discussions or negotiations with any Persons (other than Huntington) conducted heretofore with respect to any of the foregoing, and shall use reasonable best efforts to cause all Persons other than Huntington who have been furnished confidential information regarding Unizan in connection with the solicitation of or discussions regarding an Acquisition Proposal within the 12 months prior to the date hereof promptly to return or destroy such information. Unizan agrees not to, and to cause its Subsidiaries not to, release any third party from the confidentiality and standstill provisions of any agreement to which Unizan or its Subsidiaries is or may become a party, and shall immediately take all steps necessary to terminate any approval that may have been heretofore given under any such provisions authorizing any person to make an Acquisition Proposal.

(e) Unizan shall ensure that the officers, directors and all employees, agents and representatives (including any investment bankers, financial advisors, attorneys, accountants or other retained representatives) of Unizan or its Subsidiaries are aware of the restrictions described in this Section 6.13 as reasonably necessary to avoid violations thereof. It is understood that any violation of the restrictions set forth in this Section 6.13 by any officer, director, employee, agent or representative (including any investment banker, financial advisor, attorney, accountant or other retained representative) of Unizan or its Subsidiaries, at the direction or with the consent of Unizan or its Subsidiaries, shall be deemed to be a breach of this Section 6.13 by Unizan.

6.14 Transition. (a) Commencing following the date hereof, Huntington and Unizan shall, and shall cause their respective Subsidiaries to, use their reasonable best efforts to facilitate the integration of Unizan and its Subsidiaries with the businesses of Huntington and its Subsidiaries to be effective as of the Closing Date or such later date as may be determined by Huntington. Without limiting the generality of the foregoing, from the date hereof through the Closing Date and consistent with the performance of their day-to-day operations and the continuous operation of Unizan and its Subsidiaries in the ordinary course of business, Unizan shall cause the employees and officers of Unizan and its Subsidiaries, including the Bank, to use their reasonable best efforts to provide support, including support from its outside contractors, and to assist Huntington in performing all tasks, including equipment installation, reasonably required to result in a successful integration at the Closing or such later date as may be determined by Huntington.

(b) Huntington and Unizan agree to consult with respect to their litigation and real estate valuation policies and practices and Unizan shall make such modifications or changes to its policies and practices, if any, and at such date prior to the Effective Time, as Huntington shall reasonably request. Unizan shall continue to utilize its existing loan policies and practices (including loan classifications and levels of reserves); provided, however, that Unizan shall not unreasonably withhold or delay its consent to any reasonable request by Huntington that Unizan make modifications or changes thereto and Unizan shall make such changes promptly after granting any such consent or at such later date as the parties may agree. Huntington and Unizan shall also consult with respect to the character, amount and timing of restructuring charges to be taken by each of them in connection with the transactions contemplated hereby, and shall take such charges as Huntington shall reasonably request. No party's representations, warranties and covenants contained in this Agreement shall be deemed to be untrue or breached in any respect for any purpose as a consequence of any modifications or changes to such policies and practices which may be undertaken on account of this Section 6.14.

6.15 Directorship. Huntington shall increase the size of its Board of Directors, to the extent necessary, and shall appoint to its Board of Directors one additional director selected by Huntington from the current Unizan Board of Directors (who shall be reasonably acceptable to Unizan), with such appointment to be effective as of the Effective Time, with the intent being that such new director would serve a term ending no earlier than the 2007 annual shareholder meeting.

## ARTICLE VII

## CONDITIONS PRECEDENT

7.1 Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of the parties to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) Shareholder Approval. This Agreement shall have been approved and adopted by the requisite affirmative vote of the holders of Unizan Common Stock entitled to vote thereon.

(b) Nasdaq Listing. The shares of Huntington Common Stock to be issued to the holders of Unizan Common Stock upon consummation of the Merger shall have been authorized for quotation on the Nasdaq, subject to official notice of issuance.

(c) Regulatory Approvals. All regulatory approvals set forth in Sections 3.4 and 4.4 required to consummate the transactions contemplated by this Agreement, including the Merger, shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired (all such approvals and the expiration of all such waiting periods being referred as the "Requisite Regulatory Approvals").

(d) Form S-4. The Form S-4 shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Form S-4 shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC.

(e) No Injunctions or Restraints; Illegality. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition (an "Injunction") preventing the consummation of the Merger or any of the other transactions contemplated by this Agreement shall be in effect. No statute, rule, regulation, order, Injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Entity that prohibits or makes illegal consummation of the Merger.

7.2 Conditions to Obligations of Huntington. The obligation of Huntington to effect the Merger is also subject to the satisfaction, or waiver by Huntington, at or prior to the Effective Time, of the following conditions:

(a) Representations and Warranties. The representations and warranties of Unizan set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that representations and warranties that by their terms speak specifically as of the date of this Agreement or another date shall be true and correct as of such date); provided, however, that no representation or warranty of Unizan shall be deemed untrue or incorrect for purposes hereunder as a consequence of the existence of any fact, event or circumstance inconsistent with such representation or warranty, unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty of Unizan, has had or would reasonably be expected to result in a Material Adverse Effect on Unizan, disregarding for these purposes (i) any qualification or exception for, or reference to, materiality in any such representation or warranty and (ii) any use of the terms "material," "materially," "in all material respects," "Material Adverse Effect" or similar terms or phrases in any such representation or warranty; and Huntington shall have received a certificate signed on behalf of Unizan by the Chief Executive Officer or the Chief Financial Officer of Unizan to the foregoing effect.

(b) Performance of Obligations of Unizan. Unizan shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date; and Huntington shall have received a certificate signed on behalf of Unizan by the Chief Executive Officer or the Chief Financial Officer of Unizan to such effect.

(c) Federal Tax Opinion. Huntington shall have received the opinion of its counsel, Wachtell, Lipton, Rosen & Katz, in form and substance reasonably satisfactory to Huntington, dated the Closing Date, substantially to the effect that, on the basis of facts, representations and assumptions set forth in such opinion that are consistent with the state of facts existing at the Effective Time, the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, counsel may require and rely upon representations contained in certificates of officers of Unizan and Huntington, reasonably satisfactory in form and substance to it.

7.3 Conditions to Obligations of Unizan. The obligation of Unizan to effect the Merger is also subject to the satisfaction or waiver by Unizan at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of Huntington set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that representations and warranties that by their terms speak specifically as of the date of this Agreement or another date shall be true and correct as of such date); provided, however, that no representation or warranty of Huntington shall be deemed untrue or incorrect for purposes hereunder as a consequence of the existence of any fact, event or circumstance inconsistent with such representation or warranty, unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty of Huntington, has had or would reasonably be expected to result in a Material Adverse Effect on Huntington, disregarding for these purposes (i) any qualification or exception for, or reference to, materiality in any such representation or warranty and (ii) any use of the terms "material," "materially," "in all material respects," "Material Adverse Effect" or similar terms or phrases in any such representation or warranty; and Unizan shall have received a certificate signed on behalf of Huntington by the Chief Executive Officer or the Chief Financial Officer of Huntington to the foregoing effect.

(b) Performance of Obligations of Huntington. Huntington shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Unizan shall have received a certificate signed on behalf of Huntington by the Chief Executive Officer or the Chief Financial Officer of Huntington to such effect.

(c) Federal Tax Opinion. Unizan shall have received the opinion of its counsel, Black, McCuskey, Souers & Arbaugh, in form and substance reasonably satisfactory to Unizan, dated the Closing Date, substantially to the effect that, on the basis of facts, representations and assumptions set forth in such opinion that are consistent with the state of facts existing at the Effective Time, the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, counsel may require and rely upon representations contained in certificates of officers of Unizan and Huntington, reasonably satisfactory in form and substance to it.

ARTICLE VIII

TERMINATION AND AMENDMENT

8.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the matters presented in connection with the Merger by the shareholders of Unizan or Huntington:

(a) by mutual consent of Unizan and Huntington in a written instrument, if the Board of Directors of each so determines by a vote of a majority of the members of its respective entire Board of Directors;

(b) by either the Board of Directors of Unizan or the Board of Directors of Huntington if any Governmental Entity that must grant a Requisite Regulatory Approval has denied approval of the Merger and such denial has become final and nonappealable or any Governmental Entity of competent jurisdiction shall have issued a final and nonappealable order permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement;

(c) by either the Board of Directors of Unizan or the Board of Directors of Huntington if the Merger shall not have been consummated on or before the first anniversary of the date of this Agreement unless the failure of the Closing to occur by such date shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth in this Agreement;

(d) by either the Board of Directors of Huntington or the Board of Directors of Unizan if there shall have been a breach of any of the covenants or agreements or any of the representations or warranties set forth in this Agreement on the part of Unizan, in the case of a termination by Huntington, or Huntington, in the case of a termination by Unizan, which breach, either individually or in the aggregate, would result in, if occurring or continuing on the Closing Date, the failure of the conditions set forth in Section 7.2 or 7.3, as the case may be, and which is not cured within 45 days following written notice to the party committing such breach or by its nature or timing cannot be cured within such time period;

(e) by either the Board of Directors of Huntington or the Board of Directors of Unizan if Unizan shall have failed to obtain the requisite affirmative vote in favor of approving and adopting this Agreement from the holders of Unizan Common Stock entitled to vote thereon at the Unizan Shareholder Meeting; provided that the right of Unizan to terminate this Agreement pursuant to this Section 8.1(e) shall not be available to it if it has failed to comply in all material respects with its obligations under Section 6.3 or 6.13;

(f) By the Board of Directors of Huntington if Unizan has (i) failed to make the Unizan Recommendation or has modified or qualified such recommendation in a manner adverse to Huntington, (ii) failed to substantially comply with its obligations under Section 6.3 or 6.13 or (iii) recommended or endorsed an Alternative Transaction; or

(g) by Unizan, if the Unizan Board of Directors so determines by the vote of a majority of all of its members, by giving written notice to Huntington not later than the end of

the second Business day next following the Determination Date, in the event that, as of the Determination Date, both of the following conditions are satisfied:

(i) the Average Closing Price shall be less than 80% of the Huntington Starting Price; and

(ii) (A) the number obtained by dividing the Average Closing Price by the Huntington Starting Price (such number, the "Huntington Ratio") is less than (B) the number obtained by dividing the Final Index Price by the Initial Index Price and subtracting 0.15 from such quotient (such number, the "Index Ratio").

If Unizan elects to exercise its termination right pursuant to this Section 8.1(g), it shall give written notice to Huntington. During the five-business-day period commencing with its receipt of such notice, Huntington may, at its option (the "Fill Option"), adjust the Exchange Ratio to equal the lesser of (i) a number equal to a quotient (rounded to the nearest one-ten-thousandth), the numerator of which is the product of 0.80, the Huntington Starting Price and the Exchange Ratio (as then in effect) and the denominator of which is the Average Closing Price, and (ii) a number equal to a quotient (rounded to the nearest one-ten-thousandth), the numerator of which is the Index Ratio multiplied by the Exchange Ratio (as then in effect) and the denominator of which is the Huntington Ratio. If Huntington makes an election contemplated by the preceding sentence within such five-day period, it shall give prompt written notice to Unizan of such election and the revised Exchange Ratio, whereupon no termination shall have occurred pursuant to this Section 8.1(g) and this Agreement shall remain in effect in accordance with its terms (except as the Exchange Ratio shall have been so modified), and any references in this Agreement to "Exchange Ratio" shall thereafter be deemed to refer to the Exchange Ratio as adjusted pursuant to this Section 8.1(g).

For purposes of this Section 8.1(g), the following terms shall have the meanings set forth below:

"Average Closing Price" of the Huntington Common Stock shall mean the arithmetic mean of the daily closing sales prices per share of Huntington Common Stock reported on the Nasdaq National Market (as reported by the *Wall Street Journal* or, if not reported thereby, another authoritative source) for the five consecutive full Nasdaq trading days ending at the close of trading on the Determination Date (with a proportionate adjustment in the event that the outstanding shares of common stock of Huntington shall be changed into a different number of shares by reason of any stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction between the date of the Agreement and the Determination Date).

"Business day" means Monday through Friday of each week, except a legal holiday recognized as such by the U.S. Government or any day on which banking institutions in the State of Ohio are authorized or obligated by law to close.

“Determination Date” means the date on which the last Requisite Regulatory Approval shall have been obtained, without regard to any requisite waiting period, or, if later, on the date ten Business Days prior to the Closing Date.

“Final Index Price” means the arithmetic mean of the daily closing values of the S&P Bank Index (Bloomberg: S5BANKX) (the ‘Bank Index”) for the five trading days utilized in calculating the Average Closing Price.

“Initial Index Price” means $354.67, the closing value of the Bank Index on January 26, 2004.

“Huntington Starting Price” means $23.10, the closing sale price per share of Huntington Common Stock reported on the Nasdaq National Market on January 26, 2004.

8.2 Effect of Termination. In the event of termination of this Agreement by either Unizan or Huntington as provided inSection 8.1, this Agreement shall forthwith become void and have no effect, and none of Unizan, Huntington, any of their respective Subsidiaries or any of the officers or directors of any of them shall have any liability of any nature whatsoever under this Agreement, or in connection with the transactions contemplated by this Agreement, except that (i) Sections 6.2(b), 8.2, 8.3, 9.2, 9.3, 9.8 and 9.9 shall survive any termination of this Agreement, and (ii) notwithstanding anything to the contrary contained in this Agreement, neither Unizan nor Huntington shall be relieved or released from any liabilities or damages arising out of its willful breach of any provision of this Agreement.

8.3 Termination Fee. (a) In the event that (A) a bona fide Acquisition Proposal shall have been communicated to or otherwise made known to the shareholders, senior management or Board of Directors of Unizan, or any person shall have publicly announced an intention (whether or not conditional) to make an Acquisition Proposal, after the date of this Agreement, which Acquisition Proposal shall not have been irrevocably withdrawn prior to the Unizan Shareholder Meeting, (B) thereafter this Agreement is terminated by either Huntington or Unizan pursuant to Section 8.1(e), by Huntington pursuant to Section 8.1(f) or by Huntington pursuant to Section 8.1(d) as a result of a willful breach by Unizan and (C) prior to the date that is eighteen (18) months after the date of such termination Unizan consummates an Alternative Transaction or enters into any letter of intent, agreement in principle, acquisition agreement or other similar agreement related to an Alternative Transaction, then Unizan shall on the date an Alternative Transaction is consummated or any such letter executed or agreement entered into, pay Huntington a fee equal to $20,000,000 (twenty million dollars) by wire transfer of same day funds.

(b) Unizan acknowledges that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Huntington would not enter into this Agreement; accordingly, if Unizan fails promptly to pay the amount due pursuant to this Section 8.3, and, in order to obtain such payment, Huntington commences a suit which results in a judgment against Unizan for the fee set forth in this Section 8.3, Unizan shall pay to Huntington its costs and expenses (including attorneys’ fees and expenses) in connection with such suit, together with interest on the amount

of the fee at the rate on six-month U.S. Treasury obligations plus 300 basis points in effect on the date such payment was required to be made.

8.4 Amendment. Subject to compliance with applicable law and Section 1.1(b), this Agreement may be amended by the parties, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with Merger by the shareholders of Unizan or Huntington; provided, however, that after any approval of the transactions contemplated by this Agreement by the shareholders of Unizan, there may not be, without further approval of such shareholders, any amendment of this Agreement governed by Section 1701.79(E) of the OGCL. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.5 Extension; Waiver. At any time prior to the Effective Time, the parties, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties contained in this Agreement and (iii) waive compliance with any of the agreements or conditions contained in this Agreement; provided, however, that after any approval of the transactions contemplated by this Agreement by the shareholders of Unizan and Huntington, there may not be, without further approval of such shareholders, any extension or waiver of this Agreement or any portion hereof that reduces the amount or changes the form of the consideration to be delivered to the holders of Unizan Common Stock under this Agreement, other than as contemplated by this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

## ARTICLE IX

## GENERAL PROVISIONS

9.1 Closing. On the terms and subject to conditions set forth in this Agreement, the closing of the Merger (the "Closing") shall take place at 10:00 a.m. on a date and at a place to be specified by the parties, which date shall be no later than five business days after the satisfaction or waiver (subject to applicable law) of the latest to occur of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied or waived at the Closing), unless extended by mutual agreement of the parties (the "Closing Date").

9.2 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties, covenants and agreements set forth in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time, except for Sections 6.8 and 6.9.

9.3 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expense; provided, however, that the costs and expenses of printing and mailing

the Proxy Statement, and all filing and other fees paid to the SEC in connection with the Merger, shall be borne equally by Unizan and Huntington.

9.4 Notices. All notices and other communications in connection with this Agreement shall be in writing and shall be deemed given if delivered personally, sent via facsimile (with confirmation), mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Unizan, to:

Unizan Financial Corp.
220 Market Ave. South
Canton, Ohio 44702
Attention: Roger L. Mann
Facsimile: (330) 438-1811

with a copy to:

Black, McCuskey, Souers & Arbaugh
1000 Unizan Plaza
220 Market Ave. S.
Canton, Ohio 44702
Attention: Todd S. Bundy, Esq
Facsimile: (330) 456-5756

and

(b) if to Huntington, to:

Huntington Bancshares Incorporated
41 South High Street
Columbus, Ohio 43287

Attention: Richard A. Cheap, Esq.
General Counsel and Secretary
Facsimile: (614) 480-5485

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Edward D. Herlihy, Esq.
Facsimile: (212) 403-2000

9.5 Interpretation. When a reference is made in this Agreement to Articles, Sections, Exhibits or Schedules, such reference shall be to a Article or Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or

"including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The Unizan Disclosure Schedule and the Huntington Disclosure Schedule, as well as all other schedules and all exhibits hereto, shall be deemed part of this Agreement and included in any reference to this Agreement. This Agreement shall not be interpreted or construed to require any person to take any action, or fail to take any action, if to do so would violate any applicable law.

9.6 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other party, it being understood that each party need not sign the same counterpart.

9.7 Entire Agreement. This Agreement (including the documents and the instruments referred to in this Agreement), together with the Confidentiality Agreement, constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement, other than the Confidentiality Agreement.

9.8 Governing Law. This Agreement shall be governed and construed in accordance with the internal laws of the State of Ohio applicable to contracts made and wholly-performed within such state, without regard to any applicable conflicts of law principles.

9.9 Publicity. Neither Unizan nor Huntington shall, and neither Unizan nor Huntington shall permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated by this Agreement without the prior consent (which consent shall not be unreasonably withheld) of Huntington, in the case of a proposed announcement or statement by Unizan, or Unizan, in the case of a proposed announcement or statement by Huntington; provided, however, that either party may, without the prior consent of the other party (but after prior consultation with the other party to the extent practicable under the circumstances) issue or cause the publication of any press release or other public announcement to the extent required by law or by the rules and regulations of the Nasdaq.

9.10 Assignment; Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned by either of the parties (whether by operation of law or otherwise) without the prior written consent of the other party. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by each of the parties and their respective successors and assigns. Except as otherwise specifically provided in Section 6.8, this Agreement (including the documents and instruments referred to in this Agreement) is not intended to and does not confer upon any person other than the parties hereto any rights or remedies under this Agreement.

*Remainder of Page Intentionally Left Blank*

IN WITNESS WHEREOF, Unizan and Huntington have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

UNIZAN FINANCIAL CORP.

By: /s/ Roger L. Mann

Name: Roger L. Mann
Title: President and Chief Executive Officer

HUNTINGTON BANCSHARES
INCORPORATED

By: /s/ Thomas E. Hoaglin

Name: Thomas E. Hoaglin
Title: Chairman, President and Chief Executive Officer

*Signature Page to Agreement and Plan of Merger*

Form of Affiliate Letter

Huntington Bancshares Incorporated
41 South High Street
Columbus, Ohio 43287

Ladies and Gentlemen:

I have been advised that as of the date hereof I may be deemed to be an “affiliate” of Unizan Financial Corp., an Ohio corporation (“Unizan”), as the term “affiliate” is defined for purposes of paragraphs (c) and (d) of Rule 145 of the Rules and Regulations (the “Rules and Regulations”) of the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Act”). I have been further advised that pursuant to the terms of the Agreement and Plan of Merger dated as of January 27, 2004 (the “Merger Agreement”), by and between Huntington Bancshares Incorporated, a Maryland corporation (“Huntington”), and Unizan, Unizan shall be merged with and into Huntington (the “Merger”) and each share of the common stock, without par value, of Unizan (“Unizan Common Stock”) shall be converted into the right to receive 1.1424 shares of common stock, without par value, of Huntington (“Huntington Common Stock”). All terms used in this letter but not defined herein shall have the meanings ascribed thereto in the Merger Agreement.

I represent, warrant and covenant to Huntington that in the event I receive any Huntington Common Stock as a result of the Merger:

(a) I shall not make any sale, transfer or other disposition of Huntington Common Stock in violation of the Act or the Rules and Regulations.

(b) I have carefully read this letter and the Merger Agreement and discussed its requirements and other applicable limitations upon my ability to sell, transfer or otherwise dispose of Huntington Common Stock to the extent I believed necessary with my counsel or counsel for Unizan.

(c) I have been advised that the issuance of Huntington Common Stock to me pursuant to the Merger will be registered with the Commission under the Act on a Registration Statement on Form S-4. However, I have also been advised that, since at the time the Merger will be submitted for a vote of the shareholders of Unizan I may be deemed to have been an affiliate of Unizan and the distribution by me of Huntington Common Stock has not been registered under the Act, I may not sell, transfer or otherwise dispose of Huntington Common Stock issued to me in the Merger unless (i) such sale, transfer or other disposition has been registered under the Act, (ii) such sale, transfer or other disposition is made in conformity with the volume and other limitations of Rule 145 promulgated by the Commission under the Act, or (iii) in the opinion of counsel reasonably acceptable to Huntington, such sale, transfer or other disposition is otherwise exempt from registration under the Act.

(d) I understand that Huntington is under no obligation to register the sale, transfer or other disposition of Huntington Common Stock by me or on my behalf under the Act or to take

any other action necessary in order to make compliance with an exemption from such registration available.

(e) I also understand that stop transfer instructions will be given to Huntington's transfer agents with respect to Huntington Common Stock and that there will be placed on the certificates for Huntington Common Stock issued to me, or any substitutions therefor, a legend stating in substance:

> "The securities represented by this certificate have been issued in a transaction to which Rule 145 promulgated under the Securities Act of 1933 applies and may only be sold or otherwise transferred in compliance with the requirements of Rule 145 or pursuant to a registration statement under said act or an exemption from such registration."

(f) I also understand that unless the transfer by me of my Huntington Common Stock has been registered under the Act or is a sale made in conformity with the provisions of Rule 145, Huntington reserves the right to put the following legend on the certificates issued to my transferee:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933 and were acquired from a person who received such shares in a transaction to which Rule 145 promulgated under the Securities Act of 1933 applies. The shares have been acquired by the holder not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act of 1933 and may not be sold, pledged or otherwise transferred except in accordance with an exemption from the registration requirements of the Securities Act of 1933."

It is understood and agreed that the legends set forth above shall be removed by delivery of substitute certificates without such legend, and/or the issuance of a letter to Huntington's transfer agent removing such stop transfer instructions, and the above restrictions on sale will cease to apply, if (A) one year (or such other period as may be required by Rule 145(d)(2) under the Securities Act or any successor thereto) shall have elapsed from the Closing Date and the provisions of such Rule are then available to me; or (B) if two years (or such other period as may be required by Rule 145(d)(3) under the Securities Act or any successor thereto) shall have elapsed from the Effective Date and the provisions of such Rule are then available to me; or (C) I shall have delivered to Huntington (i) a copy of a letter from the staff of the Commission, or an opinion of counsel in form and substance reasonably satisfactory to Huntington, or other evidence reasonably satisfactory to Huntington, to the effect that such legend and/or stop transfer instructions are not required for purposes of the Securities Act or (ii) reasonably satisfactory evidence or representations that the securities represented by such certificates are being or have been transferred in a transaction made in conformity with the provisions of Rule 145 under the Securities Act or pursuant to an effective registration under the Securities Act.

I recognize and agree that the foregoing provisions also apply to (i) my spouse, (ii) any relative of mine or my spouse occupying my home, (iii) any trust or estate in which I, my spouse or any such relative owns at least 10% beneficial interest or of which any of us serves as trustee, executor or in any similar capacity and (iv) any corporate or other organization in which I, my spouse or any such relative owns at least 10% of any class of equity securities or of the equity interest.

It is understood and agreed that this Letter Agreement shall terminate and be of no further force and effect if the Merger Agreement is terminated in accordance with its terms.

Execution of this letter should not be construed as an admission on my part that I am an "affiliate" of Unizan as described in the first paragraph of this letter or as a waiver of any rights I may have to object to any claim that I am such an affiliate on or after the date of this letter.

Very truly yours,

By: ______________________________

Name:

Accepted this ______ day of
__________, 2004

Huntington Bancshares Incorporated

By: ______________________________

Name:
Title:

**Exhibit 10(h)**

OCTOBER 9, 2002

# EXECUTIVE DEFERRED COMPENSATION PLAN

# OF

# HUNTINGTON BANCSHARES INCORPORATED

**EFFECTIVE OCTOBER 1, 2001**

**AMENDED AND RESTATED OCTOBER 1, 2002**

EXECUTIVE DEFERRED COMPENSATION PLAN
OF HUNTINGTON BANCSHARES INCORPORATED

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# EXECUTIVE DEFERRED COMPENSATION PLAN
# OF HUNTINGTON BANCSHARES INCORPORATED

## INTRODUCTION

This Executive Deferred Compensation Plan of Huntington Bancshares Incorporated is authorized by the Board of Directors of Huntington Bancshares Incorporated effective on and after October 1, 2001. The purpose of this Plan is to provide a means to defer receipt of compensation and current income tax liability thereon for selected managers and highly compensated employees in addition to the amounts that can be deferred under the Corporation's qualified retirement plan.

This Plan is intended to constitute a nonqualified unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of the ERISA. All benefits payable under the Plan shall be paid out of the general assets of Huntington Bancshares Incorporated. Huntington Bancshares Incorporated may establish and fund a trust as provided herein in order to aid it in providing benefits due under the Plan.

**EXECUTIVE DEFERRED COMPENSATION PLAN**
**OF HUNTINGTON BANCSHARES INCORPORATED**

**ARTICLE 1. DEFINITIONS**

1.01 "**Accounts**" means the device used to measure and determine the amount of deferred compensation to be paid to a Member or Beneficiary under the Plan and may include the Cash Deferral Account, the Common Stock Deferral Account, and the Stock Option Deferral Account.

1.02 "**Beneficiary**" means the individual, trust or other recipient to whom a deceased Member's benefits are payable, as provided in Section 4.07.

1.03 "**Bonus**" means any annual bonus or other similar bonus payable to an Eligible Employee and any other bonus payable to an Eligible Employee and designated by the Corporation through other program documents or otherwise as eligible for deferral under this Plan.

1.04 "**Bonus Deferral Agreement**" means the agreement entered into by the Member pursuant to Section 2.02 under which he elects to defer all or a portion of his Bonus under this Plan.

1.05 "**Bonus Deferrals**" means the amount of contributions credited to a Member's Accounts under Section 3.01, with respect to his Bonus.

1.06 “**Cash Deferral Account**” means the account credited with Salary Deferrals, cash Bonus Deferrals and cash Long-Term Incentive Deferrals and the earnings credited to that Account pursuant to Section 3.03.

1.07 “**Change in Control**” means the events described in Section 5.01.

1.08 “**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

1.09 “**Common Stock**” means the Huntington Bancshares Incorporated common stock with no par value per share.

1.10 “**Common Stock Deferred Account**” means the account credited with Common Stock from deferred Common Stock in relation to Bonus Deferrals, Long-term Incentive Deferrals and Restricted Stock Deferrals and the dividend equivalents with respect to the Common Stock credited to that Account pursuant to Section 3.03.

1.11 “**Compensation**” means base salary or commissions earned by an Eligible Employee from the Corporation for each payroll period during a Plan Year, including any salary reduction contributions made under any plan maintained by the Corporation pursuant to Sections 401(k), 125 and 132(f) of the Code.

1.12 “**Compensation Committee**” means the Compensation and Stock Option Committee of the Board of Directors of the Corporation.

1.13 “**Corporation**” means Huntington Bancshares Incorporated, a Maryland corporation, together with any and all subsidiaries, and any successor thereto as provided in Section 6.13. A subsidiary or subsidiaries means any corporation or other entity whose financial statements are consolidated with the Corporation.

1.14 “**Deferrals**” means collectively the Salary, Bonus, Long-Term Incentive, Restricted Stock and Net Shares, unless indicated otherwise.

1.15 “**Distribution Election Form**” means the form or forms completed by a Member to elect alternative payment options and/or alternative payout timing.

1.16 “**Effective Date**” means October 1, 2001.

1.17 “**Eligible Employee**” means a manager or highly compensated employee of the Corporation who has been selected by the Compensation Committee or its delegate to participate in this Plan as described in Section 2.01.

1.18 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.19 “**Investment Funds**” mean such investment funds that the Corporation may, in its discretion, make available in determining the earnings (or losses) on a Member’s Cash Deferrals.

1.20 “**Long-Term Incentive**” means any long-term award payable to an Eligible Employee by the Corporation and designated by the Corporation through other program documents or otherwise as eligible for deferral under this Plan.

1.21 “**Long-Term Incentive Deferral Agreement**” means the agreement entered into by the Member pursuant to Section 2.02 under which he elects to defer all or a portion of his Long-Term Incentive under this Plan.

1.22 “**Long-Term Incentive Deferrals**” means the amount of contributions credited to a Member’s Accounts under Section 3.01, with respect to his Long-Term Incentive.

1.23 “**Member**” means each Eligible Employee who has made the election described in Section 2.02.

1.24 “**Net Shares**” with respect to an election made pursuant to Section 3.02, means the difference between the number of shares of Common Stock subject to the stock option exercise and the number of shares of Common Stock delivered to satisfy the stock option exercise price, less any shares used to satisfy FICA or any other taxes due upon the option exercise as may be designated by the Corporation.

1.25 “**Plan**” means the Executive Deferred Compensation Plan of Huntington Bancshares Incorporated.

1.26 “**Plan Year**” means the twelve (12)-month period beginning on any January 1; the first Plan Year shall begin October 1, 2001 and ends December 31, 2001.

1.27 “**Restricted Stock Award**” means any restricted stock awards of Common Stock payable to an Eligible Employee by the Corporation and designated by the Corporation through a restricted stock award document or otherwise as eligible for deferral under this Plan.

1.28 “**Restricted Stock Deferral Agreement**” means the agreement entered into by the Member pursuant to Section 2.02 under which he elects to defer all or a portion of his Restricted Stock Award under the Plan.

1.29 “**Restricted Stock Deferrals**” means the amount of contributions credited to a Member’s Accounts under Section 3.01, with respect to his Restricted Stock Award.

1.30 “**Salary Deferral Agreement**” means the agreement entered into by the Member pursuant to Section 2.02 under which he elects to defer all or a portion of his Compensation under this Plan.

1.31 “**Salary Deferrals**” means the amount of contributions credited to a Member’s Account under Section 3.01, with respect to his Compensation.

1.32 “**Stock Option Deferral Account**” means the account credited with the deferred Net Shares and the dividend equivalents with respect to those Net Shares credited to that Account pursuant to Section 3.03.

1.33 “**Stock Option Deferral Agreement**” means the agreement entered into by the Member pursuant to Section 2.02 under which he elects to defer all or a portion of his Net Shares under this Plan.

1.34 “**Stock Option Deferrals**” means the amount of contributions credited to a Member’s Accounts under Section 3.01, with respect to his Net Shares.

1.35 “**Trust**” means the trust that may be established by the Corporation as provided in Section 6.02(b).

1.36 “**Valuation Date**” means the last business day of each calendar month. All distributions under the Plan shall be based upon the value of the Member’s Accounts as of the Valuation Date specified in Article 4 with respect to the distribution and shall include any contributions made by a Member, but not yet credited to the Member’s Accounts.

## ARTICLE 2. PARTICIPATION

2.01 **Eligibility**

(a) In addition to a designation of eligibility to participate in this Plan contained in other Corporation programs for its managers and highly compensated employees, the Compensation Committee or its delegate, in its sole discretion, shall select from time-to-time either individually or by class, those managers and highly compensated employees of the Corporation who shall be eligible to participate in this Plan under Section 2.02. The Compensation Committee may select different employees or classes of employees to participate in the various Deferrals. The Compensation Committee shall make its selection from those managers and highly compensated employees who it deems to be in a select group of management or highly compensated employees as defined under Title I of ERISA. Said employees shall be notified of their eligibility for participation in the Plan by the Corporation as soon as practicable after the Compensation Committee has made its selection and, for purposes of authorizing any Deferrals under Section 3.01, in any event prior to the first day of eligibility after said employee is designated an Eligible Employee. An Eligible Employee may become a Member for any or all Deferrals he is eligible for under Section 3.01.

(b) In its sole discretion, the Compensation Committee may withdraw its approval for participation in the Plan for any Member at any time with respect to any future deferral opportunity whether or not a deferral election has been made by the Member. In the event of such withdrawal, the Member with existing Accounts will remain a Member in relation to the right to direct investment and elect distribution options from those Accounts. Such Member shall be notified of such withdrawal in

writing as soon as practicable following such action. Notwithstanding the foregoing, in the event a Change in Control occurs, the Compensation Committee may not thereafter withdraw its participation approval for any Member.

2.02 **Participation**

(a) **Initial Plan Year.**

(i) **Salary Deferrals** will be available beginning in 2002 and to be effective must be made by an Eligible Employee by executing and delivering to the Corporation a Salary Deferral Agreement by December 31, 2001. The Salary Deferral Agreement shall apply to Compensation earned by the Eligible Employee in the payroll periods beginning after December 31, 2001.

(ii) An election to become a Member and authorize a **Bonus Deferral** to be effective for a 2001 Bonus (payable in 2002) must be made by an Eligible Employee, by executing and delivering to the Corporation, an irrevocable Bonus Deferral Agreement by December 31, 2001.

(iii) An election to become a Member and authorize a **Long-Term Incentive Deferral** to be effective for cycle eight (8) payments ending on December 31, 2002 payable in 2003 must be made by the Eligible Employee by executing and delivering to the Corporation an irrevocable Long-term Incentive Deferral Agreement as provided in Section 2.02(b)(iii).

(iv) **Stock Option Deferral** will be available beginning in 2003 and to be effective must be made by an Eligible Employee by executing and

delivering to the Corporation a Stock Option Deferral Agreement as provided in Section 2.02(b)(iv).

(b) **Initial Participation for 2002 Plan Year and Thereafter.**

(i) In the case of a newly hired Eligible Employee or an employee who first becomes an Eligible Employee during a Plan Year, that Eligible Employee must execute and deliver to the Corporation a Salary Deferral Agreement within 30 days of notification of eligibility to participate in the Plan. Salary Deferrals will begin in the first full payroll period following receipt of the Salary Deferral Agreement.

(ii) For purposes of **Bonus Deferrals,** the initial irrevocable Bonus Deferral Agreement must be executed and delivered to the Corporation before the later of the date established for current Members to submit their Plan Year Bonus Deferral Agreement or thirty (30) days after being designated an Eligible Employee, to apply to the Bonus attributable to that Plan Year, which becomes payable in the next following Plan Year. The Bonus Deferral Agreement for subsequent Plan Years may be changed in accordance with the procedures in paragraph (c)(ii) below. Notwithstanding the foregoing, in relation to any other bonus, the irrevocable Bonus Deferral Agreement must be made at such time and in such manner as established by the Corporation in its discretion.

(iii) For purposes of **Long-Term Incentive Deferrals** and for **Restricted Stock Deferrals**, the initial irrevocable Long-Term Incentive Deferral Agreement or Restricted Stock Deferral Agreement, as the case may be, must be executed and delivered to the Corporation before the later of the date

established for current Members to submit their next plan year's payment Deferral Agreement or thirty (30) days after being designated an Eligible Employee for purposes of the Long-Term Incentive Deferral and/or Restricted Stock Award Deferral.

(iv) For purposes of **Stock Option Deferrals** effective initially in 2003, the initial Stock Option Deferral Agreement as it applies to a specific Common Stock option must be executed and delivered to the Corporation:

(A) no later than December 31 of the Plan Year immediately preceding the Plan Year in which the Member will exercise such option, and

(B) at least six (6) months before the exercise of the Common Stock option.

This Stock Option Deferral Agreement is irrevocable, but will only apply to the stock option(s) designated in the Agreement.

(c) **Continuing Participation.**

(i) After the initial year for eligibility, an Eligible Employee may authorize or change a previously authorized **Salary Deferral** for any Plan Year by executing and delivering to the Corporation a Salary Deferral Agreement at a date determined by the Corporation, but no later than December 31 of the Plan Year immediately preceding the Plan Year in which the Compensation would otherwise be paid to the Member. Once a Salary Deferral Agreement is made, it will remain in effect for that Plan Year and subsequent Plan Years until suspended or changed in accordance with these terms.

(ii) A Bonus Deferral Agreement must be executed for any Plan Year that a **Bonus Deferral** is desired. An irrevocable Bonus Deferral Agreement must be delivered to the Corporation prior to the last business day of March in order to defer that Plan Year's Bonus, payable in the following Plan Year. A Bonus Deferral Agreement is irrevocable, but may be changed for subsequent Plan Years in accordance with these terms.

(iii) A Long-Term Incentive Deferral Agreement must be executed for each payout year that a **Long-Term Incentive Deferral** is desired. The Long-Term Incentive Deferral Agreement must be delivered to the Corporation prior to the last business day of March of the year prior to the plan year of payment. This Long-Term Incentive Deferral Agreement is irrevocable, but will only apply to the Long-Term Incentive designated in the Agreement.

(iv) A Restricted Stock Deferral Agreement must be executed for each payment that a **Restricted Stock Deferral** is desired. The Restricted Stock Deferral Agreement must be delivered to the Corporation more than six (6) months prior to the vesting in the Restricted Stock Award and in the Plan Year prior to the year in which the Restricted Stock Award vests. This Deferral Agreement is irrevocable, but will only apply to the Restricted Stock Award designated in the Agreement.

(v) A Stock Option Deferral Agreement must be executed for each Common Stock option exercise that a **Stock Option Deferral** is desired. The Stock Option Deferral Agreement must be delivered to the Corporation:

(A) no later than December 31 of the Plan Year immediately preceding the Plan Year in which the Member will exercise such option, and

(B) at least six (6) months before the exercise of the Common Stock option.

This Stock Option Deferral Agreement is irrevocable, but will only apply to the stock option(s) designated in the Agreement.

(d) **Participation Procedure.** In order to commence participation in the Plan, an Eligible Employee must complete and timely deliver to the Corporation the following forms:

(i) one or more of the Deferral Agreements referred to above;

(ii) a Distribution Election Form which applies to one or more of the Accounts for which Deferrals are elected; and

(iii) a Beneficiary Designation Form which applies to the Accounts.

(e) **Election Not to Defer.** An Eligible Employee or Member may elect from time-to-time not to defer any amount he is eligible to defer hereunder without affecting the eligibility to defer at any time in the future as long as he remains an Eligible Employee.

## ARTICLE 3. CONTRIBUTIONS

3.01 **Amount of Deferral Contributions**

The amount of contributions to be recorded on the books of the Corporation on behalf of a Member's Accounts pursuant to this Section 3.01 shall be equal to the total of the Deferrals described herein.

(a) **Salary Deferrals**. For each payroll period beginning on or after the effective date of an Eligible Employee's Salary Deferral Agreement, his Cash Deferral Account shall be credited with an amount of Salary Deferrals, if applicable. The amount of Salary Deferrals shall be equal to the designated percentage of Compensation elected by the Member in his Salary Deferral Agreement by agreeing to accept a reduction in Compensation equal to a stated whole percentage of Compensation per payroll period which is not less than five percent (5%) nor more than ninety (90%) of Compensation.

(b) **Bonus Deferral**. The amount of Bonus Deferrals shall be elected by the Member by agreeing to accept a reduction in Bonus equal to a stated whole percentage in his Bonus Deferral Agreement for that year, which is not less than five percent (5%) or one hundred (100) shares of Common Stock nor more than ninety (90%) of Bonus.

(c) **Long-Term Incentive Deferral**. The amount of a Long-Term Incentive Deferral shall be elected by the Member by agreeing to accept a reduction in the Long-Term Incentive equal to a stated whole percentage in the applicable Long-Term Incentive Deferral Agreement, which is not less than five percent (5%) or one hundred (100) shares of Common Stock nor more than one hundred percent (100%) of the Long-Term Incentive.

(d) **Restricted Stock Deferral**. The amount of a Restricted Stock Deferral shall be elected by the Member by agreeing to accept a reduction in the Restricted Stock Award equal to a stated whole percentage of his Common Stock covered in the applicable Restricted Stock Deferral Agreement, which is not less than one hundred (100) shares of Common Stock nor more than one hundred percent (100%) of the award (in whole shares).

(e) **Stock Option Deferral**. The amount of a Stock Option Deferral shall be elected by the Member by agreeing to accept a reduction in Net Shares deliverable to him equal to a stated whole percentage of his Net Shares for that Stock Option Deferral Agreement, which is not less than one hundred (100) shares of Common Stock nor more than one hundred percent (100%) of the Net Shares (in whole shares).

(f) The Corporation, in its sole discretion, may allow Deferrals in dollar amounts, or a combination of percentages and dollar amounts.

(g) No election for Deferrals will be effective unless the cash amount or Common Stock amount payable to the Member to which the Deferral applies is sufficient to satisfy such election.

(h) In no event shall the Deferrals of Compensation, Bonus, Long-Term Incentive, Common Stock or Net Shares be reduced below the amount required for federal, state and local tax and any other required or elected withholding amounts (including amounts elected under the Corporation’s various benefit plans).

3.02 **Stock Option Exercise**

(a) This Section describes the special procedures for deferring the delivery and receipt of Common Stock which a Member may receive from the exercise of a nonqualified stock option granted to the Member by the Corporation. The stock options are governed by the stock option plan under which they are granted. No stock options or shares of Common Stock are authorized to be issued under the Plan. A Member who elects to defer receipt of Common Stock issuable upon the exercise of stock options will have no rights as a stockholder of the Corporation with respect to allocations made to his Stock Option Deferral Account except the right to receive dividend equivalent allocations as hereafter described.

(b) A Member may elect to defer receipt of Net Shares of Common Stock resulting from a stock-for-stock exercise of an exercisable stock option issued to the Member by completing and submitting to the Corporation his Stock Option Deferral Agreement as provided in Section 2.02. The stock option exercise must occur on or prior to the expiration date of the stock option and must be accomplished by delivering Common Stock or using another acceptable method, such as, attestation, on or prior to the exercise date, shares of Common Stock which have been personally owned by the Member for at least six (6) months prior to the exercise date and have not been used in a stock swap in the prior six (6) months. A Member's Stock Option Deferral Agreement shall not be effective if the stock option as to which the Member has made the deferral election terminates prior to the exercise date selected by the Member. If the Member dies or fails to deliver shares of Common Stock which have been personally owned by the Member at least six (6) months prior to the exercise date (and have not been used in a stock

swap in the prior six (6) months) in payment of the exercise price, then the Stock Option Deferral Agreement shall not be effective. Only whole Net Shares may be deferred.

3.03 **Investment of Accounts**

(a) The Accounts of each Member shall be credited with an additional amount of hypothetical net earnings (or losses) determined under this Section.

(b) Except for the Common Stock Deferral Account and the Stock Option Deferral Account, each Member shall elect the manner in which his Accounts are to be credited with net earnings (and losses) by designating how the Accounts are to be invested on a hypothetical basis from among the Investment Funds. The election shall be made in writing on a form provided by the Corporation. An investment election shall be effective for the Valuation Date established by the Corporation following its receipt. Modifications may be made to investment elections on the same basis.

(c) If the Corporation exercises its discretion to establish the Trust, it reserves the right to determine the amount of contributions to the Trust and the types of investments used, including, but not limited to, mutual funds, annuities and life insurance contracts.

(d) Bonus Deferrals, Long-Term Incentive Deferrals, Restricted Stock Deferrals and Stock Option Deferrals of Common Stock may be maintained in their respective Accounts on the books of the Corporation or the Common Stock may be held in the Trust.

3.04 **Valuation of Accounts**

(a) On the first Valuation Date, the Member's Accounts shall equal:

(i) the amount of the Member's Deferrals, if any, credited to the Member's Accounts during the period from the Effective Date through the first Valuation Date; plus

(ii) the proportionate share of the net earnings or losses, if any, since the Effective Date on the Investment Funds, made available in determining the net earnings or losses on a Member's Deferrals;

(iii) for purposes of the Common Stock valuation, all dividend equivalents payable in relation to Common Stock shall be credited in the form of additional whole and fractional shares of Common Stock since the Effective Date.

(b) On each subsequent Valuation Date, the Member's Accounts shall equal:

(i) the Member's Accounts balance as of the immediately preceding Valuation Date; plus

(ii) the proportionate share of the net earnings or losses, if any, since the immediately preceding Valuation Date on the Investment Funds, made available in determining the net earnings or losses on a Member's Deferrals; plus

(iii) all dividend equivalents payable in relation to the Common Stock (credited in the form of additional shares) since the immediately preceding Valuation Date; plus

(iv) the then value of the Member's Deferrals, if any, credited since the immediately preceding Valuation Date; and less

(v) any payments or distributions made in accordance with the terms of the Plan from the Member's Accounts since the immediately preceding Valuation Date.

(c) The Corporation reserves the right to change from time-to-time the procedures used in valuing the Accounts or crediting (or debiting) the Accounts if it determines that such an action is justified in that it results in a more accurate reflection of the fair market value of assets. In the event of a conflict between the provisions of this Section and such new administrative procedures, those new administrative procedures shall prevail.

(d) In the event that the Corporation determines that any recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Stock or other securities of the Corporation, issuance of warrants or other rights to purchase Common Stock or other securities of the Corporation, or other similar corporate transactions or events affects the Common Stock, an appropriate adjustment to the Member's Common Stock Deferral Account and Stock Option Deferral Account shall be made to prevent reduction or enlargement of the Member's benefits under the Plan.

3.05 **Vesting of Account**

The Member shall be fully vested in his Deferrals and earnings credited to his Accounts.

3.06 **Individual Accounting**

The Corporation shall maintain, or cause to be maintained, records showing the individual balances of each of the Member's Accounts. At least once a year, each Member shall be furnished with a statement setting forth the value of his Accounts.

## ARTICLE 4. PAYMENT OF ACCOUNT

4.01 **Payment of Accounts**

A Member shall be entitled to receive payment of his Accounts upon the Member's termination of employment from the Corporation for any reason.

4.02 **Method of Payment**

(a) Unless otherwise elected as provided hereinafter, payment of the Accounts shall be made in a single lump sum payment on or as soon as administratively possible following the Valuation Date for the month following the month in which the Member terminates employment.

(b) In lieu of receiving an immediate lump sum payment, the Member may elect from time-to-time on a Distribution Election Form to receive his Accounts:

(i) in annual installments over a period allowed by the Corporation ranging from two (2) to ten (10) years as follows:

(A) with respect to Cash Deferral Accounts, annual cash payments calculated by multiplying (I) the balance in the Cash Deferral Account as of the Valuation Date on which such installment payment is being made, times (II) a fraction equal to the reciprocal of the number of years remaining in the annual installment period elected by the Member; and

(B) with respect to Common Stock Deferral Accounts and Stock Option Deferral Accounts, approximately equal annual installments of Common Stock, or

(ii) in a lump sum payment or in installments as provided in subparagraph (i) above beginning as of a specified Valuation Date either before or after his termination of employment in accordance with terms established by the Corporation.

(c) An installment payout election under paragraph (b) above is subject to the approval of the Corporation and to be effective must be made no later than:

(i) the end of the Plan Year prior to the Plan Year in which the election will be effective; and

(ii) at least six (6) months prior to the commencement payout date.

(d) A Member may complete one Distribution Election Form at the time of the Member's initial Deferral hereunder electing a date or dates on which any Member Deferrals will be distributed or begin to be distributed to the Member other than the Member's termination of employment. The initial Deferral election period on the Distribution Election Form must be at least three (3) Plan Years from the Plan Year in which that Deferral occurs.

The Member may subsequently extend any Deferral payout date, if the Member's subsequent Distribution Election Form is executed and delivered to the Corporation at least two (2) Plan Years prior to the then elected payout date.

(e) The Corporation may establish rules and procedures which allow a Member to complete a separate Distribution Election Form for each Account within the Member's Accounts or for an amount in any one of his Accounts based on the value of separate Deferral Agreements. In either situation, the Corporation shall revise the Distribution Election Form procedures under paragraph (d) above to

allow current and subsequent elections to apply to each Account or to amounts in the Accounts based on separate deferral agreements.

4.03 **Hardship Distributions**

The Corporation may, pursuant to rules adopted by it and applied in a uniform manner, accelerate the date of distribution of a Member's Accounts (except the Common Stock Deferral Account and the Stock Option Deferral Account) because of hardship at any time. "Hardship" shall include an unforeseeable, severe financial condition resulting from (a) a sudden and unexpected illness or accident of the Member or his dependents (as defined in Section 152(a) of the Code); (b) loss of the Member's property due to casualty; or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Member, but which may not be relieved through other available resources of the Member, as determined by the Corporation. The amount of the distribution may not be in excess of the amount of the financial need to satisfy the hardship, including any amounts necessary to pay any federal, state or local tax reasonably anticipated to result from the distribution.

4.04 **Other Distributions**

A Member shall be permitted to accelerate payment from his Accounts on or as soon as administratively possible following the Valuation Date coincident with or occurring after at least thirty (30) days written notice to the Corporation. Such payment shall be subject to a ten percent (10%) penalty reduction to the Accounts and the Member's future Deferrals shall be suspended. The Member shall be permitted to reauthorize Deferrals for the Plan Year following the expiration of a twelve (12)-month period after said distribution, provided he still is an Eligible Employee.

4.05 **Accelerated Tax Distributions**

In the event any Deferral is finally determined to be income taxable to the Eligible Employee prior to any distribution event hereunder, then the Account holding that Deferral shall be distributable to the Eligible Employee. The Eligible Employee shall notify the Corporation of the final determination of taxability and will provide all information required by the Corporation.

4.06 **Compensation Committee Deferral of Distributions**

The Compensation Committee may, in its sole discretion, defer payment to a future date of any otherwise scheduled distribution that would otherwise result in the loss of a corporate income tax deduction under Internal Revenue Code Section 162(m).

4.07 **Death Benefit**

If a Member dies before payment of the entire balance of his Accounts, an amount equal to the unpaid portion thereof as of the date of his death shall be made in a single lump sum payment to his Beneficiary on or as soon as administratively possible following the Valuation Date for the month following the month in which the Member dies.

4.08 **Designation of Beneficiary**

Each Member shall file with the Corporation a written designation of one or more persons, trust or other recipient as the Beneficiary who shall be entitled to receive the amount, if any, payable from his Accounts under the Plan upon his death pursuant to this Section 4.07. A Member may, from time to time revoke or change his Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Corporation. The last such designation received by the Corporation shall be controlling; provided however, that no designation, or change or revocation thereof, shall be effective unless received by the Corporation prior to the Member's death, and in no event shall it be effective as of a date prior to such receipt. If no such Beneficiary designation is in effect at the time of the Member's death, or if no designated Beneficiary survives the Member, the Corporation shall distribute the Member's benefits to the following persons in the following order of priority:

(a) The Member's surviving spouse;

(b) The Member's surviving children, in equal shares; or

(c) The legal representative of the Member's estate.

**ARTICLE 5. CHANGE IN CONTROL**

5.01 **Definition of Change in Control**

Change in Control means any of the following events:

(a) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act as in effect as of the date of this Plan), other than the Corporation or any "person" who as of the Effective Date is a director or officer of the Corporation or whose shares of Common Stock of the Corporation are treated as "beneficially owned" (as such term is used in Rule 13d-3 of the Exchange Act as in effect as of the Effective Date) by any such director or officer, becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing twenty-five percent (25%) or more of the combined voting power of the Corporation's then outstanding securities;

(b) Individuals who, as of the Effective Date, constitute the Board of Directors of the Corporation (the "incumbent board") cease for any reason to constitute at least a majority of such Board of Directors, provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election, was approved by a vote of at least a majority of the directors comprising the "incumbent board" shall be considered as though such individual were a member of the "incumbent board," but excluding for this purpose any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a "person" other than such Board of Directors;

(c) A merger or consolidation of the Corporation, other than a merger or consolidation in which the voting securities of the Corporation immediately prior to the merger or consolidation continue to represent (either by remaining outstanding or being converted into securities of the surviving entity) fifty-one percent (51%) or more of the combined voting power of the Corporation or surviving entity immediately after the merger or consolidation with another entity;

(d) A sale, exchange, lease, mortgage, pledge, transfer, or other disposition (in a single transaction or a series of related transactions) of all or substantially all of the assets of the Corporation which shall include, without limitation, the sale of assets or earning power aggregating more than fifty percent (50%) of the assets or earning power of the Corporation on a consolidated basis;

(e) A liquidation or dissolution of the Corporation;

(f) A reorganization, reverse stock split, or recapitalization of the Corporation which would result in any of the foregoing; or

(g) A transaction or series of related transactions having, directly or indirectly, the same effect as any of the foregoing.

5.02 **Application in Change in Control**

To the extent applicable, the provisions of this Article shall control and shall supersede any other provisions of the Plan to the extent inconsistent with the provisions of this Article.

5.03 **Payments to and by the Trust**

If the Corporation determines that it is probable that a Change in Control may occur within the six (6)-month period immediately following the date of determination, or if a Change in Control in fact occurs in those situations where the Corporation has not otherwise made such a determination, the Corporation shall make a contribution to the Trust (if in existence at the date of determination or the date of the Change in Control, as the case may be) in accordance with the provisions of the Trust. Solely for purposes of determining the amount of such contribution (but in no way in limitation of the Corporation's liability under the Plan as determined under other provisions of the Plan), the Corporation's total liability under the Plan shall be equal to the value of all Accounts established under the Plan, which remain unpaid by the Corporation as of the date of determination or the date of the Change in Control, as the case may be, whether or not amounts are otherwise currently payable to Members or Beneficiaries under the Plan. All such contributions shall be made as soon as possible after the date of determination or of the Change in Control, as the case may be, and shall be made in cash and/or Common Stock. Further the Corporation may, in its discretion, make other contributions to the Trust from time-to-time for purposes of providing benefits hereunder, whether or not a Change in Control has occurred or may occur.

Notwithstanding the foregoing, any contributions to the Trust, as well as any net earnings or losses thereon, shall be at all times subject to the provisions of the Trust.

5.04 **Legal Fees and Expenses**

The Corporation shall reimburse any Member or Beneficiary for all reasonable legal fees and expenses incurred by such Member or Beneficiary after the date of any Change in Control in seeking to obtain any right or benefit provided by the Plan.

## ARTICLE 6. GENERAL PROVISIONS

6.01 **Establishment of Rules**

The Corporation shall be responsible for providing for the general administration of the Plan and for carrying out the provisions of the Plan. The Corporation from time-to-time shall establish rules for the administration of the Plan and the transaction of its business. The Corporation shall have total and complete discretion to interpret the Plan, including, but not limited to, the discretion to:

(a) determine all questions arising in the administration, interpretation and application of the Plan, including the power to construe and interpret the Plan;

(b) decide all questions relating to an individual's eligibility for benefits and the amounts thereof;

(c) decide all facts relevant to the determination of eligibility for benefits or participation;

(d) make such adjustments which it deems necessary or desirable to correct any arithmetical or accounting errors; and

(e) determine the amount, form and timing of any distribution to be made hereunder.

In making its decision, the Corporation shall be entitled to, but need not rely upon, information supplied by a Member, Beneficiary, or representative thereof. The Corporation may correct any defect, supply any omission, or reconcile any inconsistency in such manner and to such extent as it shall deem necessary to carry out the purposes of this Plan. The Corporation's decisions in such matters shall be binding and conclusive as to all parties. In providing for the administration of the Plan, the Corporation may delegate responsibilities for the operation and administration of the Plan by a written document or documents filed with the Plan records.

6.02 **Funding**

(a) All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid by a grantor trust established pursuant to paragraph (b) below. To the extent the Member or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

(b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Members participating in the Plan. The Corporation reserves the right to determine the amount of contributions to the Trust and the types of investments used, including, but not limited to, mutual funds, annuities and life insurance contracts. The assets of said trust will be held separate and apart from other Corporation funds, and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:

(i) the creation of said trust shall not cause the Plan to be other than “unfunded” for purposes of Title I of ERISA;

(ii) the Corporation shall be treated as “grantor” of said trust for purposes of Section 677 of the Code; and

(iii) said trust agreement shall provide that its assets may be used to satisfy claims of the grantor’s general creditors in the event of its insolvency, and the rights of such general creditors are enforceable by them under federal and state law.

(c) All Accounts under the Plan shall be for bookkeeping purposes only and shall not represent a claim against specific assets of the Corporation. Nothing contained in this Plan shall be deemed to create a trust of any kind or create any fiduciary relationship. Payments of amounts credited to Accounts under the Plan with respect to those Members and Beneficiaries for whom Trust contributions are made shall be made at the Corporation's option by the Corporation or from the Trust in accordance with the terms of the Trust, but, to the extent not paid by the Corporation, shall be paid by the Trust.

6.03 **No Contract of Employment**

The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation to discharge any officer and to treat him without regard to the effect which such treatment might have upon him as a Member of the Plan.

6.04 **Facility of Payment**

In the event that the Corporation shall find that a Member is unable to care for his affairs because of illness or accident, the Corporation may direct that any benefit payment due him, unless claim shall have been made therefor by a duly appointed legal representative, be paid to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Plan therefor.

6.05 **Withholding Taxes**

The Corporation shall have the right to deduct from each payment to be made under the Plan any required withholding taxes. In the event employment tax liability or state or local tax liability is assessed on amounts paid or payable under this Plan, the Corporation shall have the right to deduct from the payment or from the Member's other Compensation any required employee portion of the employment tax liability or income tax withholding.

6.06 **Nonalienation**

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to do shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the Member or any liability for equitable distribution, alimony or other payments for the support of a spouse or former spouse, or for any other relative of any Member.

6.07 **Construction**

The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated employees. Except to the extent superseded by Federal law, all rights hereunder shall be governed by and construed in accordance with the laws of the State of Ohio (including its statute or limitations provisions). The Plan shall be construed to effectuate its purpose and the Corporation's intent that the Plan be exempt from ERISA, as amended and that amounts deferred hereunder not be subject to Federal income tax until distributed.

Except as otherwise provided by law, any action to enforce a right or obligation hereunder shall be brought in a court of competent jurisdiction in the County of Franklin and State of Ohio.

6.08 **Limitations on Liability**

Notwithstanding any of the preceding provisions of the Plan, neither the Corporation nor any individual acting as employee or agent of the Corporation shall be liable to any Member, former Member or other person for any claim, loss, liability or expense incurred in connection with the Plan. The Corporation does not undertake any responsibility to any Member for the tax consequences of a particular Member's election to defer income under this Plan.

6.09 **Administrative Expense**

All expenses of administering this Plan shall be paid by the Corporation and no part of the expenses or taxes on the Corporation shall be charged against any Member's Accounts or any benefits distributed under the Plan.

6.10 **Claims and Review Procedures**

(a) In accordance with any rules and procedures adopted by the Corporation, applications for benefits shall be submitted to the Corporation on a prescribed form signed by the Member or, in the case of a death benefit, by his Beneficiary.

The Corporation shall, within 90 days after the receipt of a written claim, send written notification to the Participant or Beneficiary (referred to in the remainder of this Section as the "claimant") as to its disposition, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial ninety (90)-day period. In no event shall such extension exceed a period of ninety (90) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Corporation expects to render the final decision.

In the event the claim is wholly or partially denied, the written notification shall state the specific reason or reasons for the denial, include specific references to pertinent Plan provisions on which the denial is based, provide an explanation of any additional material or information necessary for the claimant to perfect the claim and a statement of why such material or information is necessary, and set forth the procedure by which the claimant may appeal the denial of the claim. If the claim has not been granted and notice is not furnished within the time period specified in the preceding paragraph, the claim shall be deemed denied for the purpose of proceeding to appeal in accordance with paragraph (b) below.

(b) In the event a claimant wishes to appeal the denial of his claim, he may request a review of such denial by making written application to the Corporation within sixty (60) days after receipt of the written notice of denial (or the date on which such claim is deemed denied if written notice is not received within the applicable time

period specified in paragraph (a) above). Such claimant (or his duly authorized representative) may, upon written request to the Corporation, review documents which are pertinent to such claim, and submit in writing issues and comments in support of his position. Within sixty (60) days after receipt of the written appeal (unless an extension of time is necessary due to special circumstances or is agreed to by the parties, but in no event more than one hundred twenty (120) days after such receipt), the Corporation shall notify the claimant of its final decision. Such final decision shall be in writing and shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. If the claim has not been granted and written notice is not provided within the time period specified above, the appeal shall be deemed denied.

(c) If the claimant does not follow the procedures set forth in paragraphs (a) and (b) above, the claimant shall be deemed to have waived his right to appeal benefit determinations under the Plan. In addition, the decisions, actions, and records of the Corporation shall be conclusive and binding upon the Corporation and all persons having or claiming to have any right or interests in or under the Plan.

6.11 **Illegal or Invalid Provision**

In case any provision of the Plan shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced without regard to such illegal or invalid provision.

6.12 **Gender and Number**

Except as otherwise indicated by context, masculine terminology used herein also includes the feminine, and terms used in the singular may also include the plural.

6.13 **Successors**

All obligations of the Corporation under the Plan shall be binding on any successor to the Corporation, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Corporation, or a merger, consolidation or otherwise.

**ARTICLE 7. AMENDMENT OR TERMINATION**

The Corporation reserves the right to modify or to amend, in whole or in part, or to terminate this Plan any time by action of its Compensation Committee, taken at a meeting held either in person or by telephone or other electronic means, or by unanimous written consent by lieu of a meeting. However, no modification or amendment of the Plan shall adversely affect the right of any Member to receive the benefits granted under the Plan by the Corporation in respect to such Member as of the date of modification or amendment.

If the Plan is terminated, payments from the Accounts of all Members and Beneficiaries shall be made as soon as administratively convenient in the form of monthly payments over a three (3)-year period; however, the Compensation Committee, in its sole discretion, may pay benefits in a lump sum.

Notwithstanding the foregoing, following a Change in Control no modification, amendment or termination of the Plan shall change the right of any Member to direct investments, to direct the investment forms, to make distribution elections whether in-service or at termination of service from those rights the Member had at the date of modification, amendment or termination, without the written consent of a majority in number of the Members, except when to comply with legal or regulatory requirements necessary to maintain the tax deferred status of any Deferrals.

**Exhibit 10(m)**

EMPLOYMENT AGREEMENT

THIS AGREEMENT made effective February 15, 2004 by and between**HUNTINGTON BANCSHARES INCORPORATED**, a Maryland corporation, with its principal office at the Huntington Center, 41 South High Street, Columbus, OH 43287 ("Huntington") and **THOMAS E. HOAGLIN**, residing at [Home Address] ("Executive").

R E C I T A L S:

WHEREAS, Executive is employed by Huntington as Chairman, President and Chief Executive Officer of Huntington;

WHEREAS, Huntington desires to continue to employ Executive and secure for itself the continued services of Executive upon the terms and conditions specified herein; and

A G R E E M E N T:

NOW, THEREFORE, in consideration of such employment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

I. Employment Duties and Term.

A. Executive is employed as Huntington's Chairman, President and Chief Executive Officer and shall perform such duties as Huntington through its Board of Directors from time to time shall determine; provided, however, that such duties shall be comparable to those ordinarily expected of the Chairman, President and Chief Executive Officer of Huntington. Executive shall devote substantially all of his time and effort to the performance of such duties. Executive shall serve as an officer of any of Huntington's affiliate corporations, and as a director of Huntington and any of its affiliates if duly elected at any time or times during the term of this Agreement.

B. Executive's employment and the initial term of this Agreement shall be for a period commencing on February 15, 2004 ("Commencement Date"), and ending on February 14, 2007 ("Termination Date"), unless terminated at an earlier date pursuant to an event described in Section III of this Agreement (referred to hereafter as the "employment period"). After the initial term, this Agreement shall be automatically renewed on February 15, 2007 for a term of three (3) years and, if not terminated as provided herein, every three (3) years thereafter unless either party gives the other party written notice at least 60 days prior to the Termination Date of such party's intent not to renew the Agreement. During each subsequent renewal term, the Termination Date, as used herein, shall be the day following the third anniversary of the day on which the renewal term begins.

II. Compensation.

Huntington agrees to pay to Executive and Executive agrees to accept the following amounts as compensation in full for his services in any capacity hereunder, including services as an officer, director or member of any committee or in the performance of other like duties assigned to him by the Board of Directors of Huntington.

A. Base Compensation. Huntington shall pay to Executive a base annual salary of not less than $800,000 payable in semi-monthly installments plus such increased base annual compensation that the Compensation Committee of the Board of Directors or the Board of Directors of Huntington may authorize as provided herein (the "Minimum Annual Base Salary"). The compensation of Executive shall be reviewed in good faith by both parties no less often than annually during the term and any renewal terms and may be increased by mutual consent, but in no event shall the annual base salary be less than the Minimum Annual Base Salary described above.

B. Participation in Huntington's Incentive Compensation Plans. Executive will participate in Huntington's Incentive Compensation Plan and Huntington's 2001 Stock and Long-Term Incentive Plan (the "Stock Plan"), as in effect on the date hereof, as well as any amended and restated or successor plans (such plans shall be referred to hereinafter as the "Incentive Compensation Plans").

C. Participation in Retirement Plan and Rights Under Other Agreements. Executive shall be entitled to certain rights and benefits as in effect on the date hereof under a) the Huntington Investment and Tax Savings Plan (the "401(k) Plan"), b) the Huntington Supplemental Stock Purchase and Tax Savings Plan (the "Supplemental Plan") c) Huntington Bancshares Retirement Plan (the "Qualified Plan"), d) Huntington Bancshares Supplemental Retirement Income Plan (the "SRIP") and e) the Executive Deferred Compensation Plan (the "Deferred Compensation Plan"). Executive's rights and benefits under such plans shall continue in effect and shall not in any manner be altered or affected by this Agreement other than any increase in benefits as a result of the terms of this Agreement.

D. Other Fringe Benefits. In addition to the benefits provided for in subsections (B) and (C) of this Section II, Executive shall receive and enjoy other fringe benefits, including without limitation participation in or coverage under: the Tax and Financial Planning Services Program, transition pay plan, health care insurance (including any health care and dependent care flexible spending account plan), long term and short term disability insurance, group life insurance, business travel insurance, employee assistance plan, Section 125 premium only cafeteria plan and tuition reimbursement plan, paid vacations, paid reserved parking, paid initiation fees for memberships in country clubs and luncheon clubs (with Executive responsible for regular dues and assessments) designated by Executive, and payment of dues in those professional organizations designated by Executive. All such fringe benefits shall be comparable in scope and amount with Executive's status as Chief Executive Officer and with those fringe benefits accorded prior chief executive officers of Huntington. In addition, Executive shall be

entitled to reimbursement for all out-of-pocket expenses incurred by Executive in the performance of his duties hereunder, provided that such reimbursement shall be in accordance with Huntington's then existing policy regarding the same.

E. Participation in Future Compensation, Retirement, and Fringe Benefit Plans In addition to the benefits provided for in subsections (B), (C), and (D) of this Section II, Executive shall participate in and shall also receive and enjoy such other compensation, retirement, or fringe benefits which are now or in the future made available to executives of Huntington.

F. Discontinuance of Fringe Benefits. If at any time prior to the termination of Executive's employment in accordance with the terms of this Agreement, Huntington shall for any reason discontinue or cause a material reduction in retirement or fringe benefits specified in subsections (C), (D) or (E) of this Section II, Huntington shall thereupon immediately, at its expense, provide Executive with individual coverage or benefits comparable to (and not less beneficial than) the benefits in existence prior to such discontinuance or material reduction until termination of this Agreement.

G. Security. Corporate officers in positions similar to that occupied by Executive have, by virtue of their position, been the target of terrorists acts, kidnapping, burglary, robbery, extortion, hijacking and other threats to the health, life, safety and property of similarly situated officers. In order to reduce the risk of harm to Executive, Executive shall be entitled to receive from time to time, if and whenever Executive, Huntington's Director of Security and, to the extent utilized by Huntington, any independent security consultant determine, at Huntington's expense, security services and protection as they determine to be appropriate under the circumstances. Such security services may include, but not by way of limitation: (a) at Executive's customary residences, dedicated phone lines for audio, data and alarm transmission, fire, smoke, intrusion detection and alarm systems and devices, perimeter protection, including fences, gates and camera; and (b) the employment of one or more personal security escorts. In addition, Executive and Executive's spouse when accompanied by Executive may utilize, to the extent feasible, corporate owned or leased aircraft. Executive's personal use of such aircraft shall be taxable to Executive in accordance with applicable tax laws.

III. Termination.

A. Disability. If during the term of this Agreement Executive shall be unable to perform substantially his duties hereunder because of illness or other incapacity (referred to hereafter as "Disability"), and such Disability shall continue for a period of more than six (6) consecutive months in any twelve month period, Huntington shall thereafter have the right, on not less than forty-five (45) days written notice to Executive, to terminate this Agreement, in which case the date of termination shall be not less than the forty-fifth (45th) day following the date of written notice. In such event, in addition to any other benefits to which Executive would be entitled, Huntington shall be obligated to pay Executive his full compensation pursuant to Sections II (A) and (B) hereof up to the date of termination; thereafter

Huntington shall be obligated to pay Executive an amount equal to two-thirds (2/3) of the base salary pursuant to Section II(A) hereof less any benefits which Executive receives during such period from any disability insurance program which Huntington may provide Executive. The compensation provided under this paragraph shall continue for the full period of Disability or until the Termination Date, whichever first occurs.

A determination of Disability shall be subject to the certification of a qualified medical doctor agreed to by Huntington and Executive or, in the event of Executive's incapacity to designate a qualified medical doctor, by Executive's legal representative. If Huntington and Executive fail to agree upon a qualified medical doctor, each party shall nominate a qualified medical doctor and the two doctors shall select a third doctor, who shall make the determination as to Disability.

Executive's compensation and benefits described in Section II shall be reinstated in full upon his return to employment and the discharge of his full duties hereunder.

B. Death. In the event of Executive's death during his employment hereunder, in addition to any other benefits to which any person would be entitled upon Executive's death, his semi-monthly compensation under Section II(A) shall continue until the last day of the sixth full calendar month following the month in which his death occurs. Compensation to which Executive is entitled pursuant to Section II(B) hereof shall be paid pursuant to the terms of Huntington's Incentive Compensation Plans. Executive's compensation for the period following his death shall be paid to the beneficiary indicated on the Beneficiary Designation attached hereto as Exhibit A.

C. Voluntary Termination. Except as provided for in Section III(E) or (F), in the event Executive voluntarily terminates his employment, he shall cease to receive compensation as of the date of termination of his employment, except that to which he is then entitled pursuant to Huntington's Incentive Compensation Plans.

D. Termination for Cause. In the event that the Board of Directors determines that Executive's employment pursuant to this Agreement should be terminated for cause, Executive shall be entitled to receive only the compensation earned pursuant to Huntington's Incentive Compensation Plans as of the date of termination. "Cause" means fraud, embezzlement, gross negligence, or willful misconduct by Executive in the performance of his duties or a material default by Executive of his duties hereunder. For purposes of this paragraph, no act or failure to act on Executive's part shall be considered "willful" unless done or omitted to be done by him not in good faith and without reasonable belief that his action or omission was in the best interest of Huntington. If Huntington decides to terminate this Agreement as provided in this Section, Huntington will give Executive advance written notice of its intention to terminate this Agreement 30 days prior the termination.

E. Termination without Cause. In the event that the employment of Executive shall be terminated: (a) by the Board of Directors without cause, or (b) by Executive for Good Reason, Executive or his designated beneficiary, shall be entitled to his Minimum

Annual Base Salary, participation in the Incentive Compensation Plans at not less than the target levels if actual performance is lower, retirement and fringe benefits all as provided in accordance with Section II herein (a) until the Termination Date or (b) if longer, for two years after such termination. For the purpose of this Agreement, "Good Reason" shall mean: (a) the withholding from Executive of the authority, duties, responsibilities and status which are consistent with Executive's position as the Chairman, President and Chief Executive Officer of Huntington and its principal subsidiary The Huntington National Bank; (b) the removal of Executive from the Board of Directors of Huntington; or (c) the breach of this Agreement by Huntington.

F. Change of Control. In the event that Huntington shall have undergone a Change of Control, in lieu of any compensation otherwise provided under this Agreement, Executive shall be entitled to the benefits described in the Executive Agreement dated October 16, 2002 between Executive and Huntington or any amended or successor agreement (the "Executive Agreement") upon the termination of his employment, either voluntarily by Executive or by Huntington for any reason except Executive's Disability or death. For purposes of this Agreement "Change of Control" shall have the meaning defined in the Executive Agreement.

G. Mitigation. In the event Executive's employment terminates as a result of a Disability as set forth in Section III(A) herein, Executive's employment pursuant to this Agreement is terminated without cause, as set forth in Section III(E) herein, or Executive is terminated pursuant to a Change of Control, as set forth in Section III(F) herein, Executive shall have no duty to mitigate his damages by seeking other Employment, and Huntington shall not be entitled to set off against amounts payable hereunder any compensation which he may receive from future employment.

H. Health Care. Notwithstanding any other provisions of this Agreement or any other Agreement between Executive and Huntington, in the event that Executive's employment hereunder terminates during the initial term or any renewal term of this Agreement other than as a result of or a termination for cause pursuant to Section III(D), Huntington will provide Executive health insurance coverage to Executive and his spouse, if any, which is comparable in terms of coverage, deductibles, co-payments and costs as the health care coverage provided to Executive during Executive's employment with Huntington until the earlier of such time as Executive is entitled to health care coverage under another employer's plan, Executive is eligible for Medicare or other comparable program, or Executive is entitled to health care insurance pursuant to any health care insurance plan provided by Huntington to retired employees.

IV. Executive's Rights Under Certain Plans.

Notwithstanding anything contained herein, Huntington agrees that the benefits provided to Executive herein are not in lieu of any rights and privileges to which Executive may be entitled as an employee of Huntington under any retirement, pension, insurance,

hospitalization, or other plan which may now or hereafter be in effect, it being understood that, except to the extent currently provided in such plans, Executive shall have the same rights and privileges to participate in such plans or benefits as any other employee of Huntington.

If Executive shall be entitled to participate in any retirement or fringe benefit plan pursuant to the terms of this Agreement after the cessation of his employment and if the terms of any such retirement or fringe benefit plan do not permit continued participation by Executive after termination of employment, then Huntington will arrange for other coverage at Huntington's expense providing substantially similar benefits in a manner which is tax neutral to Executive.

If continued participation in any retirement plan is not permitted by law or the terms of the plan, Huntington shall pay to Executive or, if applicable, his beneficiary, a supplemental benefit equal to the value on the date of termination of employment of the excess of (a) the after-tax benefit Executive would have been paid under such plan if he had continued to be covered as if Executive had earned compensation described under Section II above and had made contributions sufficient to earn the maximum matching contribution, if any, under such plan (less any amounts he would have been required to contribute), over (b) the after-tax benefit actually payable to or on behalf of the Executive under such plan. For purposes of determining the benefit under (a) in the preceding sentence, contributions deemed to be made under a defined contribution plan will be deemed to be invested in the same manner as Executive's account under such plan at the time of termination of employment. Huntington shall pay such supplemental benefits (if any) in a lump sum within 60 days of the termination of employment.

V. Confidential Information.

Executive agrees to receive Confidential Information (defined below) of Huntington in confidence, and not to disclose to others, assist others in the application of, or use for his own gain, such information, or any part thereof, unless and until it has become public knowledge or has come into the possession of such other or others by legal and equitable means and other than as a result of disclosure by Executive. Executive further agrees that, upon termination of his employment with Huntington, all documents, records, notebooks, and similar repositories containing Confidential Information, including copies thereof, then in Executive's possession, whether prepared by him or others, will be left with Huntington. For purposes of this Section V, "Confidential Information" means information disclosed to Executive or known by Huntington, not generally known in the business in which Huntington is or may become engaged, including, but not limited to, information about Huntington's services, trade secrets, financial information, customer lists, books, records, memoranda, and other proprietary information of Huntington.

Executive further agrees that during the employment period he will devote substantially all of his time and effort to the performance of his duties hereunder and will refrain from engaging on his own behalf or on the behalf of a third party in any line of activities or business in which Huntington is or may become engaged.

VI. Place of Performance.

In connection with his employment by Huntington, Executive shall not be required to relocate or transfer his principal residence and shall not be required to perform services which would make the continuance of his principal residence in Columbus, Ohio, unreasonably difficult or inconvenient for him. Huntington shall give Executive at least three months' advance notice of any relocation of its principal executive offices to a location more than fifty miles from Executive's principal residence in Columbus, Ohio. In the event that Executive shall thereupon elect to relocate his principal residence within fifty miles of the principal executive offices of Huntington, Huntington shall promptly pay (or reimburse Executive for) all reasonable relocation expenses incurred by Executive relating to a change of his principal residence in connection with any such relocation of Huntington's principal executive offices. In the event that Executive shall not relocate his principal residence, he shall make himself available for performance in Columbus, Ohio, of the services described in Section I herein.

VII. Successors.

A. This Agreement shall inure to the benefit of and be binding upon Huntington, its successors and assigns, including without limitation, any person, partnership, or corporation which may acquire voting control of Huntington or all or substantially all of the Huntington's assets and business, or which may be a party to any consolidation, merger, or other transaction that results in a Change of Control of Huntington.

B. This Agreement shall also inure to the benefit of and be binding on Executive, his heirs, successors, and legal representatives.

VIII. COBRA Continuation Coverage.

Notwithstanding any provision of this Agreement to the contrary, in the event of any qualifying event, as defined in Section 4980B of the Internal Revenue Code (the "Code"), Executive and his qualifying beneficiaries shall be entitled to continuation of health care coverage, as provided under Section 4980B of the Code. The foregoing is intended as a statement of Executive's continuation coverage rights and is in no way intended to limit any greater rights of Executive or his qualified beneficiaries under this Agreement. If a greater benefit is available to Executive or his qualifying beneficiaries under this Agreement or otherwise, Executive or his qualified beneficiaries may forego continuation coverage and elect instead such greater benefit.

IX. Indemnification.

Huntington, as provided for in its Articles of Association, shall indemnify Executive to the full extent of the general laws of the State of Maryland, now or hereafter in force, including the advance of expenses under procedures provided by such laws.

X. Savings Clause.

If any payments otherwise payable to the Executive under this Agreement are prohibited or limited by any statute or regulation in effect at the time the payments would otherwise be payable, including, without limitation, any regulation issued by the Federal Deposit Insurance Company (the "FDIC") that limits executive change of control payments that can be made by an FDIC insured institution or its holding company if the institution is financially troubled (any such limiting statute or regulation a "Limiting Rule"):

(A) Huntington will use its best efforts to obtain the consent of the appropriate governmental agency (whether the FDIC or any other agency) to the payment by Huntington to the Executive of the maximum amount that is permitted (up to the amounts that would be due to the Executive absent the Limiting Rule); and

(B) the Executive will be entitled to elect to have apply, and therefore to receive benefits directly under, either (a) this Agreement (as limited by the Limiting Rule) or (b) any generally applicable Huntington severance, separation pay, and/or salary continuation plan that may be in effect at the time of the Executive's termination.

Following any such election, the Executive will be entitled to receive benefits under this agreement or plan elected only if and to the extent the agreement or plan is applicable and subject to its specific terms.

XI. Forfeiture.

Notwithstanding any other provisions of this Agreement:

(A) If Huntington is required to prepare an accounting restatement due to material non-compliance of Huntington, as a result of misconduct, with any financial reporting requirement under the Federal securities laws, Executive shall reimburse Huntington for all amounts received under any Incentive Compensation Plans received from Huntington during the twelve (12) month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement; and any profits realized from the sale of securities of Huntington during that twelve (12) month period, unless the application of this provision has been exempted by the Securities and Exchange Commission.

(B) If the Compensation Committee of the Board of Directors of Huntington (the "Committee") shall determine that Executive has engaged in a serious breach of conduct, the Committee may terminate any award under any Stock Plan or require Executive to repay any gain realized on the exercise of an award in accordance with the terms of the Stock Plan.

(C) If Executive is found guilty of misconduct by any judicial or administrative authority in connection with any (i) formal investigation by the Securities and Exchange Commission or (ii) other federal or state regulatory investigation, the Committee may require the repayment of any gain realized on the exercise of award under any Stock Plan without regard to the timing of the determination of misconduct in relation to the timing of the exercise of the award.

XII. Applicable Law.

This Agreement shall be governed in all respects by the laws of the State of Ohio.

XIII.XII. Notices.

All notices under this Agreement shall be in writing, and will be duly sent if sent by registered or certified mail to the respective parties' addresses shown hereinabove, or such other addresses as the parties may hereafter designate in writing for such purpose.

XIV. Assignment.

Except as expressly provided herein, neither this Agreement nor any rights, benefits, or obligations hereunder may be assigned by Huntington or Executive without the prior written consent of the other.

XV. Waiver.

The failure by a party to exercise or enforce any of the terms or conditions of this Agreement will not constitute or be deemed a waiver of that party's rights hereunder to enforce each and every term of this Agreement. The failure by a party to insist upon strict performance of any of the terms and provisions herein will not be deemed a waiver of any subsequent default in the terms or provisions herein.

XVI. Rights and Remedies Cumulative.

All rights and remedies of the parties hereunder are cumulative.

XVII. Divisibility.

The provisions of this Agreement are divisible. If any such provision shall be deemed invalid or unenforceable, it shall not affect the applicability or validity of any other provision of this Agreement, and if any such provision shall be deemed invalid or unenforceable as to any periods of time, territory, or business activities, such provision shall be deemed limited to the extent necessary to render it valid and enforceable.

XVIII. Captions and Titles.

Captions and titles have been used in this Agreement only for convenience and in no way define, limit, or describe the meaning of any Article or any part thereof.

XIV. Capitalized Terms.

Capitalized terms not otherwise defined herein have the meaning given in the Executive Agreement.

IN WITNESS WHEREOF, the parties have signed this Agreement which is effective immediately on the date and year first above written.

ATTEST

Richard A. Cheap, Secretary

Huntington Bancshares Incorporated

By:

Jay Gerlach
Chairman of the Compensation Committee
Of the Board of Directors

Thomas E. Hoaglin

**Exhibit 12**

**Ratio of Earnings to Fixed Charges**
***(Unaudited and Restated)***

| *(in thousands of dollars)* | Twelve Months Ended December 31, 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| **Earnings:** | | | | | |
| Income before taxes | $ 523,987 | $ 522,705 | $ 95,477 | $ 448,454 | $ 602,325 |
| Add: Fixed charges, excluding interest on deposits | 179,903 | 169,788 | 299,872 | 398,214 | 356,563 |
| Earnings available for fixed charges, excluding interest on deposits | 703,890 | 692,493 | 395,349 | 846,668 | 958,888 |
| Add: Interest on deposits | 288,271 | 385,733 | 654,056 | 782,076 | 639,605 |
| Earnings available for fixed charges, including interest on deposits | $ 992,161 | $ 1,078,226 | $ 1,049,405 | $ 1,628,744 | $ 1,598,493 |
| **Fixed Charges:** | | | | | |
| Interest expense, excluding interest on deposits | $ 168,499 | $ 157,888 | $ 285,445 | $ 383,997 | $ 344,635 |
| Interest factor in net rental expense | 11,404 | 11,900 | 14,427 | 14,217 | 11,928 |
| Total fixed charges, excluding interest on deposits | 179,903 | 169,788 | 299,872 | 398,214 | 356,563 |
| Add: Interest on deposits | 288,271 | 385,733 | 654,056 | 782,076 | 639,605 |
| Total fixed charges, including interest on deposits | $ 468,174 | $ 555,521 | $ 953,928 | $ 1,180,290 | $ 996,168 |
| **Ratio of Earnings to Fixed Charges** | | | | | |
| Excluding interest on deposits | **3.91x** | **4.08x** | **1.32x** | **2.13x** | **2.69x** |
| Including interest on deposits | **2.12x** | **1.94x** | **1.10x** | **1.38x** | **1.60x** |

## Table 1—Selected Financial Data

| (in thousands of dollars, except per share amounts) | Year Ended December 31, 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| Total interest income | $ 1,305,756 | $ 1,293,195 | $ 1,654,789 | $ 1,833,388 | $ 1,795,214 |
| Total interest expense | 456,770 | 543,621 | 939,501 | 1,163,278 | 982,370 |
| Net interest income | 848,986 | 749,574 | 715,288 | 670,110 | 812,844 |
| Provision for loan and lease losses | 163,993 | 194,426 | 257,326 | 61,464 | 70,335 |
| Net interest income after provision for loan and lease losses | 684,993 | 555,148 | 457,962 | 608,646 | 742,509 |
| Securities gains | 5,258 | 4,902 | 723 | 37,101 | 12,972 |
| Gain on sale of Florida operations | — | 182,470 | — | — | — |
| Merchant Services gain | — | 24,550 | — | — | — |
| Gains on sale of credit card portfolios | — | — | — | — | 108,530 |
| Non-interest income | 1,063,895 | 1,129,782 | 1,199,219 | 1,086,101 | 933,356 |
| Non-interest expense | 1,236,825 | 1,325,174 | 1,482,470 | 1,283,131 | 1,147,988 |
| Restructuring (releases) charges | (6,666) | 48,973 | 79,957 | — | 46,791 |
| Income before income taxes | 523,987 | 522,705 | 95,477 | 448,717 | 602,588 |
| Income taxes | 138,294 | 198,974 | (39,319)[2] | 126,299 | 188,433 |
| Income before cumulative effect of change in accounting principle | 385,693 | 323,731 | 134,796 | 322,418 | 414,155 |
| Cumulative effect of change in accounting principle, net of tax [1] | (13,330) | — | — | — | — |
| **Net Income** | $ 372,363 | $ 323,731 | $ 134,796 | $ 322,418 | $ 414,155 |
| **Per Common Share** [3] | | | | | |
| Income before cumulative effect of change in accounting principle—basic | $ 1.68 | $ 1.34 | $ 0.54 | $ 1.30 | $ 1.63 |
| Net Income per common share—basic | 1.62 | 1.34 | 0.54 | 1.30 | 1.63 |
| Income before cumulative effect of change in accounting principle—diluted | 1.67 | 1.33 | 0.54 | 1.29 | 1.62 |
| Net Income per common share—diluted | 1.61 | 1.33 | 0.54 | 1.29 | 1.62 |
| Cash dividends declared | 0.67 | 0.64 | 0.72 | 0.76 | 0.68 |
| Book value at year-end | 9.93 | 9.40 | 9.32 | 9.31 | 8.57 |
| **Balance Sheet Highlights** | | | | | |
| Total assets (period end) | $ 30,483,804 | $ 27,527,932 | $ 28,458,769 | $ 28,534,567 | $ 29,397,036 |
| Total long-term debt (period end) [4] | 5,534,979 | 3,233,801 | 2,722,332 | 3,363,126 | 4,001,827 |
| Average long-term debt [4] | 4,559,140 | 3,334,393 | 3,410,475 | 4,004,502 | 4,119,252 |
| Average shareholders' equity | 2,196,348 | 2,238,761 | 2,330,968 | 2,191,788 | 2,091,720 |
| Average total assets | 28,942,770 | 26,033,243 | 28,091,603 | 28,550,540 | 28,634,986 |
| **Key Ratios and Statistics** | | | | | |
| **Margin Analysis—As a % of Average Earning Assets** [5] | | | | | |
| Interest income | 5.35% | 6.23% | 7.58% | 8.13% | 7.75% |
| Interest expense | 1.86 | 2.61 | 4.29 | 5.13 | 4.22 |
| **Net Interest Margin** | 3.49% | 3.62% | 3.29% | 3.00% | 3.53% |
| Return on average assets [6] | 1.33% | 1.24% | 0.48% | 1.13% | 1.45% |
| Return on average shareholders' equity [6] | 17.6 | 14.5 | 5.8 | 14.7 | 19.8 |
| Efficiency ratio | 63.9 | 65.6 | 79.2 | 70.5 | 62.1 |
| Dividend payout ratio [7] | 40.1 | 48.1 | 133.3 | 58.9 | 42.0 |
| Average shareholders' equity to average assets | 7.59 | 8.60 | 8.30 | 7.68 | 7.30 |
| Effective tax rate | 26.4 | 38.1 | (41.2)[2] | 28.1 | 31.3 |
| Tangible equity to assets (period end) | 6.80 | 7.22 | 5.86 | 5.69 | 5.18 |
| Tier I risk-based capital ratio (period end) | 8.53 | 8.34 | 7.02 | 7.13 | 7.46 |
| Total risk-based capital ratio (period end) | 11.95 | 11.25 | 10.07 | 10.29 | 10.57 |
| Tier I leverage ratio | 7.98 | 8.51 | 7.16 | 6.85 | 6.64 |
| **Other Data** | | | | | |
| Full-time equivalent employees | 7,983 | 8,177 | 9,743 | 9,693 | 9,516 |
| Domestic banking offices | 338 | 343 | 481 | 508 | 515 |

(1) Due to the adoption of FASB Interpretation No. 46 for variable interest entities.
(2) Reflects a $32.5 million reduction related to the issuance of $400 million of REIT subsidiary preferred stock, of which $50 million was sold to the public.
(3) Adjusted for stock splits and stock dividends, as applicable.
(4) Excludes capital securities and Federal Home Loan Bank advances.
(5) Presented on a fully taxable equivalent basis assuming a 35% tax rate.
(6) Based on income before cumulative effect of change in accounting principle, net of tax.
(7) Based on diluted earnings per share before cumulative effect of change in accounting principle.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### INTRODUCTION

Huntington Bancshares Incorporated (Huntington or the company) is a multi-state diversified financial holding 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, West Virginia, Indiana, and Kentucky. Selected financial services are also conducted in other states including Arizona, Florida, Georgia, Maryland, New Jersey, Pennsylvania, and Tennessee. Huntington has a foreign office in the Cayman Islands and a foreign office in Hong Kong. The Huntington National Bank (the Bank), organized in 1866, 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 report.

#### FORWARD-LOOKING STATEMENTS

This 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, including pending acquisitions, 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 Annual Report on Form 10-K for the year ended December 31, 2003, and other factors described in this report and from time to time in other filings with the Securities and Exchange Commission.

Management encourages readers of this 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.

#### RISK FACTORS

Huntington, like other financial companies, is subject to a number of risks, many of which are outside of Management's control, though Management strives to manage those risks while optimizing returns. Among the risks assumed are: (1) credit risk, which is the risk that loan and lease customers or other counter parties will be unable to perform their contractual obligations, (2) market risk, which is the risk that changes in market rates and prices will adversely affect Huntington's financial condition or results of operation, (3) liquidity risk, which is the risk that Huntington and / or the Bank will have insufficient cash or access to cash to meet operating needs, and (4) operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The description of Huntington's business contained in Item 1 of its Annual Report on Form 10-K for the year ended December 31, 2003, while not all inclusive, discusses a number of business risks that, in addition to the other information in this report, readers should carefully consider.

#### SECURITIES AND EXCHANGE COMMISSION INVESTIGATION

On June 26, 2003, Huntington announced that the Securities and Exchange Commission (SEC) staff is conducting a formal investigation. The SEC 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, and following 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. The investigation is ongoing and Huntington continues to cooperate fully with the SEC. To the best of its knowledge, Management believes that the actions it has taken to date have addressed all known accounting issues.

## CRITICAL ACCOUNTING POLICIES AND USE OF SIGNIFICANT ESTIMATES

Huntington's financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires Management to establish critical accounting policies and make accounting estimates, assumptions, and judgments that affect amounts recorded and reported in its financial statements. Note 1 of the Notes to Consolidated Financial Statements included in this report lists significant accounting policies used by Management in the development and presentation of Huntington's financial statements. This discussion and analysis, the significant accounting policies, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors that are necessary for an understanding and evaluation of the organization and its financial position, results of operations, and cash flows.

An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements if a different amount within a range of estimates were used or if estimates changed from period to period. Readers of this report should understand that estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce actual results that differ from when those estimates were made. Management has identified the following as the most significant accounting estimates and their related application. This analysis is included to emphasize that estimates are used in connection with the critical and other accounting policies and to illustrate the potential effect on the financial statements if the actual amount were different from the estimated amount.

- ***Allowance for loan and lease losses*** – At December 31, 2003, the allowance for loan and lease losses (ALLL) was $335.3 million. The ALLL represents Management's estimate as to the level of a reserve considered appropriate to absorb inherent credit losses in the loan and lease portfolio. Many factors affect the ALLL, some quantitative, some subjective. Management believes the process for determining the ALLL considers the potential factors that could result in credit losses. However, the process includes judgmental elements and may be subject to significant change. To the extent actual outcomes differ from Management estimates, additional provision for credit losses could be required, which could adversely affect earnings or financial performance in future periods. A discussion about the process used to estimate the ALLL is presented in the Credit Risk section of Management's Discussion and Analysis in this report.
- ***Loan servicing rights*** – At December 31, 2003, there were $71.1 million of mortgage servicing rights and $17.7 million of automobile servicing rights included in other assets. No active market exists for Management to observe market prices for these financial instruments. To estimate fair values, Management estimates future prepayments on the loans serviced for others, future ancillary revenue, future costs to service these assets, and the appropriate discount rate to use. Note 7 of the Notes to Consolidated Financial Statements contains an analysis of the impact to the fair value of mortgage servicing rights to changes in the estimates used by Management. A discussion about the process used to estimate the fair value of mortgage servicing rights is presented in the non-interest income section of Management's Discussion and Analysis in this report.
- ***Lease residual values underlying operating leases***– At December 31, 2003, there were $814.1 million of residual values related to operating lease assets reflected as a component of operating lease assets on the balance sheet. In March 2001, Huntington purchased two residual value insurance policies to mitigate the risk of declines in residual values. The first policy provides first dollar loss coverage on the portfolio of existing automobile leases at October 1, 2000 and has a cap on insured losses of $120 million. The second policy insures losses on new lease originations from October 2000 through April 2002 and has a cap of $50 million. On a quarterly basis, Management reviews the expected future residual value losses for leased automobiles covered by these two insurance policies taking into consideration the insurance policy caps on insured losses. As a result of that review, Management determines how much impairment, if any, needs to be recognized on these operating leases and whether the residual value should be adjusted prospectively. At December 31, 2003, Management believed the residual values of its leases properly reflected expected residual value losses. However, due to the existence of caps on insured losses within these two insurance policies, future increases in residual value losses in excess of these caps could negatively impact Huntington's results from operations. Specifically, any residual losses exceeding the cap amounts would result in higher operating lease depreciation expense being recognized over the remaining life of the related leases. Further discussion about the process used to estimate the risk of residual value losses on operating leases is presented in the Market Risk section of Management's Discussion and Analysis in this report. Notes 1 and 9 to the Notes of the Consolidated Financial Statements included in this report explain the accounting for operating lease assets in more detail.

## DISCUSSION OF RESULTS

### Summary

Huntington reported net income in 2003 of $372.4 million, or $1.61 per common share (diluted), up 15% and 21%, respectively, from 2002. Earnings in 2002 were $323.7 million, or $1.33 per common share (diluted), up from $134.8 million, or $0.54 per common share (diluted), in 2001. The returns on average common equity (ROE) for 2003, 2002, and 2001 were 17.6%, 14.5%, and 5.8%, respectively, with returns on average assets of 1.33%, 1.24%, and 0.48%, respectively (see Table 1).

The period 2001 to 2003 was one of significant transformation for the company. During 2001, the equity markets continued to weaken, economic activity started to slow appreciably after a decade-long expansion, and interest rates fell to historical lows. In addition, consumer confidence was shaken with the 9/11 terrorist attack. There was significant deterioration in both consumer and commercial credit quality trends due to these factors. These external factors influenced Huntington's 2001 performance and its comprehensive strategic refocusing plan to improve competitiveness and long-term financial performance, which was announced in July 2001.

Actions taken to further the strategic plan included the hiring of new executive leadership as part of the first phase of building a new management team. The company's basic business model was changed to one of local decision-making with a strategic refocusing on Midwest markets. As such, a decision was made to sell the Florida banking operations (see additional discussion below), consolidate banking offices outside of Florida, and use the capital generated to repurchase common stock, as well as reinvest in the business. Management refocused technology spending on investments to improve customer service, rather than making equity investments in technology companies, mostly e-commerce ventures, which had been the strategy in previous years. The quarterly common stock dividend was reduced 20%, and $80.0 million pre-tax in restructuring charges were taken to effect the changes.

The key element of the 2001 strategic refocusing plan was the decision to sell the Florida banking operations. There were several factors influencing this decision. First, the Florida banking offices and markets had no geographic or strategic connection to the company's primary business of retail and commercial banking centered in Midwest markets. Second, while the Florida market for bank deposits was growing more rapidly than Midwest markets, the net interest margin in Florida was lower than that of the rest of the company, given the higher cost of deposits in that market. Third, to capitalize on the growth opportunities of the Florida market, a commercial banking capability needed to be developed on what was primarily a retail banking franchise. Management believed building this capability would have added significantly to operating expenses and further lowered the already low return on invested capital for several years in the future.

Earnings per common share (diluted) in 2001 were $0.54, down from $1.29 per common share (diluted) in 2000. Earnings in 2001 were significantly impacted by the actions described above, as well as a restructuring charge related to actions contemplated by the 2001 strategic refocusing plan. In addition, as a result of deteriorating consumer and commercial credit quality trends during the year, credit underwriting practices and policies were strengthened at the point of origination, and an aggressive credit quality review was initiated by Management. Earnings also were negatively impacted by higher loan loss provision expense, which had the effect of increasing the allowance for loan and lease losses (ALLL) as a percent of total loans and leases to 2.00% at the end of 2001 from 1.50% at the end of 2000.

Earnings per common share (diluted) in 2002 were $1.33, up from $0.54 in 2001. Earnings in 2002 were impacted by the completion of the sale of the Florida banking operations and restructuring of the company's Merchant Services business, both of which resulted in significant gains. Capital from these gains, as well as the capital freed up by the sale of the Florida-related assets and liabilities, was used to repurchase 9% of common shares outstanding, and to reinvest in a number of activities including improvements in customer service technology, and the purchases of a small money management firm and a niche equipment leasing company. The Florida insurance operation was also sold, though this had no significant earnings impact. However, earnings were negatively impacted by additional restructuring charges as the 2001 strategic initiatives continued to be implemented. Deposits and loans increased, following prior-year performance of low growth. The level of non-performing assets (NPAs) was reduced significantly by year end. It was also a period in which interest rates declined significantly during the second half of the year, resulting in downward pressure on the net interest margin as interest rates on earning assets, both loans and investment securities, declined more rapidly than deposit rates. The yield on mortgage-backed securities declined sharply as the lower level of interest rates resulted in high prepayments on the underlying mortgages, with the resultant cash flow reinvested in lower-yielding earning assets.

## Table 2—Selected Annual Income Statements

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | | 2001 | 2000 | 1999 |
| | | Change from 2002 | | | Change from 2001 | | | | |
| (in thousands of dollars, except per share amounts) | | Amount | Percent | | Amount | Percent | | | |
| Total interest income | $ 1,305,756 | $ 12,561 | 1.0% | $ 1,293,195 | $ (361,594) | (21.9)% | $ 1,654,789 | $ 1,833,388 | $ 1,795,214 |
| Total interest expense | 456,770 | (86,851) | (16.0) | 543,621 | (395,880) | (42.1) | 939,501 | 1,163,278 | 982,370 |
| **Net Interest Income** | 848,986 | 99,412 | 13.3 | 749,574 | 34,286 | 4.8 | 715,288 | 670,110 | 812,844 |
| Provision for loan and lease losses | 163,993 | (30,433) | (15.7) | 194,426 | (62,900) | (24.4) | 257,326 | 61,464 | 70,335 |
| **Net Interest Income After Provision for Loan and Lease Losses** | 684,993 | 129,845 | 23.4 | 555,148 | 97,186 | 21.2 | 457,962 | 608,646 | 742,509 |
| Operating lease income | 489,698 | (167,376) | (25.5) | 657,074 | (34,659) | (5.0) | 691,733 | 623,835 | 489,971 |
| Service charges on deposit accounts | 167,840 | 14,276 | 9.3 | 153,564 | (11,448) | (6.9) | 165,012 | 161,426 | 156,783 |
| Trust services | 61,649 | (402) | (0.6) | 62,051 | 1,753 | 2.9 | 60,298 | 53,613 | 52,030 |
| Brokerage and insurance | 57,844 | (8,999) | (13.5) | 66,843 | (12,191) | (15.4) | 79,034 | 61,871 | 52,076 |
| Mortgage banking | 58,180 | 26,147 | 81.6 | 32,033 | (22,485) | (41.2) | 54,518 | 32,772 | 52,960 |
| Bank owned life insurance | 43,028 | (95) | (0.2) | 43,123 | 2,000 | 4.9 | 41,123 | 39,544 | 37,560 |
| Other service charges and fees | 41,446 | (1,442) | (3.4) | 42,888 | (5,329) | (11.1) | 48,217 | 43,883 | 37,301 |
| Gain on sales of automobile loans | 40,039 | 40,039 | NM | — | — | NM | — | — | — |
| Gain on sale of branch offices | 13,112 | 13,112 | NM | — | — | NM | — | — | — |
| Securities gains | 5,258 | 356 | 7.3 | 4,902 | 4,179 | NM | 723 | 37,101 | 12,972 |
| Gain on sale of Florida operations | — | (182,470) | NM | 182,470 | 182,470 | NM | — | — | — |
| Merchant Services gain | — | (24,550) | NM | 24,550 | 24,550 | NM | — | — | — |
| Gains on sale of credit card portfolio | — | — | NM | — | — | NM | — | — | 108,530 |
| Other | 91,059 | 18,853 | 26.1 | 72,206 | 12,922 | 21.8 | 59,284 | 69,157 | 54,675 |
| **Total Non-Interest Income** | 1,069,153 | (272,551) | (20.3) | 1,341,704 | 141,762 | 11.8 | 1,199,942 | 1,123,202 | 1,054,858 |
| Personnel costs | 447,263 | 29,226 | 7.0 | 418,037 | (36,173) | (8.0) | 454,210 | 396,230 | 396,380 |
| Operating lease expense | 393,270 | (125,700) | (24.2) | 518,970 | (39,656) | (7.1) | 558,626 | 494,800 | 346,027 |
| Outside data processing and other services | 66,118 | (1,250) | (1.9) | 67,368 | (2,324) | (3.3) | 69,692 | 62,011 | 62,886 |
| Equipment | 65,921 | (2,402) | (3.5) | 68,323 | (12,237) | (15.2) | 80,560 | 78,069 | 66,666 |
| Net occupancy | 62,481 | 2,942 | 4.9 | 59,539 | (16,910) | (22.1) | 76,449 | 75,197 | 71,939 |
| Professional services | 42,448 | 9,363 | 28.3 | 33,085 | 223 | 0.7 | 32,862 | 22,721 | 21,169 |
| Marketing | 27,490 | (421) | (1.5) | 27,911 | (3,146) | (10.1) | 31,057 | 34,884 | 32,506 |
| Telecommunications | 21,979 | (682) | (3.0) | 22,661 | (5,323) | (19.0) | 27,984 | 26,225 | 28,519 |
| Loss on early extinguishment of debt | 15,250 | 15,250 | NM | — | — | NM | — | — | — |
| Printing and supplies | 13,009 | (2,189) | (14.4) | 15,198 | (3,169) | (17.3) | 18,367 | 19,634 | 20,227 |
| Amortization of intangible assets | 816 | (1,203) | (59.6) | 2,019 | (39,206) | (95.1) | 41,225 | 39,207 | 37,296 |
| Restructuring (releases) charges | (6,666) | (55,639) | NM | 48,973 | (30,984) | (38.8) | 79,957 | — | 46,791 |
| Other | 80,780 | (11,283) | (12.3) | 92,063 | 625 | 0.7 | 91,438 | 34,153 | 64,373 |
| **Total Non-Interest Expense** | 1,230,159 | (143,988) | (10.5) | 1,374,147 | (188,280) | (12.1) | 1,562,427 | 1,283,131 | 1,194,779 |
| **Income Before Income Taxes** | 523,987 | 1,282 | 0.2 | 522,705 | 427,228 | NM | 95,477 | 448,717 | 602,588 |
| Income taxes | 138,294 | (60,680) | (30.5) | 198,974 | 238,293 | NM | (39,319)[2] | 126,299 | 188,433 |
| Income before cumulative effect of change in accounting principle | 385,693 | 61,962 | 19.1 | 323,731 | 188,935 | NM | 134,796 | 322,418 | 414,155 |
| Cumulative effect of change in accounting principle, net of tax [1] | (13,330) | (13,330) | NM | — | — | NM | — | — | — |
| **Net Income** | $ 372,363 | $ 48,632 | 15.0% | $ 323,731 | $ 188,935 | 140.2% | $ 134,796 | $ 322,418 | $ 414,155 |
| **Per Common Share** | | | | | | | | | |
| Income before cumulative effect of change in accounting principle—basic | $ 1.68 | $ 0.34 | 25.4% | $ 1.34 | $ 0.80 | NM% | $ 0.54 | $ 1.30 | $ 1.63 |
| Net income per common share—basic | 1.62 | 0.28 | 20.9 | 1.34 | 0.80 | NM | 0.54 | 1.30 | 1.63 |
| Income before cumulative effect of change in accounting principle—diluted | 1.67 | 0.34 | 25.6 | 1.33 | 0.79 | NM | 0.54 | 1.29 | 1.62 |
| Net income per common share—diluted | 1.61 | 0.28 | 21.1 | 1.33 | 0.79 | NM | 0.54 | 1.29 | 1.62 |
| Cash dividends declared | 0.67 | 0.03 | 4.7 | 0.64 | (0.08) | (11.1) | 0.72 | 0.76 | 0.68 |
| **Net Interest Income—Fully Taxable Equivalent (FTE)** | | | | | | | | | |
| Net interest income | $ 848,986 | $ 99,412 | 13.3% | $ 749,574 | $ 34,286 | 4.8% | $ 715,288 | $ 670,110 | $ 812,844 |
| Tax equivalent adjustment [3] | 9,684 | 4,479 | 86.1 | 5,205 | (1,147) | (18.1) | 6,352 | 8,310 | 9,423 |
| **Net Interest Income—FTE** | $ 858,670 | $ 103,891 | 13.8% | $ 754,779 | $ 33,139 | 4.6% | $ 721,640 | $ 678,420 | $ 822,267 |

(1) Due to the adoption of FASB Interpretation No. 46 for variable interest entities.
(2) Reflects a $32.5 million reduction related to the issuance of $400 million of REIT subsidiary preferred stock, of which $50 million was sold to the public.
(3) Calculated assuming a 35% tax rate.
NM, not a meaningful value.

Earnings per common share (diluted) were $1.61 in 2003, up from $1.33 the prior year. Earnings in 2003 saw the continuation of pressure on the net interest margin and mortgage-related earning asset yields, as interest rates continued to decline through mid-year. Some of this pressure was relieved in the second half of the year as interest rates rose. Late in the year, a portion of high cost, long-term debt was repaid. This resulted in a loss, but will lower funding costs in future periods. It was also a year of strong loan and deposit growth. Credit quality trends improved materially, and loan concentrations continued to be lowered, aided by the sales of automobile loans and underperforming commercial and industrial (C&I) and commercial real estate (CRE) loans, including NPAs, among other strategies. NPAs ended the year at the lowest level in many years. In addition, 2003 reflected the release of certain restructuring reserves as the costs of implementing the strategic decisions made in 2001, and carried out through 2002 and 2003, were completed, though their ongoing positive impacts are anticipated to benefit earnings in future periods. The company ended 2003 with a stronger balance sheet, much-improved credit quality and a decline in net charge-offs, a track record of growing loans and deposits, and earnings momentum.

## Results of Operations

### SIGNIFICANT FACTORS INFLUENCING FINANCIAL PERFORMANCE COMPARISONS

Significant changes in the strategic direction of Huntington initiated in 2001 to improve the overall financial performance of the company and the subsequent execution of those adopted strategies, materially impacted financial performance comparisons among 2001, 2002, and 2003. Understanding the nature and implications of these factors on financial results, which are described below and recapped in Table 3, therefore, is critical in assessing underlying performance trends.

1. **CORPORATE RESTRUCTURING CHARGES.** The 2001 strategic refocusing plan included the intent to sell the Florida banking and insurance operations, credit-related and other actions to strengthen the balance sheet and financial performance, and the consolidation of numerous non-Florida banking offices. As a result, non-interest expenses in 2001 and 2002 were higher than they otherwise would have been, as they included net restructuring charges of $80.0 million pre-tax and $49.0 million pre-tax, respectively, based on estimated costs associated with implementing these strategic initiatives. In contrast, 2003 non-interest expense reflected recoveries of $6.7 million pre-tax of previously established reserves, which were no longer needed. (See Note 21 of the Notes to Consolidated Financial Statements.)
2. **SALES OF FLORIDA BANKING AND INSURANCE OPERATIONS AND MERCHANT SERVICES RESTRUCTURING.** In February 2002, the company completed the sale of its Florida banking operations. This resulted in a $182.5 million pre-tax gain being recorded in non-interest income. The Florida banking operations sale eliminated $2.8 billion of loans and $4.8 billion of deposits from the 2002 balance sheet, thus impacting related comparisons with 2001. The company also completed the sale of its Florida insurance operations in the 2002 second quarter, with no significant earnings impact. Combined, the Florida banking and insurance operations reported a net loss from operations of $1.5 million in 2002 and $14.0 million in 2001. In addition, in 2002, the company restructured its interest in Huntington Merchant Services, L.L.C. (HMS), which resulted in a $24.6 million pre-tax gain being recorded to non-interest income. (See Note 22 of the Notes to Consolidated Financial Statements.)
3. **SALES OF AUTOMOBILE LOANS.** In early 2003, Management stated its intention to reduce the credit risk exposure to automobile financing from approximately one-third of total loans and leases to about 20%. While Management remains firmly committed to the automobile financing market, the existing concentration was considered to be too high. In 2003, the company sold $2.1 billion of such loans, and recorded pre-tax gains of $40.0 million. Such sales impact performance comparisons due to the significant one-time gains recorded in non-interest income in the periods in which loans were sold, while lowering the reported growth rates in net interest income and automobile loans as the sold loans were removed from the balance sheet. (See Note 7 of the Notes to Consolidated Financial Statements.)
4. **ADOPTION OF FIN 46.** Effective July 1, 2003, the company adopted Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. The adoption of FIN 46 resulted in the consolidation of $1.0 billion of previously securitized automobile loans and a $13.3 million after-tax charge for the cumulative effect of a change in accounting principle. (See Tables 1 and 2, and Note 2 of the Notes to Consolidated Financial Statements.)
5. **SALE OF BANKING OFFICES.** In the third quarter of 2003, the company recorded a $13.1 million pre-tax gain from the sale of four West Virginia banking offices, which were geographically remote from the core West Virginia banking franchise. (See Note 22 of the Notes to Consolidated Financial Statements.)

6. **LONG-TERM DEBT EXTINGUISHMENT.** In the fourth quarter of 2003, the company prepaid $250 million of high-cost, repurchase agreements, resulting in a $15.3 million pre-tax loss being recorded in non-interest expense. This debt, which carried an average rate of 4.98% and matured in 2006, was replaced by funding at significantly lower rates. (See Note 16 of the Notes to Consolidated Financial Statements.)

Table 3 reflects the impact on reported (GAAP) net income and earnings per common share of these six items, which affect comparability in 2001-2003. GAAP income adjusted for these six items was the primary measurement Management used to assess underlying performance trends during this period. This adjusted earnings analysis is performed to help assess performance excluding the impact of such items, so that management and investors can better discern underlying performance trends during the period and is not intended to replace reported (GAAP) net income.

## Table 3—Reconciliation of GAAP Earnings to Earnings Adjusted for Significant Items

| | 2003 | | | 2002 | | | 2001 | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands of dollars) | Pre-tax | After-tax | EPS | Pre-tax | After-tax | EPS | Pre-tax | After-tax | EPS |
| **Net Income—GAAP** | $ 523,987 | $ 372,363 | $ 1.61 | $ 522,705 | $ 323,731 | $ 1.33 | $ 95,477 | $ 134,796 | $ 0.54 |
| **Change from prior year—$** | | $ 48,632 | $ 0.28 | | $ 188,935 | $ 0.79 | | | |
| **Change from prior year—%** | | 15.0% | 21.1% | | NM | NM | | | |
| Restructuring charges (releases) | (6,666) | (4,333) | (0.02) | 48,973 | 31,832 | 0.13 | 79,957 | 51,972 | 0.21 |
| Loss from Florida operations | — | — | — | 2,329 | 1,525 | 0.01 | 18,743 | 14,013 | 0.05 |
| Gain on sale of Florida operations | — | — | — | (182,470) | (61,422) | (0.25) | — | — | — |
| Merchant Services gain | — | — | — | (24,550) | (15,957) | (0.07) | — | — | — |
| Gain on sale of automobile loans | (40,039) | (26,025) | (0.11) | — | — | — | — | — | — |
| Cum. effect of change in accounting | N/A | 13,330 | 0.06 | — | — | — | — | — | — |
| Gain on sale of branch offices | (13,112) | (8,523) | (0.04) | — | — | — | — | — | — |
| Long-term debt extinguishment | 15,250 | 9,913 | 0.04 | — | — | — | — | — | — |
| **Net Income—Adjusted** | $ 479,420 | $ 356,725 | $ 1.54 | $ 366,987 | $ 279,709 | $ 1.15 | $ 194,177 | $ 200,781 | $ 0.80 |
| **Change from prior year—$** | | $ 77,016 | $ 0.39 | | $ 78,928 | $ 0.35 | | | |
| **Change from prior year—%** | | 27.5% | 33.9% | | 39.3% | 43.8% | | | |

NM, not a meaningful value.
N/A, not available.

As shown in Table 3, 2003 GAAP net income was up 15% over 2002, with earnings per share up 21%. The higher growth rate in earnings per common share reflected the full-year impact of the 19.2 million shares repurchased in 2002, plus 4.3 million shares repurchased in the 2003 first quarter. This compared favorably with net income and earnings per common share in 2002 and 2001 of $323.7 million, or $1.33 per share, and $134.8 million, or $0.54 per share, respectively. Net income and earnings per share for 2003 adjusted for the impact of the noted significant items, were up 28% and 34%, respectively, from 2002. Likewise, 2002 net income and earnings per share on an adjusted basis were up 39% and 44%, respectively, from 2001.

While not reflected as adjustments in Table 3, the following is a list of other factors impacting comparability of certain performance trends including balance sheet and income statement categories and other financial metrics.

7. **2002 AND 2003 FOURTH QUARTER CREDIT ACTIONS.** In early 2002, the company strengthened the credit workout group, whose mission is the early identification and aggressive resolution of problem C&I and CRE loans. In the 2002 fourth quarter, this group identified an economically attractive opportunity to sell $47 million of non-performing assets (NPAs) with $21 million of related charge-offs. Also in that quarter, a $30 million credit exposure to one health care finance company, classified as a NPA during the quarter, was charged-off. In the 2003 fourth quarter, this group identified for sale $99 million lower-quality commercial loans, including $43 million of NPAs, with $27 million of related charge-offs, including $17 million associated with the sold NPAs. These actions significantly lowered the level of NPAs and resulted in higher current period net charge-offs. Because these sold loans had specific loan loss reserves sufficient to absorb the charge-offs associated with them, the loan loss reserve declined accordingly, though the NPA coverage ratio increased to 384% at the end of 2003.

8. **AUTOMOBILE LEASES ORIGINATED THROUGH APRIL 2002 ACCOUNTED FOR AS OPERATING LEASES.** Automobile leases originated before May 2002 are accounted for using the operating method of accounting because they do not qualify as direct financing leases. One of the criteria to qualify for the direct financing method of lease accounting is to have the present value of the future minimum lease payments and the guaranteed residual value be 90% or more of fair value of the asset being leased (90% test). This test can be met through the purchase of residual value insurance from a third party. In March 2001, Huntington purchased two residual value insurance policies to mitigate the risk of declines in residual values. The first policy provides first dollar loss coverage on the portfolio of existing automobile leases at October 1, 2000 and has a cap on insured losses of $120 million. The second policy insures losses on new lease originations from October 2000 through April 2002 and has a cap of $50 million. The existence of caps in both policies, and the relative size of the insured residual values compared with the caps in each policy make these insurance policies insufficient to meet the 90% test and qualify the leases for the direct financing method of accounting.

   In May 2002, Huntington purchased a third residual value insurance policy for new automobiles leased after April 2002. Under this policy, the residual value of each lease is insured up to Automotive Lease Guide (ALG) Black Book value and has no cap on insured losses. However, leases with residual gains were netted with leases with residual losses when claims were settled. The netting provision of the third policy precluded Huntington from determining the amount of the guaranteed residual of any leased asset within the portfolio at lease inception. Consequently, these leases also failed to qualify as direct financing leases. Subsequent to an announcement made by the SEC observer to the Financial Accounting Standards Board's Emerging Issues Task Force, Huntington amended its third residual value insurance policy, retroactive to April 2002, by adding an endorsement that adds a level of insurance sufficient to meet the 90% test, on a lease-by-lease basis, with no netting provisions. Accordingly, residual values covered under this policy qualify for the direct financing method of accounting. This program is subject to renewal in May 2005.

   Operating leases are a non-interest earning asset with the related rental income, other revenue, and credit recoveries reflected as operating lease income, a component of non-interest income. Under this accounting method, depreciation expenses, as well as other costs and charge-offs, are reflected as operating lease expense, a component of non-interest expense. Given that no new operating leases have been originated since April 2002, the operating lease assets are rapidly decreasing and will eventually run-off, along with their related operating lease income and expense. Since operating lease income and expense represent a significant percentage of total non-interest income and expense, respectively, in 2001-2003 their downward trend influences total non-interest income and non-interest expense trends.

   All automobile leases originated since April 2002 are accounted for as direct financing leases, an interest-earning asset component of total loans and leases. Given the relative newness of this portfolio, coupled with very few maturing or paid-off leases during the first few years following origination, this is a rapidly growing portfolio which results in higher reported automobile lease growth rates than in a more mature portfolio. As the direct financing lease portfolio matures, its growth rate is expected to slow. To better understand overall trends in automobile lease exposure it is helpful to compare trends of the combined total of automobile leases plus operating leases.

9. **ADOPTION OF STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (STATEMENT) NO. 142, *GOODWILL AND OTHER INTANGIBLES*.** Effective January 1, 2002, the company adopted Statement No. 142 and, accordingly, ceased the amortization of its goodwill and began evaluating this goodwill annually for impairment. In 2001, amortization of goodwill totaled $40.4 million, most of which related to the Florida banking operations' component of the company's Regional Banking line of business. No amortization expense for goodwill was recorded in 2003 or 2002. The adoption of this new accounting standard in 2002 affects comparisons of non-interest expense in 2003 and 2002 with non-interest expense in periods prior to 2002.

## Table 4—Consolidated Average Balance Sheets and Net Interest Margin Analysis

| Fully Tax Equivalent Basis [1] (in millions of dollars) | Average Balance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | | 2001 | 2000 | 1999 |
| | | Change from 2002 | | | Change from 2001 | | | | |
| | | Amount | Percent | | Amount | Percent | | | |
| **Assets** | | | | | | | | | |
| Interest bearing deposits in banks | $ 37 | $ 4 | 12.1% | $ 33 | $ 26 | NM% | $ 7 | $ 6 | $ 9 |
| Trading account securities | 14 | 7 | NM | 7 | (18) | (72.0) | 25 | 15 | 13 |
| Federal funds sold and securities purchased under resale agreements | 87 | 15 | 20.8 | 72 | (35) | (32.7) | 107 | 87 | 22 |
| Mortgages held for sale | 564 | 242 | 75.2 | 322 | (38) | (10.6) | 360 | 109 | 232 |
| Securities: | | | | | | | | | |
| Taxable | 3,533 | 674 | 23.6 | 2,859 | (285) | (9.1) | 3,144 | 4,316 | 4,885 |
| Tax exempt | 334 | 199 | NM | 135 | (39) | (22.4) | 174 | 273 | 297 |
| Total securities | 3,867 | 873 | 29.2 | 2,994 | (324) | (9.8) | 3,318 | 4,589 | 5,182 |
| Loans and leases: | | | | | | | | | |
| C&I | 5,502 | (177) | (3.1) | 5,679 | (971) | (14.6) | 6,650 | 6,450 | 6,133 |
| CRE | | | | | | | | | |
| Construction | 1,246 | 30 | 2.5 | 1,216 | (5) | (0.4) | 1,221 | 1,184 | 999 |
| Commercial | 2,691 | 313 | 13.2 | 2,378 | 38 | 1.6 | 2,340 | 2,186 | 2,234 |
| Consumer | | | | | | | | | |
| Automobile loans | 3,260 | 516 | 18.8 | 2,744 | NM | NM | NM | NM | NM |
| Automobile leases | 1,423 | 971 | NM | 452 | NM | NM | NM | NM | NM |
| Automobile loans and leases | 4,683 | 1,487 | 46.5 | 3,196 | 357 | 12.6 | 2,839 | 3,123 | 3,535 |
| Home equity | 3,446 | 361 | 11.7 | 3,085 | (313) | (9.2) | 3,398 | 2,990 | 2,345 |
| Residential mortgage | 2,076 | 638 | 44.4 | 1,438 | 390 | 37.2 | 1,048 | 1,379 | 1,488 |
| Other loans | 380 | (45) | (10.6) | 425 | (165) | (28.0) | 590 | 530 | 1,102 |
| Total consumer | 10,585 | 2,441 | 30.0 | 8,144 | 269 | 3.4 | 7,875 | 8,022 | 8,470 |
| Total loans and leases | 20,024 | 2,607 | 15.0 | 17,417 | (669) | (3.7) | 18,086 | 17,842 | 17,836 |
| Allowance for loan losses | 358 | (16) | (4.3) | 374 | 67 | 21.8 | 307 | 274 | 280 |
| Net loans and leases | 19,666 | 2,623 | 15.4 | 17,043 | (736) | (4.1) | 17,779 | 17,568 | 17,556 |
| Total earning assets | 24,593 | 3,748 | 18.0 | 20,845 | (1,058) | (4.8) | 21,903 | 22,648 | 23,294 |
| Operating lease inventory | 1,697 | (905) | (34.8) | 2,602 | (368) | (12.4) | 2,970 | 2,751 | 2,179 |
| Cash and due from banks | 774 | 17 | 2.2 | 757 | (155) | (17.0) | 912 | 1,008 | 1,039 |
| Intangible assets | 218 | (75) | (25.6) | 293 | (443) | (60.2) | 736 | 709 | 682 |
| All other assets | 2,020 | 110 | 5.8 | 1,910 | 19 | 1.0 | 1,891 | 1,729 | 1,707 |
| **Total Assets** | $ 28,944 | $ 2,911 | 11.2% | $ 26,033 | $ (2,072) | (7.4)% | $ 28,105 | $ 28,571 | $ 28,621 |
| **Liabilities and Shareholders' Equity** | | | | | | | | | |
| Core deposits | | | | | | | | | |
| Non-interest bearing deposits | $ 3,080 | $ 178 | 6.1% | $ 2,902 | $ (402) | (12.2)% | $ 3,304 | $ 3,421 | $ 3,497 |
| Interest bearing demand deposits | 6,193 | 1,032 | 20.0 | 5,161 | 156 | 3.1 | 5,005 | 4,291 | 4,097 |
| Savings deposits | 2,802 | (51) | (1.8) | 2,853 | (625) | (18.0) | 3,478 | 3,563 | 3,740 |
| Retail certificates of deposit | 2,702 | (917) | (25.3) | 3,619 | (1,361) | (27.3) | 4,980 | 4,930 | 4,791 |
| Other domestic time deposits | 660 | (70) | (9.6) | 730 | (173) | (19.2) | 903 | 942 | 1,032 |
| Total core deposits | 15,437 | 172 | 1.1 | 15,265 | (2,405) | (13.6) | 17,670 | 17,147 | 17,157 |
| Domestic time deposits of $100,000 or more | 802 | (49) | (5.8) | 851 | (429) | (33.5) | 1,280 | 1,502 | 1,449 |
| Brokered time deposits and negotiable CDs | 1,419 | 688 | 94.1 | 731 | 603 | NM | 128 | 502 | 238 |
| Foreign time deposits | 500 | 163 | 48.4 | 337 | 54 | 19.1 | 283 | 539 | 363 |
| Total deposits | 18,158 | 974 | 5.7 | 17,184 | (2,177) | (11.2) | 19,361 | 19,690 | 19,207 |
| Short-term borrowings | 1,600 | (256) | (13.8) | 1,856 | (243) | (11.6) | 2,099 | 1,966 | 2,549 |
| Federal Home Loan Bank advances | 1,258 | 979 | NM | 279 | 260 | NM | 19 | 13 | 5 |
| Subordinated notes and other long-term debt, including preferred capital securities | 4,559 | 1,224 | 36.7 | 3,335 | (76) | (2.2) | 3,411 | 4,005 | 4,120 |
| Total interest bearing liabilities | 22,495 | 2,743 | 13.9 | 19,752 | (1,834) | (8.5) | 21,586 | 22,253 | 22,384 |
| All other liabilities | 1,173 | 33 | 2.9 | 1,140 | 256 | 29.0 | 884 | 705 | 648 |
| Shareholders' equity | 2,196 | (43) | (1.9) | 2,239 | (92) | (3.9) | 2,331 | 2,192 | 2,092 |
| **Total Liabilities and Shareholders' Equity** | $ 28,944 | $ 2,911 | 11.2% | $ 26,033 | $ (2,072) | (7.4)% | $ 28,105 | $ 28,571 | $ 28,621 |
| **Net Interest Income** | | | | | | | | | |
| Net interest rate spread | | | | | | | | | |
| Impact of non-interest bearing funds on margin | | | | | | | | | |
| **Net Interest Margin** | | | | | | | | | |

(1) Fully taxable equivalent yields are calculated assuming a 35% tax rate.

(2) Average rates computed using historical cost average balances and do not give effect to changes in fair value of securities available for sale.

(3) Individual loan and lease components include fees and cash basis interest received on non-accrual loans.
(4) Loan and lease and deposit average rates include the impact of applicable derivatives.
NM, not a meaningful value.

| Interest Income / Expense | | | | | Average Rate[(2)(3)(4)] | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2003 | 2002 | 2001 | 2000 | 1999 | 2003 | 2002 | 2001 | 2000 | 1999 |
| $ 0.6 | $ 0.8 | $ 0.2 | $ 0.3 | $ 0.4 | 1.53% | 2.38% | 3.43% | 5.03% | 4.04% |
| 0.6 | 0.3 | 1.3 | 1.1 | 0.8 | 4.02 | 4.11 | 5.13 | 7.11 | 5.89 |
| 1.6 | 1.1 | 4.5 | 5.5 | 1.2 | 1.80 | 1.56 | 4.19 | 6.33 | 5.58 |
| 30.0 | 20.5 | 25.0 | 8.7 | 16.3 | 5.32 | 6.35 | 6.95 | 7.96 | 7.03 |
| 159.6 | 173.0 | 206.9 | 269.5 | 297.0 | 4.52 | 6.06 | 6.58 | 6.24 | 6.08 |
| 23.5 | 10.1 | 13.0 | 20.8 | 23.5 | 7.04 | 7.42 | 7.49 | 7.61 | 7.90 |
| 183.1 | 183.1 | 219.9 | 290.3 | 320.5 | 4.73 | 6.12 | 6.63 | 6.33 | 6.18 |
| 274.5 | 319.4 | 480.5 | 557.9 | 485.8 | 5.08 | 5.62 | 7.22 | 8.65 | 7.92 |
| 53.8 | 57.1 | 86.4 | 106.0 | 84.4 | 4.14 | 4.70 | 7.08 | 8.96 | 8.45 |
| 141.5 | 147.4 | 177.3 | 184.1 | 182.0 | 5.23 | 6.20 | 7.58 | 8.42 | 8.15 |
| 242.1 | 237.9 | 253.8 | 271.4 | 288.7 | 7.38 | 8.67 | NM | NM | NM |
| 72.8 | 23.2 | 1.2 | (0.5) | 2.5 | 5.09 | 5.14 | NM | NM | NM |
| 314.9 | 261.1 | 255.0 | 270.9 | 291.2 | 6.68 | 8.17 | 8.94 | 8.67 | 8.24 |
| 177.2 | 183.9 | 279.7 | 254.8 | 197.0 | 5.06 | 5.96 | 8.23 | 8.52 | 8.40 |
| 108.3 | 91.4 | 81.7 | 107.1 | 111.8 | 5.50 | 6.36 | 7.79 | 7.77 | 7.51 |
| 29.5 | 32.3 | 49.6 | 54.9 | 113.3 | 7.10 | 7.59 | 8.41 | 10.35 | 10.30 |
| 629.9 | 568.7 | 666.0 | 687.7 | 713.3 | 5.93 | 6.98 | 8.44 | 8.57 | 8.42 |
| 1,099.7 | 1,092.6 | 1,410.2 | 1,535.7 | 1,465.5 | 5.49 | 6.27 | 7.79 | 8.61 | 8.22 |
| 1,315.6 | 1,298.4 | 1,661.1 | 1,841.6 | 1,804.7 | 5.35 | 6.23 | 7.58 | 8.13 | 7.75 |
| 73.0 | 88.9 | 133.5 | 143.1 | 106.0 | 1.18 | 1.71 | 2.64 | 3.30 | 2.56 |
| 41.7 | 50.6 | 106.7 | 145.7 | 125.5 | 1.49 | 1.77 | 3.07 | 4.09 | 3.36 |
| 100.4 | 165.6 | 281.5 | 282.2 | 244.6 | 3.68 | 4.58 | 5.65 | 5.72 | 5.10 |
| 26.0 | 29.6 | 48.2 | 52.0 | 53.7 | 3.86 | 4.05 | 5.34 | 5.52 | 5.20 |
| 241.1 | 334.7 | 569.9 | 623.0 | 529.8 | 1.94 | 2.70 | 3.95 | 4.52 | 3.86 |
| 18.5 | 28.8 | 66.8 | 90.4 | 76.6 | 2.50 | 3.39 | 5.22 | 6.01 | 5.28 |
| 24.1 | 17.3 | 6.6 | 31.9 | 12.8 | 1.70 | 2.36 | 5.12 | 6.35 | 5.40 |
| 4.6 | 4.9 | 10.8 | 34.0 | 18.6 | 0.92 | 1.47 | 3.82 | 6.31 | 5.14 |
| 288.3 | 385.7 | 654.1 | 779.3 | 637.8 | 1.91 | 2.69 | 4.06 | 4.77 | 4.05 |
| 15.7 | 29.0 | 95.8 | 113.1 | 114.3 | 0.98 | 1.56 | 4.57 | 5.75 | 4.48 |
| 24.4 | 5.6 | 1.2 | 0.8 | 0.3 | 1.94 | 2.00 | 6.17 | 6.32 | 5.19 |
| 128.5 | 123.3 | 188.4 | 270.0 | 230.0 | 2.82 | 3.70 | 5.52 | 6.74 | 5.59 |
| 456.9 | 543.6 | 939.5 | 1,163.2 | 982.4 | 2.03 | 2.75 | 4.34 | 5.22 | 4.38 |
| $ 858.7 | $ 754.8 | $ 721.6 | $ 678.4 | $ 822.3 | | | | | |
| | | | | | 3.32% | 3.48% | 3.24% | 2.91% | 3.37% |
| | | | | | 0.17 | 0.14 | 0.05 | 0.09 | 0.16 |
| | | | | | 3.49% | 3.62% | 3.29% | 3.00% | 3.53% |

## NET INTEREST INCOME

The company's primary source of revenue is net interest income, which is the difference between interest income on earning assets, primarily loans, direct financing leases, and securities, and interest expense on funding sources, including interest-bearing deposits and borrowings. Net interest income is impacted by earning asset balances and related funding, as well as changes in the levels of interest rates. Changes in net interest income are measured through the net interest spread and the net interest margin. The difference between the yield on earning assets and the rate paid for interest-bearing liabilities is the interest spread. Non-interest bearing sources of funds, such as demand deposits and shareholders' equity, also support earning assets. The impact of the non-interest bearing sources of funds is captured in the net interest margin, which is calculated as net interest income divided by average earnings assets. Reflecting the no-cost nature of these non-interest cost of funds, the net interest margin is always higher than the net interest spread. Both the net interest spread and net interest margin are presented on a fully taxable equivalent basis, which means that tax-free interest income is adjusted to pre-tax equivalent income.

Table 4 shows the average annual balance sheets and the net interest margin analysis for the recent five years. It details the average annual balances for total assets and liabilities, as well as shareholders' equity, and their various components, most notably loans and leases, deposits, and borrowings. It also shows the corresponding interest income or interest expense associated with each earning asset and interest-bearing liability category along with the average rate with the difference resulting in the net interest spread. The net interest spread plus the positive impact from the non-interest bearing funds represent the net interest margin.

Table 5 shows changes in fully taxable equivalent interest income, interest expense, and net interest income due to volume and rate variances for major categories of earning assets and interest-bearing liabilities. The change in interest income or expense not solely due to changes in volume or rates has been allocated in proportion to the absolute dollar amount of the change in volume and rate.

### Table 5—Change in Net Interest Income Due to Changes in Average Volume and Interest Rates

| | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) From Previous Year Due To: | | | Increase (Decrease) From Previous Year Due To: | | |
| Fully Taxable Equivalent Basis [1] (in millions of dollars) | Volume | Yield/ Rate | Total | Volume | Yield/ Rate | Total |
| Loans and direct financing leases | $ 152.4 | $ (145.3) | $ 7.1 | $ (50.5) | $ (267.1) | $ (317.6) |
| Securities | 49.8 | (49.8) | — | (20.9) | (15.9) | (36.8) |
| Other Earning Assets | 14.0 | (3.9) | 10.1 | (3.9) | (4.4) | (8.3) |
| **Total Earning Assets** | 216.2 | (199.0) | 17.2 | (75.3) | (287.4) | (362.7) |
| Deposits | (12.4) | (85.0) | (97.4) | (89.8) | (178.6) | (268.4) |
| Short-term borrowings | (3.6) | (9.7) | (13.3) | (10.0) | (56.8) | (66.8) |
| Federal Home Loan Bank advances | 19.0 | (0.2) | 18.8 | 5.8 | (1.4) | 4.4 |
| Subordinated notes and other long-term debt, including capital securities | 38.7 | (33.5) | 5.2 | (4.1) | (61.0) | (65.1) |
| **Total Interest-Bearing Liabilities** | 41.7 | (128.4) | (86.7) | (98.1) | (297.8) | (395.9) |
| **Net Interest Income** | $ 174.5 | $ (70.6) | $ 103.9 | $ 22.8 | $ 10.4 | $ 33.2 |

(1) Calculated assuming a 35% tax rate.

*2003 versus 2002 Performance*

Fully taxable equivalent net interest income was $858.7 million in 2003, up $103.9 million, or 14%, from 2002. This reflected a $3.7 billion, or 18%, increase in average earning assets, partially offset by a 13 basis point, or an effective 4%, decrease in the net interest margin to 3.49% from 3.62%.

Average loans and leases increased $2.6 billion, or 15%, and reflected growth in automobile loans and leases, residential mortgages, home equity loans and lines, and CRE loans, partially offset by a decline in C&I loans (see Table 4 and Balance Sheet discussion).

The 13 basis point decline in the net interest margin reflected the impact of historically low interest rates during the year. Rates on the loan portfolio declined, reflecting lower rates on variable-rate loan products, such as C&I, CRE, and home equity lines of credit, as well as prepayments and repayments of fixed-rate loans, such as auto and residential mortgage loans. The rate on the securities portfolio

also declined, reflecting the same prepayments and repayments of mortgage-related securities, with resultant reinvestment at lower market rates. Rates on deposits and other interest-bearing liabilities declined as well, but less than the declines on loans and the securities portfolio, reflecting competitive pressures in the deposit markets.

Two other factors contributing to a lower net interest margin were the growth of lower yielding investment securities and the shift to lower yielding but lower-risk loans. The investment portfolio increased 29% during the year, reflecting redeployment of some of the proceeds from automobile loan sales and the securitization and retention of residential mortgages originated in the mortgage banking business. The improved credit quality of automobile loan and lease originations and the growth in the residential mortgage portfolio resulted in a more risk-averse loan portfolio, with lower expected credit losses, though the portfolio will have a lower net interest margin.

Most of the year's margin decline occurred during the first half of the year, with more modest declines in the third and fourth quarters as interest rates rose slightly in the second half of the year. Specifically, the net interest margin in the 2003 first quarter was 3.63%, 3.47% in the second quarter, 3.46% in the third quarter, and 3.42% in the fourth quarter.

*2002 versus 2001 Performance*

Fully taxable equivalent net interest income was $754.8 million in 2002, up $33.2 million, or 5%, from 2001. This reflected a 33 basis point, or an effective 10%, increase in the net interest margin to 3.62% from 3.29%, partially offset by a 5% decline in average earning assets.

The 33 basis point increase in the net interest margin was influenced by two factors. The first was the timing and magnitude of declining interest rates in 2001 and 2002. As interest rates declined in the second half of 2001, deposit and wholesale funding costs declined more rapidly than yields on earning assets, most notably loans and leases. As a result, the net interest margin widened in the second half of 2001. However, as rates continued to decline in 2002, especially in the second half, and given the absolute low levels attained, it became increasingly difficult to lower deposit funding costs commensurate with the decline in earning asset yields. As a result, yields on earning assets fell more rapidly than deposit costs, thus narrowing the net interest margin in the second half of 2002, particularly in the fourth quarter.

The second factor was a decision early in 2001 to reduce the level of low-return investment securities. This helped drive the increase in the net interest margin during the first three quarters of 2001. Since the 2001 fourth quarter, consumer loan and lease production shifted to higher credit quality automobile loan and lease production. This change in the loan and lease mix to lower-yield, but higher-credit quality loans and leases mitigated the increase in the net interest margin. Also mitigating the net interest margin increase was the significant growth in lower-yield residential mortgages. While this contributed to a reduced net interest spread on these assets, it improved the total risk adjusted return as lower net charge-offs should be experienced in future periods. Reflecting these factors, the net interest margin in the 2001 first quarter was 3.19% and increased steadily throughout the year, peaking at 3.46% in the fourth quarter. During 2002, the margin peaked at 3.70% in the second quarter and declined to 3.62% in the fourth quarter.

The decline in average earning assets reflected a 4% decline in average loans and leases primarily due to the sale of the Florida banking operations, as well as the planned run-off of lower-margin investment securities and other earning assets (see Table 4 and Balance Sheet discussion).

## BALANCE SHEET

### LOAN AND LEASE PORTFOLIO MIX

Table 6 shows total loans and leases were $21.1 billion at December 31, 2003, with 45% representing C&I and CRE loans and 55% consumer loans and leases.

The relative decline of C&I and CRE loans over the last three years reflected a combination of factors including the objective to reduce exposure to large individual credits, as well as to focus commercial lending to customers with existing or potential relationships within the company's primary markets. Reflecting this strategy, shared national credit outstandings declined to $704 million at December 31, 2003, down from $979 million at December 31, 2002, and from $1.1 billion at the end of 2001. The 2003 year-end outstandings were down 52% from the $1.5 billion peak at June 30, 2001. In addition, there was weak demand for C&I loans, reflecting the weakness of the economy.

On the consumer side, lower-rate, higher-quality residential mortgages represented 12% of total loans and leases (excluding operating lease assets) at the end of last year, up from 9% a year earlier. Automobile loans and leases accounted for 23% of total loans and leases (excluding operating lease assets) at December 31, 2003, up from 21% at the end of the prior year. Over the 2001-2003 period, the

credit quality of new automobile loan and lease production continually increased, thus improving the overall credit quality characteristics of the automobile loan and lease portfolio at the end of 2003 compared with prior periods.

A key corporate objective in 2003 has been to lower the total risk exposure to automobile loans and leases (see Significant Factor item 3). Total automobile credit exposure represents the sum of automobile loans and leases reflected in total loans and leases, plus operating lease assets, plus any securitized loans and leases. As shown in Table 6, the total automobile credit exposure at December 31, 2003, was 28% down from 33% at the end of the prior year.

## Table 6—Loan and Lease Portfolio Composition

| | December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | |
| (in millions of dollars) | | | | | | | | | | |
| C&I [1] | $ 5,314 | 25.2% | $ 5,608 | 30.2% | $ 6,442 | 34.9% | $ 6,638 | 37.7% | $ 6,343 | 35.2% |
| CRE | 4,172 | 19.8 | 3,723 | 20.0 | 3,812 | 20.6 | 3,456 | 19.6 | 3,307 | 18.3 |
| **Total Commercial** | 9,486 | 45.0 | 9,331 | 50.2 | 10,254 | 55.5 | 10,094 | 57.3 | 9,650 | 53.5 |
| Consumer | | | | | | | | | | |
| Automobile loans | 2,992 | 14.2 | 3,042 | 16.4 | 2,853 | 15.4 | 2,480 | 14.1 | 3,489 | 19.3 |
| Automobile leases | 1,902 | 9.0 | 874 | 4.7 | 110 | 0.6 | 147 | 0.8 | 164 | 0.9 |
| Home equity | 3,792 | 18.0 | 3,198 | 17.2 | 3,580 | 19.4 | 2,166 | 12.3 | 1,710 | 9.5 |
| Residential mortgage | 2,531 | 12.0 | 1,746 | 9.4 | 1,129 | 6.1 | 1,058 | 6.0 | 1,521 | 8.4 |
| Other loans | 372 | 1.8 | 396 | 2.1 | 545 | 3.0 | 1,678 | 9.5 | 1,509 | 8.4 |
| **Total Consumer** | 11,589 | 55.0 | 9,256 | 49.8 | 8,217 | 44.5 | 7,529 | 42.7 | 8,393 | 46.5 |
| **Total Loans and Leases** | $ 21,075 | 100.0% | $ 18,587 | 100.0% | $ 18,471 | 100.0% | $ 17,623 | 100.0% | $ 18,043 | 100.0% |
| Total automobile loans and leases | $ 4,894 | | $ 3,916 | | $ 2,963 | | $ 2,627 | | $ 3,653 | |
| Operating lease assets | 1,260 | | 2,201 | | 3,006 | | 2,946 | | 2,574 | |
| Securitized loans | 37 | | 1,119 | | 1,225 | | 1,371 | | — | |
| **Total Automobile Exposure** [2] | $ 6,191 | 27.7% | $ 7,236 | 33.0% | $ 7,194 | 31.7% | $ 6,944 | 31.6% | $ 6,227 | 30.2% |
| **Total Credit Exposure** | $ 22,372 | 100.0% | $ 21,907 | 100.0% | $ 22,702 | 100.0% | $ 21,940 | 100.0% | $ 20,617 | 100.0% |

(1) There were no commercial loans outstanding that would be considered a concentration of lending to a particular industry or group of industries.
(2) Total loans and leases, operating lease assets, and securitized loans.

### AVERAGE BALANCE SHEET DISCUSSION—LOANS, LEASES, AND OTHER EARNING ASSETS

*2003 versus 2002 Performance*

Average loans and leases increased $2.6 billion, or 15%, and reflected growth in automobile loans and leases, residential mortgages, home equity loans and lines, and CRE loans, partially offset by a decline in C&I loans (see Table 4).

Average automobile leases increased $1.0 billion with average automobile loans up $0.5 billion. The significant increase in automobile leases reflected automobile lease accounting (see Significant Factors item 8). The $0.5 billion growth in average automobile loans reflected a combination of factors. Contributing to growth were $2.8 billion of new originations, as well as the $0.5 billion average impact of the July 1, 2003, adoption of FIN 46, which consolidated $1.0 billion of previously securitized automobile loans back on the balance sheet (see Significant Factors item 4). These increases were partially offset by the $0.5 billion average impact from the sale of three automobile loan portfolios, which totaled $2.1 billion (see Significant Factors item 3).

Also contributing to the growth in average loans and leases was a $0.6 billion, or 44%, growth in average residential mortgages, reflecting the positive impact of lower interest rates on refinancing and new origination activity. Adjustable rate mortgages accounted for 39% of the increase in average residential mortgage originations in 2003. Such factors were also reflected in the $0.4 billion, or 12%, increase in average home equity loans and lines.

Average C&I loans declined $0.2 billion, or 3%, reflecting a combination of factors including the lack of significant middle-market demand for loans due to the weak economy, company strategies to reduce exposure to large individual credits, and sales of NPAs (see Significant Factors item 7). Partially offsetting these reductions was growth in small business commercial loans, an area of emphasis.

Average CRE loans increased $0.3 billion, or 10%. Management is currently reviewing how it defines and reports CRE loans, including owner-occupied real estate loans. Owner-occupied loans are currently reported as CRE loans in the consolidated balance sheet. Management expects to complete its review in the first half of 2004. Any change in the definition of CRE loans would result in a reclassification between the CRE and C&I portfolio and would not have any impact on net income.

Also contributing to the increase in average earning assets was a $0.9 billion, or 29%, increase in average securities. This increase reflected an investment of a portion of the proceeds from the automobile loan sales and the securitization and retention of originated residential mortgages.

Average operating lease assets were $1.7 billion in 2003, down 35% from the prior year, reflecting the run-off of operating leases, as all new automobile lease originations since April 2002 are direct financing leases and reflected in automobile loans and leases (see Significant Factors item 8).

## Table 7—Consolidated Average Balance Sheets—Excluding Sold Florida Operations

| | Average Balance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | | | | | | | 2001 | | |
| | | GAAP Change from 2001 | | | | Excluding FL Change from 2001 | | | | |
| (in millions of dollars) | GAAP | Amount | Percent | FL [1] | Excld. FL | Amount | Percent | GAAP | FL [1] | Excld. FL |
| **Assets** | | | | | | | | | | |
| Interest bearing deposits in banks | $ 33 | $ 26 | NM% | $ — | $ 33 | $ 26 | NM% | $ 7 | $ — | $ 7 |
| Trading account securities | 7 | (18) | (72.0) | — | 7 | (18) | (72.0) | 25 | — | 25 |
| Federal funds sold and securities purchased under resale agreements | 72 | (35) | (32.7) | — | 72 | (35) | (32.7) | 107 | — | 107 |
| Mortgages held for sale | 322 | (38) | (10.6) | — | 322 | (38) | (10.6) | 360 | — | 360 |
| Securities: | | | | | | | | | | |
| Taxable | 2,859 | (285) | (9.1) | — | 2,859 | (285) | (9.1) | 3,144 | — | 3,144 |
| Tax exempt | 135 | (39) | (22.4) | — | 135 | (39) | (22.4) | 174 | — | 174 |
| Total securities | 2,994 | (324) | (9.8) | — | 2,994 | (324) | (9.8) | 3,318 | — | 3,318 |
| Loans and leases: | | | | | | | | | | |
| C&I | 5,679 | (971) | (14.6) | 94 | 5,585 | (318) | (5.4) | 6,650 | 747 | 5,903 |
| CRE | | | | | | | | | | |
| Construction | 1,216 | (5) | (0.4) | 13 | 1,203 | 91 | 8.2 | 1,221 | 109 | 1,112 |
| Commercial | 2,378 | 38 | 1.6 | 41 | 2,337 | 303 | 14.9 | 2,340 | 306 | 2,034 |
| Consumer | | | | | | | | | | |
| Automobile loans and leases | 3,196 | 357 | 12.6 | 42 | 3,154 | 640 | 25.5 | 2,839 | 325 | 2,514 |
| Home equity | 3,085 | (313) | (9.2) | 104 | 2,981 | 296 | 11.0 | 3,398 | 713 | 2,685 |
| Residential mortgage | 1,438 | 390 | 37.2 | 29 | 1,409 | 600 | 74.2 | 1,048 | 239 | 809 |
| Other loans | 425 | (165) | (28.0) | 15 | 410 | (66) | (13.9) | 590 | 114 | 476 |
| Total consumer | 8,144 | 269 | 3.4 | 190 | 7,954 | 1,470 | 22.7 | 7,875 | 1,391 | 6,484 |
| Total loans and leases | 17,417 | (669) | (3.7) | 338 | 17,079 | 1,546 | 10.0 | 18,086 | 2,553 | 15,533 |
| Allowance for loan and lease losses | 374 | 67 | 21.8 | 2 | 372 | 99 | 36.3 | 307 | 34 | 273 |
| Net loans and leases | 17,043 | (736) | (4.1) | 336 | 16,707 | 1,447 | 9.5 | 17,779 | 2,519 | 15,260 |
| Total earning assets | 20,845 | (1,058) | (4.8) | 338 | 20,507 | 1,157 | 6.0 | 21,903 | 2,553 | 19,350 |
| Operating lease assets | 2,602 | (368) | (12.4) | — | 2,602 | (368) | (12.4) | 2,970 | — | 2,970 |
| Cash and due from banks | 757 | (155) | (17.0) | 12 | 745 | (86) | (10.3) | 912 | 81 | 831 |
| Intangible assets | 293 | (443) | (60.2) | 86 | 207 | 11 | 5.6 | 736 | 540 | 196 |
| All other assets | 1,800 | (63) | (3.4) | 3 | 1,797 | 7 | 0.4 | 1,863 | 73 | 1,790 |
| **Total Assets** | $ 25,923 | $ (2,154) | (7.7)% | $ 437 | $ 25,486 | $ 622 | 2.5% | $ 28,077 | $ 3,213 | $ 24,864 |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | |
| Core deposits | | | | | | | | | | |
| Non-interest bearing deposits | $ 2,902 | $ (402) | (12.2)% | $ 75 | $ 2,827 | $ 104 | 3.8% | $ 3,304 | $ 581 | $ 2,723 |
| Interest bearing demand deposits | 5,161 | 156 | 3.1 | 193 | 4,968 | 1,349 | 37.3 | 5,005 | 1,386 | 3,619 |
| Savings deposits | 2,853 | (625) | (18.0) | 66 | 2,787 | (139) | (4.8) | 3,478 | 552 | 2,926 |
| Other domestic time deposits | 4,349 | (1,534) | (26.1) | 228 | 4,121 | 51 | 1.3 | 5,883 | 1,813 | 4,070 |
| Total core deposits | 15,265 | (2,405) | (13.6) | 562 | 14,703 | 1,365 | 10.2 | 17,670 | 4,332 | 13,338 |
| Domestic time deposits of $100,000 or more | 851 | (429) | (33.5) | 21 | 830 | (241) | (22.5) | 1,280 | 209 | 1,071 |
| Brokered time deposits and negotiable CDs | 731 | 603 | NM | — | 731 | 603 | NM | 128 | — | 128 |
| Foreign time deposits | 337 | 54 | 19.1 | — | 337 | 60 | 21.7 | 283 | 6 | 277 |
| Total deposits | 17,184 | (2,177) | (11.2) | 583 | 16,601 | 1,787 | 12.1 | 19,361 | 4,547 | 14,814 |
| Short-term borrowings | 1,856 | (243) | (11.6) | 18 | 1,838 | (124) | (6.3) | 2,099 | 137 | 1,962 |
| Federal Home Loan Bank Advances | 279 | 260 | NM | — | 279 | 260 | NM | 19 | — | 19 |
| Subordinated notes | 847 | (12) | (1.4) | — | 847 | (12) | (1.4) | 859 | — | 859 |
| Other long-term debt | 2,488 | (64) | (2.5) | (167) | 2,655 | (1,368) | (34.0) | 2,552 | (1,471) | 4,023 |
| Total interest bearing liabilities | 19,752 | (1,834) | (8.5) | 359 | 19,393 | 439 | 2.3 | 21,586 | 2,632 | 18,954 |
| All other liabilities | 1,053 | 194 | 22.6 | 3 | 1,050 | 191 | 22.2 | 859 | — | 859 |
| Shareholders' equity | 2,216 | (112) | (4.8) | — | 2,216 | (112) | (4.8) | 2,328 | — | 2,328 |
| **Total Liabilities and Shareholders' Equity** | $ 25,923 | $ (2,154) | (7.7)% | $ 437 | $ 25,486 | $ 622 | 2.5% | $ 28,077 | $ 3,213 | $ 24,864 |

(1) Average balances from sold Florida operations.
NM, not a meaningful value.

*2002 versus 2001 Performance*
Average total loans and leases for 2002 were $17.4 billion, down $0.7 billion, or 4%, from 2001, as shown in Table 4. This decrease resulted from the impact of the sold Florida related loans, partially offset by a $1.5 billion, or 23%, increase in consumer loans and leases in the remaining loan portfolios. Average Florida related loans were $0.3 billion in 2002 and $2.6 billion in 2001 (see Table 7). The increase in non-Florida consumer loans and leases was attributable to an emphasis, beginning in late 2001, on the generation of residential mortgages. This coincided with heavy demand for refinancing mortgage assets due to the declining interest rate environment. As a result, average non-Florida residential mortgages increased $0.6 billion, or 74%. Non-Florida home equity loans and lines increased $0.3 billion, or 11%. Average non-Florida automobile loans and leases increased $0.6 billion, or 25%. Also contributing to growth in average loans and leases, on this same basis, was a $0.4 billion, or 13%, increase in CRE loans. In contrast, average non-Florida C&I loans declined $0.3 billion, or 5%, reflecting a combination of low demand due to the weak economic environment and reduced shared national credit exposure.

The $0.3 billion, or 10%, decline in average investment securities in 2002 reflected the continued run off of lower-margin securities, mostly in the first half of 2001, and was unaffected by the sold Florida banking operations.

Average operating lease assets were $2.6 billion in 2002, down 12% from the prior year, reflecting no new operating leases being originated since April 2002, and the run-off of the existing operating leases.

AVERAGE BALANCE SHEET DISCUSSION—DEPOSITS AND OTHER FUNDING

*2003 versus 2002 Performance*
As shown in Table 16, deposits were $18.5 billion at December 31, 2003, with 84% representing core deposits, down from 87% at the end of the prior year.

Average core deposits were $15.4 billion in 2003, up 1%, as shown in Table 4. This increase reflected 20% growth in interest bearing demand deposits and 6% growth in non-interest bearing demand deposits, areas where growth initiatives were concentrated. However, most of this growth was offset by a 25% decline in average retail certificates of deposit. As interest rates declined throughout the first half of 2003, retail certificates of deposits (CDs) became a relatively expensive source of funding and, as a result, were de-emphasized. Average total deposits, which include core deposits, were $18.2 billion, up 6% from the prior year, and additionally reflected significant growth in brokered time deposits and negotiable CDs, both of which were relatively lower cost deposits.

Management uses the non-core funding ratio (total liabilities less core deposits and accrued expenses and other liabilities divided by total assets) to measure the extent to which funding is dependent on wholesale deposits and borrowing sources. For 2003, the average non-core funding ratio was 35%, up from 28% in 2002. This reflected the fact that balance sheet growth during 2003 exceeded that of core deposits and, therefore, required funding through brokered CDs, Federal Home Loan Bank (FHLB) advances, and other long-term debt. As previously mentioned, though it had no significant impact on average balances, $250 million of secured long-term debt was extinguished in the fourth quarter of 2003.

*2002 versus 2001 Performance*
As shown in Table 16, deposits were $17.5 billion at December 31, 2002, with 87% representing core deposits, down from 93% at the end of the prior year, which included the Florida deposits subsequently sold.

Average core deposits were $15.3 billion in 2002 as shown in Table 4. The sale of the Florida banking operations reduced average core deposits outstanding by $3.8 billion compared with 2001 (see Table 7). Partially offsetting the impact of these sold deposits was growth in non-Florida core deposit funding of $1.4 billion, or 10%, from the prior year. This growth was driven by a $1.3 billion, or 37%, increase in average non-Florida interest bearing demand deposits reflecting the combined benefits of enhanced sales efforts and consumers moving funds out of the equity markets. Average brokered time deposits and negotiable certificates of deposits, on the same basis, increased $0.6 billion reflecting their relatively lower cost and Management's strategy to further diversify its funding sources.

Average borrowings in 2002, comprised of short-term notes, advances from the FHLB, subordinated notes, and long-term debt including capital securities, totaled $5.5 billion, little changed from the prior year.

### 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 loan and lease portfolio (see Credit Risk for further discussion).

Provision expense for 2003 was $164.0 million, down $30.4 million, or 16%, from 2002. This decline reflected lower net charge-offs, partially offset by additional provision expense related to loan growth. The provision expense for 2002 was $194.4 million, down $62.9 million, or 24%, from $257.3 million in 2001, with $9.9 million of the decline reflecting the sale of the Florida banking operations.

### NON-INTEREST INCOME

Non-interest income for the recent three years ended December 31, 2003 was as follows:

Table 8—Non-Interest Income

| | | Change from 2002 | | | Change from 2001 | | |
|---|---|---|---|---|---|---|---|
| (in thousands of dollars) | 2003 | Amount | % | 2002 | Amount | % | 2001 |
| Service charges on deposit accounts | $ 167,840 | $ 14,276 | 9.3% | $ 153,564 | $ (11,448) | (6.9)% | $ 165,012 |
| Trust services | 61,649 | (402) | (0.6) | 62,051 | 1,753 | 2.9 | 60,298 |
| Brokerage and insurance | 57,844 | (4,265) | (6.9) | 62,109 | (12,904) | (17.2) | 75,013 |
| Mortgage banking | 58,180 | 26,147 | 81.6 | 32,033 | (22,485) | (41.2) | 54,518 |
| Bank owned life insurance | 43,028 | (95) | (0.2) | 43,123 | 2,000 | 4.9 | 41,123 |
| Other service charges and fees | 41,446 | (1,442) | (3.4) | 42,888 | (5,329) | (11.1) | 48,217 |
| Securities gains | 5,258 | 356 | 7.3 | 4,902 | 4,179 | NM | 723 |
| Other | 91,059 | 14,119 | 18.4 | 76,940 | 13,635 | 21.5 | 63,305 |
| **Sub-total before operating lease income** | 526,304 | 48,694 | 10.2 | 477,610 | (30,599) | (6.0) | 508,209 |
| Operating lease income | 489,698 | (167,376) | (25.5) | 657,074 | (34,659) | (5.0) | 691,733 |
| **Sub-total including operating lease income** | 1,016,002 | (118,682) | (10.5) | 1,134,684 | (65,258) | (5.4) | 1,199,942 |
| Gain on sales of automobile loans | 40,039 | 40,039 | NM | — | — | — | — |
| Gain on sale of branch offices | 13,112 | 13,112 | NM | — | — | — | — |
| Gain on sale of Florida operations | — | (182,470) | NM | 182,470 | 182,470 | NM | — |
| Merchant Services gain | — | (24,550) | NM | 24,550 | 24,550 | NM | — |
| **Total Non-Interest Income** | $ 1,069,153 | $ (272,551) | (20.3)% | $ 1,341,704 | $ 141,762 | 11.8% | $ 1,199,942 |

NM, not a meaningful value.

*2003 versus 2002 Performance*

Non-interest income for 2003 was down $272.6 million, or 20%, from 2002. As shown in Table 8, $321.2 million of the decline was attributable to the 2003 impact of the gain on sales of automobile loans and banking offices, the impact on 2002 results of the gain from the sale of the Florida banking operation and the Merchant Services restructuring, and the impact of the decline in operating lease income as this portfolio continues to run-off, with the remaining components of non-interest income up $48.7 million from 2002 (see Significant Factors items 2, 3 and 4).

Contributing to this $48.7 million increase were:

- $26.1 million increase in mortgage banking income, including $29.1 million related to mortgage servicing rights (MSR) valuation. All mortgage loan originations not retained on the balance sheet are sold in the secondary market with servicing retained. This servicing asset, referred to as a mortgage servicing right (MSR), is an interest only strip, typically 0.25%-0.35% of the loan balance that the mortgage servicer is paid to service the loans. The MSR asset is valued quarterly at the lower of cost or market, with impairment of the asset, or recovery of prior temporary impairment, recorded in mortgage banking income. The MSR is inversely related to, and significantly sensitive to, mortgage prepayment rates, which are, in turn, sensitive to changes in interest rates. In a rising interest rate environment, as prepayments of the underlying mortgage loans slow, the average life of the asset increases, as do associated cash flows and the value of the asset. Conversely, as interest rates decline, mortgage prepayments accelerate commensurate with increased refinancing activity, thus shortening the average life of the MSR asset and reducing its present value. In 2002, the decline in mortgage interest rates resulted in a decline, or temporary impairment, in the value of the MSR asset,

resulting in a $14.1 million pre-tax temporary MSR impairment charge. Just the opposite occurred in the second half of 2003, as the rise in market interest rates resulted in a higher valuation of the MSR asset, resulting in $15.0 million of MSR impairment net recoveries for the full year. This change in MSR valuation resulted in a $29.1 million increase in mortgage banking income between these periods. At December 31, 2003, the value of capitalized MSRs was 1.11% of loans serviced for others. A record $6.1 billion of mortgages were originated in 2003 due to heavy refinancing activity as borrowers continued to take advantage of very low interest rates. (See Note 7 of the Notes to the Consolidated Financial Statements.)

- $14.3 million, or 9%, increase in deposit service charges. This increase occurred despite the loss of $4.2 million, or 3%, of 2002 deposit service charges related to the sold Florida banking operations. Deposit service charges in banking regions other than Florida increased $18.5 million, or 12%, in 2003 compared with 2002. This increase reflected the growth in deposit accounts, as well as an increase in consumer NSF service charges and overdraft fees.
- $14.1 million increase in other income reflecting a combination of items including higher lease termination income and fees, securitization income, fees from customer interest rate swaps, and customer trading gains.

Partially offset by:

- $4.3 million decline in brokerage and insurance income. This decline was principally due to the $6.9 million of 2002 brokerage and insurance income related to the sold Florida banking and insurance operations, partially offset by a $2.7 million increase in income generated by other areas compared with 2002, mostly related to insurance agency revenue from mortgage refinancing and title insurance fees.

*2002 versus 2001 Performance*

Non-interest income for 2002 was up $141.8 million, or 12%, from 2001. As shown in Table 8, the impact of the 2002 gain from the sale of the Florida banking operation and the Merchant Services restructuring, partially offset by the decline in operating lease income (as this portfolio continued to run-off) accounted for $172.4 million of the increase, with the remaining components of non-interest income down $30.6 million from 2001 (see Significant Factors items 2 and 8).

Contributing to this $30.6 million decrease were:

- $22.5 million decline in mortgage banking income, with $3.3 million reflecting the sale of the Florida banking operations which had virtually no mortgage banking income in 2002 but $3.3 million in 2001. The remaining $19.2 million decline in mortgage banking income included $14.1 million of temporary MSR impairment charges in 2002 compared with $6.3 million of such impairment in 2001. In addition, the company retained MSRs in 2002 compared with the general practice of selling them in 2001. This resulted in fewer gains on sales of servicing and related hedge gains, as well as more amortization expense of the related MSRs being recorded. Total mortgage loans originated in 2002 were $4.1 billion, up from $3.5 billion in 2001 due to heavy refinancing activity as borrowers took advantage of very low interest rates. At December 31, 2002, the value of capitalized mortgage servicing rights was 0.78% of loans serviced for others.
- $12.9 million decline in brokerage and insurance income, reflecting a $17.7 million decrease due to the sale of the Florida banking and insurance operations, which had $6.9 million and $24.6 million of such income in 2002 and 2001, respectively, partially offset by a the positive impact of higher annuity sales, though fees associated with mutual fund sales declined.
- $11.4 million decline in service charges on deposit accounts, with $27.2 million reflecting the sale of the Florida banking and insurance operations, which had $4.2 million and $31.4 million of such income in 2002 and 2001, respectively, partially offset by a $15.8 million increase in deposit service charges, primarily personal and commercial service charges.

Partially offset by:

- $13.6 million increase in other income representing a $16.9 million increase in other income spread over a number of miscellaneous fee and service income categories, partially offset by a $3.3 million reduction due to the sale of the Florida banking and insurance operations, which had $1.1 million and $7.2 million of such income in 2002 and 2001, respectively.

Total non-interest income associated with the sold Florida banking and insurance operations was $13.3 million and $77.0 million in 2002 and 2001, respectively.

### NON-INTEREST EXPENSE

Non-interest expense for the recent three years ended December 31, 2003 was as follows:

Table 9—Non-Interest Expense

| (in thousands of dollars) | 2003 | Change from 2002 Amount | Change from 2002 % | 2002 | Change from 2001 Amount | Change from 2001 % | 2001 |
|---|---|---|---|---|---|---|---|
| Personnel costs | $ 447,263 | $ 29,226 | 7.0% | $ 418,037 | $ (36,173) | (8.0)% | $ 454,210 |
| Outside data processing and other services | 66,118 | (1,250) | (1.9) | 67,368 | (2,324) | (3.3) | 69,692 |
| Equipment | 65,921 | (2,402) | (3.5) | 68,323 | (12,237) | (15.2) | 80,560 |
| Net occupancy | 62,481 | 2,942 | 4.9 | 59,539 | (16,910) | (22.1) | 76,449 |
| Professional services | 42,448 | 9,363 | 28.3 | 33,085 | 223 | 0.7 | 32,862 |
| Marketing | 27,490 | (421) | (1.5) | 27,911 | (3,146) | (10.1) | 31,057 |
| Telecommunications | 21,979 | (682) | (3.0) | 22,661 | (5,323) | (19.0) | 27,984 |
| Printing and supplies | 13,009 | (2,189) | (14.4) | 15,198 | (3,169) | (17.3) | 18,367 |
| Amortization of intangible assets | 816 | (1,203) | (59.6) | 2,019 | (39,206) | (95.1) | 41,225 |
| Other | 80,780 | (11,283) | (12.3) | 92,063 | 625 | 0.7 | 91,438 |
| **Sub-total excluding operating lease expense** | 828,305 | 22,101 | 2.7 | 806,204 | (117,640) | (12.7) | 923,844 |
| Operating lease expense | 393,270 | (125,700) | (24.2) | 518,970 | (39,656) | (7.1) | 558,626 |
| **Sub-total including operating lease expense** | 1,221,575 | (103,599) | (7.8) | 1,325,174 | (157,296) | (10.6) | 1,482,470 |
| Loss on early extinguishment of debt | 15,250 | 15,250 | NM | — | — | NM | — |
| Restructuring (releases) charges | (6,666) | (55,639) | NM | 48,973 | (30,984) | NM | 79,957 |
| **Total Non-Interest Expense** | $ 1,230,159 | $ (143,988) | (10.5)% | $ 1,374,147 | $ (188,280) | (12.1)% | $ 1,562,427 |

NM, not a meaningful value.

*2003 versus 2002 Performance*

Non-interest expense for 2003 was down $144.0 million, or 10%, from 2002. As shown in Table 9, the impact of the 2003 loss on early extinguishment of debt and restructuring charges in both years, as well as the impact of the decline in operating lease expense (as this portfolio continued to run-off), accounted for $166.1 million of the decline, with the remaining components of non-interest expense up $22.1 million from 2002 (see Significant Factors item 1, 6, and 8).

Contributing to this $22.1 million increase were:

- $29.2 million increase in personnel costs consisting of higher incentive and sales commission expense, especially related to mortgage banking activity, as well as higher benefit and pension costs, including an $11.5 million decline associated with the sold Florida banking and insurance operations.
- $9.4 million, or 28%, increase in professional services including $6.9 million of costs related to the ongoing formal SEC investigation.

Partially offset by:

- $11.3 million decline in other expense including $1.1 million associated with the sold Florida banking and insurance operations, with the remaining $10.2 million decline reflecting lower operational losses, travel costs, and franchise taxes.

*2002 versus 2001 Performance*

Non-interest expense for 2002 was down $188.3 million, or 12%, from 2001. As shown in Table 9, the impact of restructuring charges in both years, as well as the impact of the decline in operating lease expense accounted for $70.5 million of the decline, with the remaining components of non-interest expense down $117.6 million from 2001 (see Significant Factors item 1 and 8).

Contributing to the $117.6 million decline between years were:

- $39.2 million decline in the amortization of intangible assets, of which $29.0 million related to goodwill eliminated with the sale of the Florida banking operations, with the remainder reflecting the adoption in 2002 of Statement No. 142, *Goodwill and Other Intangible Assets*, under which goodwill was no longer amortized to expense (see Significant Factor item 9).

- $36.2 million decline in personnel costs including a $62.2 million decline associated with the sale of the Florida banking and insurance operations, which had $11.5 million and $73.7 million of such costs in 2002 and 2001, respectively. This decline was partially offset by a $26.0 million increase in salaries, incentive-based compensation, and pension and benefit costs. Higher salaries reflected the expansion of management and employee talent at all levels, including the credit workout group. In addition, and given a renewed focus on sales, incentive-based compensation increased throughout the company, most notably in mortgage banking. Higher medical and pension costs were partially offset by gains related to stock received from the demutualization of certain insurance companies where the company owned related insurance policies.
- $16.9 million decline in net occupancy expense including $15.5 million associated with the sold Florida banking and insurance operations, which had $2.6 million and $18.1 million of such costs in 2002 and 2001, respectively.
- $12.2 million decline in equipment expense including $8.6 million associated with the sale of the Florida banking and insurance operations, which had $1.4 million and $10.0 million of such costs in 2002 and 2001, respectively.

Total non-interest expense associated with the sold Florida banking and insurance operations was $20.2 million and $162.9 million in 2002 and 2001, respectively.

### INCOME TAXES

Income taxes were $138.3 million in 2003 and $199.0 million in 2002 compared with an income tax benefit of $39.3 million in 2001. Tax expense in 2002 and 2001 was significantly impacted by the effect of the strategic refocusing and related sale of the Florida banking and insurance operations, the restructuring charges, and other items. The effective tax rate was 26.4%, 38.1%, and (41.2)% in 2003, 2002, and 2001, respectively. The $60.7 million decrease in income tax expense in 2003 compared with 2002 reflected the fact that most of the goodwill relating to the Florida banking operations sold in 2002 was non-deductible for income tax purposes.

The effective tax rate in 2001, and to a lesser degree 2002, reflected a combination of factors including the loss from Florida operations, restructuring charges, and higher loan loss provision expense. In addition, in 2001, there was a $32.5 million reduction in income tax expense related to the issuance of $400.0 million of real estate investment trust (REIT) subsidiary preferred stock, of which $50.0 million was sold to the public.

Management expects the 2004 effective tax rate to remain below 30% as the level of tax-exempt income, general business credits, and asset securitization activities remain consistent with prior years (see Note 24 of the Notes to Consolidated Financial Statements).

In the ordinary course of business, the company operates in various taxing jurisdictions and is subject to income and non-income taxes. The effective tax rate is based in part on Management's interpretation of the relevant current tax laws. Management believes the aggregate liabilities related to taxes are appropriately reflected in the consolidated financial statements. During 2003, the Internal Revenue Service (IRS) advised the company that the audit of the consolidated federal income tax returns was complete through the tax year 2001.

## Credit Risk

### CREDIT RISK MANAGEMENT

Credit risk is the risk of loss due to adverse changes in a borrower's ability to meet its financial obligations under agreed upon terms. The company is subject to credit risk in lending, trading, and investment activities. The nature and degree of credit risk is a function of the types of transactions, the structure of those transactions, and the parties involved. The majority of the company's credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. Credit risk is incidental to trading activities and represents a limited portion of the total risks associated with the investment portfolio. Credit risk is mitigated through a combination of credit policies and processes and portfolio diversification. These include origination/underwriting criteria, portfolio monitoring processes, and effective problem asset management.

The maximum level of credit exposure to individual commercial borrowers is limited by policy guidelines based on the default probabilities associated with the credit facilities extended to each borrower or related group of borrowers. All authority to grant commitments is delegated through the independent credit administration function, and is monitored and regularly updated in a centralized database.

Concentration risk is managed with limits on loan type, geographic and industry diversification, country limits, and loan quality factors. In 2003, the company increased its emphasis on extending credit to commercial customers with existing or expandable relationships within the company's primary markets. As a result, shared national credit exposure declined significantly over this period

(see Balance Sheet discussion and Table 6). The sales of automobile loans (see Significant Factor item 3) are another example of the proactive management of concentration risk.

The checks and balances in the credit process and the independence of the credit administration and risk management functions are designed to minimize problems and to facilitate the early recognition of problems when they do occur.

### COMMERCIAL CREDIT

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

All C&I and CRE credit extensions are assigned internal risk ratings reflecting the borrower's probability-of-default and loss-in-event-of-default. This two-dimensional rating methodology, which has 180 individual loan grades, was implemented in 2003 and has provided the company with improved granularity in the portfolio management process. The probability-of-default is rated on a scale of 1-12 and is applied at the borrower level. The loss-in-event-of-default is rated on a 1-15 scale and is associated with each individual credit exposure based on the type of credit extension and the underlying collateral.

In commercial lending, ongoing credit management is dependent on the type and nature of the loan. In general, quarterly monitoring is normal for all significant exposures. The internal risk ratings are revised and updated with each periodic monitoring event. There is also extensive macro portfolio management analysis on an ongoing basis to continually update default probabilities and to estimate future losses.

In addition to the initial credit analysis initiated by the portfolio manager during the underwriting process, the loan review group performs independent credit reviews. The loan review group reviews individual loans, credit processes, and conducts a portfolio review at each of the regions on a regular basis. During 2003, approximately 60% of the total amount of the C&I and CRE portfolio was reviewed by the independent loan review function.

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

The company has also established a credit workout group composed of highly skilled and experienced lenders to manage problem credits. The group handles commercial recoveries, workouts, and problem loan sales, as well as the day-to-day management of relationships rated substandard or worse. The group is responsible for developing an action plan, assessing the risk rating, and determining the adequacy of the reserve, the accrual status, and the ultimate collectibility of the credits managed.

### CONSUMER CREDIT

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

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

Collection action is initiated on an "as needed" basis through a centrally managed collection and recovery function. The collection group employs a series of technologically advanced collection methodologies designed to maintain a high level of effectiveness while

maximizing efficiency. In addition to the retained consumer loan portfolio, the collection group is responsible for collection activity on all sold and securitized loans and leases.

### INVESTMENT PORTFOLIO

Investment decisions that incorporate credit risk require the approval of the independent credit administration function. The degree of initial due diligence and subsequent review is a function of the type, size, and collateral of the investment. Performance is monitored on a regular basis, and reported to the asset and liability committee (ALCO) and the executive credit risk committee.

### NET CHARGE-OFFS

Total net charge-offs as a percent of average total loans and leases were 0.81% in 2003, down from 1.13% in 2002, but comparable to 0.81% in 2001 (see Table 10). The decline from 2002 primarily reflected lower C&I and CRE net charge-offs, which represented 1.01% of such loans in 2003, down from 1.46% in 2002. Performance in both periods was impacted by significant NPA sales in the fourth quarter of each year (see Significant Factors item 7).

## Table 10—Net Loan and Lease Charge-offs

| (in thousands of dollars) | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| **Net Charge-offs by Type** | | | | | |
| C&I | $ 84,858 | $ 117,762 | $ 59,568 | $ 13,812 | $ 10,900 |
| CRE | 10,517 | 17,641 | 3,729 | 1,327 | 1,585 |
| **Total Commercial** | 95,375 | 135,403 | 63,297 | 15,139 | 12,485 |
| Consumer | | | | | |
| Automobile leases and loans | 45,994 | 40,546 | 55,071 | 32,280 | 28,582 |
| Home equity | 14,604 | 13,506 | 14,588 | 6,909 | 6,096 |
| Residential mortgage | 832 | 872 | 785 | 1,007 | 1,136 |
| Other loans | 5,004 | 6,585 | 12,528 | 6,312 | 21,230 |
| **Total Consumer** | 66,434 | 61,509 | 82,972 | 46,508 | 57,044 |
| **Total Net Charge-offs** | $ 161,809 | $ 196,912 | $ 146,269 | $ 61,647 | $ 69,529 |
| **Net Charge-offs as a % of Average Loans and Leases** | | | | | |
| C&I | 1.54% | 2.07% | 0.90% | 0.21% | 0.18% |
| CRE | 0.27 | 0.49 | 0.10 | 0.04 | 0.05 |
| **Total Commercial** | 1.01 | 1.46 | 0.62 | 0.15 | 0.13 |
| Consumer | | | | | |
| Automobile loans and leases | 0.98 | 1.27 | 1.94 | 1.03 | 0.81 |
| Home equity | 0.42 | 0.44 | 0.43 | 0.23 | 0.26 |
| Residential mortgage | 0.04 | 0.06 | 0.07 | 0.07 | 0.08 |
| Other consumer loans | 1.32 | 1.55 | 2.12 | 1.19 | 1.93 |
| **Total Consumer** | 0.63 | 0.76 | 1.05 | 0.58 | 0.67 |
| **Total Net Charge-offs** | 0.81% | 1.13% | 0.81% | 0.35% | 0.39% |

Total consumer net charge-offs represented 0.63% of such loans in 2003, down slightly from 0.76% in 2002, and much improved from 1.05% in 2001. The primary driver of this improvement was the origination of higher quality automobile loans and leases over this period, as well as the increased significance of residential mortgages in the consumer loan portfolio mix. In 2003, the company established long-term net charge-off ratio targets for certain portfolio segments, and for the total portfolio, assuming a comparable portfolio mix, as well as a stable economic environment. The following table compares 2003 performance to these targets:

| Net Charge-off Rates on an Annualized Basis | 2003 Actual | Long-term Targets [(1)] |
|---|---|---|
| Total C&I and CRE loans | 1.01% | 0.20% - 0.40% |
| Automobile loans and leases | 0.98% | 0.70% - 0.80% |
| Home equity loans and lines | 0.42% | 0.20% - 0.35% |
| Total loans and leases | 0.81% | 0.40% - 0.45% |

(1) Assumes loan and lease portfolio mix comparable to 12/31/03, and stable economic environment.

For full-year 2004, C&I and CRE net charge-offs are expected to decline reflecting the improvements made in underwriting, the origination of higher quality loans and leases, and the success in lowering individual concentrations in larger C&I and CRE credits, as well as the 2003 fourth quarter sale of lower credit quality commercial loans, including NPAs. Further improvement in the consumer net charge-off ratio is also expected. Net charge-offs for the total portfolio are expected to be in the 0.50%-0.60% 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, in Management's judgment, the borrower's ability and intent to make periodic interest and principal payments resumes and collectibility is no longer in doubt, the loan is returned to accrual status. C&I and CRE loans are generally placed on non-accrual status when collection of principal or interest is in doubt or when the loan is 90 days past due. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior-year amounts generally charged off as a credit loss. Consumer loans and leases, excluding residential mortgages, 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 loan is recorded when the loan has been foreclosed and the loan balance exceeds the fair value of the real estate. The fair value of the collateral, less the cost to sell, is then recorded as real estate owned.

### Table 11—Non-Performing Assets and Past Due Loans and Leases

| | December 31, | | | | |
|---|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2001 | 2000 | 1999 |
| **Non-accrual Loans and Leases** | | | | | |
| C&I | $ 43,387 | $ 91,861 | $ 159,637 | $ 55,804 | $ 42,958 |
| CRE | 22,399 | 26,765 | 48,360 | 26,702 | 26,916 |
| Residential mortgage | 9,695 | 9,443 | 11,836 | 10,174 | 11,866 |
| **Total Non-accrual Loans and Leases** | 75,481 | 128,069 | 219,833 | 92,680 | 81,740 |
| Renegotiated loans | — | — | 1,276 | 1,304 | 1,330 |
| **Total Non-performing Loans and Leases (NPLs)** | 75,481 | 128,069 | 221,109 | 93,984 | 83,070 |
| Other real estate, net | 11,905 | 8,654 | 6,384 | 11,413 | 15,171 |
| **Total Non-performing Assets (NPAs)** | $ 87,386 | $ 136,723 | $ 227,493 | $ 105,397 | $ 98,241 |
| **Accruing loans and leases past due 90 days or more** | $ 55,913 | $ 61,526 | $ 76,013 | $ 66,665 | $ 54,567 |
| **NPLs as a % of total loans and leases** | 0.36% | 0.69% | 1.20% | 0.53% | 0.46% |
| **NPLs as a % of total loans and leases and other real estate** | 0.41 | 0.74 | 1.23 | 0.60 | 0.55 |
| **Allowance for loan and lease losses as a percent of:** | | | | | |
| **NPLs** | 444 | 263 | 167 | 282 | 330 |
| **NPAs** | 384 | 246 | 162 | 251 | 279 |
| **Accruing loans and leases past due 90 days or more to total loans and leases** | 0.27 | 0.33 | 0.41 | 0.38 | 0.30 |

Note: For 2003, the amount of interest income which would have been recorded under the original terms for total loans and leases classified as non-accrual or renegotiated was $6.3 million. Amounts actually collected and recorded as interest income for these loans and leases was $3.0 million.

Total NPAs were $87.4 million at December 31, 2003, down 36% from $136.7 million at December 31, 2002, and down 62% from $227.5 million at the end of 2001. Expressed as a percent of total loans and leases and other real estate, the year-end positions for 2003, 2002, and 2001 were 0.41%, 0.74%, and 1.23%, respectively (see Table 11).

During 2001, credit quality trends were deteriorating, particularly in the C&I and CRE portfolio, caused by a deteriorating economy and previous decisions in credit underwriting. Management strengthened the independent loan review function and undertook an aggressive review of these portfolios to ensure that all credits were properly graded and action plans on individual credits were initiated, where appropriate. In addition, credit underwriting standards were tightened and the credit approval process was redesigned.

In early 2002, the credit workout group was further strengthened, with the objective of aggressively seeking economically advantageous opportunities to reduce the level of NPAs, including NPA sales. These efforts were reflected in the significant NPA portfolio sales in the

2002 and 2003 fourth quarters (see Significant Factors item 7 and Table 12). As a result, the 0.41% NPA ratio at the end of 2003 represented the lowest level in many years. Management expects NPAs in 2004 to be comparable with year-end 2003 levels.

## Table 12—Non-Performing Asset Activity

| (in thousands) | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| **Beginning of Period** | $ 136,723 | $ 227,493 | $ 105,397 | $ 98,241 | $ 96,099 |
| New non-performing assets | 222,043 | 260,229 | 329,882 | 112,319 | 106,014 |
| Returns to accruing status | (16,632) | (17,124) | (2,767) | (5,914) | (5,744) |
| Loan and lease losses | (109,905) | (152,616) | (67,491) | (18,052) | (19,547) |
| Payments | (83,886) | (136,774) | (106,889) | (67,431) | (67,682) |
| Sales [1] | (60,957) | (44,485) | (30,639) | (13,766) | (10,899) |
| **End of Period** | $ 87,386 | $ 136,723 | $ 227,493 | $ 105,397 | $ 98,241 |

(1) 2002 Includes $6.5 million related to the sale of the Florida operations and $21.4 million related to the fourth quarter special credit actions. 2003 includes $26.6 million related to fourth quarter credit actions.

### ALLOWANCE FOR LOAN AND LEASE LOSSES

The allowance for loan and lease losses (ALLL) represents the estimate of probable losses inherent in the loan portfolio at the balance sheet date. Allocation of the ALLL is made for analytical purposes only, and the entire allowance is available to absorb probable and estimable credit losses inherent in the portfolio. Additions to the ALLL result from recording provision expense for loan losses or loan recoveries, while reductions reflect charge-offs, or the sale of loans.

#### PROCESS TO DETERMINE THE ADEQUACY OF THE ALLL

Management has an established process to determine the adequacy of the ALLL that relies on a number of analytical tools and benchmarks. No single statistic or measurement, in itself, determines the adequacy of the allowance. For analytical purposes, the allowance is comprised of two components, the transaction reserve and the economic reserve. The transaction and economic components represent the total allowance for loan losses to cover estimated losses inherent in the loan portfolio.

The credit administration group is responsible for determining the adequacy of the ALLL.

#### TRANSACTION RESERVE

The transaction reserve is the sum of: (1) expected losses associated with loans or leases in each portfolio and (2) specific reserves that are judgmentally determined for lower-rated credits in the C&I and CRE portfolios. For C&I and CRE loans, the calculation involves the use of a continuous and standardized loan grading system in combination with a review of larger individual, higher-risk loans. Loss factors used for this analysis are derived in two ways: (1) migration models are used to estimate loss factors by tracking historical movements of loans between loan ratings over time; and (2) in the case of loans without identified credit weaknesses, loss factors are estimated using a combination of long-term average loss experience of the company's own portfolio and external industry data. In addition, individual non-performing and substandard loans over $250,000 are analyzed for impairment using a cash flow or collateral-based methodology. Calculated reserve shortfalls are included in the transaction reserve as specific reserves.

In the case of homogeneous portfolios, such as consumer loans and leases, residential mortgage loans, and some segments of small business loans, the determination of the transaction component is conducted at an aggregate, or pooled, level. For such portfolios, the risk assessment process includes the use of forecasting models to measure inherent loss in these portfolios. Such analyses are updated frequently to capture the recent behavioral characteristics of the subject portfolios, as well as any changes in the loss mitigation or customer solicitation strategies. Adjustments to the expected loss factors and reserve are made on an as needed basis as observed in the results of the portfolio analytics.

#### ECONOMIC RESERVE

To mitigate imprecision and incorporate the range of probable outcomes inherent in the estimates of expected credit losses, the ALLL contains an economic reserve component. The economic reserve incorporates Management's determination of risks inherent in portfolio composition and economic uncertainties. The economic reserve is determined based on a variety of economic factors that are

correlated to the historical performance of the loan portfolio. Therefore, the ratio of the economic reserve to the transaction reserve component may fluctuate from period to period.

Prior to 2003, the company maintained an unallocated component of its ALLL, as did many banks. The unallocated component was eliminated in 2003 with the adoption of the more granular risk rating system with most of the prior unallocated reserve absorbed into the transaction reserve. With the adoption of the new risk grading system, Management has determined that an unallocated component is no longer necessary.

In an effort to be as quantitative as possible in the ALLL calculation, Management developed a revised methodology for calculating the economic reserve portion of the ALLL for implementation in 2004. The revised methodology is specifically tied to economic indices that have a high correlation to the company's historic charge-off variability. The indices currently in the model include U.S. index of leading economic indicators, U.S. profits, U.S. unemployment, and current consumer confidence. Beginning in 2004, the calculated economic reserve will be determined based upon the variability of credit losses over a credit cycle. The indices and time frame may be adjusted as actual portfolio performance changes over time. Management will have the capability to judgmentally adjust the calculated economic reserve amount by a maximum of 20%. This adjustment capability is deemed necessary given the newness of the model and the continuing uncertainty of the economic environment.

This change in methodology will allow for a more meaningful discussion of Management's view of the current economic conditions and the potential impact on the company's credit losses. The continued use of quantitative methodologies for the transaction reserve and the introduction of the quantitative methodology for the economic component may have the impact of more period-to-period fluctuation in the absolute and relative level of the reserve than exhibited in prior-period results.

SUMMARY

The determination of the level of the ALLL and, correspondingly, the provision for loan and lease losses reflects prior loss experiences as well as various judgments and assumptions, including (1) Management's evaluation of credit risk related to both individual borrowers and pools of loans, (2) observations derived from Management's ongoing internal review and examination processes, (3) loan portfolio composition, and (4) general economic conditions. Given the more quantitative methodologies to determine the level of the ALLL employed in 2003, and those that will be employed in 2004, the resultant absolute level of the ALLL, as well as the related measures and ratios, may be subject to increased period-to-period fluctuation.

### Table 13—Allocation of Allowance for Loan and Lease Losses (1)

| (in thousands of dollars) | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | |
|---|---|---|---|---|---|---|---|---|---|---|
| C&I | $ 156,721 | 25.2% | $ 155,577 | 30.2% | $ 174,713 | 34.9% | $ 104,968 | 37.7% | $ 94,978 | 35.2% |
| CRE | 74,571 | 19.8 | 48,395 | 20.0 | 55,862 | 20.6 | 46,505 | 19.6 | 46,936 | 18.3 |
| **Total Commercial** | 231,292 | 45.0 | 203,972 | 50.2 | 230,575 | 55.5 | 151,473 | 57.3 | 141,914 | 53.5 |
| Consumer: | | | | | | | | | | |
| Automobile loans and leases | 58,375 | 23.2 | 51,621 | 21.1 | 38,799 | 16.0 | 28,877 | 14.9 | 40,043 | 20.2 |
| Home equity | 27,211 | 18.0 | 18,621 | 17.2 | 24,054 | 19.4 | 19,246 | 12.3 | 17,089 | 9.5 |
| Residential mortgage | 11,124 | 12.0 | 8,566 | 9.4 | 6,013 | 6.1 | 4,421 | 6.0 | 5,393 | 8.4 |
| Other loans | 7,252 | 1.8 | 8,085 | 2.1 | 19,757 | 3.0 | 22,516 | 9.5 | 21,523 | 8.4 |
| **Total Consumer** | 103,962 | 55.0 | 86,893 | 49.8 | 88,623 | 44.5 | 75,060 | 42.7 | 84,048 | 46.5 |
| Unallocated | — | — | 45,783 | — | 50,134 | — | 38,396 | — | 47,969 | — |
| **Total Allowance for Loan and Lease Losses** | $ 335,254 | 100.0% | $ 336,648 | 100.0% | $ 369,332 | 100.0% | $ 264,929 | 100.0% | $ 273,931 | 100.0% |

(1) Percent represents percentage of loan and lease category to total loans and leases.

The ALLL was $335.3 million at December 31, 2003, down slightly from $336.6 million at December 31, 2002, and down from $369.3 million at the end of 2001. This represented 1.59% of total loans and leases at year-end 2003, 1.81% at year-end 2002, and 2.00% for 2001 (see Tables 13 and 14). This decrease in the relative percentage of the ALLL compared with loans and leases reflected the release of reserves associated with the sold loans over this period (see Significant Factors item 7). At the end of 2003, the ALLL represented 384% of NPAs, up from 246% at year-end 2002 and up from 162% at the end of 2001 (see Table 11). Given all of the characteristics in the loan and lease portfolio, Management believes the ALLL is sufficient to absorb the credit losses inherent in the portfolio. The following table shows the activity the ALLL, along with selected credit quality indicators.

## Table 14—Summary of Allowance for Loan and Lease Losses and Related Statistics

| (in thousands of dollars) | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| **Balance, Beginning of Year** | $ 336,648 | $ 369,332 | $ 264,929 | $ 273,931 | $ 273,125 |
| **Loan and Lease Losses** | | | | | |
| C&I | (99,339) | (128,868) | (65,743) | (18,013) | (16,203) |
| CRE | (13,045) | (19,875) | (4,521) | (1,760) | (3,037) |
| **Total Commercial** | (112,384) | (148,743) | (70,264) | (19,773) | (19,240) |
| Consumer | | | | | |
| Automobile loans and leases | (63,521) | (59,010) | (71,638) | (47,687) | (42,783) |
| Home equity | (17,175) | (15,312) | (16,384) | (7,979) | (7,233) |
| Residential mortgage | (915) | (888) | (879) | (1,140) | (1,404) |
| Other consumer loans | (7,539) | (10,399) | (15,375) | (9,246) | (28,422) |
| **Total Consumer** | (89,150) | (85,609) | (104,276) | (66,052) | (79,842) |
| **Total Loan and Lease Losses** | (201,534) | (234,352) | (174,540) | (85,825) | (99,082) |
| **Recoveries of Loan and Lease Losses** | | | | | |
| C&I | 14,481 | 11,106 | 6,175 | 4,201 | 5,303 |
| CRE | 2,527 | 2,234 | 792 | 433 | 1,452 |
| **Total Commercial** | 17,008 | 13,340 | 6,967 | 4,634 | 6,755 |
| Consumer | | | | | |
| Automobile loans and leases | 17,528 | 18,464 | 16,567 | 15,407 | 14,201 |
| Home equity | 2,570 | 1,806 | 1,796 | 1,070 | 1,137 |
| Residential mortgage | 83 | 16 | 94 | 133 | 268 |
| Other consumer loans | 2,536 | 3,814 | 2,847 | 2,934 | 7,192 |
| **Total Consumer** | 22,717 | 24,100 | 21,304 | 19,544 | 22,798 |
| **Total Recoveries** | 39,725 | 37,440 | 28,271 | 24,178 | 29,553 |
| **Net Loan and Lease Losses** | (161,809) | (196,912) | (146,269) | (61,647) | (69,529) |
| Provision for loan and lease losses | 163,993 | 194,426 | 257,326 | 61,464 | 70,335 |
| Allowance for loans sold | (12,537) | (22,297) | — | — | — |
| Allowance of securitized loans [(1)] | 8,959 | (9,165) | (6,654) | (16,719) | — |
| Allowance of loans and leases acquired | — | 1,264 | — | 7,900 | — |
| **Balance, End of Year** | $ 335,254 | $ 336,648 | $ 369,332 | $ 264,929 | $ 273,931 |
| **Net loan and lease losses as a % of average total loans and leases** | 0.81% | 1.13% | 0.81% | 0.35% | 0.39% |
| **ALLL as a % of total period end loans and leases** | 1.59 | 1.81 | 2.00 | 1.50 | 1.52 |

(1) 2003 reflects a $10.3 million addition related to adoption of FIN 46.

## Market Risk

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. The company incurs market risk in the normal course of business. Market risk represents the risk of loss due to changes in the market value of the company's assets and liabilities. Market risk arises when the company extends fixed-rate loans, purchases fixed-rate securities, originates fixed-rate certificates of deposit (CDs), obtains funding through fixed-rate borrowings, and leases automobiles and equipment based on expected lease residual values. Market risk arising from changes in interest rates, which affects the market values of fixed-rate assets and liabilities, is interest rate risk. The management of interest rate risk is discussed in further detail below. Market risk arising from the possibility that the uninsured residual value of leased assets will be different at the end of the lease term than was estimated at the lease's inception is residual value risk. Residual value risk is discussed below. From time to time, the company also has small exposures to trading risk and foreign exchange risk. At December 31, 2003, the company had $7.6 million of trading assets, primarily in its broker/dealer subsidiaries.

### INTEREST RATE RISK

Interest rate risk is the primary market risk incurred by the company. 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.

Management seeks to minimize the impact of changing interest rates on the company's net interest income and the fair value of assets and liabilities. The board of directors establishes broad policies regarding interest rate and market risk, liquidity risk, counter-party credit risk, and settlement risk. The asset and liability committee (ALCO) establishes specific operating limits within the parameters of the board of directors' policies.

Interest rate risk management is a dynamic process that encompasses monitoring loan and deposit flows, investment and funding activities, and assessing the impact of the changing market and business environment. Effective management of interest rate risk begins with understanding the interest rate characteristics of assets and liabilities and determining the appropriate interest rate risk posture given market expectations and policy objectives and constraints. ALCO regularly monitors position concentrations and the level of interest rate sensitivity to ensure compliance with board of directors approved risk tolerances.

Interest rate risk modeling is performed monthly. Two broad approaches to modeling interest rate risk are employed: income simulation and economic value analysis. An income simulation analysis is used to measure the sensitivity of forecasted net interest income to changes in market rates over a one-year horizon. Although bank owned life insurance and automobile operating lease assets are classified as non-interest earning assets, and the income from these assets is in non-interest income, these portfolios are included in the interest sensitivity analysis because both have attributes similar to fixed-rate interest earning assets. The economic value analysis (Economic Value of Equity or EVE) is calculated by subjecting the period-end balance sheet to changes in interest rates and measuring the impact of the changes in the value of the assets and liabilities.

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

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

When evaluating short-term interest rate risk exposure, the primary measurement represents scenarios that model a gradual 200 basis point increasing (decreasing) parallel shift in rates over the next twelve-month period versus rates implied by the current yield curve. At the end of 2003, that scenario modeled net interest income to be approximately 0.5% lower than the internal forecast of net interest income using the baseline scenario. This compared with 0.7% lower net interest income as of December 31, 2002. Both of these positions were well within the board of directors' 4.0% policy limit for change in net interest income given a +/- 200 basis point change in rates.

Factors affecting the net interest margin in 2003 included (1) the reduction of relatively high-yielding automobile loans as part of Management's objective to reduce the concentration of automobile loans; (2) faster prepayments on mortgage-related loans and securities; (3) the maturity, and subsequent repricing at lower prevailing rates, of older fixed-rate loans not offset by corresponding repricing of deposits; and (4) lower net interest margin on residential mortgages. The historically steep yield curve in 2003 dampened the impact of this repricing since a substantial amount of funding sources reprice relative to short-term rates (such as 3-month LIBOR) while many assets reprice relative to longer-term rates (two-to-five-year terms). A flattening of the yield curve (short-term rates rising more than long-term rates, or long-term rates falling more than short-term rates) would have a negative effect on the net interest margin.

The primary measurement for EVE risk assumes an immediate and parallel increase in rates of 200 basis points. As of December 31, 2003, the model indicated that such an increase in rates would reduce the EVE by approximately 7.9%, compared with an estimated negative impact of approximately 3.8% as of December 31, 2002. The increase in the EVE risk during 2003 resulted from (1) the increase in interest rates and the resultant lengthening of the life of mortgage loans and securities, (2) an investment strategy designed

to benefit from a future flattening of the yield curve, including the purchase of intermediate maturity securities, hedged with shorter-term maturity interest rate swaps, and (3) the use of ten-year investment securities to offset the interest rate risk of the growing MSR portfolio.

#### LEASE RESIDUAL RISK

Lease residual risk associated with retail automobile and commercial equipment leases is the potential for declines in the fair market value of the vehicle or equipment below the maturity value estimated at origination. Most of Huntington's lease residual risk is in its automobile leases. Used car values are the primary factor in determining the magnitude of the risk exposure. Since used car values are subject to many factors, residual risk has been extremely volatile throughout the history of automobile leasing. Management mitigates lease residual risk by purchasing residual value insurance. Residual value insurance provides for the recovery of the vehicle residual value as specified by the Automotive Lease Guide (ALG), an authoritative industry source, at the inception of the lease. As a result, the risk associated with market driven declines in used car values is mitigated. Currently, three distinct residual value insurance policies are in place to address the residual risk in the portfolio. As indicated in Significant Factor item 8, two residual value insurance policies cover all vehicles leased prior to May 2002, and have associated total payment caps of $120 million and $50 million, respectively. Management reviews expected future residual value losses to determine the need to either (a) establish a reserve for losses in excess of both insurance policy caps or (b) reduce the expected residual value and, therefore, increase the rate of depreciation. At December 31, 2003, the lease residual reserve was $2.1 million. A third policy, which covers vehicles leased since April 2002, provides similar coverage as the first two, but has no cap on losses payable. The Risk Management group monitors the lease residual risk on an on-going basis.

#### PRICE RISK

Price risk represents the risk of loss from adverse movements in the non-interest related price of financing instruments that are carried at fair value. The risk of loss from adverse movements in interest-related prices is interest rate risk. Price risk is a less significant market risk for Huntington. Price risk is incurred in the trading securities held by broker-dealer subsidiaries, in the foreign exchange positions that the Bank holds held to accommodate its customers, in investment's in limited partnerships, and in the marketable equity securities available for sale held by insurance subsidiaries. To manage price risk, Management establishes limits as to the amount of trading securities that can be purchased, the foreign exchange exposure that can be maintained, and the amount of marketable equity securities that can be held by the insurance subsidiary.

### Liquidity

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

Liquidity policies and limits are established by the board of directors, with operating limits set by ALCO, based upon analyses of the ratio of loans to deposits and percentage of assets funded with non-core or wholesale funding. In addition, guidelines are established to ensure diversification of wholesale funding by type, source, and maturity and provide sufficient balance sheet liquidity to cover 100% of wholesale funds maturing within a six-month time period. A contingency funding plan is in place, which includes forecasted sources and uses of funds under various scenarios in order to prepare for unexpected liquidity shortages, including the implications of any rating changes. ALCO meets monthly to identify and monitor liquidity issues, provide policy guidance, and oversee adherence to, and the maintenance of, an evolving contingency funding plan.

Credit ratings by the three major credit rating agencies are an important component of the company's liquidity profile. Among other factors, the credit ratings are based on the financial strength, credit quality and concentrations in the loan portfolio, the level and volatility of earnings, capital adequacy, the quality of management, the liquidity of the balance sheet, the availability of a significant base of core retail and commercial deposits, and the company's ability to access a broad array of wholesale funding sources. Adverse changes in these factors could result in a negative change in credit ratings and impact not only the ability to raise funds in the capital markets, but also the cost of these funds. In addition, certain financial on- and off-balance sheet arrangements contain credit rating

triggers that could increase funding needs if a negative rating change occurs. Letter of credit commitments for marketable securities, interest rate swap collateral agreements, and certain asset securitization transactions contain credit rating provisions.

As a result of a formal SEC investigation announced June 26, 2003, Standard and Poor's rating agency placed the company's debt ratings on "CreditWatch Negative" pending completion of the investigation. As a precautionary measure, Management increased the volume of long-term wholesale borrowings, while reducing overnight Federal Funds borrowings. The cost of short-term borrowings has not been materially affected by the downgrade, although at least one investor has reduced exposure limits as a result of this action by a rating agency. This action had no adverse impact on rating triggers inherent in financial contracts. Management believes that sufficient liquidity exists to meet the funding needs of the Bank and the parent company. Credit ratings as of December 31, 2003 for the parent company and the Bank were:

| **Huntington Bancshares Incorporated** | Senior Unsecured Notes | Subordinated Notes | Short Term | Outlook |
|---|---|---|---|---|
| Moody's Investor Service | A2 | A3 | P1 | Negative |
| Standard & Poor's Corporation | A- | BBB+ | A2 | CreditWatch Negative |
| Fitch Ratings | A | A- | F1 | Stable |
| **The Huntington National Bank** | | | | |
| Moody's Investor Service | A1 | A2 | P1 | Negative |
| Standard & Poor's Corporation | A | A- | A1 | CreditWatch Negative |
| Fitch Ratings | A | A- | F1 | Stable |

### BANK LIQUIDITY

The company manages liquidity at the Bank level to ensure that adequate funding sources are available to meet ongoing business activities, including providing loans and leases for customers, repaying obligations as they become due, and supporting operating costs. Selected information regarding the Bank's short-term borrowings and the maturity of obligations, including payments due under operating lease obligations, is reflected in Table 15.

The primary source of funding for the Bank are core deposits from its retail and commercial customers. As of December 31, 2003, these core deposits, 96% of which are provided by the Regional Banking line of business, funded 51% of total assets. Core deposits include non-interest bearing and interest bearing demand deposits, savings accounts, and other domestic deposits, including certificates of deposit under $100,000 and IRAs. The types and sources of deposits by business segment at December 31, 2003, are detailed in Table 16. At December 31, 2003, total core deposits represented 84% of total deposits, down from 87% at the end of the prior year. This decline reflected the run-off of relatively expensive retail CDs, which were replaced by lower cost brokered and negotiable CDs. The decline in assets funded by core deposits at the end of 2001 compared with 2002 reflected the sale of $4.8 billion of Florida banking deposits.

Domestic time deposits of $100,000 or more, adjusted to include brokered time deposits and negotiable certificates of deposit and IRAs included in other domestic time deposits, totaled $3.2 billion at December 31, 2003. These time deposits mature as follows: $0.8 million within three months, $0.3 million within six but more than three months, $0.3 million within one year but more than six months, and $1.7 million maturing beyond one year. At December 31, 2003, loans and leases were 121% of total deposits compared with 119% at December 31, 2002.

## Table 15—Contractual Obligations

| (in millions of dollars) | One Year or Less | 1 to 3 Years | 3 to 5 Years | More Than 5 Years | Total |
|---|---|---|---|---|---|
| Deposits without a stated maturity | $ 10,155 | $ — | $ — | $ — | $ 10,155 |
| Certificates of deposit and other time deposits | 3,930 | 2,996 | 722 | 684 | 8,332 |
| Short-term borrowings | 1,452 | — | — | — | 1,452 |
| Federal Home Loan Bank advances | 3 | 100 | 900 | 270 | 1,273 |
| Subordinated notes | — | — | — | 990 | 990 |
| Other long-term debt | 1,205 | 2,160 | 225 | 955 | 4,545 |
| Operating lease obligations | 33 | 58 | 52 | 193 | 336 |

**Federal Funds Purchased and Repurchase Agreements**

| (in thousands of dollars) | Year Ended December 31, 2003 | 2002 | 2001 |
|---|---|---|---|
| Balance at year end | $ 1,378,058 | $ 2,058,523 | $ 1,913,607 |
| Weighted average interest rate at year end | 0.73% | 1.49% | 2.24% |
| Maximum amount outstanding at month end during the year | $ 2,438,892 | $ 2,503,962 | $ 3,094,647 |
| Average amount outstanding during the year | $ 1,707,059 | $ 2,072,075 | $ 2,258,860 |
| Weighted average interest rate during the year | 1.22% | 1.98% | 4.11% |

Sources of wholesale funding include Federal Funds purchased, Eurodollar deposits, securities sold under repurchase agreements, brokered and negotiable CDs, FHLB advances, and medium- and long-term debt. The Bank is a member of the FHLB of Cincinnati, which provides funding to its members through advances. These advances carry maturities from one month to twenty years. At December 31, 2003, the Bank had $1.3 billion of advances from the FHLB. All FHLB borrowings are collateralized with mortgage-related assets such as residential mortgage loans and home equity loans. To provide further liquidity, the Bank has a $6.0 billion domestic bank note program with $4.0 billion available for future issuance under this program as of December 31, 2003. In addition, the Bank shares a $2.0 billion Euronote program with the parent company. This program is subject to annual renewal and had approximately $1.3 billion available as of December 31, 2003. Both programs enable the Bank to issue notes with maturities from one month to thirty years. Total wholesale deposits increased 35% in 2003. The $3.0 billion portfolio at December 31, 2003, had a weighted average maturity of 1.8 years.

Other sources of liquidity include the sale or maturity of investment securities, the sale or securitization of loans, and the issuance of common and preferred securities.

The asset side of the Bank's balance sheet also provides significant liquidity. The relatively short maturity of the consumer loan and lease portfolio and the C&I and CRE construction portfolios generate significant amounts of cash flow. As shown in Table 18, of the $6.6 billion total C&I and CRE construction loans at December 31, 2003, approximately 46% matures within one year. Of the $6.2 billion total of automobile loans and leases and operating leases at December 31, 2003, approximately 16% also matures within one year. In addition, during 2003, $2.1 billion in indirect automobile loans were sold, with such sales representing another source of liquidity.

## Table 16—Deposit Liabilities

| | December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in millions of dollars) | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | |
| By Type | | % | | % | | % | | % | | % |
| Demand deposits | | | | | | | | | | |
| Non-interest bearing | $ 2,987 | 16.2 | $ 3,058 | 17.5 | $ 3,607 | 17.9 | $ 3,402 | 17.2 | $ 3,950 | 19.5 |
| Interest bearing | 6,411 | 34.7 | 5,390 | 30.8 | 5,752 | 28.5 | 4,695 | 23.8 | 4,099 | 20.3 |
| Savings deposits | 2,960 | 16.0 | 2,851 | 16.3 | 3,466 | 17.2 | 3,528 | 17.9 | 3,793 | 18.8 |
| Retail certificates of deposit | 2,462 | 13.3 | 3,261 | 18.6 | 4,970 | 24.6 | 5,103 | 25.8 | 4,768 | 23.6 |
| Other domestic time deposits | 631 | 3.4 | 695 | 4.0 | 896 | 4.4 | 933 | 4.7 | 1,013 | 5.0 |
| **Total Core Deposits** | 15,451 | 83.6 | 15,255 | 87.2 | 18,691 | 92.6 | 17,661 | 89.4 | 17,623 | 87.2 |
| Domestic time deposits of $100,000 or more | 789 | 4.3 | 732 | 4.2 | 1,131 | 5.6 | 1,424 | 7.2 | 1,358 | 6.7 |
| Brokered time deposits and negotiable CDs | 1,772 | 9.6 | 1,093 | 6.2 | 140 | 0.7 | 256 | 1.3 | 530 | 2.6 |
| Foreign time deposits | 475 | 2.5 | 419 | 2.4 | 225 | 1.1 | 408 | 2.1 | 703 | 3.5 |
| **Total Deposits** | $ 18,487 | 100.0 | $ 17,499 | 100.0 | $ 20,187 | 100.0 | $ 19,749 | 100.0 | $ 20,214 | 100.0 |

| By Business Segment | 2003 | % | 2002 | % |
|---|---|---|---|---|
| Regional Banking | | | | |
| Central Ohio | $ 4,109 | 22.2 | $ 4,020 | 23.0 |
| Northern Ohio | 3,588 | 19.4 | 3,611 | 20.6 |
| Southern Ohio / Kentucky | 1,441 | 7.8 | 1,365 | 7.8 |
| West Michigan | 2,457 | 13.3 | 2,410 | 13.8 |
| East Michigan | 1,989 | 10.8 | 1,948 | 11.1 |
| West Virginia | 1,314 | 7.1 | 1,341 | 7.7 |
| Indiana | 648 | 3.5 | 604 | 3.5 |
| **Total Regional Banking** | 15,546 | 84.1 | 15,299 | 87.4 |
| Dealer Sales | 71 | 0.4 | 58 | 0.3 |
| Private Financial Group | 1,163 | 6.3 | 938 | 5.4 |
| Treasury/Other | 1,707 | 9.2 | 1,204 | 6.9 |
| **Total Deposits** | $ 18,487 | 100.0 | $ 17,499 | 100.0 |

At December 31, 2003, the portfolio of securities available for sale totaled $4.9 billion, of which $2.6 billion was pledged to secure public and trust deposits, interest rate swap agreements, U.S. Treasury demand notes, and securities sold under repurchase agreements. The composition and maturity of these securities are presented in Table 17. Another source of liquidity is the increase in non-pledged securities, which increased to $2.3 billion at December 31, 2003, from $0.7 billion at December 31, 2002.

The Bank also has access to the Federal Reserve's discount window. At December 31, 2003, a total of $1.7 billion of commercial loans had been pledged to secure potential future borrowings through this facility.

## Table 17—Securities Available for Sale

| | | December 31, | | |
|---|---|---|---|---|
| (in thousands of dollars) | | 2003 | 2002 | 2001 |
| U.S. Treasury and Federal Agencies | | $ 3,285,916 | $ 2,627,684 | $ 2,322,079 |
| Other | | 1,639,316 | 775,685 | 527,500 |
| **Total Securities Available for Sale** | | $ 4,925,232 | $ 3,403,369 | $ 2,849,579 |

| | Amortized Cost | Fair Value | Yield(1) |
|---|---|---|---|
| U.S. Treasury | | | |
| Under 1 year | $ 1,374 | $ 1,376 | 3.63% |
| 1-5 years | 31,356 | 31,454 | 3.11 |
| 6-10 years | 271,271 | 275,540 | 4.42 |
| Total U.S. Treasury | 304,001 | 308,370 | 4.28 |
| Federal Agencies | | | |
| Mortgage-backed | | | |
| 1-5 years | 19,899 | 20,434 | 5.50 |
| 6-10 years | 198,755 | 201,995 | 5.24 |
| Over 10 years | 1,593,139 | 1,595,594 | 5.65 |
| Total mortgage-backed | 1,811,793 | 1,818,023 | 5.60 |
| Other agencies | | | |
| Under 1 year | 173,181 | 175,505 | 5.31 |
| 1-5 years | 585,561 | 593,662 | 3.89 |
| 6-10 years | 403,953 | 390,164 | 3.84 |
| Over 10 years | 201 | 192 | 4.15 |
| Total other | 1,162,896 | 1,159,523 | 4.08 |
| **Total U.S. Treasury and Federal Agencies** | 3,278,690 | 3,285,916 | 4.94 |
| Municipal Securities | | | |
| Under 1 year | 6,594 | 6,663 | 9.12 |
| 1-5 years | 20,015 | 20,569 | 8.38 |
| 6-10 years | 69,511 | 71,013 | 6.12 |
| Over 10 years | 332,181 | 334,188 | 6.72 |
| **Total Municipal Securities** | 428,301 | 432,433 | 6.74 |
| Other | | | |
| Under 1 year | 2,473 | 2,475 | 5.93 |
| 1-5 years | 37,169 | 37,290 | 2.28 |
| 6-10 years | 25,047 | 25,494 | 1.80 |
| Over 10 years | 1,124,862 | 1,125,157 | 4.06 |
| Retained interest in securitizations | 5,593 | 6,356 | 10.71 |
| Marketable equity securities | 8,547 | 10,111 | |
| **Total Other** | 1,203,691 | 1,206,883 | 3.99 |
| **Total Securities Available for Sale** | $ 4,910,682 | $ 4,925,232 | 4.87% |

(1) Weighted average yields were calculated using amortized cost and on a fully tax equivalent basis assuming a 35% tax rate. Marketable equity securities are excluded.

## Table 18—Maturity Schedule of Selected Loans and Leases

| | December 31, 2003 | | | |
|---|---|---|---|---|
| (in millions of dollars) | One Year or Less | One to Five Years | After Five Years | Total |
| C&I | $ 2,563 | $ 2,209 | $ 542 | $ 5,314 |
| CRE—construction | 460 | 781 | 57 | 1,298 |
| Automobile loans | 289 | 2,638 | 65 | 2,992 |
| Automobile leases | 278 | 1,471 | 153 | 1,902 |
| Operating lease assets | 335 | 338 | — | 673 |
| **Total** | $ 3,925 | $ 7,437 | $ 817 | $ 12,179 |
| Variable interest rates | $ 2,914 | $ 2,506 | $ 493 | $ 5,913 |
| Fixed interest rates | 1,011 | 4,931 | 324 | 6,266 |
| **Total** | $ 3,925 | $ 7,437 | $ 817 | $ 12,179 |

### PARENT COMPANY LIQUIDITY

The parent company's funding requirements consist primarily of dividends to shareholders, income taxes, funding of non-bank subsidiaries, repurchases of the company's stock, debt service, and operating expenses. The parent company obtains funding to meet its obligations from dividends received from its direct subsidiaries, net taxes collected from its subsidiaries included in the consolidated tax return, and the issuance of debt securities.

Management intends to maintain the Bank's risk-based capital ratios at levels at which the Bank would be considered to be "well capitalized" by its regulators. As a result, the amount of dividends that can be paid to the parent company depends on the Bank's capital needs. At December 31, 2003, the bank was "well capitalized" according to guidelines established by the Bank's primary regulator, the Office of the Comptroller of the Currency. At December 31, 2003, the Bank could declare and pay dividends to the parent company of $101.6 million and still be considered "well capitalized." The Bank could declare an additional $231.1 million of dividends without regulatory approval at December 31, 2003, although such dividends would take the Bank below "well capitalized" levels.

At December 31, 2003, the parent company had issued $200 million under its medium-term note program, with $195 million available for future funding needs. As mentioned earlier, the parent company shares a $2.0 billion Euronote program with the Bank. Availability of funding through these two programs amounted to $1.3 billion at December 31, 2003.

At December 31, 2003, the parent company had $433 million in cash or cash equivalents available. Management believes that the parent company has sufficient liquidity to meet its cash flow obligations in 2004, including its anticipated annual dividend payments, without relying upon the capital markets for financing.

## Off-Balance Sheet Arrangements

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

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years. Approximately 53% of standby letters of credit are collateralized and nearly 95% are expected to expire without being drawn upon. There were $983 million and $880 million of outstanding standby letters of credit at December 31, 2003 and 2002, respectively. Non-interest income was recognized from the issuance of these standby letters of credit of $7.7 million and $11.6 million in 2003 and 2002, respectively. The decrease in non-interest income in 2003 from 2002 was attributable to the adoption of FIN 45 in 2003, which required that fees received from the issuance of standby letters of credit be deferred and recognized over the term of the guarantee, rather than the previous practice of being recognized when the letter of credit is initiated. The carrying amount of deferred revenue related to standby letters of credit at December 31, 2003, was $3.9 million. Standby letters of credit are included in the determination of the amount of risk-based capital that the company and the Bank are required to hold.

The Bank enters into forward contracts relating to its mortgage banking business. At December 31, 2003 and 2002, commitments to sell residential real estate loans totaled $277 million and $782 million, respectively. These contracts mature in less than one year.

Huntington and/or the Bank may also have liabilities under certain contractual agreements contingent upon the occurrence of certain events. A discussion of significant contractual arrangements under which Huntington and/or the Bank may be held contingently liable, including guarantee arrangements, is included in Note 25 of the Notes to Consolidated Financial Statements.

Through its credit process, Management monitors the credit risks of outstanding standby letters of credit. When it is probable that a standby letter of credit will be drawn and not repaid in full, losses are recognized in non-interest expense. Management does not believe that its off-balance sheet arrangements will have a material impact on its liquidity or capital resources.

## Capital

Capital is managed both at the parent and the Bank levels. Capital levels are maintained based on regulatory capital requirements and the economic capital required to support credit, market, and operation risks inherent in the company's business and to provide the flexibility needed for future growth and new business opportunities. Management 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 providing attractive returns to shareholders.

Shareholders' equity totaled $2.3 billion at December 31, 2003. This balance represented an $85 million increase during 2003. The growth in shareholders' equity resulted from the retention of net income after dividends to shareholders of $118.9 million, offset by $81.1 million in share repurchases during 2003 and by a reduction in accumulated other comprehensive income of $60 million. The decline in accumulated other comprehensive income resulted from a decline in the market value of securities available for sale and cash flow hedges at December 31, 2003, compared with December 31, 2002. Effective with the dividend declared in the 2003 third quarter, the quarterly common stock dividend was increased 9.4% to $0.175 per share from $0.16 per share. Total cash dividends declared were $0.67 per share in 2003, up from $0.64 per share in 2002. During 2003, the company repurchased 4.3 million shares of its common stock on the open market or through privately negotiated transactions. At December 31, 2003, the company had unused authority to repurchase up to 3.9 million shares.

### Table 19—Capital Adequacy

| (in millions of dollars) | "Well-Capitalized" Minimums | December 31, 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|---|
| Total Risk-Adjusted Assets | | $ 28,164 | $ 27,030 | $ 27,736 | $ 26,757 | $ 25,187 |
| Ratios: | | | | | | |
| Tier 1 Risk-Based Capital | 6.00% | 8.53% | 8.34% | 7.02% | 7.13% | 7.46% |
| Total Risk-Based Capital | 10.00 | 11.95 | 11.25 | 10.07 | 10.29 | 10.57 |
| Tier 1 Leverage | 5.00 | 7.98 | 8.51 | 7.16 | 6.85 | 6.64 |
| Tangible common equity | | 6.80 | 7.22 | 5.86 | 5.69 | 5.18 |
| Tangible common equity to risk-weighted assets | | 7.30 | 7.29 | 5.86 | 5.90 | 5.92 |

Management evaluates several measures of capital, but there are three primary regulatory ratios: Tier 1 Risk-based Capital, Total Risk-based Capital, and Tier 1 Leverage. The Federal Reserve Board, which supervises and regulates the parent, sets minimum capital requirements for each of these regulatory capital ratios. In the calculation of these risk-based capital ratios, risk weightings are assigned to certain asset and off-balance sheet items such as interest rate swaps, loan commitments, and securitizations. Huntington's Tier 1 Risk-based Capital, Total Risk-based Capital, Tier 1 Leverage ratios and risk-adjusted assets for the recent five years are shown in Table 19 and are well in excess of minimum levels established for "well capitalized" institutions. The Bank is primarily supervised and regulated by the Office of the Comptroller of the Currency, which establishes regulatory capital guidelines for banks similar to those established for bank holding companies by the Federal Reserve Board. At December 31 2003, the Bank had regulatory capital ratios in excess of "well capitalized" regulatory minimums.

At December 31, 2003, the tangible common equity ratio was 6.80%, down from 7.22% at the end of 2002. The decline was a function of (1) $81.1 million related to the repurchase of the company's stock in the 2003 first quarter, (2) $1.0 billion of securitized loans consolidated onto the balance sheet in the 2003 third quarter due to the adoption of FIN 46, and (3) $2.0 billion of tangible asset growth. Management has targeted a longer-term tangible common equity to asset ratio of 6.50%-6.75%, given the current portfolio risk profile.

Another measure of capital adequacy favored by one of the rating agencies is tangible common equity to risk-weighted assets. This measurement utilizes risk-weighted assets, as defined in the regulatory capital ratio. Unlike the tangible common equity ratio, which declined 42 basis points during the year, this ratio increased slightly to 7.30% at the end of 2003 from 7.29% at the end of 2002. The ratio (1) was favorably impacted by the addition of lower risk-weighted assets during the year, i.e., residential mortgages, home equity loans, and investment securities, and (2) was not adversely impacted by the consolidation of the $1.0 billion of securitized loans as they have always been a component of risk-weighted assets.

### ECONOMIC CAPITAL

Huntington makes asset allocation and balance sheet management decisions in the context of capital management primarily based on an economic capital model. All products are allocated equity based on a determination of credit, market, and operational risk levels. All commercial credit extensions are evaluated using a return on risk-adjusted capital (RORAC) model that considers pricing, internal risk rating, structure, tenor, and deposit relationship among other variables. The consumer lending portfolios are also evaluated on a RORAC basis. The non-credit related products are evaluated based on the return on capital held for operational and/or market risk. Although the level of capital is generally lower for these products, the return calculation and assessment process is the same. This allows for a quantitative basis for balance sheet management decisions.

## Lines of Business Discussion

Huntington has three distinct lines of business: Regional Banking, Dealer Sales, and the Private Financial Group (PFG). A fourth segment includes the company's Treasury function and other unallocated assets, liabilities, revenue, and expense. Line of business results are determined based upon the company's management reporting system, which assigns balance sheet and income statement items to each of the business segments. An overview of this system is provided below, along with a description of each segment and discussion of financial results.

#### FUNDS TRANSFER PRICING

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

The FTP methodology also provides for a charge (credit) to the line of business when a fixed-rate loan is sold and the internal funding associated with the loan is extinguished. The charge (credit) to the line of business represents the cost (or benefit) to Treasury/Other of the early extinguishment of the internal fixed-rate funding. This charge (credit) has no impact on consolidated financial results.

Beginning January 1, 2002, significant changes were made to the FTP methodology in order to more accurately reflect product margins and profitability. These changes materially impact the comparability between the 2003 and 2002 periods compared with 2001. These changes included charging a liquidity premium for loans having a commitment term greater than their re-pricing period.

#### ALLOCATION OF THE ALLL

Beginning January 1, 2003, changes were also made in the methodology of allocating the ALLL to loan balances within each business segment. Prior to 2003, the company maintained an unallocated component of its ALLL, as did many banks. The unallocated component was eliminated in 2003 with the adoption of the more granular risk rating system with most of the prior unallocated reserve absorbed into the transaction reserve. With the adoption of the new risk grading system, Management has determined that an unallocated component is no longer necessary.

Specific loan loss reserve rates were established for each loan type and a related reserve was established in the affected business segment. As a result, the ALLL for each business segment was higher in 2003 versus 2002, with a corresponding decline in the ALLL in the Treasury/Other business segment.

### COMPARABILITY WITH 2001 RESULTS

During 2003, business segment reporting was significantly expanded, which increased the level of business segment data gathered and reported for 2003 and 2002. This expanded information, as well as certain other business performance metrics are not available for 2001 on a comparable basis and are, therefore, not included in the tables that follow. In addition, in the tables that follow, income statement data for 2001 is shown in a summary form.

The data for 2003 and 2002 utilize the same reporting basis and methodologies. However, in 2003 and 2002, changes were made to the methodologies utilized for certain balance sheet and income statement allocations from the company's management reporting system. This most notably impacted the funds transfer pricing methodology (see above discussion). The 2001 previously reported segment results were not able to be restated for these methodology changes, which diminishes some of the benefit of net interest and net operating earnings comparisons to 2001 results. The following tables within each segment show performance on this basis for the most recent three years.

### USE OF OPERATING EARNINGS

Management uses earnings on an operating basis, rather than on a GAAP basis, to measure underlying performance trends for each business segment. Operating earnings represent GAAP earnings adjusted to exclude the impact of the Significant Factor items 1-6 discussed in the Significant Factors Influencing Financial Performance Comparisons discussion and Table 3. In addition to this discussion and Table 3, see Note 17 of the Notes to Consolidated Financial Statements. Analyzing earnings on an operating basis is very helpful in assessing underlying performance trends, a critical factor used by Management to determine the success of strategies and future earnings capabilities. In Table 20, the Significant Factors noted above are included in the business segment's GAAP results, but are not included in the operating results used to measure underlying performance trends.

In 2003, Dealer Sales recorded $26.0 million of after-tax gains on the sale of automobile loans. This line of business was also assessed an internal charge of $12.5 million after-tax for the early extinguishment of the fixed-rate funding used to support the sold loans. This resulted in a net gain of $13.5 million after-tax to Dealer Sales, with a $12.5 million after-tax credit to Treasury/Other representing the early funding extinguishment charge offset.

The after-tax gain from selling the West Virginia banking offices was recorded in the Treasury/Other segment. Management chose to record this gain outside the Regional Banking segment given its one-time nature, and to prevent overstating that segment's run-rate earnings.

## Table 20—Line of Business—GAAP Earnings vs. Operating Earnings Reconciliation [1]

| (in thousands of dollars) | Regional Banking | Dealer Sales | PFG | Treasury/ Other | Total |
|---|---|---|---|---|---|
| **2003** | | | | | |
| **Net Income—GAAP** | $ 172,799 | $ 62,624 | $ 25,953 | $ 110,987 | $ 372,363 |
| **Change from prior year—$** | 58,329 | 37,967 | 3,128 | (50,792) | 48,632 |
| **Change from prior year—%** | 51.0% | NM | 13.7% | (31.4)% | 15.0% |
| Restructuring releases | — | — | — | (4,333) | (4,333) |
| Gain on sale of automobile loans | — | (13,493) | — | (12,532) | (26,025) |
| Cum. effect of change in accounting | — | 10,888 | — | 2,442 | 13,330 |
| Gain on sale of branch offices | — | — | — | (8,523) | (8,523) |
| Long-term debt extinguishment | — | — | — | 9,913 | 9,913 |
| **Net Income—Operating** | $ 172,799 | $ 60,019 | $ 25,953 | $ 97,954 | $ 356,725 |
| **Change from prior year—$** | 59,599 | 36,152 | 1,127 | (19,862) | 77,016 |
| **Change from prior year—%** | 52.6% | NM | 4.5% | (16.9)% | 27.5% |
| **2002** | | | | | |
| **Net Income—GAAP** | $ 114,470 | $ 24,657 | $ 22,825 | $ 161,779 | $ 323,731 |
| **Change from prior year—$** | (26,244) | 52,382 | 1,232 | 161,565 | 188,935 |
| **Change from prior year—%** | (18.7)% | NM | 5.7% | NM | 140.2% |
| Restructuring charges | — | — | 3,429 | 28,403 | 31,832 |
| Loss from Florida operations | (1,270) | (790) | (1,428) | 5,013 | 1,525 |
| Gain on sale of Florida operations | — | — | — | (61,422) | (61,422) |
| Merchant Services gain | — | — | — | (15,957) | (15,957) |
| **Net Income—Operating** | $ 113,200 | $ 23,867 | $ 24,826 | $ 117,816 | $ 279,709 |
| **Change from prior year—$** | (13,701) | 44,094 | 5,906 | 42,629 | 78,928 |
| **Change from prior year—%** | (10.8)% | NM | 31.2% | 56.7% | 39.3% |
| **2001** | | | | | |
| **Net Income—GAAP** | $ 140,714 | $ (27,725) | $ 21,593 | $ 214 | $ 134,796 |
| Restructuring charges | 5,948 | 10,400 | 2,990 | 32,634 | 51,972 |
| Loss from Florida operations | (19,761) | (2,902) | (5,663) | 42,339 | 14,013 |
| **Net Income—Operating** | $ 126,901 | $ (20,227) | $ 18,920 | $ 75,187 | $ 200,781 |

(1) See Significant Factors Influencing Financial Performance discussion on page 39.
NM, not a meaningful value.

Dealer Sales was notably impacted by the cumulative effect of change in accounting principle (FIN 46), adopted on July 1, 2003. As a result of adopting FIN 46, a securitization trust, which owned $1.0 billion of automobile loans, was consolidated. The parent company held a $40 million investment in this entity and, upon consolidation, this investment and its related interest receivable was consolidated as well, generating $2.4 million of after-tax cumulative effect to Treasury/Other earnings. The remainder of the cumulative effect of accounting change was recorded in Dealer Sales. For 2003, operating earnings for Dealer Sales and Treasury/Other were adjusted for this change in accounting.

Restructuring charges and releases were excluded from all three years' operating earnings for each business segment. The restructuring charges were originally established to address non-run-rate earnings issues for all business segments. Restructuring releases occurred in 2002 and 2003 and were recorded in Treasury/Other. One charge in 2002 related to a loss in the Private Financial Group segment and was adjusted for in that segment.

Earnings from the sold Florida banking and insurance operations crossed all business segments. The run-rate earnings related to these operations were excluded from earnings for each segment for 2002 and 2001. The gain from the sale of these operations was recorded in the Treasury/Other segment to isolate it from the bank's core operating segments and was excluded from Treasury/Other's operating results for 2002.

Similar to the Florida banking and insurance operations, the Merchant Services business crossed multiple business segments. When this business was restructured in 2002, the resulting gain was recorded in Treasury/Other to isolate its impact from run-rate earnings in the other business segments. The 2002 operating earnings for Treasury/Other excluded the $16.0 million after-tax gain.

**REGIONAL BANKING**

Regional Banking provides products and services to retail, business banking, and commercial customers. These products and services are offered in seven operating regions within the five states of Ohio, Michigan, West Virginia, Indiana, and Kentucky through the company's traditional banking network. Each region is further divided into Retail and Commercial Banking units. Retail products and services include home equity loans and lines of credit, first mortgage loans, direct installment loans, business loans, personal and business deposit products, as well as sales of investment and insurance services. Retail products and services comprise 51% and 84%, of total regional banking loans and deposits, respectively. These products and services are delivered to customers through banking offices, ATMs, Direct Bank—Huntington's customer service center, and Web Bank at huntington.com. Commercial banking products include middle-market and large commercial banking relationships, which use a variety of banking products and services including, but not limited to, commercial loans, international trade, cash management, leasing, interest rate protection products, capital market alternatives, 401(k) plans, and mezzanine investment capabilities.

*2003 versus 2002 Performance*

Regional Banking contributed $172.8 million of the company's net operating earnings in 2003, up 53% from $113.2 million in 2002. This increase reflected a 10% growth in revenue compared with a 6% growth in non-interest expense, as well as $40 million lower provision for loan and lease losses.

Revenue growth reflected a 5% increase in net interest income driven by an 8% increase in average loans and a 4% increase in average deposits. Strong growth in consumer loans and CRE loans contributed to higher net interest income, though lower margins on deposit accounts offset the majority of this benefit. The level of Regional Banking deposits typically exceeds the level of loans. As such, the FTP provides a credit for this excess funding, which is used by other organizational units that do not generate excess funds. As interest rates decline, this credit is reduced commensurately. The FTP credit paid on the excess funds in 2003 was lower due to the low interest rate environment. De facto deposit pricing floors also contributed to lower net interest income as FTP credits paid on deposit accounts declined commensurate with the decline in interest rates, though interest rates paid to deposit customers remained relatively flat, to slightly down, for most of the year. This was the primary contributing factor in the decline in Regional Banking's net interest margin to 4.39% in 2003 from 4.56% in 2002.

The decrease in average C&I loans reflected a combination of factors. First, the demand for C&I loans was weak, as companies reacted to the initial strengthening of the economy by drawing down their cash balances, rather than borrowing. Second, consistent with Management's strategic plan, exposures to large, individual credits were reduced, especially those outside the geographic footprint. The reduction in shared national credit exposure reflected this effort. Partially offsetting these factors was the increase in small business loans reflecting success in growing this targeted segment. Consumer loan growth reflected favorable interest rates. All regions increased loans with each targeted customer segment growing. In addition, non-interest bearing and interest bearing demand deposits increased 9% and 24%, respectively, reflecting deeper customer relationships. The number of on-line banking customers ended the year at over 163,000 and represented 31% penetration of retail banking households. However, the number of retail households was essentially flat throughout 2003, though the 90-day cross sell ratio improved from 1.7 in the first quarter to 2.2 in the fourth quarter. Improving the performance of these metrics is a key objective.

Non-interest income increased 20% reflecting significantly higher mortgage banking income, a 13% increase in service charges on deposits, and a 52% increase in brokerage and insurance income. The increase in mortgage banking income reflected a $29.1 million benefit as 2003 results included a MSR impairment net recovery of $15.0 million, versus a temporary impairment charge of $14.1 million in 2002 (see non-interest income discussion.) The increase in service charges on deposits reflected a combination of growth in deposits, as well as higher NSF and overdraft fees on deposit accounts. The increase in brokerage and insurance revenue reflected mostly higher title insurance fees, commensurate with the increase in home mortgage refinancing activity, and a higher sharing of revenue generated by the Private Financial Group due to a change in allocation methodology.

Non-interest expense increased 6% and included a 13% increase in personnel costs. The growth in personnel costs was largely attributable to higher salaries and incentive based compensation, particularly in support of growth in mortgage banking activities, and growth in loan and deposit programs, as well as higher medical and pension benefit expenses. The increase in expenses also reflected

investments in infrastructure and staffing including the strengthening of centralized credit underwriting and collections, sales training, and new teller platform technology.

With revenue growth of 10% exceeding expense growth of 6%, the Regional Banking efficiency ratio declined to 60.9% from 63.2%, in 2002.

The provision for credit losses declined significantly. This primarily reflected a 46% reduction in NPAs and an improvement in net charge-offs to 0.86% of average outstandings in Regional Banking, from 1.15% a year-earlier.

The return on average assets and return on average equity for Regional Banking, were 1.17% and 17.0%, respectively, up from 0.84% and 12.4% in 2002.

*2002 versus 2001 Performance*

Earnings in 2002 were $13.7 million, or 11%, lower than 2001. Total revenue for this segment declined 2%, while total non-interest expense was up 7%. The net interest margin was 4.56% in 2002, down 44 basis points from 5.00% in 2001. Interest rates fell throughout 2002, and interest rates on variable-rate loans declined more rapidly than deposit pricing, which was approaching de facto pricing floors. Average total loans increased 6%, reflecting very strong growth in consumer loans and CRE loans. Consumer loan growth was concentrated in residential mortgages and home equity loans and lines. Average deposits increased 7%, led by a very strong 37% increase in interest bearing demand deposits.

Non-interest income increased 2%, primarily reflecting higher service charges on consumer and commercial deposit accounts and fees for electronic banking. This benefit was partially offset by a decline in mortgage banking income due to temporary MSR impairment charges.

Non-interest expense increased 7%, primarily due to higher personnel costs. This increase reflected investments in strengthening Regional Banking's management team, business banking sales force, and credit administration team, as well as increased performance-based incentive compensation.

## Table 21—Regional Banking[1]

| | 2003 | Change From 2002 Amount | Change From 2002 % | 2002 | Change From 2001 Amount | Change From 2001 % | 2001 |
|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT (in thousands)** | | | | | | | |
| **Net Interest Income** | $ 605,363 | $ 30,359 | 5.3% | $ 575,004 | $ (22,058) | (3.7)% | $ 597,062 |
| Provision for loan losses | 93,989 | (39,906) | (29.8) | 133,895 | (27,988) | (17.3) | 161,883 |
| **Net Interest Income After Provision for Loan Losses** | 511,374 | 70,265 | 15.9 | 441,109 | 5,930 | 1.4 | 435,179 |
| Service charges on deposit accounts | 163,099 | 18,466 | 12.8 | 144,633 | | | |
| Brokerage and insurance income | 16,176 | 5,514 | 51.7 | 10,662 | | | |
| Trust services | 968 | (62) | (6.0) | 1,030 | | | |
| Mortgage banking | 57,453 | 25,910 | 82.1 | 31,543 | | | |
| Other service charges and fees | 41,045 | 61 | 0.1 | 40,984 | | | |
| Other | 38,976 | 3,774 | 10.7 | 35,202 | | | |
| **Total Non-Interest Income Before Securities Gains** | 317,717 | 53,663 | 20.3 | 264,054 | | | |
| Securities gains | — | — | NM | — | | | |
| **Total Non-Interest Income** | 317,717 | 53,663 | 20.3 | 264,054 | 6,219 | 2.4 | 257,835 |
| Personnel costs | 230,816 | 26,473 | 13.0 | 204,343 | | | |
| Other | 332,430 | 5,764 | 1.8 | 326,666 | | | |
| **Total Non-Interest Expense** | 563,246 | 32,237 | 6.1 | 531,009 | 33,228 | 6.7 | 497,781 |
| **Income Before Income Taxes** | 265,845 | 91,691 | 52.6 | 174,154 | (21,079) | (10.8) | 195,233 |
| Income taxes [2] | 93,046 | 32,092 | 52.6 | 60,954 | (7,378) | (10.8) | 68,332 |
| **Net Income—Operating [1]** | $ 172,799 | $ 59,599 | 52.6% | $ 113,200 | $ (13,701) | (10.8)% | $ 126,901 |
| **Revenue—Fully Taxable Equivalent (FTE)** | | | | | | | |
| Net interest income | $ 605,363 | $ 30,359 | 5.3% | $ 575,004 | $ (22,058) | (3.7)% | $ 597,062 |
| Tax equivalent adjustment [2] | 1,183 | (442) | (27.2) | 1,625 | (847) | (34.3) | 2,472 |
| Net interest income (FTE) | 606,546 | 29,917 | 5.2 | 576,629 | (22,905) | (3.8) | 599,534 |
| Non-interest income | 317,717 | 53,663 | 20.3 | 264,054 | 6,219 | 2.4 | 257,835 |
| **Total Revenue (FTE)** | $ 924,263 | $ 83,580 | 9.9% | $ 840,683 | $ (16,686) | (1.9)% | $ 857,369 |
| **Total Revenue Excluding Securities Gains (FTE)** | $ 924,263 | $ 83,580 | 9.9% | $ 840,683 | $ (16,686) | (1.9)% | $ 857,369 |
| **SELECTED AVERAGE BALANCES (in millions)** | | | | | | | |
| **Loans:** | | | | | | | |
| C&I | $ 4,496 | $ (233) | (4.9)% | $ 4,729 | $ (303) | (6.0)% | $ 5,032 |
| CRE | | | | | | | |
| Construction | 1,216 | 36 | 3.1 | 1,180 | 92 | 8.5 | 1,088 |
| Commercial | 2,394 | 287 | 13.6 | 2,107 | 234 | 12.5 | 1,873 |
| Consumer | | | | | | | |
| Auto loans—indirect | 7 | (3) | (30.0) | 10 | (9) | (47.4) | 19 |
| Home equity loans & lines of credit | 3,189 | 408 | 14.7 | 2,781 | 250 | 9.9 | 2,531 |
| Residential mortgage | 1,652 | 477 | 40.6 | 1,175 | 457 | 63.6 | 718 |
| Other loans | 312 | (37) | (10.6) | 349 | (52) | (13.0) | 401 |
| Total Consumer | 5,160 | 845 | 19.6 | 4,315 | 646 | 17.6 | 3,669 |
| **Total Loans** | $ 13,266 | $ 935 | 7.6% | $ 12,331 | $ 669 | 5.7% | $ 11,662 |
| **Deposits:** | | | | | | | |
| Non-interest bearing deposits | $ 2,880 | $ 236 | 8.9% | $ 2,644 | $ 115 | 4.5% | $ 2,529 |
| Interest bearing demand deposits | 5,483 | 1,046 | 23.6 | 4,437 | 1,202 | 37.2 | 3,235 |
| Savings deposits | 2,749 | — | — | 2,749 | (165) | (5.7) | 2,914 |
| Domestic time deposits | 4,068 | (773) | (16.0) | 4,841 | (192) | (3.8) | 5,033 |
| Foreign time deposits | 358 | 113 | 46.1 | 245 | 72 | 41.6 | 173 |
| **Total Deposits** | $ 15,538 | $ 622 | 4.2% | $ 14,916 | $ 1,032 | 7.4% | $ 13,884 |

(1) Operating basis, see page 69 for definition .
(2) Calculated assuming a 35% tax rate .
NM, not a meaningful value.

## Table 21—Regional Banking[1]

| | 2003 | Change From 2002 | | 2002 | Change From 2001 | | 2001 |
|---|---|---|---|---|---|---|---|
| | | Amount | % | | Amount | % | |
| **PERFORMANCE METRICS** | | | | | | | |
| Return on average assets | 1.17% | 0.33% | | 0.84% | (0.14)% | | 0.98% |
| Return on average equity | 17.0 | 4.6 | | 12.4 | (2.5) | | 14.9 |
| Net interest margin | 4.39 | (0.17) | | 4.56 | (0.44) | | 5.00 |
| Efficiency ratio | 60.9 | (2.2) | | 63.2 | 5.1 | | 58.1 |
| **CREDIT QUALITY** | | | | | | | |
| **Net Charge-offs by Loan Type (in thousands)** | | | | | | | |
| C&I | $ 84,127 | $ (23,434) | (21.8)% | $ 107,561 | | | |
| CRE | 10,335 | (7,046) | (40.5) | 17,381 | | | |
| Total commercial | 94,462 | (30,480) | (24.4) | 124,942 | | | |
| Consumer | | | | | | | |
| Auto loans | 16 | (24) | (60.0) | 40 | | | |
| Home equity loans & lines of credit | 13,817 | 2,143 | 18.4 | 11,674 | | | |
| Residential mortgage | 811 | (43) | (5.0) | 854 | | | |
| Other loans | 4,041 | 60 | 1.5 | 3,981 | | | |
| Total consumer | 18,685 | 2,136 | 12.9 | 16,549 | | | |
| **Total Net Charge-offs** | $ 113,147 | $ (28,344) | (20.0)% | $ 141,491 | | | |
| **Net Charge-offs—annualized percentages** | | | | | | | |
| C&I | 1.87% | (0.40)% | | 2.27% | | | |
| CRE | 0.29 | (0.24) | | 0.53 | | | |
| Total commercial | 1.17 | (0.39) | | 1.56 | | | |
| Consumer | | | | | | | |
| Auto loans | 0.23 | (0.17) | | 0.40 | | | |
| Home equity loans & lines of credit | 0.44 | 0.01 | | 0.42 | | | |
| Residential mortgage | 0.05 | (0.02) | | 0.07 | | | |
| Other loans | 1.30 | 0.10 | | 1.20 | | | |
| Total consumer | 0.36 | (0.02) | | 0.39 | | | |
| **Total Net Charge-offs** | 0.86% | (0.30)% | | 1.15% | | | |
| **Non-performing Assets (NPA) (in millions)** | | | | | | | |
| C&I | $ 39 | $ (50) | (56.2)% | $ 89 | | | |
| CRE | 12 | (15) | (55.6) | 27 | | | |
| Residential mortgage | 9 | — | — | 9 | | | |
| **Total Non-accrual Loans** | 60 | (65) | (52.0) | 125 | | | |
| Renegotiated loans | — | — | NM | — | | | |
| **Total Non-performing Loans (NPL)** | 60 | (65) | (52.0) | 125 | | | |
| Other real estate, net (OREO) | 12 | 3 | 33.3 | 9 | | | |
| **Total Non-performing Assets** | $ 72 | $ (62) | (46.3)% | $ 134 | | | |
| Accruing loans past due 90 days or more (EOP) | $ 39 | $ (4) | (9.3)% | $ 43 | | | |
| **Allowance for Loan and Lease Losses (ALLL) (EOP)** | 197 | 22 | 12.6 | 175 | | | |
| ALLL as a % of total loans and leases | 1.43% | 0.05% | | 1.38% | | | |
| ALLL as a % of NPLs | 328.3 | 188.3 | | 140.0 | | | |
| ALLL + OREO as a % of NPAs | 290.3 | 153.0 | | 137.3 | | | |
| NPLs as a % of total loans and leases | 0.44 | (0.55) | | 0.99 | | | |
| NPAs as a % of total loans and leases + OREO | 0.52 | (0.54) | | 1.06 | | | |

(1) Operating basis, see page 69 for definition .
NM, not a meaningful value.
EOP, end of period.

## Table 21—Regional Banking[1]

| | 2003 | Change From 2002 | | 2002 |
|---|---|---|---|---|
| | | Amount | % | |
| **SUPPLEMENTAL DATA** | | | | |
| # employees—full-time equivalent (EOP) | 4,869 | (61) | (1.2)% | 4,930 |
| **Retail Banking** | | | | |
| Average loans (in millions) | $ 3,807 | $ 402 | 11.8% | $ 3,405 |
| Average deposits (in millions) | $ 11,042 | $ 51 | 0.5 | $ 10,991 |
| # employees—full-time equivalent (EOP) | 3,412 | (100) | (2.8) | 3,512 |
| # banking offices (EOP) | 333 | (2) | (0.6) | 335 |
| # ATMs (EOP) | 695 | (191) | (21.6) | 886 |
| # DDA households (EOP) | 490,924 | (692) | (0.1) | 491,616 |
| # New 90-day cross sell (average) [3] | 2.0 | NM | NM | N/A |
| # on-line customers (EOP) | 163,592 | 57,924 | 54.8 | 105,668 |
| % on-line retail household penetration (EOP) | 31% | 11% | | 20% |
| **Small Business** | | | | |
| Average loans (in millions) | $ 1,679 | $ 97 | 6.1% | $ 1,582 |
| Average deposits (in millions) | $ 1,742 | $ 122 | 7.5 | $ 1,620 |
| # employees—full-time equivalent (EOP) | 251 | 20 | 8.7 | 231 |
| # customers (EOP) | 62,636 | NM | NM | N/A |
| # New 90-day cross sell (average) [4] | 1.9 | NM | NM | N/A |
| **Corporate Banking** | | | | |
| Average loans (in millions) | $ 6,479 | $ 7 | 0.1% | $ 6,472 |
| Average deposits (in millions) | $ 2,542 | $ 358 | 16.4 | $ 2,184 |
| # employees—full-time equivalent (EOP) | 584 | (7) | (1.2) | 591 |
| # customers (EOP) | 6,356 | NM | NM | N/A |
| **Mortgage Banking** | | | | |
| Average loans (in millions) | $ 1,301 | $ 411 | 46.2% | $ 890 |
| Average deposits (in millions) | $ 212 | $ 91 | 75.2 | $ 121 |
| # employees—full-time equivalent (EOP) | 622 | 26 | 4.4 | 596 |
| Closed loan volume (in millions) | $ 6,077 | $ 1,976 | 48.2 | $ 4,101 |
| Portfolio closed loan volume (in millions) | $ 2,027 | $ 214 | 11.8 | $ 1,813 |
| Agency delivery volume (in millions) | $ 4,325 | $ 1,955 | 82.5 | $ 2,370 |
| Servicing portfolio, incld. sold servicing (in millions) | $ 9,061 | $ 3,024 | 50.1 | $ 6,037 |
| Mortgage servicing rights (in millions) | $ 71.1 | $ 41.8 | NM | $ 29.3 |

(1) Operating basis, see page 69 for definition.
(3) Total cross-sell on new relationships at 90 days (out of 16 core products); 2002 data is not available .
(4) Total cross-sell on new relationships at 90 days (out of 18 products); 2002 data is not available.
NM, not a meaningful value.
N/A, not available.
EOP, end of period.

### DEALER SALES

Dealer Sales serves over 3,500 automotive dealerships within Huntington's primary banking markets as well as in Arizona, Florida, Georgia, Pennsylvania, and Tennessee. The segment finances the purchase of automobiles by customers of the automotive dealerships, purchases automobiles from dealers and simultaneously leases the automobiles under long-term direct finance leases, provides financing for dealership floor plan inventories, real estate, or working capital needs, and provides other banking services to the automotive dealerships and their owners.

The accounting for automobile leases significantly impacts the presentation of Dealer Sales' financial results. All automobile leases originated prior to May 2002 are accounted for as operating leases, with leases originated since April 2002 accounted for as direct financing leases. For automobile leases originated prior to May 2002, the related financial results are reported as operating lease income and operating lease expense, components of non-interest income and non-interest expense, respectively, whereas the cost of funding such leases is included in interest expense. As a result of the treatment of operating leases, the net interest margin increased from 2001 to 2002 as the declining operating lease portfolio resulted in less assessed interest expense. Credit losses associated with these leases are also reflected in operating lease expense. With no new operating leases being originated, this portfolio, and related operating lease income and operating lease expense, will decrease over time and eventually become immaterial. In contrast, all new leases since April 2002 are originated as direct financing leases, where the income and funding are included in net interest income. Direct financing lease credit losses are charged against an allowance for loan and lease losses with provision expense recorded to maintain an appropriate allowance level.

*2003 versus 2002 Performance*

Dealer Sales contributed $60.0 million of the company's net operating earnings in 2003, up from $23.9 million in 2002. Higher bankruptcies and a softer used car market continued to have adverse impacts on the operating performance of this segment. These factors generally stabilized or improved in 2003.

Also, as previously noted, in May 2002, Dealer Sales began recording all automobile leases as direct financing leases instead of operating leases. Thus, as the operating lease portfolio runs-off and the direct financing portfolio grows, the various related income and expense categories are impacted accordingly.

Net interest income was $107.2 million for 2003, compared with $5.3 million for 2002. This very significant increase reflected a 45% increase in total loans and leases, as well as a higher net interest margin.

Average automobile loans increased 21% reflecting strong originations and the consolidation of previously securitized loans, partially offset by loan sales. During 2003, $2.8 billion of automobile loans were originated, up 19% from 2002. This increase occurred despite relatively flat growth in industry-wide new and used vehicle sales in 2003 compared with 2002, as Dealer Sales continued to increase market share in nearly all of its markets. Also, higher production levels in recently entered or expanded markets (Arizona, Tennessee, Georgia, Northern Indiana, and Central and Southeast Florida) contributed to the increase. The growth in average automobile loans also reflected the July 1, 2003, consolidation of $1.0 billion of previously securitized automobile loans related to the adoption of FIN 46. Partially offsetting these two factors, was a $0.5 billion average impact of the sale of $2.1 billion of automobile loans reflecting efforts to lower the overall credit risk exposure to automobile financing (see Significant Factors item 8).

Average automobile direct financing leases increased $1.0 billion and reflected $1.3 billion of automobile direct financing lease originations, up 12% from 2002. The very large increase in average direct financing leases from 2002 reflected the fact that this is a young portfolio and consists only of leases originated since April 2002. This growth contrasts with the $0.9 billion reduction in average operating lease assets, a more mature lease portfolio, as it consists of all automobile leases originated prior to May 2002.

Also contributing to the growth in total loans and leases was a 22% increase in average C&I loans, including dealer floor plan loans.

The net interest margin was also favorably impacted by the run-off of the operating lease assets due to the fact that all of the funding cost associated with these assets is reflected in interest expense, whereas the income is reflected in non-interest income.

The provision for loan and lease losses increased 28%, reflecting growth in loans and direct financing leases and, to a lesser degree, a $5.1 million increase in net charge-offs. Net charge-offs for Dealer Sales are concentrated in automobile loans and leases. The net charge-off ratio for automobile loans was 1.24% in 2003, down from 1.37% in 2002, and reflected the continued upward trend in the credit quality of loans originated. Charge-offs of direct financing leases in 2003 represented 0.40% of average balances outstanding, up

slightly from 0.38% the prior year, both relatively low levels and reflecting the less seasoned nature of this portfolio. Until the direct financing lease portfolio matures, related net charge-offs are also expected to increase.

Non-interest income decreased 24%, driven by the decline in operating lease income as that portfolio continued to run-off. Similarly, non-interest expense declined 21%, primarily reflecting the decline in operating lease expense. Other non-interest expense declined 6% primarily due to lower residual value insurance costs, while personnel costs increased 9%, primarily due to higher benefits costs and production-related salary costs.

The return on average assets and return on average equity for Dealer Sales, were 0.80% and 13.3%, respectively, up from 0.35% and down from 13.6% in 2002.

*2002 versus 2001 Performance*

Dealer Sales earnings in 2002 were $23.9 million compared with a $20.2 million operating loss in 2001. Higher provision for loan and lease losses, losses on terminated operating leases, and a soft used car market, all had adverse impacts on the Dealer Sales segment in 2002 and 2001.

Net interest income improved $32.0 million in 2002 versus 2001, reflecting a $644 million, or 25%, increase in average consumer loans. This consumer loan growth reflected a $381 million, or 17%, increase in average automobile loans, and a $268 million increase in average direct financing leases. Direct financing leases are earning assets and contribute interest income to the net interest margin. Average direct financing leases more than doubled from 2001 average balances, reflecting the fact that since April 2002, all new automobile leases have been recorded as direct financing leases. Therefore, this is a young and rapidly growing portfolio.

In contrast, operating leases are running off as no new operating leases have been recorded since April 2002. Operating lease income is reflected as rental income, a component of non-interest income, with the depreciation of the automobiles reflected as operating lease expense, a component of non-interest expense. As a result, both operating lease income and operating lease expense will trend down over time in-line with declines in the portfolio balance. These declines materially impact Dealer Sales' trends in non-interest income and non-interest expense, as they represent the largest non-interest income and non-interest expense components, 96% and 85%, respectively, in 2002. Reflecting this dynamic, non-interest income and non-interest expense both declined 4% from 2001.

Provision for loan and lease losses in 2002 declined $32.5 million from 2001, which included a $55 million specific reserve addition for the lower quality auto loans and leases originated in 2001 and prior years. Partially offsetting this decline was a provision increase due to growth in automobile loans and direct financing leases.

## Table 22—Dealer Sales[1]

| | 2003 | Change From 2002 | | 2002 | Change From 2001 | | 2001 |
|---|---|---|---|---|---|---|---|
| | | Amount | % | | Amount | % | |
| **INCOME STATEMENT (in thousands)** | | | | | | | |
| **Net Interest Income** | $ 107,190 | $ 101,846 | NM% | $ 5,344 | $ 32,036 | NM% | $ (26,692) |
| Provision for loan losses | 59,469 | 13,134 | 28.3 | 46,335 | (32,487) | (41.2) | 78,822 |
| **Net Interest Income After Provision for Loan Losses** | 47,721 | 88,712 | NM | (40,991) | 64,523 | (61.2) | (105,514) |
| Operating lease income | 489,698 | (167,376) | (25.5) | 657,074 | | | |
| Service charges on deposit accounts | 817 | (1) | (0.1) | 818 | | | |
| Brokerage and insurance income | 3,803 | 46 | 1.2 | 3,757 | | | |
| Trust services | 13 | 13 | NM | — | | | |
| Mortgage banking | 3 | 1 | 50.0 | 2 | | | |
| Other service charges and fees | — | (3) | NM | 3 | | | |
| Other | 31,634 | 5,745 | 22.2 | 25,889 | | | |
| **Total Non-Interest Income Before Securities Gains** | 525,968 | (161,575) | (23.5) | 687,543 | | | |
| Securities gains | — | — | NM | — | | | |
| **Total Non-Interest Income** | 525,968 | (161,575) | (23.5)% | 687,543 | (24,909) | (3.5) | 712,452 |
| Operating lease expense | 393,270 | (125,700) | (24.2) | 518,970 | | | |
| Personnel costs | 20,759 | 1,720 | 9.0 | 19,039 | | | |
| Other | 67,324 | (4,500) | (6.3) | 71,824 | | | |
| **Total Non-Interest Expense** | 481,353 | (128,480) | (21.1) | 609,833 | (28,224) | (4.4) | 638,057 |
| **Income Before Income Taxes** | 92,336 | 55,617 | NM | 36,719 | 67,838 | NM | (31,119) |
| Income taxes [2] | 32,317 | 19,465 | NM | 12,852 | 23,744 | NM | (10,892) |
| **Net Income—Operating** [1] | $ 60,019 | $ 36,152 | NM% | $ 23,867 | $ 44,094 | (218.0)% | $ (20,227) |
| **Revenue—Fully Taxable Equivalent (FTE)** | | | | | | | |
| Net interest income | $ 107,190 | $ 101,846 | NM% | $ 5,344 | $ 32,036 | NM% | $ (26,692) |
| Tax equivalent adjustment [2] | — | — | NM | — | — | NM | — |
| Net interest income (FTE) | 107,190 | 101,846 | NM | 5,344 | 32,036 | NM | (26,692) |
| Non-interest income | 525,968 | (161,575) | (23.5) | 687,543 | (24,909) | (3.5) | 712,452 |
| **Total Revenue (FTE)** | $ 633,158 | $ (59,729) | (8.6)% | $ 692,887 | $ 7,127 | 1.0% | $ 685,760 |
| **Total Revenue Excluding Securities Gains (FTE)** | $ 633,158 | $ (59,729) | (8.6)% | $ 692,887 | $ 7,127 | 1.0% | $ 685,760 |
| **SELECTED AVERAGE BALANCES (in millions)** | | | | | | | |
| **Loans:** | | | | | | | |
| C&I | $ 648 | $ 116 | 21.8% | $ 532 | $ (25) | (4.5)% | $ 557 |
| CRE | | | | | | | |
| Construction | 8 | 6 | NM | 2 | (2) | (50.0) | 4 |
| Commercial | 67 | 23 | 52.3 | 44 | — | — | 44 |
| Consumer | | | | | | | |
| Auto leases—indirect | 1,429 | 977 | NM | 452 | 268 | NM | 184 |
| Auto loans—indirect | 3,253 | 561 | 20.8 | 2,692 | 381 | 16.5 | 2,311 |
| Home equity loans & lines of credit | — | — | NM | — | (1) | NM | 1 |
| Other loans | 60 | 7 | 13.2 | 53 | (4) | (7.0) | 57 |
| Total Consumer | 4,742 | 1,545 | 48.3 | 3,197 | 644 | 25.2 | 2,553 |
| **Total Loans** | $ 5,465 | $ 1,690 | 44.8% | $ 3,775 | $ 617 | 19.5% | $ 3,158 |
| Operating lease assets | $ 1,697 | $ (905) | (34.8)% | $ 2,602 | $ (368) | (12.4)% | $ 2,970 |
| **Deposits:** | | | | | | | |
| Non-interest bearing deposits | $ 57 | $ 9 | 18.8% | $ 48 | $ (25) | (34.2)% | $ 73 |
| Interest bearing demand deposits | 2 | 1 | NM | 1 | (2) | (66.7) | 3 |
| Foreign time deposits | 6 | 2 | 50.0 | 4 | (4) | (50.0) | 8 |
| **Total Deposits** | $ 65 | $ 12 | 22.6% | $ 53 | $ (31) | (36.9)% | $ 84 |

(1) Operating basis, see page 69 for definition .
(2) Calculated assuming a 35% tax rate .
NM, not a meaningful value.

## Table 22—Dealer Sales[1]

| | 2003 | Change From 2002 Amount | Change From 2002 % | 2002 | Change From 2001 Amount | Change From 2001 % | 2001 |
|---|---|---|---|---|---|---|---|
| **PERFORMANCE METRICS** | | | | | | | |
| Return on average assets | 0.80% | 0.45% | | 0.35% | 0.63% | | (0.28)% |
| Return on average equity | 13.3 | (0.3) | | 13.6 | 22.6 | | (9.0) |
| Net interest margin | 1.94 | 1.80 | | 0.14 | 0.95 | | (0.81) |
| Efficiency ratio | 76.0 | (12.0) | | 88.0 | (5.0) | | 93.0 |
| **CREDIT QUALITY** | | | | | | | |
| **Net Charge-offs by Loan Type (in thousands)** | | | | | | | |
| C&I | $ (13) | $ (177) | NM% | $ 164 | | | |
| CRE | — | — | NM | — | | | |
| Total commercial | (13) | (177) | NM | 164 | | | |
| Consumer | | | | | | | |
| Auto leases | 5,728 | 4,298 | NM | 1,430 | | | |
| Auto loans | 40,250 | 2,504 | 6.6 | 37,746 | | | |
| Home equity loans & lines of credit | 36 | 36 | NM | — | | | |
| Other loans | 762 | (1,514) | (66.5) | 2,276 | | | |
| Total consumer | 46,776 | 5,324 | 12.8 | 41,452 | | | |
| **Total Net Charge-offs** | $ 46,763 | $ 5,147 | 12.4% | $ 41,616 | | | |
| **Net Charge-offs—annualized percentages** | | | | | | | |
| C&I | — | (0.03)% | | 0.03% | | | |
| CRE | — | — | | — | | | |
| Total commercial | — | (0.03) | | 0.03 | | | |
| Consumer | | | | | | | |
| Auto leases | 0.40 | 0.02 | | 0.38 | | | |
| Auto loans | 1.24 | (0.13) | | 1.37 | | | |
| Home equity loans & lines of credit | — | — | | — | | | |
| Other loans | 1.27 | (3.02) | | 4.29 | | | |
| Total consumer | 0.99 | (0.31) | | 1.30 | | | |
| **Total Net Charge-offs** | 0.86% | (0.25)% | | 1.11% | | | |
| **Non-performing Assets (NPA) (in millions)** | | | | | | | |
| C&I | $ — | $ (1) | NM% | $ 1 | | | |
| CRE | — | — | NM | — | | | |
| **Total Non-accrual Loans** | — | (1) | NM | 1 | | | |
| Renegotiated loans | — | — | NM | — | | | |
| **Total Non-performing Loans (NPL)** | — | (1) | NM | 1 | | | |
| Other real estate, net (OREO) | — | — | NM | — | | | |
| **Total Non-performing Assets** | $ — | $ (1) | NM% | $ 1 | | | |
| Accruing loans past due 90 days or more (EOP) | $ 14 | $ — | — | $ 14 | | | |
| **Allowance for Loan and Lease Losses (ALLL) (EOP)** | $ 51 | $ 21 | 70.0% | $ 30 | | | |
| ALLL as a % of total loans and leases | 0.88% | 0.24% | | 0.64% | | | |
| ALLL as a % of NPLs | NM | NM | | NM | | | |
| ALLL + OREO as a % of NPAs | NM | NM | | NM | | | |
| NPLs as a % of total loans and leases | — | (0.02)% | | 0.02% | | | |
| NPAs as a % of total loans and leases + OREO | — | (0.02)% | | 0.02% | | | |

(1) Operating basis, see page 69 for definition .
NM, not a meaningful value.
EOP, end of period.

## Table 22—Dealer Sales[1]

| | 2003 | Change From 2002 | | 2002 |
|---|---|---|---|---|
| | | Amount | % | |
| **SUPPLEMENTAL DATA** | | | | |
| # employees—full-time equivalent (EOP) | 444 | (17) | (3.7)% | 461 |
| **Automobile loans** | | | | |
| Production (in millions) | $ 2,757 | 449 | 19.4% | $ 2,308 |
| % Production new vehicles | 58.2% | 4.6% | | 53.6 |
| Average term (in months) | 64.2 | 1.3 | | 62.9 |
| **Automobile leases** | | | | |
| Production (in millions) | $ 1,320 | 140 | 11.9% | $ 1,180 |
| % Production new vehicles | 97.3% | 6.8% | | 90.5 |
| Average term (in months) | 52.7 | (2.6) | | 55.3 |
| Average residual % | 43.1% | 3.4% | | 39.7 |

(1) Operating basis, see page 69 for definition .
EOP, end of period.

## PRIVATE FINANCIAL GROUP

The Private Financial Group (PFG) provides products and services designed to meet the needs of the company's higher net worth customers. Revenue is derived through trust, asset management, investment advisory, brokerage, insurance, and private banking products and services. The trust division provides fiduciary services to more than 11,000 accounts with assets totaling $37.5 billion, including $8.4 billion managed by PFG. In addition, PFG has over $500 million in assets managed by Haberer Registered Investment Advisor, which provides investment management services to nearly 400 customers.

PFG provides investment management and custodial services to the company's 24 proprietary mutual funds, including six variable annuity funds, which represented nearly $3 billion in total assets under management at December 31, 2003. The Huntington Investment Company offers brokerage and investment advisory services to both Regional Banking and PFG customers through more than 100 licensed investment sales representatives and nearly 700 licensed personal bankers. This customer base has over $4 billion in mutual fund and annuity assets. PFG's insurance entities provide a complete array of insurance products including individual life insurance products ranging from basic term life insurance, to estate planning, group life and health insurance, property and casualty insurance, mortgage title insurance, and reinsurance for payment protection products. PFG has more than 15,000 retail life insurance policies in force. Income and related expenses from the sale of brokerage and insurance products is shared with the line of business that generated the sale or provided the customer referral, most notably Regional Banking.

*2003 versus 2002 Performance*

The Private Financial Group (PFG) contributed $26.0 million of the company's net operating earnings in 2003, up 5% from $24.8 million in 2002. Revenue growth was largely offset by increased non-interest expense and increased provision for loan losses.

Net interest income increased 17% from the prior year as average loan balances increased 32%, to $1.2 billion, and average deposit balances increased 24%, to $1.0 billion. Most of the loan growth occurred in home equity loans and lines and residential real estate loans largely due to the favorable mortgage rate environment. Most of the deposit growth occurred in interest bearing demand deposits, resulting from a combination of new business and a customer shift from the Huntington Funds money market funds to money market deposit accounts, due to favorable pricing. The net interest margin was 3.35%, down from 3.73%, reflecting an 11 basis point narrowing in loan spreads and an 18 basis point decline in deposit spreads. The decline in loan spreads was driven by strong growth in lower margin residential mortgage loans, which accounted for 66% of the growth in average loans in 2003. The decline in deposit spreads reflected the low absolute level of interest rates during the year and resultant compressed deposit margins.

Provision expense increased 38% from the prior year primarily due to provision expense related to loan growth and, to a lesser degree, higher net charge-offs. Although the absolute level of net charge-offs increased by $197,000, the net charge-off ratio decreased to 0.17% from 0.20%, in 2002.

Non-interest income, net of fees shared with other business units, declined 1% from 2002, resulting from increased brokerage and insurance revenue allocated to Regional Banking due to a change in allocation methodology. Brokerage income from retail investment sales was essentially unchanged from 2002, excluding the impact of the change in allocation methodology. Insurance revenue increased 5%, reflecting higher title insurance revenue due to increased mortgage refinancing activity combined with revenue from sales of a new wealth transfer insurance product.

Trust income was essentially flat with the prior year, as increased personal and institutional trust income was offset by reduced revenue from proprietary mutual fund fees. The increase in personal trust revenue was mainly due to the full year impact of the April 2002 acquisition of Haberer Registered Investment Advisor. While assets under management in the Huntington Funds increased 9%, from $2.7 billion to $2.9 billion at year end, fees declined due to increased money market fund fee waivers implemented to maintain minimum customer yields. Significant growth also occurred in institutional trust assets as a result of the acquisition of a major custodial account, which also produced $260,000 of additional revenue in 2003.

Other revenue increased 44%, primarily due to a $1.0 million increase in inter-company fees combined with increased revenue from commercial loan swaps and market value gains realized on the sale of temporary investments.

Non-interest expense increased 2.0% from the prior year primarily due to the full year impact of the Haberer acquisition and, to a lesser degree, an increase in allocated corporate, indirect, and product-related expenses.

PFG ended the year with $8.9 billion of assets under management, up 6%, including $4.9 billion of personal trust assets, up 7%, and $2.9 billion in Huntington mutual funds, up 9%. During 2003, each of Huntington's equity funds produced double-digit returns and

each taxable or tax-free bond fund produced positive returns. Mutual fund and annuity sales expressed as a percent of the company's retail deposits were 6.2% in 2003, and comparable to 6.0% in 2002. Compared with peers, this level of sales penetration represented top quartile performance.

The return on average assets and return on average equity for PFG, were 1.94% and 24.5%, respectively, compared with 2.39% and 22.4% in 2002.

*2002 versus 2001 Performance*

PFG's operating earnings for 2002 were $24.8 million, up 31% from 2001, due primarily to a 17% increase in revenues, partially offset by 10% growth in non-interest expense and higher provision for loans losses.

Net interest income declined 2% driven by growth in lower margin loans, as well as a decline in the deposit rate credit, reflecting a lower interest rate environment. Average loans and leases increased 36%, reflecting strong growth in lower margin residential and home equity loans and lines. Average deposits increased 31%, reflecting 39% growth in interest bearing deposits.

Provision for loan and lease losses in 2002 increased $3.0 million, largely reflecting growth in loans and leases.

Non-interest income increased 26% from 2001 driven primarily by higher brokerage and trust revenue. Non-interest income in 2001 also reflected a $5.2 million securities loss related to the sale of securities of a California utility.

Non-interest expense increased 10% from 2001 driven by the acquisition of Haberer Registered Investment Advisors, as well as higher salary expense and a $1.7 million increase in sales commissions, reflective of the growth in brokerage and trust revenue.

## Table 23—Private Financial Group[1]

| | 2003 | Change From 2002 | | 2002 | Change From 2001 | | 2001 |
|---|---|---|---|---|---|---|---|
| | | Amount | % | | Amount | % | |
| **INCOME STATEMENT (in thousands)** | | | | | | | |
| **Net Interest Income** | $ 41,937 | $ 6,111 | 17.1% | $ 35,826 | $ (778) | (2.1)% | $ 36,604 |
| Provision for loan losses | 4,796 | 1,316 | 37.8 | 3,480 | 3,020 | NM | 460 |
| **Net Interest Income After Provision for Loan Losses** | 37,141 | 4,795 | 14.8 | 32,346 | (3,798) | (10.5) | 36,144 |
| Service charges on deposit accounts | 3,883 | 52 | 1.4 | 3,831 | | | |
| Brokerage and insurance income | 37,009 | (2,794) | (7.0) | 39,803 | | | |
| Trust services | 60,668 | 52 | 0.1 | 60,616 | | | |
| Mortgage banking | 724 | 157 | 27.7 | 567 | | | |
| Other service charges and fees | 401 | 14 | 3.6 | 387 | | | |
| Other | 5,221 | 1,588 | 43.7 | 3,633 | | | |
| **Total Non-Interest Income Before Securities Gains** | 107,906 | (931) | (0.9) | 108,837 | | | |
| Securities gains | 34 | (66) | (66.0) | 100 | | | |
| **Total Non-Interest Income** | 107,940 | (997) | (0.9) | 108,937 | 22,202 | 25.6 | 86,735 |
| Personnel costs | 60,753 | 818 | 1.4 | 59,935 | | | |
| Other | 44,400 | 1,246 | 2.9 | 43,154 | | | |
| **Total Non-Interest Expense** | 105,153 | 2,064 | 2.0 | 103,089 | 9,318 | 9.9 | 93,771 |
| **Income Before Income Taxes** | 39,928 | 1,734 | 4.5 | 38,194 | 9,086 | 31.2 | 29,108 |
| Income taxes [2] | 13,975 | 607 | 4.5 | 13,368 | 3,180 | 31.2 | 10,188 |
| **Net Income—Operating [1]** | $ 25,953 | $ 1,127 | 4.5% | $ 24,826 | $ 5,906 | 31.2% | $ 18,920 |
| **Revenue—Fully Taxable Equivalent (FTE)** | | | | | | | |
| Net interest income | $ 41,937 | $ 6,111 | 17.1% | $ 35,826 | $ (778) | (2.1)% | $ 36,604 |
| Tax equivalent adjustment [2] | 44 | (23) | (34.3) | 67 | (100) | (59.9) | 167 |
| Net interest income (FTE) | 41,981 | 6,088 | 17.0 | 35,893 | (878) | (2.4) | 36,771 |
| Non-interest income | 107,940 | (997) | (0.9) | 108,937 | 22,202 | 25.6 | 86,735 |
| **Total Revenue (FTE)** | $ 149,921 | $ 5,091 | 3.5% | $ 144,830 | $ 21,324 | 17.3% | $ 123,506 |
| **Total Revenue Excluding Securities Gains (FTE)** | $ 149,887 | $ 5,157 | 3.6% | $ 144,730 | $ 21,224 | 17.2% | $ 123,506 |
| **SELECTED AVERAGE BALANCES (in millions)** | | | | | | | |
| **Loans:** | | | | | | | |
| C&I | $ 318 | $ 19 | 6.4% | $ 299 | $ 31 | 11.6% | $ 268 |
| CRE | | | | | | | |
| Construction | 22 | 1 | 4.8 | 21 | 1 | 5.0 | 20 |
| Commercial | 160 | 24 | 17.6 | 136 | 25 | 22.5 | 111 |
| Consumer | | | | | | | |
| Home equity loans & lines of credit | 257 | 57 | 28.5 | 200 | 47 | 30.7 | 153 |
| Residential mortgage | 424 | 190 | 81.2 | 234 | 143 | NM | 91 |
| Other loans | 8 | — | — | 8 | (10) | (55.6) | 18 |
| Total Consumer | 689 | 247 | 55.9 | 442 | 180 | 68.7 | 262 |
| **Total Loans** | $ 1,189 | $ 291 | 32.4% | $ 898 | $ 237 | 35.9% | $ 661 |
| **Deposits:** | | | | | | | |
| Non-interest bearing deposits | $ 152 | $ 17 | 12.6% | $ 135 | $ 14 | 11.6% | $ 121 |
| Interest bearing demand deposits | 699 | 169 | 31.9 | 530 | 149 | 39.1 | 381 |
| Savings deposits | 53 | 15 | 39.5 | 38 | 26 | NM | 12 |
| Domestic time deposits | 96 | (14) | (12.7) | 110 | 2 | 1.9 | 108 |
| Foreign time deposits | 18 | 9 | NM | 9 | 3 | 50.0 | 6 |
| **Total Deposits** | $ 1,018 | $ 196 | 23.8% | $ 822 | $ 194 | 30.9% | $ 628 |

(1) Operating basis, see page 69 for definition .
(2) Calculated assuming a 35% tax rate .
NM, not a meaningful value.

## Table 23—Private Financial Group[1]

| | 2003 | Change From 2002 Amount | Change From 2002 % | 2002 | Change From 2001 Amount | Change From 2001 % | 2001 |
|---|---|---|---|---|---|---|---|
| **PERFORMANCE METRICS** | | | | | | | |
| Return on average assets | 1.94% | (0.45)% | | 2.39% | 0.00% | | 2.39% |
| Return on average equity | 24.5 | 2.1 | | 22.4 | 2.5 | | 19.9 |
| Net interest margin | 3.35 | (0.39) | | 3.73 | (1.40) | | 5.13 |
| Efficiency ratio | 70.2 | (1.1) | | 71.2 | (4.7) | | 75.9 |
| **CREDIT QUALITY** | | | | | | | |
| **Net Charge-offs by Loan Type (in thousands)** | | | | | | | |
| C&I | $ 866 | $ (260) | (23.1)% | $ 1,126 | | | |
| CRE | 182 | 182 | NM | — | | | |
| Total commercial | 1,048 | (78) | (6.9) | 1,126 | | | |
| Consumer | | | | | | | |
| Home equity loans & lines of credit | 751 | 55 | 7.9 | 696 | | | |
| Residential mortgage | 21 | 21 | NM | — | | | |
| Other loans | 201 | 199 | NM | 2 | | | |
| Total consumer | 973 | 275 | 39.4 | 698 | | | |
| **Total Net Charge-offs** | $ 2,021 | $ 197 | 10.8% | $ 1,824 | | | |
| **Net Charge-offs—annualized percentages** | | | | | | | |
| C&I | 0.27% | (0.10)% | | 0.38% | | | |
| CRE | 0.10 | 0.10 | | — | | | |
| Total commercial | 0.21 | (0.04) | | 0.25 | | | |
| Consumer | | | | | | | |
| Home equity loans & lines of credit | 0.29 | (0.06) | | 0.35 | | | |
| Residential mortgage | — | — | | — | | | |
| Other loans | 2.51 | 2.49 | | 0.03 | | | |
| Total consumer | 0.14 | (0.02) | | 0.16 | | | |
| **Total Net Charge-offs** | 0.17% | (0.03)% | | 0.20% | | | |
| **Non-performing Assets (NPA) (in millions)** | | | | | | | |
| C&I | $ 4 | $ 2 | NM% | $ 2 | | | |
| CRE | — | — | NM | — | | | |
| Residential mortgage | 1 | 1 | NM | — | | | |
| **Total Non-accrual Loans** | 5 | 3 | NM | 2 | | | |
| Renegotiated loans | — | — | NM | — | | | |
| **Total Non-performing Loans (NPL)** | 5 | 3 | NM | 2 | | | |
| Other real estate, net (OREO) | — | — | NM | — | | | |
| **Total Non-performing Assets** | $ 5 | $ 3 | NM% | $ 2 | | | |
| Accruing loans past due 90 days or more (EOP) | $ 3 | $ (2) | (40.0)% | $ 5 | | | |
| **Allowance for Loan and Lease Losses (ALLL) (EOP)** | $ 10 | $ 5 | NM% | $ 5 | | | |
| ALLL as a % of total loans and leases | 0.77% | 0.30% | | 0.47% | | | |
| ALLL as a % of NPLs | 200.0 | (50.0) | | 250.0 | | | |
| ALLL + OREO as a % of NPAs | 200.0 | (50.0) | | 250.0 | | | |
| NPLs as a % of total loans and leases | 0.38 | 0.20 | | 0.19 | | | |
| NPAs as a % of total loans and leases + OREO | 0.38 | 0.20 | | 0.19 | | | |

(1) Operating basis, see page 69 for definition.
NM, not a meaningful value.
EOP, end of period.

## Table 23—Private Financial Group[1]

| | 2003 | Change From 2002 | | 2002 |
|---|---|---|---|---|
| | | Amount | % | |
| **SUPPLEMENTAL DATA** | | | | |
| # employees—full-time equivalent (EOP) | 688 | (4) | (0.6)% | 692 |
| # licensed bankers (EOP) | 695 | 50 | 7.8% | 645 |
| **Brokerage and Insurance Income** (in thousands) | | | | |
| Mutual fund revenue | $ 4,371 | $ (518) | (10.6)% | $ 4,889 |
| Annuities revenue | 28,216 | (178) | (0.6) | 28,394 |
| 12b-1 fees | 2,090 | (74) | (3.4) | 2,164 |
| Discount brokerage commissions and other | 4,219 | 774 | 22.5 | 3,445 |
| Total retail investment sales | 38,896 | 4 | — | 38,892 |
| Investment banking fees | — | — | NM | — |
| Insurance fees and revenue | 15,348 | 3,149 | 25.8 | 12,199 |
| **Total Brokerage and Insurance Income** | 54,244 | 3,153 | 6.2 | 51,091 |
| Fee sharing | 17,235 | 5,947 | 52.7 | 11,288 |
| **Total Brokerage and Insurance Income (net of fee sharing)** | $ 37,009 | $ (2,794) | (7.0)% | $ 39,803 |
| Mutual fund sales volume (in thousands) | $ 212,919 | $ 47,856 | 29.0% | $ 165,063 |
| Annuities sales volume (in thousands) | 577,563 | (6,096) | (1.0) | 583,659 |
| **Trust Services Income** (in thousands) | | | | |
| Personal trust (including Haberer) | $ 30,518 | $ 542 | 1.8% | $ 29,976 |
| Huntington funds | 19,200 | (661) | (3.3) | 19,861 |
| Institutional trust | 7,730 | 102 | 1.3 | 7,628 |
| Corporate trust | 4,086 | (3) | (0.1) | 4,089 |
| Other trust | — | — | NM | — |
| **Total Trust Services Income** | $ 61,534 | $ (20) | — | $ 61,554 |
| Fee sharing | 866 | (72) | (7.7) | 938 |
| **Total Trust Services Income (net of fee sharing)** | $ 60,668 | $ 52 | 0.1% | $ 60,616 |
| **Assets Under Management** (EOP) (in billions) | | | | |
| Personal trust | $ 4.9 | $ 0.3 | 6.5% | $ 4.6 |
| Huntington funds | 2.9 | 0.2 | 8.6 | 2.7 |
| Institutional trust | 0.6 | 0.1 | 20.0 | 0.5 |
| Corporate trust | — | (0.2) | NM | 0.2 |
| Haberer | 0.5 | 0.1 | 20.0 | 0.5 |
| Other | — | — | NM | — |
| **Total Assets Under Management** | $ 8.9 | $ 0.5 | 6.4% | $ 8.4 |
| **Total Trust Assets** (EOP) (in billions) | | | | |
| Personal trust | $ 8.3 | $ 0.7 | 9.4% | $ 7.6 |
| Huntington funds | 2.9 | 0.2 | 8.6 | 2.7 |
| Institutional trust | 23.1 | 9.9 | 75.3 | 13.2 |
| Corporate trust | 3.2 | 0.7 | 27.5 | 2.5 |
| **Total Trust Assets** | $ 37.5 | $ 11.6 | 44.5% | $ 25.9 |
| **Mutual Fund Data** | | | | |
| # Huntington mutual funds (EOP) | 24 | — | | 24 |
| Sales penetration [3] | 6.2% | 0.2% | | 6.0 |
| Revenue penetration (whole dollars) [4] | $ 3,323 | $ 113 | 3.5% | $ 3,210 |
| Profit penetration (whole dollars) [5] | 1,200 | 92 | 8.3 | 1,108 |
| Average sales per licensed banker (whole dollars annualized) | 67,924 | (10,953) | (13.9) | 78,877 |
| Average revenue per licensed banker (whole dollars annualized) | 3,107 | (471) | (13.2) | 3,578 |

(1) Operating basis, see page 69 for definition.
(3) Sales (dollars invested) of mutual funds and annuities divided by bank's retail deposits .
(4) Investment program revenue per million of the bank's retail deposits .
(5) Contribution of investment program to pretax profit per million of the bank's retail deposits .
Contribution is difference between program revenue and program expenses .
NM, not a meaningful value.
EOP, end of period.

### TREASURY/OTHER

The Treasury/Other segment includes revenue and expense related to assets, liabilities, and equity that are not directly assigned or allocated to one of the three business segments. Assets included in this segment include bank owned life insurance, investment securities, and mezzanine loans originated through Huntington Capital Markets.

Since a match-funded transfer pricing methodology is used to attribute appropriate funding interest income and expense to other business segments, the Treasury/Other segment results include the net impact of any over or under allocation arising from centralized management of interest rate and liquidity risk. This includes 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 and debt portfolios as part of overall liquidity management.

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 is lower and, as a result, income tax expense in Treasury/Other represents the reconciliation to the statutory tax rate used in the other segments.

*2003 versus 2002 Performance*
Treasury/Other reported earnings of $98.0 million in 2003, down 17% from $117.8 million in 2002.

Net interest income was $94.5 million in 2003, down $29.2 million from 2002. The components of net interest income and items driving this variance were higher wholesale funding and debt costs of $8.9 million and lower net FTP credits of $20.0 million from the segments, primarily reflecting interest rate and liquidity management revenue, partially offset by a $3.5 million improvement in the Capital Markets Group margin, $7.7 million of higher interest income on securities, and $6.0 million of derivatives income.

Provision expense, attributable to Capital Markets lending activity, was nearly flat year over year.

Non-interest income was higher, reflecting gains recognized on Capital Markets Group investments.

Non-interest expense for operational, administrative, and support groups not specifically allocated to the other business segments, increased $10.8 million from 2002, including a $2.9 million increase in performance incentive compensation in the Capital Markets Group.

*2002 versus 2001 Performance*
Treasury/Other reported earnings of $117.8 million, up 57% from $75.2 million in 2001. The largest contributor to this improvement was a $97.6 million improvement in net interest income over 2001. This reflected a reduction in transfer pricing credits allocated to Regional Banking and Private Financial for deposits, the maturity in late 2001 of $2 billion of interest rate swaps that had significantly negative spreads, and the benefit of lower short-term interest rates.

Non-interest income for 2002 was $60.8 million compared with $65.9 million for 2001, reflecting higher gains from securities transactions in 2002, increased bank owned life insurance income, and revenue from trading activities, more than offset by the impact of a new methodology that redistributed some capital markets revenue, net of related costs, back to other business segments. Non-interest expense for 2002 declined $28.9 million from 2001. This reflected a decline in the amortization of intangibles arising from the implementation of Statement No. 142 and lower unallocated personnel costs, offset by higher unallocated outside services and processing, equipment and occupancy, and telecommunication expenses.

## Table 24—Treasury/Other[1]

| | 2003 | Change From 2002 Amount | Change From 2002 % | 2002 | Change From 2001 Amount | Change From 2001 % | 2001 |
|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT (in thousands)** | | | | | | | |
| **Net Interest Income** | $ 94,496 | $ (29,180) | (23.6)% | $ 123,676 | $ 97,635 | NM% | $ 26,041 |
| Provision for loan losses | 5,739 | 209 | 3.8 | 5,530 | 4,490 | NM | 1,040 |
| **Net Interest Income After Provision for Loan Losses** | 88,757 | (29,389) | (24.9) | 118,146 | 93,145 | NM | 25,001 |
| Service charges on deposit accounts | 41 | 7 | 20.6 | 34 | | | |
| Brokerage and insurance income | 856 | (116) | (11.9) | 972 | | | |
| Bank owned life insurance income | 43,028 | (95) | (0.2) | 43,123 | | | |
| Other | 15,228 | 3,352 | 28.2 | 11,876 | | | |
| **Total Non-Interest Income Before Securities Gains** | 59,153 | 3,148 | 5.6 | 56,005 | | | |
| Securities gains | 5,224 | 422 | 8.8 | 4,802 | | | |
| **Total Non-Interest Income** | 64,377 | 3,570 | 5.9 | 60,807 | (5,121) | (7.8) | 65,928 |
| **Total Non-Interest Expense** | 71,823 | 10,790 | 17.7 | 61,033 | (28,941) | (32.2) | 89,974 |
| **Income Before Income Taxes** | 81,311 | (36,609) | (31.0) | 117,920 | 116,965 | NM | 955 |
| Income taxes [2] | (16,643) | (16,747) | NM | 104 | 74,336 | NM | (74,232) |
| **Net Income—Operating [1]** | $ 97,954 | $ (19,862) | (16.9)% | $ 117,816 | $ 42,629 | 56.7% | $ 75,187 |
| **Revenue—Fully Taxable Equivalent (FTE)** | | | | | | | |
| Net interest income | $ 94,496 | $ (29,180) | (23.6)% | $ 123,676 | $ 97,635 | (0.8)% | $ 26,041 |
| Tax equivalent adjustment [2] | 8,457 | 4,944 | NM | 3,513 | (200) | NM | 3,713 |
| Net interest income (FTE) | 102,953 | (24,236) | (19.1) | 127,189 | 97,435 | (17.2) | 29,754 |
| Non-interest income | 64,377 | 3,570 | 5.9 | 60,807 | (5,121) | NM | 65,928 |
| **Total Revenue (FTE)** | $ 167,330 | $ (20,666) | (11.0)% | $ 187,996 | $ 92,314 | 91.5% | $ 95,682 |
| **Total Revenue Excluding Securities Gains (FTE)** | $ 162,106 | $ (21,088) | (11.5)% | $ 183,194 | $ 87,512 | 0.0% | $ 95,682 |
| **SELECTED AVERAGE BALANCES (in millions)** | | | | | | | |
| **Securities** | $ 3,768 | $ 963 | 34.3% | $ 2,805 | $ (329) | (10.5)% | $ 3,134 |
| **Loans:** | | | | | | | |
| C&I | $ 40 | $ 15 | 60.0% | $ 25 | $ (21) | (45.7)% | $ 46 |
| CRE | 70 | 20 | 40.0 | 50 | 44 | NM | 6 |
| **Total Loans** | $ 110 | $ 35 | 46.7% | $ 75 | $ 23 | 44.2% | $ 52 |
| **Deposits:** | | | | | | | |
| Brokered time deposits and negotiable CDs | $ 1,419 | $ 688 | 94.1% | $ 731 | $ 603 | NM% | $ 128 |
| Foreign time deposits | 118 | 39 | 49.4 | 79 | (11) | (12.2) | 90 |
| **Total Deposits** | $ 1,537 | $ 727 | 89.8% | $ 810 | $ 592 | NM% | $ 218 |

(1) Operating basis, see page 69 for definition .
(2) Reconciling difference between company's actual effective tax rate and 35% tax rate allocated to each business segment .
NM, not a meaningful value.

## Table 24—Treasury/Other[1]

| | 2003 | Change From 2002 | | 2002 | Change From 2001 | | 2001 |
|---|---|---|---|---|---|---|---|
| | | Amount | % | | Amount | % | |
| **PERFORMANCE METRICS** | | | | | | | |
| Return on average assets | 1.81% | (0.95)% | | 2.76% | 0.88% | | 1.88% |
| Return on average equity | 15.7 | 4.3 | | 11.4 | 4.9 | | 6.5 |
| Net interest margin | 2.59 | (1.59) | | 4.18 | 3.30 | | 0.88 |
| Efficiency ratio | 44.3 | 11.1 | | 33.3 | (60.7) | | 94.0 |
| **CREDIT QUALITY** | | | | | | | |
| **Net Charge-offs by Loan Type (in thousands)** | | | | | | | |
| C&I | $ (122) | $ (5,598) | NM | $ 5,476 | | | |
| CRE | — | — | NM | — | | | |
| Total commercial | (122) | (5,598) | NM | 5,476 | | | |
| **Total Net Charge-offs** | $ (122) | $ (5,598) | NM | $ 5,476 | | | |
| **Net Charge-offs—annualized percentages** | | | | | | | |
| C&I | (0.31)% | (22.21)% | | 21.90% | | | |
| CRE | — | — | | — | | | |
| Total commercial | (0.10) | (7.31) | | 7.21 | | | |
| **Total Net Charge-offs** | (0.08)% | (4.23)% | | 4.15% | | | |
| **Non-performing Assets (NPA) (in millions)** | | | | | | | |
| C&I | $ — | $ — | NM% | $ — | | | |
| CRE | 10 | 10 | NM | — | | | |
| **Total Non-accrual Loans** | 10 | 10 | NM | — | | | |
| Renegotiated loans | — | — | NM | — | | | |
| **Total Non-performing Loans (NPL)** | 10 | 10 | NM | — | | | |
| Other real estate, net (OREO) | — | — | NM | — | | | |
| **Total Non-performing Assets** | $ 10 | $ 10 | NM% | $ — | | | |
| Accruing loans past due 90 days or more (EOP) | $ — | $ — | NM% | $ — | | | |
| **Allowance for Loan and Lease Losses (ALLL) (EOP)** | $ 77 | $ (50) | (39.4)% | $ 127 | | | |
| ALLL as a % of total loans and leases | 39.29% | (28.99)% | | 68.28% | | | |
| ALLL as a % of NPLs | NM | NM | | NM | | | |
| ALLL + OREO as a % of NPAs | NM | NM | | NM | | | |
| NPLs as a % of total loans and leases | 5.10 | 5.10 | | — | | | |
| NPAs as a % of total loans and leases + OREO | 5.10 | 5.10 | | — | | | |
| **SUPPLEMENTAL DATA** | | | | | | | |
| # employees—full-time equivalent (EOP) | 1,982 | (112) | (5.3)% | 2,094 | | | |

(1) Operating basis, see page 69 for definition.
NM, not a meaningful value.
EOP, end of period.

## Table 25—Total Company[1]

| | 2003 | Change From 2002 | | 2002 | Change From 2001 | | 2001 |
|---|---|---|---|---|---|---|---|
| | | Amount | % | | Amount | % | |
| **INCOME STATEMENT (in thousands)** | | | | | | | |
| **Net Interest Income** | $ 848,986 | $ 109,136 | 14.8% | $ 739,850 | $ 106,835 | 16.9% | $ 633,015 |
| Provision for loan losses | 163,993 | (25,247) | (13.3) | 189,240 | (52,965) | (21.9) | 242,205 |
| **Net Interest Income After Provision for Loan Losses** | 684,993 | 134,383 | 24.4 | 550,610 | 159,800 | 40.9 | 390,810 |
| Operating lease income | 489,698 | (167,376) | (25.5) | 657,074 | | | |
| Service charges on deposit accounts | 167,840 | 18,524 | 12.4 | 149,316 | | | |
| Brokerage and insurance income | 57,844 | 2,650 | 4.8 | 55,194 | | | |
| Trust services | 61,649 | 3 | — | 61,646 | | | |
| Mortgage banking | 58,180 | 26,068 | 81.2 | 32,112 | | | |
| Bank owned life insurance income | 43,028 | (95) | (0.2) | 43,123 | | | |
| Other service charges and fees | 41,446 | 72 | 0.2 | 41,374 | | | |
| Other | 91,059 | 14,459 | 18.9 | 76,600 | | | |
| **Total Non-Interest Income Before Securities Gains** | 1,010,744 | (105,695) | (9.5) | 1,116,439 | | | |
| Securities gains | 5,258 | 356 | 7.3 | 4,902 | | | |
| **Total Non-Interest Income** | 1,016,002 | (105,339) | (9.4) | 1,121,341 | (1,609) | (0.1) | 1,122,950 |
| Operating lease expense | 393,270 | (125,700) | (24.2) | 518,970 | | | |
| Personnel costs | 447,263 | 40,748 | 10.0 | 406,515 | | | |
| Other | 381,042 | 1,563 | 0.4 | 379,479 | | | |
| **Total Non-Interest Expense** | 1,221,575 | (83,389) | (6.4) | 1,304,964 | (14,619) | (1.1) | 1,319,583 |
| **Income Before Income Taxes** | 479,420 | 112,433 | 30.6 | 366,987 | 172,810 | 89.0 | 194,177 |
| Income taxes[2] | 122,695 | 35,417 | 40.6 | 87,278 | 93,882 | NM | (6,604) |
| **Net Income—Operating [1]** | $ 356,725 | $ 77,016 | 27.5% | $ 279,709 | $ 78,928 | 39.3% | $ 200,781 |
| **Revenue—Fully Taxable Equivalent (FTE)** | | | | | | | |
| Net interest income | $ 848,986 | $ 109,136 | 14.8% | $ 739,850 | $ 106,835 | 16.9% | $ 633,015 |
| Tax equivalent adjustment [2] | 9,684 | 4,479 | 86.1 | 5,205 | (1,147) | (18.1) | 6,352 |
| Net interest income (FTE) | 858,670 | 113,615 | 15.2 | 745,055 | 105,688 | 16.5 | 639,367 |
| Non-interest income | 1,016,002 | (105,339) | (9.4) | 1,121,341 | (1,609) | (0.1) | 1,122,950 |
| **Total Revenue (FTE)** | $ 1,874,672 | $ 8,276 | 0.4% | $ 1,866,396 | $ 104,079 | 5.9% | $ 1,762,317 |
| **Total Revenue Excluding Securities Gains (FTE)** | $ 1,869,414 | $ 7,920 | 0.4% | $ 1,861,494 | $ 99,177 | 5.6% | $ 1,762,317 |
| **SELECTED AVERAGE BALANCES (in millions)** | | | | | | | |
| **Loans:** | | | | | | | |
| C&I | $ 5,502 | $ (83) | (1.5)% | $ 5,585 | $ (318) | (5.4)% | $ 5,903 |
| CRE | | | | | | | |
| Construction | 1,246 | 43 | 3.6 | 1,203 | 91 | 8.2 | 1,112 |
| Commercial | 2,691 | 354 | 15.1 | 2,337 | 303 | 14.9 | 2,034 |
| Consumer | | | | | | | |
| Auto leases—indirect | 1,429 | 977 | NM | 452 | 268 | NM | 184 |
| Auto loans—indirect | 3,260 | 558 | 20.7 | 2,702 | 372 | 16.0 | 2,330 |
| Home equity loans & lines of credit | 3,446 | 465 | 15.6 | 2,981 | 296 | 11.0 | 2,685 |
| Residential mortgage | 2,076 | 667 | 47.3 | 1,409 | 600 | 74.2 | 809 |
| Other loans | 380 | (30) | (7.3) | 410 | (66) | (13.9) | 476 |
| Total Consumer | 10,591 | 2,637 | 33.2 | 7,954 | 1,470 | 22.7 | 6,484 |
| **Total Loans** | $ 20,030 | $ 2,951 | 17.3% | $ 17,079 | $ 1,546 | 10.0% | $ 15,533 |
| Operating lease assets | $ 1,697 | $ (905) | (34.8)% | $ 2,602 | $ (368) | (12.4)% | $ 2,970 |
| **Deposits:** | | | | | | | |
| Non-interest bearing deposits | $ 3,089 | $ 262 | 9.3% | $ 2,827 | $ 104 | 3.8% | $ 2,723 |
| Interest bearing demand deposits | 6,184 | 1,216 | 24.5 | 4,968 | 1,349 | 37.3 | 3,619 |
| Savings deposits | 2,802 | 15 | 0.5 | 2,787 | (139) | (4.8) | 2,926 |
| Domestic time deposits | 4,164 | (787) | (15.9) | 4,951 | (190) | (3.7) | 5,141 |
| Brokered time deposits and negotiable CDs | 1,419 | 688 | 94.1 | 731 | 603 | NM | 128 |
| Foreign time deposits | 500 | 163 | 48.4 | 337 | 60 | 21.7 | 277 |
| **Total Deposits** | $ 18,158 | $ 1,557 | 9.4% | $ 16,601 | $ 1,787 | 12.1% | $ 14,814 |

(1) Operating basis, see page 69 for definition .
(2) Calculated assuming 35% tax rate.
NM, not a meaningful value.

## Table 25—Total Company[1]

| | 2003 | Change From 2002 Amount | Change From 2002 % | 2002 | Change From 2001 Amount | Change From 2001 % | 2001 |
|---|---|---|---|---|---|---|---|
| **PERFORMANCE METRICS** | | | | | | | |
| Return on average assets | 1.23% | 0.14% | | 1.09% | 0.28% | | 0.81% |
| Return on average equity | 16.2 | 3.8 | | 12.5 | 3.9 | | 8.6 |
| Net interest margin | 3.49 | (0.14) | | 3.63 | 0.33 | | 3.30 |
| Efficiency ratio | 65.3 | (4.8) | | 70.1 | (4.8) | | 74.9 |
| **CREDIT QUALITY** | | | | | | | |
| **Net Charge-offs by Loan Type (in thousands)** | | | | | | | |
| C&I | $ 84,858 | $ (29,469) | (25.8)% | $ 114,327 | | | |
| CRE | 10,517 | (6,864) | (39.5) | 17,381 | | | |
| Total commercial | 95,375 | (36,333) | (27.6) | 131,708 | | | |
| Consumer | | | | | | | |
| Auto leases | 5,728 | 4,298 | NM | 1,430 | | | |
| Auto loans | 40,266 | 2,480 | 6.6 | 37,786 | | | |
| Home equity loans & lines of credit | 14,604 | 2,234 | 18.1 | 12,370 | | | |
| Residential mortgage | 832 | (22) | (2.6) | 854 | | | |
| Other loans | 5,004 | (1,255) | (20.1) | 6,259 | | | |
| Total consumer | 66,434 | 7,735 | 13.2 | 58,699 | | | |
| **Total Net Charge-offs** | $ 161,809 | $ (28,598) | (15.0)% | $ 190,407 | | | |
| **Net Charge-offs—annualized percentages** | | | | | | | |
| C&I | 1.54% | (0.50)% | | 2.05% | | | |
| CRE | 0.27 | (0.22) | | 0.49 | | | |
| Total commercial | 1.01 | (0.43) | | 1.44 | | | |
| Consumer | | | | | | | |
| Auto leases | 0.40 | 0.08 | | 0.32 | | | |
| Auto loans | 1.24 | (0.16) | | 1.40 | | | |
| Home equity loans & lines of credit | 0.42 | 0.01 | | 0.41 | | | |
| Residential mortgage | 0.04 | (0.02) | | 0.06 | | | |
| Other loans | 1.32 | (0.21) | | 1.53 | | | |
| Total consumer | 0.63 | (0.11) | | 0.74 | | | |
| **Total Net Charge-offs** | 0.81% | (0.31)% | | 1.11% | | | |
| **Non-performing Assets (NPA) (in millions)** | | | | | | | |
| C&I | $ 43 | $ (49) | (53.3)% | $ 92 | | | |
| CRE | 22 | (5) | (18.5) | 27 | | | |
| Residential mortgage | 10 | 1 | 11.1 | 9 | | | |
| **Total Non-accrual Loans** | 75 | (53) | (41.4) | 128 | | | |
| Renegotiated loans | — | — | NM | — | | | |
| **Total Non-performing Loans (NPL)** | 75 | (53) | (41.4) | 128 | | | |
| Other real estate, net (OREO) | 12 | 3 | 33.3 | 9 | | | |
| **Total Non-performing Assets** | $ 87 | $ (50) | (36.5)% | $ 137 | | | |
| Accruing loans past due 90 days or more (EOP) | $ 56 | $ (6) | (9.7)% | $ 62 | | | |
| **Allowance for Loan and Lease Losses (ALLL) (EOP)** | $ 335 | $ (2) | (0.6)% | $ 337 | | | |
| ALLL as a % of total loans and leases | 1.59% | (0.22)% | | 1.81% | | | |
| ALLL as a % of NPLs | 444.2 | 181.3 | | 262.9 | | | |
| ALLL + OREO as a % of NPAs | 398.9 | 146.3 | | 252.6 | | | |
| NPLs as a % of total loans and leases | 0.36 | (0.33) | | 0.69 | | | |
| NPAs as a % of total loans and leases + OREO | 0.41 | (0.32) | | 0.74 | | | |
| **SUPPLEMENTAL DATA** | | | | | | | |
| # employees—full-time equivalent (EOP) | 7,983 | (194) | (2.4)% | 8,177 | | | |

(1) Operating basis, see page 69 for definition .
NM, not a meaningful value.
EOP, end of period.

## Results for the Fourth Quarter

Table 26 presents the company's results of operations for the most recent eight quarters, and Table 27 presents selected stock, performance ratios, and capital data for the same periods.

### EARNINGS DISCUSSION

Fourth quarter 2003 earnings were $93.3 million, or $0.40 per common share, up 35% and 38%, respectively, from 2002 fourth quarter results. The following significant items impacted results for the 2003 fourth quarter:

- $16.3 million pretax ($10.6 million after-tax or $0.05 per share) gain on sale of $1.0 billion of automobile loans.
- $15.3 million pretax ($9.9 million after-tax or $0.04 per share) loss associated with extinguishing $250 million of long-term debt.
- $3.5 million pretax ($2.3 million after-tax or $0.01 per share) mortgage servicing rights (MSR) impairment recovery.
- $99 million sale of lower quality loans, including $43 million of non-performing assets (NPAs).

ROA and ROE were 1.22% and 16.6%, respectively, for the 2003 fourth quarter, compared with 1.02% and 12.7%, respectively, for the year-ago quarter.

Compared with the year-ago quarter, 2003 fourth quarter fully taxable equivalent net interest income increased $26.2 million, or 13%, reflecting a $4.3 billion, or 20%, increase in average earning assets, partially offset by a 20 basis point, or an effective 6%, decline in the fully taxable equivalent net interest margin to 3.42% from 3.62%. During the fourth quarter, $250 million of high cost, long-term repurchase agreements were extinguished. This debt extinguishment will reduce funding costs in future quarters, but resulted in a one-time non-interest expense loss of $15.3 million.

The 20% increase in average earning assets from a year ago reflected an 18% increase in average loans and leases and a 38% increase in average investment securities.

The $3.2 billion, or 18%, increase in average total loans and leases was primarily driven by growth in consumer loans. Average automobile loans and leases increased $1.6 billion, or 44%, with $1.0 billion due to the 2003 third quarter adoption of FIN 46. Average residential mortgages increased $0.8 billion, or 48%, reflecting strong growth in adjustable rate mortgages. Average home equity loans and lines increased $0.5 billion, or 16%. Total average C&I and CRE loans were up $0.3 billion, or 3%, from a year ago, reflecting 11% growth in middle-market CRE loans and 10% growth in small business loans, partially offset by a 4% decline in middle-market commercial loans.

Average investment securities increased $1.2 billion, or 38%, from the 2002 fourth quarter primarily reflecting the investment of a portion of the proceeds from the sale of automobile loans and the securitization and retention of residential mortgage loans by the mortgage banking business. Automobile loan sales totaled $2.1 billion for all of 2003, including $1.0 billion in the fourth quarter. Average mortgages held for sale were down $0.2 billion, or 37%, from the year-ago quarter due to lower production of mortgage loans for sale in the fourth quarter of 2003.

Compared with the year-ago quarter, average core deposits increased $0.5 billion, or 4%, and included a $1.2 billion, or 22%, increase in interest bearing demand deposits, primarily money market accounts. This increase was partially offset by a $0.8 billion, or 25%, decline in retail CDs reflecting the reduced emphasis on this relatively higher cost source of funds. Average non-interest bearing deposits increased $0.2 billion, or 6%, from the year-ago quarter.

Non-interest income declined $25.3 million, or 9%, compared with the year-ago quarter. Comparisons with prior-period results are heavily influenced by the decline in operating lease income. Reflecting the run-off of the operating lease portfolio, operating lease income declined $44.0 million, or 29%, from the year-ago quarter. Excluding operating lease income, non-interest income increased $18.6 million, or 15%, from the year-ago quarter. The primary drivers of the $18.6 million increase were:

- $16.3 million gain on the sale of $1.0 billion of automobile loans in the current quarter as compared with none in the year-ago quarter.
- $4.1 million increase in mortgage banking income, including the benefit of the $3.5 million MSR impairment recovery in the current quarter as compared with a $6.2 million MSR impairment charge a year ago, partially offset by lower origination fee income and net marketing income.
- $3.3 million, or 8%, increase in service charges on deposit accounts.

Partially offset by:

- $3.0 million, or 13%, decline in other income primarily reflecting lower investment banking income.
- $1.7 million, or 15%, decline in other service charges and fees reflecting lower merchant service revenue due to the lower fee structure resulting from the VISA settlement, as well as lower ATM surcharge and interchange fees.

Non-interest expense declined $11.8 million, or 4%, from the year-ago quarter. Comparisons with prior-period results are also heavily influenced by the decline in operating lease expense. Operating lease expense declined $35.1 million, or 29%, from the year-ago quarter. Excluding operating lease expense, non-interest expense increased $23.3 million, or 11%, from the year-ago quarter. The primary drivers of the $23.3 million increase were:

- $15.3 million of expense associated with extinguishing the high cost, long-term repurchase agreement debt in the current quarter.
- $5.5 million, or 5%, increase in personnel costs reflecting higher incentive costs and lower deferred loan origination costs, partially offset by lower mortgage-related sales commissions and benefit expense.
- $6.9 million reduced benefit from restructuring reserves release, which totaled $0.4 million in the current quarter as compared with $7.2 million in the year-ago quarter.
- $3.1 million, or 34%, increase in professional services, including expenses associated with the SEC formal investigation.

Partially offset by:

- $6.9 million, or 21%, decrease in other expense, as the year-ago quarter included a $3.9 million impairment of an investment in an unconsolidated subsidiary, higher operating losses, and other miscellaneous expenses.

### CREDIT QUALITY

In the 2003 fourth quarter, the credit workout group identified an economically attractive opportunity to sell $99 million of lower quality loans, including $43 million of NPAs. Previously established reserves for these loans were sufficient to absorb the $26.6 million of related charge-offs, including $17.1 million associated with the sold NPAs. NPAs at December 31, 2003, were $87.4 million and represented 0.41% of period-end loans and leases, down from $136.7 million, or 0.74%, at the end of the year-ago quarter. This was the lowest level in many years.

Net charge-offs for the 2003 fourth quarter were $55.1 million, or an annualized 1.03% of average loans and leases, down from 1.83% in the year-ago quarter. Both quarters included C&I and CRE charge-offs related to credit actions ($26.6 million in 2003 and $51.3 million in 2002.) The total of C&I and CRE net charge-offs were $36.9 million, or an annualized 1.55% of related average loans, in the 2003 fourth quarter, down from 2.92% a year earlier. Total consumer net charge-offs were an annualized 0.61% in the fourth quarter, down from 0.71% a year ago. Net charge-offs on automobile loans and leases were an annualized 1.00% in the fourth quarter, down from 1.20%, and reflected a combination of factors including the benefit of higher quality loan originations over this period.

Credit losses on operating lease assets are included in operating lease expense and were $8.8 million, down from $14.3 million in the year-ago quarter. Recoveries on operating lease assets are included in operating lease income and totaled $1.9 million, down from $2.6 million a year earlier. The ratio of operating lease asset credit losses, net of recoveries, was an annualized 2.05% in the current quarter, relatively unchanged from 2.02% in the year-ago quarter.

The provision for loan and lease losses in the fourth quarter was $26.3 million, down $24.9 million, or 49%, from the year-ago quarter.

The December 31, 2003, allowance for loan and lease losses was $335.3 million and represented 1.59% of period end loans and leases. This was down from 1.81% at the end of 2002 and reflected a combination of factors, including the release of specific reserves allocated to the loans sold, declining overall risk inherent in the portfolio due to lower concentrations in large, individual commercial credits, downward trending net charge-offs, and a higher percentage of the total loan portfolio being in lower-risk mortgages and home equity loans. The allowance for loan and lease losses as a percent of non-performing assets increased to 384% at December 31, 2002, from 246% at December 31, 2002.

### CAPITAL

At December 31, 2003, the tangible equity to assets ratio was 6.80%, down from 7.22% at December 31, 2002. The decline from the year-ago period reflected the impact of the 2003 third quarter adoption of FIN 46, which consolidated $1.0 billion of previously securitized automobile loans, as well as share repurchases in the 2003 first quarter. Both the parent company, as well as the Bank, exceeded the regulatory "well capitalized" minimum capital ratios.

## Table 26—Selected Quarterly Income Statements

| | 2003 | | | | 2002 | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | Fourth | Third | Second | First | Fourth | Third | Second | First |
| **Net Interest Income** | $ 224,315 | $ 220,471 | $ 202,441 | $ 201,759 | $ 199,179 | $ 191,265 | $ 180,261 | $ 178,869 |
| Provision for loan and lease losses | 26,341 | 51,615 | 49,193 | 36,844 | 51,236 | 54,304 | 49,876 | 39,010 |
| **Net Interest Income After Provision for Loan and Lease Losses** | 197,974 | 168,856 | 153,248 | 164,915 | 147,943 | 136,961 | 130,385 | 139,859 |
| Operating lease income | 105,307 | 117,624 | 128,574 | 138,193 | 149,259 | 160,164 | 171,617 | 176,034 |
| Service charges on deposit accounts | 44,763 | 42,294 | 40,914 | 39,869 | 41,435 | 37,706 | 35,608 | 38,815 |
| Trust services | 15,793 | 15,365 | 15,580 | 14,911 | 15,306 | 14,997 | 16,247 | 15,501 |
| Brokerage and insurance income | 14,344 | 13,807 | 14,196 | 15,497 | 13,941 | 13,664 | 16,899 | 17,605 |
| Mortgage banking | 9,677 | 30,193 | 7,185 | 11,125 | 5,530 | 2,594 | 7,835 | 16,074 |
| Bank Owned Life Insurance income | 10,410 | 10,438 | 11,043 | 11,137 | 10,722 | 10,723 | 10,722 | 10,956 |
| Other service charges and fees | 9,237 | 10,499 | 11,372 | 10,338 | 10,890 | 10,837 | 10,529 | 10,632 |
| Gain on sales of automobile loans | 16,288 | — | 13,496 | 10,255 | — | — | — | — |
| Gain on sale of branch offices | — | 13,112 | — | — | — | — | — | — |
| Securities gains (losses) | 1,280 | (4,107) | 6,887 | 1,198 | 2,339 | 1,140 | 966 | 457 |
| Gain on sale of Florida Operations | — | — | — | — | — | — | — | 182,470 |
| Merchant Services gain | — | — | — | — | — | 24,550 | — | — |
| Other | 19,411 | 23,543 | 27,704 | 20,401 | 22,433 | 22,227 | 18,291 | 13,989 |
| **Total Non-Interest Income** | 246,510 | 272,768 | 276,951 | 272,924 | 271,855 | 298,602 | 288,714 | 482,533 |
| Personnel costs | 115,762 | 113,170 | 105,242 | 113,089 | 110,231 | 100,662 | 99,115 | 108,029 |
| Operating lease expense | 85,609 | 93,134 | 102,939 | 111,588 | 120,747 | 125,743 | 131,695 | 140,785 |
| Outside data processing and other services | 15,957 | 17,478 | 16,104 | 16,579 | 17,209 | 15,128 | 16,592 | 18,439 |
| Equipment | 16,840 | 16,328 | 16,341 | 16,412 | 17,337 | 17,378 | 16,659 | 16,949 |
| Net occupancy | 14,925 | 15,570 | 15,377 | 16,609 | 13,370 | 14,676 | 14,504 | 16,989 |
| Professional services | 12,175 | 11,116 | 9,872 | 9,285 | 9,111 | 9,680 | 7,864 | 6,430 |
| Marketing | 6,895 | 5,515 | 8,454 | 6,626 | 6,186 | 7,491 | 7,231 | 7,003 |
| Telecommunications | 5,272 | 5,612 | 5,394 | 5,701 | 5,714 | 5,609 | 5,320 | 6,018 |
| Loss on early extinguishment of debt | 15,250 | — | — | — | — | — | — | — |
| Printing and supplies | 3,417 | 3,658 | 2,253 | 3,681 | 3,999 | 3,679 | 3,683 | 3,837 |
| Amortization of intangibles | 204 | 204 | 204 | 204 | 204 | 204 | 235 | 1,376 |
| Restructuring (releases) charges | (351) | — | (5,315) | (1,000) | (7,211) | — | — | 56,184 |
| Other | 25,510 | 18,397 | 20,168 | 16,705 | 32,412 | 19,246 | 20,848 | 19,557 |
| **Total Non-Interest Expense** | 317,465 | 300,182 | 297,033 | 315,479 | 329,309 | 319,496 | 323,746 | 401,596 |
| **Income Before Income Taxes** | 127,019 | 141,442 | 133,166 | 122,360 | 90,489 | 116,067 | 95,353 | 220,796 |
| Income taxes | 33,758 | 37,230 | 36,676 | 30,630 | 21,226 | 28,052 | 24,375 | 125,321 |
| **Income before cumulative effect of change in accounting principle** | 93,261 | 104,212 | 96,490 | 91,730 | 69,263 | 88,015 | 70,978 | 95,475 |
| Cumulative effect of change in accounting principle, net of tax [1] | — | (13,330) | — | — | — | — | — | — |
| **Net Income** | $ 93,261 | $ 90,882 | $ 96,490 | $ 91,730 | $ 69,263 | $ 88,015 | $ 70,978 | $ 95,475 |
| **Income before cumulative effect of change in accounting principle—Diluted** | $ 0.40 | $ 0.45 | $ 0.42 | $ 0.39 | $ 0.29 | $ 0.36 | $ 0.29 | $ 0.38 |
| **Net Income Per Common Share— Diluted** | 0.40 | 0.39 | 0.42 | 0.39 | 0.29 | 0.36 | 0.29 | 0.38 |
| **Cash Dividends Declared Per Common Share** | 0.175 | 0.175 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 |
| **Revenue—Fully Taxable Equivalent (FTE)** | | | | | | | | |
| Net interest income | $ 224,315 | $ 220,471 | $ 202,441 | $ 201,759 | $ 199,179 | $ 191,265 | $ 180,261 | $ 175,869 |
| Tax equivalent adjustment [2] | 2,954 | 2,558 | 2,076 | 2,096 | 1,869 | 1,096 | 1,071 | 1,169 |
| **Net Interest Income—FTE** | $ 227,269 | $ 223,029 | $ 204,517 | $ 203,855 | $ 201,048 | $ 192,361 | $ 181,332 | $ 180,038 |

(1) Due to the adoption of FASB Interpretation No. 46 for variable interest entities.
(2) Calculated assuming a 35% tax rate.

## Table 27—Quarterly Stock Summary, Key Ratios and Statistics and Capital Data

| **Quarterly Common Stock Summary** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2003 | | | | 2002 | | | |
| (in thousands, except per share amounts) | Fourth | Third | Second | First | Fourth | Third | Second | First |
| **Common Stock Price** [1] | | | | | | | | |
| High | $ 22.550 | $ 20.890 | $ 21.540 | $19.800 | $ 19.980 | $ 20.430 | $ 21.770 | $ 20.310 |
| Low | 19.850 | 19.220 | 19.030 | 17.780 | 16.160 | 16.000 | 18.590 | 16.660 |
| Close | 22.500 | 19.850 | 19.510 | 18.590 | 18.710 | 18.190 | 19.420 | 19.700 |
| Average daily closing price | 21.584 | 20.199 | 19.790 | 18.876 | 18.769 | 19.142 | 20.089 | 18.332 |
| **Dividends** | | | | | | | | |
| Cash dividends declared on common stock | $ 0.175 | $ 0.175 | $ 0.16 | $0.16 | $ 0.16 | $ 0.16 | $ 0.16 | $ 0.16 |
| **Common Shares Outstanding** | | | | | | | | |
| Average—basic | 228,902 | 228,715 | 228,633 | 231,355 | 233,581 | 239,925 | 246,106 | 250,749 |
| Average—diluted | 231,986 | 230,966 | 230,572 | 232,805 | 235,083 | 241,357 | 247,867 | 251,953 |
| Ending | 229,008 | 228,870 | 228,660 | 228,642 | 232,879 | 237,544 | 242,920 | 249,992 |
| **Common Share Repurchase Program** | | | | | | | | |
| Authorized under 2002 repurchase program | | | | | | | | 22,000 |
| Number of shares repurchased | — | — | — | (200) | (4,110) | (6,262) | (7,329) | (1,458) |
| Cancellation of program | — | — | — | (2,641) | — | — | — | — |
| Remaining shares authorized to repurchase [2] | — | — | — | — | 2,841 | 6,951 | 13,213 | 20,542 |
| Authorized under 2003 repurchase program | | | | 8,000 | | | | |
| Number of shares repurchased | — | — | — | (4,100) | | | | |
| Remaining shares authorized to repurchase [2] | 3,900 | 3,900 | 3,900 | 3,900 | | | | |

| **Quarterly Key Ratios and Statistics** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Margin Analysis—As a % of Average Earning Assets** [3] | | | | | | | | |
| Interest income | 5.11% | 5.23% | 5.42% | 5.72% | 5.99% | 6.26% | 6.37% | 6.46% |
| Interest expense | 1.69 | 1.77 | 1.95 | 2.09 | 2.37 | 2.57 | 2.67 | 2.93 |
| **Net Interest Margin** | 3.42% | 3.46% | 3.47% | 3.63% | 3.62% | 3.69% | 3.70% | 3.53% |
| Return on average assets | 1.22% | 1.39% | 1.38% | 1.36% | 1.02% | 1.35% | 1.14% | 1.46% |
| Return on average shareholders' equity | 16.6 | 18.5 | 18.0 | 17.2 | 12.7 | 15.8 | 12.5 | 16.8 |

| **Capital Data—End of Period** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars) | | | | | | | | |
| Total Risk-Adjusted Assets | $ 28,164 | $ 27,949 | $ 27,456 | $27,337 | $ 27,030 | $ 26,226 | $ 25,200 | $ 24,826 |
| Tier 1 Risk-Based Capital ratio | 8.51% | 8.40% | 8.35% | 8.16% | 8.34% | 8.82% | 9.42% | 10.00% |
| Total Risk-Based Capital ratio | 11.93 | 11.19 | 11.16 | 11.04 | 11.25 | 11.78 | 12.46 | 13.15 |
| Tier 1 Leverage ratio | 7.99 | 7.94 | 8.25 | 8.22 | 8.51 | 9.06 | 9.60 | 9.45 |
| Tangible common equity ratio | 6.80 | 6.78 | 7.07 | 7.01 | 7.22 | 7.64 | 8.16 | 8.77 |
| Tangible common equity to risk-weighted assets ratio | 7.30 | 7.24 | 7.23 | 7.09 | 7.29 | 7.71 | 8.15 | 8.65 |

(1) Intra-day and closing stock price quotations were obtained from NASDAQ.
(2) A new repurchase program for 8 million shares was authorized in January 2003, canceling the remaining shares under the previous repurchase authorization.
(3) Presented on a fully taxable equivalent basis assuming a 35% tax rate.

## ACQUISITION OF UNIZAN FINANCIAL CORP.

On January 27, 2004, Huntington announced the signing of a definitive agreement to acquire Unizan Financial Corp. of Canton, Ohio. At December 31, 2003, Unizan had total assets of $2.7 billion.

Under the terms of the agreement, Unizan shareholders will receive 1.1424 shares of Huntington common stock, on a tax-free basis, for each share of Unizan. Based on the $23.10 closing price of Huntington's common stock on January 26, 2004, this represents a price of $26.39 per Unizan share, a 15% premium to Unizan's closing price of $22.95, and valued the transaction on that date at approximately $587 million. The merger was unanimously approved by both boards and is expected to close late in the second quarter of 2004, pending customary regulatory approvals, as well as Unizan shareholder approval. Huntington expects the purchase to be accretive to 2004 earnings, excluding one-time charges, and add over 1% to earnings in 2005.

The management of Huntington is responsible for the financial information and representations contained in the consolidated financial statements and other sections of this report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. In all material respects, they reflect the substance of transactions that should be included based on informed judgments, estimates, and currently available information.

Huntington maintains accounting and other control systems that, in the opinion of management, provide reasonable assurance that (1) transactions are properly authorized, (2) the assets are properly safeguarded, and (3) transactions are properly recorded and reported to permit the preparation of the financial statements in conformity with accounting principles generally accepted in the United States. The systems of internal accounting controls include the careful selection and training of qualified personnel, appropriate segregation of responsibilities, communication of written policies and procedures, and a broad program of internal audits. The costs of the controls are balanced against the expected benefits. During 2003, the audit/risk committee of the board of directors met regularly with management, Huntington's internal auditors, and the independent auditors, Ernst & Young LLP, to review the scope of the audits and to discuss the evaluation of internal accounting controls and financial reporting matters. The independent and internal auditors have free access to and meet confidentially with the audit/risk committee to discuss appropriate matters. Also, Huntington maintains a disclosure review committee. This committee's purpose is to design and maintain disclosure controls and procedures to ensure that material information relating to the financial and operating condition of Huntington is properly reported to its chief executive officer, chief financial officer, internal auditors, and the audit/risk committee of the board of directors in connection with the preparation and filing of periodic reports and the certification of those reports by the chief executive officer and the chief financial officer.

The independent auditors are responsible for expressing an informed judgment as to whether the consolidated financial statements present fairly, in accordance with accounting principles generally accepted in the United States, the financial position, results of operations, and cash flows of Huntington. They obtained an understanding of Huntington's internal accounting controls and conducted such tests and related procedures as they deemed necessary to provide reasonable assurance, giving due consideration to materiality, that the consolidated financial statements contain neither misleading nor erroneous data.

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

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

## REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Shareholders, Huntington Bancshares Incorporated

We have audited the accompanying consolidated balance sheets of Huntington Bancshares Incorporated and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Huntington Bancshares Incorporated and Subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the Consolidated Financial Statements, Huntington Bancshares Incorporated and Subsidiaries changed its method of accounting for variable interest entities in 2003, in accordance with FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*. As discussed in Note 1 to the Consolidated Financial Statements, Huntington Bancshares Incorporated and Subsidiaries changed its method of accounting for amortization of goodwill in 2002 in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets*.

/s/ Ernst & Young LLP

Columbus, Ohio
January 16, 2004, except for Note 3,
as to which the date is January 27, 2004

| (in thousands of dollars, except share amounts) | December 31, 2003 | 2002 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 899,689 | $ 969,483 |
| Federal funds sold and securities purchased under resale agreements | 96,814 | 49,280 |
| Interest bearing deposits in banks | 33,627 | 37,300 |
| Trading account securities | 7,589 | 241 |
| Mortgage loans held for sale | 226,729 | 528,379 |
| Securities available for sale—at fair value | 4,925,232 | 3,403,369 |
| Investment securities—fair value $3,937 and $7,725, respectively | 3,828 | 7,546 |
| Loans and leases: | | |
| Commercial and industrial | 5,313,517 | 5,608,443 |
| Commercial real estate | 4,172,083 | 3,722,992 |
| Consumer | | |
| Automobile loans | 2,991,642 | 3,041,954 |
| Automobile leases | 1,902,170 | 873,599 |
| Home equity | 3,792,189 | 3,198,487 |
| Residential mortgage | 2,530,665 | 1,746,177 |
| Other consumer | 372,852 | 395,751 |
| Total loans and direct financing leases | 21,075,118 | 18,587,403 |
| Less allowance for loan and lease losses | 335,254 | 336,648 |
| Net loans and direct financing leases | 20,739,864 | 18,250,755 |
| Operating lease assets | 1,260,440 | 2,200,525 |
| Bank owned life insurance | 927,671 | 886,214 |
| Premises and equipment | 349,712 | 341,366 |
| Goodwill and other intangible assets | 217,009 | 218,567 |
| Customers' acceptance liability | 9,553 | 16,745 |
| Accrued income and other assets | 786,047 | 618,162 |
| **Total Assets** | $ 30,483,804 | $ 27,527,932 |
| **Liabilities and Shareholders' Equity** | | |
| Liabilities | | |
| Demand deposits | | |
| Non-interest bearing | $ 2,986,992 | $ 3,058,044 |
| Interest bearing | 6,411,380 | 5,389,920 |
| Savings deposits | 2,959,993 | 2,851,158 |
| Other domestic time deposits | 3,092,736 | 3,956,306 |
| Domestic time deposits of $100,000 or more | 789,341 | 731,959 |
| Brokered time deposits and negotiable CDs | 1,771,738 | 1,092,754 |
| Foreign time deposits | 475,215 | 419,185 |
| Total deposits | 18,487,395 | 17,499,326 |
| Short-term borrowings | 1,452,304 | 2,141,016 |
| Bank acceptances outstanding | 9,553 | 16,745 |
| Federal Home Loan Bank advances | 1,273,000 | 1,013,000 |
| Subordinated notes | 990,470 | 738,678 |
| Other long-term debt | 4,544,509 | 2,495,123 |
| Company obligated mandatorily redeemable preferred capital securities of subsidiary trusts holding solely junior subordinated debentures of the parent company | — | 300,000 |
| Accrued expenses and other liabilities | 1,451,571 | 1,134,251 |
| **Total Liabilities** | 28,208,802 | 25,338,139 |
| Shareholders' equity | | |
| 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 229,008,088 and 232,878,851 shares, respectively | 2,483,542 | 2,484,421 |
| Less 28,858,167 and 24,987,404 treasury shares, respectively | (548,576) | (475,399) |
| Accumulated other comprehensive income | 2,678 | 62,300 |
| Retained earnings | 337,358 | 118,471 |
| **Total Shareholders' Equity** | 2,275,002 | 2,189,793 |
| **Total Liabilities and Shareholders' Equity** | $ 30,483,804 | $ 27,527,932 |

*See notes to consolidated financial statements.*

## CONSOLIDATED INCOME STATEMENTS

| (in thousands, except per share amounts) | Twelve Months Ended December 31, 2003 | 2002 | 2001 |
|---|---|---|---|
| Interest and fee income | | | |
| Loans and direct financing leases | | | |
| Taxable | $ 1,095,880 | $ 1,087,246 | $ 1,401,968 |
| Tax-exempt | 2,544 | 3,661 | 5,613 |
| Securities | | | |
| Taxable | 151,156 | 169,599 | 203,196 |
| Tax-exempt | 23,501 | 10,024 | 13,019 |
| Other | 32,675 | 22,665 | 30,993 |
| **Total Interest Income** | 1,305,756 | 1,293,195 | 1,654,789 |
| Interest expense | | | |
| Deposits | 288,271 | 385,733 | 654,056 |
| Short-term borrowings | 15,698 | 28,668 | 84,467 |
| Federal Home Loan Bank advances | 24,394 | 5,946 | 1,174 |
| Other long-term debt | 128,407 | 123,274 | 199,804 |
| **Total Interest Expense** | 456,770 | 543,621 | 939,501 |
| **Net Interest Income** | 848,986 | 749,574 | 715,288 |
| Provision for loan and lease losses | 163,993 | 194,426 | 257,326 |
| **Net Interest Income After Provision for Loan and Lease Losses** | 684,993 | 555,148 | 457,962 |
| Non-interest income | | | |
| Operating lease income | 489,698 | 657,074 | 691,733 |
| Service charges on deposit accounts | 167,840 | 153,564 | 165,012 |
| Trust services | 61,649 | 62,051 | 60,298 |
| Brokerage and insurance | 57,844 | 62,109 | 75,013 |
| Mortgage banking | 58,180 | 32,033 | 54,518 |
| Bank owned life insurance | 43,028 | 43,123 | 41,123 |
| Other service charges and fees | 41,446 | 42,888 | 48,217 |
| Gain on sale of automobile loans | 40,039 | — | — |
| Gain on sale of branch offices | 13,112 | — | — |
| Securities gains | 5,258 | 4,902 | 723 |
| Gain on sale of Florida operations | — | 182,470 | — |
| Merchant Services gain | — | 24,550 | — |
| Other | 91,059 | 76,940 | 63,305 |
| **Total Non-Interest Income** | 1,069,153 | 1,341,704 | 1,199,942 |
| Non-interest expense | | | |
| Personnel costs | 447,263 | 418,037 | 454,210 |
| Operating lease expense | 393,270 | 518,970 | 558,626 |
| Outside data processing and other services | 66,118 | 67,368 | 69,692 |
| Equipment | 65,921 | 68,323 | 80,560 |
| Net occupancy | 62,481 | 59,539 | 76,449 |
| Professional services | 42,448 | 33,085 | 32,862 |
| Marketing | 27,490 | 27,911 | 31,057 |
| Telecommunications | 21,979 | 22,661 | 27,984 |
| Loss on early extinguishment of debt | 15,250 | — | — |
| Printing and supplies | 13,009 | 15,198 | 18,367 |
| Franchise and other taxes | 4,542 | 9,456 | 9,729 |
| Amortization of intangible assets | 816 | 2,019 | 41,225 |
| Restructuring (releases) charges | (6,666) | 48,973 | 79,957 |
| Other | 76,238 | 82,607 | 81,709 |
| **Total Non-Interest Expense** | 1,230,159 | 1,374,147 | 1,562,427 |
| **Income Before Income Taxes** | 523,987 | 522,705 | 95,477 |
| Income tax expense (benefit) | 138,294 | 198,974 | (39,319) |
| **Income before cumulative effect of change in accounting principle** | 385,693 | 323,731 | 134,796 |
| Cumulative effect of change in accounting principle, net of tax of $7,178 | (13,330) | — | — |
| **Net Income** | $ 372,363 | $ 323,731 | $ 134,796 |
| **Per Common Share** | | | |
| Income before cumulative effect of change in accounting principle—Basic | $ 1.68 | $ 1.34 | $ 0.54 |
| Income before cumulative effect of change in accounting principle—Diluted | 1.67 | 1.33 | 0.54 |
| Net income—basic | 1.62 | 1.34 | 0.54 |
| Net income—diluted | 1.61 | 1.33 | 0.54 |
| Cash dividends declared | 0.67 | 0.64 | 0.72 |
| **Average Common Shares Outstanding** | | | |
| Basic | 229,401 | 242,279 | 251,078 |
| Diluted | 231,582 | 244,012 | 251,716 |

*See notes to consolidated financial statements.*

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| | Preferred Stock | | Common Stock | | Treasury Stock | | Accumulated Other Comprehensive Income (Loss) | Retained Earnings (Deficit) | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands) | Shares | Amount | Shares | Amount | Shares | Amount | | | Total |
| **Balance —January 1, 2001** | — | $ — | 257,866 | $ 2,493,645 | (7,007) | $ (129,432) | $ (24,520) | $ (4,464) | $ 2,335,229 |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | | | | | 134,796 | 134,796 |
| Cumulative effect of change in accounting principles for derivatives | | | | | | | (9,113) | | (9,113) |
| Unrealized net holding gains on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income | | | | | | | 53,989 | | 53,989 |
| Unrealized gains on derivative instruments used in cash flow hedging relationships | | | | | | | 5,132 | | 5,132 |
| Total comprehensive income | | | | | | | | | 184,804 |
| Cash dividends declared ($0.72 per share) | | | | | | | | (180,798) | (180,798) |
| Stock options exercised | | | | (2,921) | 264 | 4,378 | | | 1,457 |
| Treasury shares sold to employee benefit plans | | | | | 71 | 1,205 | | | 1,205 |
| **Balance —December 31, 2001** | — | — | 257,866 | 2,490,724 | (6,672) | (123,849) | 25,488 | (50,466) | 2,341,897 |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | | | | | 323,731 | 323,731 |
| Unrealized net holding gains on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income | | | | | | | 27,387 | | 27,387 |
| Unrealized gains on derivative instruments used in cash flow hedging relationships | | | | | | | 9,620 | | 9,620 |
| Minimum pension liability | | | | | | | (195) | | (195) |
| Total comprehensive income | | | | | | | | | 360,543 |
| Stock issued for acquisitions | | | | (838) | 1,038 | 19,989 | | | 19,151 |
| Cash dividends declared ($0.64 per share) | | | | | | | | (154,794) | (154,794) |
| Stock options exercised | | | | (3,545) | 373 | 6,757 | | | 3,212 |
| Treasury shares purchased | | | | | (19,161) | (370,012) | | | (370,012) |
| Other | | | | (1,920) | (565) | (8,284) | | | (10,204) |
| **Balance —December 31, 2002** | — | — | 257,866 | 2,484,421 | (24,987) | (475,399) | 62,300 | 118,471 | 2,189,793 |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | | | | | 372,363 | 372,363 |
| Unrealized net holding losses on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income | | | | | | | (47,427) | | (47,427) |
| Unrealized losses on derivative instruments used in cash flow hedging relationships | | | | | | | (11,081) | | (11,081) |
| Minimum pension liability | | | | | | | (1,114) | | (1,114) |
| Total comprehensive income | | | | | | | | | 312,741 |
| Cash dividends declared ($0.67 per share) | | | | | | | | (153,476) | (153,476) |
| Stock options exercised | | | | (609) | 481 | 8,691 | | | 8,082 |
| Treasury shares purchased | | | | | (4,300) | (81,061) | | | (81,061) |
| Other | | | | (270) | (52) | (807) | | | (1,077) |
| **Balance —December 31, 2003** | — | $ — | 257,866 | $ 2,483,542 | (28,858) | $ (548,576) | $ 2,678 | $ 337,358 | $ 2,275,002 |

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands of dollars) | Twelve Months Ended December 31, 2003 | 2002 | 2001 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income | $ 372,363 | $ 323,731 | $ 134,796 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Cumulative effect of change in accounting principle, net of tax | 13,330 | — | |
| Provision for loan and lease losses | 163,993 | 194,426 | 257,326 |
| Depreciation on operating lease assets | 367,489 | 435,822 | 468,739 |
| Other depreciation and amortization | 120,600 | 58,132 | 101,233 |
| Deferred income tax expense | 258 | 96,718 | 91,598 |
| (Increase) decrease in trading account securities | (7,348) | 13,151 | (8,669) |
| Decrease in mortgages held for sale | 301,650 | 101,007 | (474,282) |
| Gains on sales of securities available for sale | (5,258) | (4,902) | (723) |
| Gains on sales/securitizations of loans | (45,610) | (11,031) | (9,464) |
| Gain on sale of branch offices | (13,112) | — | — |
| Gain on sale of Florida banking and insurance operations | — | (182,470) | — |
| Gain on restructuring of Huntington Merchant Services LLC | — | (24,550) | — |
| Loss on early extinguishment of debt | 15,250 | — | — |
| Restructuring (releases) charges | (6,666) | 48,973 | 79,957 |
| Other, net | 61,467 | (18,946) | (143,505) |
| **Net Cash Provided by Operating Activities** | 1,338,406 | 1,030,061 | 497,006 |
| **Investing Activities** | | | |
| Decrease (increase) in interest bearing deposits in banks | 3,673 | (16,095) | (16,235) |
| Proceeds from: | | | |
| Maturities and calls of investment securities | 3,744 | 4,771 | 4,009 |
| Maturities and calls of securities available for sale | 1,582,235 | 1,031,935 | 1,021,766 |
| Sales of securities available for sale | 1,161,325 | 855,309 | 1,410,304 |
| Purchases of securities available for sale | (4,341,946) | (1,959,137) | (1,056,840) |
| Proceeds from sales/securitizations of loans | 2,576,869 | 465,699 | 514,897 |
| Net loan and lease originations, excluding sales | (4,408,975) | (3,867,300) | (1,605,519) |
| Decrease (increase) in operating lease assets | 572,596 | 369,501 | (540,094) |
| Proceeds from the sale of branch offices | 81,367 | — | — |
| Proceeds from sale of premises and equipment | 7,382 | 19,390 | 3,714 |
| Purchases of premises and equipment | (62,503) | (57,761) | (63,177) |
| Proceeds from sales of other real estate | 14,083 | 13,112 | 15,733 |
| Consolidation of cash of securitization trust | 58,500 | — | — |
| Net cash paid in purchase acquisitions | — | (8,305) | — |
| Proceeds from restructuring of Huntington Merchant Services, LLC | — | 27,000 | — |
| Net cash paid related to sale of Florida banking and insurance operations | — | (1,277,767) | — |
| **Net Cash Used for Investing Activities** | (2,751,650) | (4,399,648) | (311,442) |
| **Financing Activities** | | | |
| Increase in total deposits | 915,518 | 2,073,891 | 423,157 |
| (Decrease) increase in short-term borrowings | (688,712) | 537,770 | (31,833) |
| Proceeds from issuance of subordinated notes | 198,430 | — | — |
| Maturity of subordinated notes | (250,000) | — | — |
| Proceeds from Federal Home Loan Bank advances | 270,000 | 1,000,000 | — |
| Maturity of Federal Home Loan Bank advances | (10,000) | (4,000) | (8,000) |
| Proceeds from issuance of long-term debt | 2,075,000 | 1,025,000 | 715,000 |
| Maturity of long-term debt | (895,250) | (932,150) | (1,330,000) |
| Dividends paid on common stock | (151,023) | (167,002) | (190,792) |
| Repurchases of common stock | (81,061) | (370,012) | — |
| Net proceeds from issuance of common stock | 8,082 | 3,212 | 2,662 |
| **Net Cash Provided by (Used for) Financing Activities** | 1,390,984 | 3,166,709 | (419,806) |
| **Change in Cash and Cash Equivalents** | (22,260) | (202,878) | (234,242) |
| **Cash and Cash Equivalents at Beginning of Period** | 1,018,763 | 1,221,641 | 1,455,883 |
| **Cash and Cash Equivalents at End of Period** | $ 996,503 | $ 1,018,763 | $ 1,221,641 |
| **Supplemental Disclosures** | | | |
| Income taxes paid | $ 72,128 | $ 70,463 | $ 175 |
| Interest paid | 469,331 | 560,731 | 986,108 |
| Non-cash activities: | | | |
| Mortgage loans securitized | 354,200 | 386,385 | — |
| Common stock dividends accrued, not paid | 31,113 | 28,032 | — |
| Stock issued for purchase acquisitions | — | 19,151 | — |

*See notes to consolidated financial statements.*

## 1. Significant Accounting Policies

**Nature of Operations:** Huntington Bancshares Incorporated (Huntington) is a multi-state diversified financial holding 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, West Virginia, Indiana, and Kentucky. Selected financial services are also conducted in other states including Arizona, Florida, Georgia, Maryland, New Jersey, Pennsylvania, and Tennessee. Huntington has a foreign office in the Cayman Islands and a foreign office in Hong Kong.

**Basis of Presentation:** The consolidated financial statements include the accounts of Huntington and its majority-owned subsidiaries and are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). All significant intercompany transactions and balances have been eliminated in consolidation. Companies in which Huntington holds more than a 50% voting equity interest are consolidated. For consolidated entities where Huntington holds less than a 100% interest, Huntington recognizes a minority interest liability (included in "Other liabilities") for the voting equity held by others and minority interest expense (included in "Other non-interest expenses") for the portion of the entity's earning attributable to minority interests. Investments in companies that are not consolidated are accounted for using the equity method when Huntington has the ability to exert significant influence, generally defined as a 20% or greater voting interest. Those investments for which Huntington does not have the ability to exert significant influence are generally accounted for using the cost method and are periodically evaluated for impairment. Investments in private investment partnerships are carried at fair value. Investments in private investment partnerships and investments that are accounted for under the equity method or the cost method are included in "Other assets" in Huntington's statement of financial condition and Huntington's proportional interest in the investment's earnings is included in "Other non-interest income." Huntington evaluates variable interest entities (VIEs) in which it holds a beneficial interest for consolidation. VIEs, as defined by FASB Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities*, are legal entities with insubstantial equity, whose equity investors lack the ability to make decisions about the entity's activities, or whose equity investors do not have the right to receive the residual returns of the entity if they occur. Huntington consolidates these VIEs when it holds a majority of VIEs' beneficial interests.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates. Certain prior period amounts have been reclassified to conform to the current year's presentation.

**Securities:** Securities purchased with the intention of recognizing short-term profits are classified as trading account securities and reported at fair value. The unrealized gains or losses on trading securities are recorded in other non-interest income. Debt securities that Huntington has both the positive intent and ability to hold to maturity are classified as investment securities and are reported at amortized cost. Securities not classified as trading or investments are designated available for sale and reported at fair value. Unrealized gains or losses on securities available for sale are reported as a separate component of accumulated other comprehensive income in shareholders' equity. Declines in the value of debt and marketable equity securities that are considered other than temporary are recorded in non-interest income as a loss on securities available for sale.

Nonmarketable equity securities include stock acquired for regulatory purposes, such as Federal Home Loan Bank stock and Federal Reserve Bank stock. These securities are generally accounted for at cost and are included in securities available for sale.

The amortized cost of specific securities sold is used to compute realized gains and losses. Interest and dividends on securities, including amortization of premiums and accretion of discounts using the effective interest method over the period to maturity, are included in interest income.

**Loans and Leases:** Loans are stated at the principal amount outstanding, net of unamortized deferred loan origination fees and costs and net of unearned income. Direct financing leases are reported at the aggregate of lease payments receivable and estimated residual values, net of unearned and deferred income. Interest income is accrued as earned based on unpaid principal balances. Huntington defers the fees it receives from the origination of loans and leases, as well as the costs of those activities, and amortizes these fees and costs on a level-yield basis over the estimated lives of the related loans.

Automobile loans and leases include loans secured by automobiles and leases of automobiles that qualify for the direct financing method of accounting. Substantially all of the direct financing leases that qualify for that accounting method do so because the present value of the lease payments and the guaranteed residual value are at least 90% of the cost of the vehicle. Huntington records the residual values of its leases based on estimated future market values of the automobiles as published in the Automotive Lease Guide (ALG), an authoritative industry source. Beginning in October 2000, Huntington purchased residual value insurance for its entire automobile lease portfolio to mitigate the risk of declines in residual values. Residual value insurance provides for the recovery of the vehicle residual value specified by the ALG at the inception of the lease. As a result, the risk associated with market driven declines in used car values is mitigated. Currently Huntington has three distinct residual value insurance policies in place to address the residual risk in the portfolio. Two residual value insurance policies cover all vehicles leased prior to May 2002, and have associated total payment caps of $120 million and $50 million, respectively. Management reviews expected future residual value losses to determine the need to either (a) establish a reserve for losses in excess of both insurance policy caps or (b) reduce the expected residual value and, therefore, increase the rate of depreciation. A third policy (the New Policy) provides similar coverage as the first two, but does not have a cap on losses payable under the policy. Leases covered by the New Policy qualify for the direct financing method of accounting. Leases covered by the earlier policies are accounted for using the operating lease method of accounting and are recorded as operating lease assets in Huntington's consolidated balance sheet. At December 31, 2003, Huntington had a valuation reserve of $2.1 million for expected residual value impairment that is not covered by residual value insurance.

Residual values on leased automobiles and equipment are evaluated periodically for impairment. Impairment of the residual values of direct financing leases is recognized by writing the leases down to fair value with a charge to non-interest income. Residual value losses arise if the market value at the end of the lease term is less than the residual value embedded in the original lease contract. Residual value insurance covers the difference between the recorded residual value and the fair value of the automobile at the end of the lease term as evidenced by *Black Book* valuations. This insurance, however, does not cover residual losses below *Black Book* value, which may arise when the automobile has excess wear and tear and/or excess mileage, not reimbursed by the lessee.

Commercial and industrial loans and commercial real estate loans are generally placed on non-accrual status and stop accruing interest when principal or interest payments are 90 days or more past due or the borrower's creditworthiness is in doubt. A loan may remain in accruing status when it is sufficiently collateralized, which means the collateral covers the full repayment of principal and interest, and is in the process of active collection.

Commercial and industrial and commercial real estate loans are evaluated for impairment in accordance with the provisions of Statement of Financial Accounting Standards (Statement) No. 114, *Accounting by Creditors for Impairment of a Loan*. This Statement requires an allowance to be established as a component of the allowance for loan and lease losses when it is probable that all amounts due pursuant to the contractual terms of the loan or lease will not be collected and the recorded investment in the loan or lease exceeds its fair value. Fair value is measured using either the present value of expected future cash flows discounted at the loan's or lease's effective interest rate, the observable market price of the loan or lease, or the fair value of the collateral if the loan or lease is collateral dependent. All loans and leases considered impaired are included in non-performing assets.

Consumer loans and leases, excluding residential mortgage loans, are subject to mandatory charge-off at a specified delinquency date and are not classified as non-performing prior to being charged off. These loans and leases are generally charged off in full no later than when the loan or lease becomes 120 days past due. Residential mortgage loans are placed on non-accrual status when principal payments are 180 days past due or interest payments are 210 days past due. A charge-off on a residential mortgage loan is recorded when the loan has been foreclosed and the loan balance exceeds the fair value of the collateral. The fair value of the collateral is then recorded as real estate owned and is reflected in other assets in the consolidated statement of financial condition.

Huntington uses the cost recovery method of accounting for cash received on non-performing loans and leases. Under this method, cash receipts are applied entirely against principal until the loan or lease has been collected in full, after which time any additional cash receipts are recognized as interest income. 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 or lease is returned to accrual status. 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.

**Sold and Securitized Loans:** Loans that are sold or securitized are accounted for in accordance with Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, which was adopted by Huntington in 2001. Asset securitization involves the sale of a pool of loan receivables, generally to a trust, in exchange for funding collaterized by these loans.

The trust then sells undivided interests in the trust to investors, while Huntington retains the remaining undivided interests, referred to as retained interest. While the loans are removed from the balance sheet at the time of sale, this retained interest is recorded as an asset based on its estimated fair value. The sale of loans does not involve retained interests. For both loan sales and loan securitizations, an asset is also established for the servicing of the loans sold, which is retained at the time of sale, based on the relative fair value of the servicing rights. Gains and losses on the loans sold, retained interest, if any, and servicing rights associated with loan sales or securitizations are determined when the related loans are sold to the trust or third party. Fair values of the retained interests and servicing rights are based on the present value of expected future cash flows from the underlying loans, net of payments to security holders. The present value of expected future cash flows is determined using assumptions for market interest rates, loan losses, servicing costs, and prepayment rates. Management also uses these assumptions to assess the retained interests and servicing rights for impairment periodically. The retained interest is included in securities available for sale and the servicing rights are recorded in other assets in the consolidated balance sheets. Servicing revenues, net of the amortization of servicing rights, are included in other non-interest income.

**Allowance for Loan and Lease Losses:** The allowance for loan and lease losses reflects management's judgment as to the level considered appropriate to absorb inherent credit losses in the loan and lease portfolio. This judgment is based on the size and current risk characteristics of the portfolio, a review of individual loans and leases, historical and anticipated loss experience, and a review of individual relationships where applicable. External influences such as general economic conditions, economic conditions in the relevant geographic areas and specific industries, regulatory guidelines, and other factors are also assessed in determining the level of the allowance.

The allowance is determined subjectively, requiring significant estimates, including the timing and amounts of expected future cash flows on impaired loans and leases, consideration of current economic conditions, and historical loss experience pertaining to pools of homogeneous loans and leases, all of which may be susceptible to change. The allowance is increased through a provision that is charged to earnings, based on management's quarterly evaluation of the factors previously mentioned, and is reduced by charge-offs, net of recoveries, and the allowance associated with securitized or sold loans.

The allowance for loan and lease losses consists of a component for individual loan impairment and a component of collective loan impairment recognized and measured pursuant to Statement No. 114, and Statement No. 5, *Accounting for Contingencies*, respectively. The component for individual loan impairment reflects expected losses resulting from quantitative analyses developed through historical loss experience and specific credit allocations at the individual loan level for commercial and industrial loans and commercial real estate loans. The specific credit allocations are based on a continuous analysis of all loans and leases by internal credit rating. The historical loss element is determined using a loss migration analysis that examines both the probability of default and the loss in the event of default by loan and lease category and internal credit rating. The loss migration analysis is performed periodically, and loss factors are updated regularly based on actual experience. The component for collective loan impairment is determined by applying specific probability of default and loss in the event of default factors to homogeneous segments of the consumer loan and lease portfolio. Management's determination of the amounts necessary for concentrations and changes in portfolio mix are also included in the allowance.

**Resell and Repurchase Agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are generally treated as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The fair value of collateral either received from or provided to a third party is continually monitored and additional collateral is obtained or is requested to be returned to Huntington as deemed appropriate.

**Goodwill and Other Intangible Assets:** Under the purchase method of accounting, the net assets of entities acquired by Huntington were recorded at their estimated fair value at the date of acquisition. The excess of cost over the fair value of net assets acquired is recorded as goodwill. Prior to 2002, goodwill was amortized over periods generally up to 25 years. Effective January 1, 2002, in accordance with Statement No. 142, goodwill is no longer amortized but is reviewed by management, along with other intangible assets arising from business combinations, for impairment as of September 30 each year, or whenever a significant event occurs that adversely affects operations, or when changes in circumstances indicate that the carrying value may not be recoverable. Other intangible assets are amortized on a straight-line basis over their estimated useful lives through 2011.

**Mortgage Banking Activities:** Loans held for sale are primarily composed of performing 1-to-4-family residential mortgage loans originated for resale and are carried at the lower of cost (net of purchase discounts or premiums and effects of hedge accounting) or

fair value as determined on an aggregate basis. Fair value is determined using available secondary market prices for loans with similar coupons, maturities, and credit quality.

Huntington recognizes the rights to service mortgage loans as separate assets, which are included in other assets in the consolidated balance sheets, only when purchased or when servicing is contractually separated from the underlying mortgage loans by sale or securitization of the loans with servicing rights retained. The carrying value of loans sold or securitized is allocated between loans and servicing rights based on the relative fair values of each. Purchased mortgage servicing rights are initially recorded at cost. All servicing rights are subsequently carried at the lower of the initial carrying value, adjusted for amortization, or fair value, and are included in other assets.

**Premises and Equipment:** Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed principally by the straight-line method over the estimated useful lives of the related assets. Buildings and building improvements are depreciated over an average of 30 to 40 years and 10 to 20 years, respectively. Land improvements and furniture and fixtures are depreciated over 10 years, while equipment is depreciated over a range of 3 to 7 years. Leasehold improvements are amortized over the lesser of the asset life or term of the related leases. Maintenance and repairs are charged to expense as incurred, while improvements that extend the useful life of an asset are capitalized and depreciated over the remaining useful life.

**Operating Lease Assets:** Operating lease assets consist of automobiles leased to consumers and equipment leased to business customers. These assets are reported at cost, including net deferred origination fees or costs, less accumulated depreciation. For automobile operating leases, net deferred origination fees or costs include the referral payments Huntington makes to automobile dealers, which are deferred and amortized on a straight-line basis over the life of the lease.

Lease payments are recorded as rental income, a component of operating lease income in non-interest income. Net deferred origination fees or costs are amortized over the life of the lease to operating lease income. Depreciation expense is recorded on a straight-line basis over the term of the lease. Leased assets are depreciated to the estimated residual value at the end of the lease term. Depreciation expense is included in operating lease expense in the non-interest expense section of the consolidated income statement. Impairment of residual values of operating leases is evaluated under Statement No. 144. Under that Statement, when the future cash flows from the operating lease, including the expected realizable fair value of the automobile or equipment at the end of the lease, is less than the book value of the lease, an immediate impairment write-down is recognized. Otherwise, reductions in the expected residual value result in additional depreciation of the leased asset over the remaining term of the lease. Upon disposition, a gain or loss is recorded for any difference between the net book value of the lease and the proceeds from the disposition of the asset, including any insurance proceeds.

To mitigate its exposure to residual value risk on automobile leases, Huntington purchased residual value insurance, beginning in October 2000. The insurance coverage for automobile leases existing as of October 1, 2000, has a cap on insured losses of $120 million. The insurance coverage for automobile leases originated from October 1, 2000 through April 30, 2002, has a cap on insured losses of $50 million. At December 31, 2003, claims submitted to the insurance carrier under both policies that have not been paid totaled $62.0 million. Huntington has established a reserve of $4.4 million against this receivable. The net receivable of $57.6 million is reflected in other assets. Huntington continues to monitor the expected losses on covered leases to determine how much of an impairment write-down, if any, needs to be recognized on these leases, all of which are operating leases.

Credit losses, included in operating lease expense, occur when a lease is terminated early because the lessee cannot make the required lease payments. These credit-generated terminations result in Huntington taking possession of the automobile earlier than expected. When this occurs, the market value of the automobile may be less than Huntington's book value, resulting in a loss upon sale. Rental income payments accrued, but not received, are written off when they reach 120 days past due and at that time the asset is evaluated for impairment.

**Bank Owned Life Insurance:** Huntington's bank owned life insurance policies are carried at their cash surrender value. Periodically, management confirms this cash surrender value with the insurance carriers that have issued each respective insurance policy. Huntington recognizes tax-free income from the periodic increases in the cash surrender value of these policies and from death benefits.

**Derivative Financial Instruments:** Derivative financial instruments, primarily interest rate swaps, are accounted for in accordance with Statement No. 133,*Accounting for Derivative Instruments and Hedging Activities*, as amended. This Statement requires every derivative instrument to be recorded in the consolidated balance sheet as either an asset or liability measured at its fair value and

Huntington to formally document, designate, and assess the effectiveness of transactions for which hedge accounting is applied. Depending on the nature of the hedge and the extent to which it is effective, the changes in fair value of the derivative recorded through earnings will either be offset against the change in the fair value of the hedged item in earnings, or recorded in comprehensive income and subsequently recognized in earnings in the period the hedged item affects earnings. The portion of a hedge that is ineffective and all changes in the fair value of derivatives not designated as hedges, referred to as trading instruments, are recognized immediately in earnings. Deferred gains or losses from derivatives that are terminated are amortized over the shorter of the original remaining term of the derivative or the remaining life of the underlying asset or liability. Trading instruments are carried at fair value with changes in fair value included in other Non-interest income. Trading instruments are executed primarily with Huntington's customers to fulfill their needs. Derivative instruments used for trading purposes include interest rate swaps, including callable swaps, interest rate caps and floors, and interest rate and foreign exchange futures, forwards and options.

Upon adoption in 2001 of Statement No. 133, as amended, Huntington designated its portfolio of derivative financial instruments used for risk management purposes as fair value or cash flow hedges. Derivatives used to hedge changes in fair value of assets and liabilities due to changes in interest rates or other factors were designated as fair value hedges and those used to hedge changes in forecasted cash flows, due generally to interest rate risk, were designated as cash flow hedges. The after-tax transition adjustment of adopting Statement No. 133, as amended, was immaterial to net income and reduced other comprehensive income (OCI) $9.1 million in 2001.

**Advertising Costs**: Advertising costs are generally expensed as incurred as a marketing expense, a component of non-interest expense.

**Income Taxes**: Income taxes are accounted for under the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future book and tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are determined using enacted tax rates expected to apply in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income at the time of enactment of such change in tax rates.

**Treasury Stock**: Acquisitions of treasury stock are recorded at cost. Reissuance of shares in treasury for acquisitions, stock option exercises, or for other corporate purposes, is recorded at their weighted-average cost.

**Stock-Based Compensation**: Huntington's stock-based compensation plans are accounted for based on the intrinsic value method promulgated by Accounting Principles Board 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.

The following pro forma disclosures for net income and earnings per diluted common share is presented as if Huntington had applied the fair value method of accounting of Statement No. 123, *Accounting for Stock-Based Compensation*, 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 consolidated income statement. The following table also includes the weighted-average assumptions that were used in the option-pricing model for options granted in each of the last three years:

| (in millions of dollars, except per share amounts) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Assumptions** | | | |
| Risk-free interest rate | 4.45% | 4.12% | 5.05% |
| Expected dividend yield | 3.11 | 3.34 | 4.99 |
| Expected volatility of Huntington's common stock | 33.8 | 33.8 | 41.0 |
| **Pro Forma Results** | | | |
| Net income, as reported | $ 372.4 | $ 323.7 | $ 134.8 |
| Less pro forma expense related to options granted | (12.7) | (12.7) | (12.1) |
| **Pro Forma Net Income** | $ 359.7 | $ 311.0 | $ 122.7 |
| **Net Income Per Common Share:** | | | |
| Basic, as reported | $ 1.62 | $ 1.34 | $ 0.54 |
| Basic, pro forma | 1.57 | 1.28 | 0.49 |
| Diluted, as reported | 1.61 | 1.33 | 0.54 |
| Diluted, pro forma | 1.55 | 1.27 | 0.49 |

**Segment Results:** Accounting policies for the lines of business are the same as those used in the preparation of the 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 not restated for these changes.

**Statement of Cash Flows:** Cash and cash equivalents are defined as "Cash and due from banks" and "Federal funds sold and securities purchased under resale agreements."

## 2. New Accounting Standards

**Anticipated SEC Staff Accounting Bulletin on Mortgage Loan Commitments:** In a speech on December 11, 2003, the SEC staff announced its intention to release a Staff Accounting Bulletin that would require registrants to account for mortgage loan interest rate lock commitments related to loans held for sale as written options, effective no later than for commitments entered into after March 31, 2004. Huntington enters into such commitments with customers in connection with residential mortgage loan applications and at December 31, 2003, had approximately $134.0 million in notional amount of these commitments outstanding. The proposed Staff Accounting Bulletin would require Huntington to recognize a liability for the fair value of the mortgage loan commitment at the time it is made and would affect the timing of related revenue recognition. Huntington is currently assessing the impact of this pending guidance on its results of operations and financial position.

**Early Adoption of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46):** In January 2003, the FASB issued FIN 46. This Interpretation of Accounting Research Bulletin No. 51 (ARB 51), *Consolidated Financial Statements*, as amended, 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. FIN 46 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. FIN 46 applies in the first fiscal year or interim period ending after December 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. FIN 46 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. This was an early adoption applied on a prospective basis resulting in the consolidation of one of the securitization trusts formed in 2000. The consolidation of this 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 an allowance for loan and lease losses equal to 1.01% of the loan balances. The trust's assets and liabilities consisted of $1,038.1 million in automobile loan principal and interest receivables, $110.0 million in cash ($51.5 million of which was on deposit at Huntington's bank subsidiary), and approximately $960.0 million in notes payable and minority interests. The combined retained interests at market value, a component of securities available for sale, servicing, and other assets of $212.9 million were eliminated in the consolidation. The reversal of the excess of the market value of the retained interest over its cost reduced other comprehensive income by $9.9 million. Additionally, a $10.3 million reserve for loan losses was recognized and deferred income taxes and other liabilities totaling $12.1 million were reversed.

Reflecting these impacts, the adoption of FIN 46 resulted in a cumulative effect charge of $13.3 million, or $0.06 per share, in the third quarter, which is reflected in Huntington's statements of income. This adoption also resulted in an overall reduction of the ALLL by approximately 3 basis points and lowered the tangible common equity ratio by 29 basis points. Regulatory capital was minimally impacted since these related assets were already included in regulatory risk-based assets.

This adoption also required the deconsolidation of two unrelated business trusts that had been formed in 1997 and 1998 to issue trust preferred securities, which qualified as Tier 1 capital for regulatory capital purposes. The related borrowings by the parent company are now reported in the consolidated balance sheet under the caption "Subordinated notes" and currently qualify as Tier 1 capital. There was no cumulative effect on retained earnings or Huntington's capital ratios as a result of this deconsolidation.

**FASB Interpretation No. 45,** ***Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*** **(FIN 45):** FIN 45 was issued in November 2002, and changes prior practice in the accounting for, and disclosure of, guarantees requiring certain guarantees to be recorded at fair value at inception, 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*. FIN 45 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 prior practice. Huntington prospectively adopted FIN 45 on January 1, 2003. See Note 25 for FIN 45 disclosures.

**FASB Statement No. 148,** ***Accounting for Stock-Based Compensation—Transition and Disclosure*** **(FAS 148):** FAS 148 was issued in December 2002, as an amendment of Statement No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition to FAS 123's fair value method of accounting for stock-based employee compensation. FAS 148 also amends the disclosure provisions of FAS 123 and Accounting Principles Board (APB) Opinion No. 28, *Interim Financial Reporting* (APB 28), 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 FAS 148 does not require companies to account for employee stock options using the fair value method, the disclosure provisions of FAS 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 FAS 123 or the intrinsic value method of APB 25, which is the method currently used by Huntington.

**FASB Statement No. 149,** ***Amendment of Statement 133 on Derivative Instruments and Hedging Activities*** **(FAS 149):** FAS 149 was issued in April 2003 to amend and clarify 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. The changes in FAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. In particular, FAS 149 (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. FAS 149 is substantially effective on a prospective basis for contracts entered into or modified after June 30, 2003. The impact of this new pronouncement was not material to Huntington's financial condition, results of operations, or cash flows.

**FASB Statement No. 150,** ***Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*** **(FAS 150)**: FAS 150 was issued in May 2003 to establish 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 FAS 150 are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, *Elements of Financial Statements.* The remaining provisions of FAS 150 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. FAS 150 does not apply to features that are embedded in a financial instrument that is not a derivative in its entirety. FAS 150 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. The impact of this new pronouncement did not have a material impact on Huntington's financial condition, results of operations, or cash flows.

**FASB Statement No. 132 (revised 2003),** ***Employers' Disclosures about Pensions and Other Postretirement Benefits, an Amendment of FASB Statements No. 87, 88, and 106*** **(FAS 132R):** FAS 132R was issued in December 2003, to improve financial statement disclosures for defined benefit plans. The change replaces existing FASB disclosure requirements for pensions and requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs, and other relevant information. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, Employers' Accounting for Pensions, No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination of Benefits, and No. 106, Employers' Accounting for Post Retirement Benefits Other than Pensions. FAS 132R retains the disclosure requirements contained in FASB Statement No. 132, Employers' Disclosures about Pensions and other Postretirement Benefits. See Note 23 for Huntington's benefit plan disclosures.

## 3. Acquisitions

On January 27, 2004, Huntington announced the signing of a definitive agreement to merge with Unizan Financial Corp. (Unizan) a financial holding company based in Canton, Ohio, with $2.7 billion of assets at December 31, 2003. Under the terms of the agreement, Unizan shareholders will receive 1.1424 shares of Huntington common stock, on a tax-free basis, for each share of Unizan. Based on the $23.10 closing price of Huntington's common stock on January 26, 2004, this represented a price of $26.39 per Unizan share, and valued the transaction at approximately $587 million. The merger was unanimously approved by both boards and is expected to close late in the second quarter, pending customary regulatory approvals, as well as Unizan shareholder approval.

During 2002, Huntington acquired Haberer Investment Advisor, Inc. (Haberer), a Cincinnati-based registered investment advisory firm with approximately $500 million in assets under management. Huntington paid cash to Haberer shareholders and issued 202,695 shares of common stock from treasury. Also during 2002, Huntington acquired LeaseNet Group, Inc. (LeaseNet), a $90 million leasing company located in Dublin, Ohio. Huntington paid cash to LeaseNet shareholders and issued 835,035 shares of common stock from treasury. In addition, Huntington holds 544,357 common shares in escrow, to be released to LeaseNet's shareholders contingent upon the achievement of certain performance levels. Both of these acquisitions were accounted for using the purchase method of accounting.

## 4. Securities Available for Sale

Securities available for sale at December 31 were as follows:

| | | Unrealized | | |
|---|---|---|---|---|
| (in thousands of dollars) | Amortized Cost | Gross Gains | Gross Losses | Fair Value |
| **2003** | | | | |
| U.S. Treasury | $ 304,001 | $ 4,410 | $ (41) | $ 308,370 |
| Federal agencies | | | | |
| Mortgage-backed securities | 1,811,793 | 19,782 | (13,552) | 1,818,023 |
| Other agencies | 1,162,896 | 13,137 | (16,510) | 1,159,523 |
| Total U.S. Treasury and Federal agencies | 3,278,690 | 37,329 | (30,103) | 3,285,916 |
| Retained interests in securitizations | 5,593 | 763 | — | 6,356 |
| Other securities | 1,626,399 | 10,962 | (4,401) | 1,632,960 |
| **Total Securities Available For Sale** | $ 4,910,682 | $ 49,054 | $ (34,504) | $ 4,925,232 |
| **2002** | | | | |
| U.S. Treasury | $ 18,550 | $ 1,362 | $ — | $ 19,912 |
| Federal agencies | | | | |
| Mortgage-backed securities | 1,755,437 | 44,074 | (254) | 1,799,257 |
| Other agencies | 782,287 | 26,772 | (544) | 808,515 |
| Total U.S. Treasury and Federal agencies | 2,556,274 | 72,208 | (798) | 2,627,684 |
| Retained interests in securitizations | 146,160 | 13,818 | — | 159,978 |
| Other securities | 613,607 | 5,600 | (3,500) | 615,707 |
| **Total Securities Available For Sale** | $ 3,316,041 | $ 91,626 | $ (4,298) | $ 3,403,369 |

Other securities available for sale include privately placed collateralized mortgage obligations, Federal Home Loan Bank and Federal Reserve Bank stock, corporate debt and municipal securities, and marketable equity securities. Management does not believe any individual unrealized loss as of December 31, 2003, represents an other than temporary impairment. Huntington has both the intent and ability to hold the securities contained in the table above for a time necessary to recover the amortized cost.

Contractual maturities of securities available for sale as of December 31 were:

| | 2003 | | 2002 | |
|---|---|---|---|---|
| (in thousands of dollars) | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Under 1 year | $ 183,622 | $ 186,019 | $ 42,056 | $ 43,149 |
| 1 - 5 years | 694,000 | 703,409 | 868,600 | 896,651 |
| 6 - 10 years | 968,537 | 964,206 | 414,122 | 424,287 |
| Over 10 years | 3,050,383 | 3,055,131 | 1,802,257 | 1,835,670 |
| Retained interests in securitizations | 5,593 | 6,356 | 146,160 | 159,978 |
| Marketable equity securities | 8,547 | 10,111 | 42,846 | 43,634 |
| **Total Securities Available For Sale** | $ 4,910,682 | $ 4,925,232 | $ 3,316,041 | $ 3,403,369 |

At December 31, 2003, the carrying value of securities pledged to secure public and trust deposits, trading account liabilities, U.S. Treasury demand notes, and security repurchase agreements totaled $2.6 billion. There were no securities of a single issuer, which are non-governmental or government-sponsored, that exceeded 10% of shareholders' equity at December 31, 2003.

Gross gains from sales of securities of $14.5 million, $5.4 million, and $9.2 million, were realized in 2003, 2002, and 2001, respectively. Gross losses totaled $9.2 million in 2003, $0.5 million in 2002, and $8.5 million in 2001. There were no other than temporary impairments of any securities recognized in 2003, 2002, or 2001.

## 5. Investment Securities

Investment securities held to maturity at December 31, 2003 and 2002, were comprised of investments in obligations of states and political subdivisions. The amortized cost, unrealized gains and losses, and fair values of investment securities held to maturity at December 31 were:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Amortized cost | $ 3,828 | $ 7,546 |
| Unrealized gross gains | 112 | 192 |
| Unrealized gross losses | (3) | (13) |
| **Fair Value** | $ 3,937 | $ 7,725 |

Contractual maturities of investment securities held to maturity with yields adjusted to reflect fully taxable equivalent basis at December 31 were:

| | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| (in thousands of dollars) | Amortized Cost | Fair Value | Yield | Amortized Cost | Fair Value | Yield |
| Under 1 year | $ 1,394 | $ 1,417 | 5.35% | $ 2,775 | $ 2,793 | 7.37% |
| 1 - 5 years | 1,691 | 1,742 | 5.34 | 3,096 | 3,209 | 8.03 |
| 6 - 10 years | 743 | 778 | 5.46 | 1,432 | 1,471 | 8.49 |
| Over 10 years | — | — | — | 243 | 252 | 8.18 |
| **Total Investment Securities** | $ 3,828 | $ 3,937 | 5.37% | $ 7,546 | $ 7,725 | 7.88% |

## 6. Loans and Leases

At December 31, loans and leases were comprised of the following:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Commercial and industrial | $ 5,313,517 | $ 5,608,443 |
| Commercial real estate | 4,172,083 | 3,722,992 |
| **Total Commercial Loans** | 9,485,600 | 9,331,435 |
| Consumer | | |
| Automobile loans | 2,991,642 | 3,041,954 |
| Automobile leases | 1,902,170 | 873,599 |
| Home equity loans | 3,792,189 | 3,198,487 |
| Residential mortgage loans | 2,530,665 | 1,746,177 |
| Other loans | 372,852 | 395,751 |
| **Total Consumer Loans** | 11,589,518 | 9,255,968 |
| **Total Loans and Leases** | $ 21,075,118 | $ 18,587,403 |

At December 31, 2003, $4.4 billion of real estate qualifying loans were pledged to secure advances from the Federal Home Loan Bank. Real estate qualifying loans are comprised of home equity loans and lines of credit and residential mortgage loans secured by first and second liens. At this same date, $1.7 billion of commercial and industrial loans were pledged to secure potential discount window borrowings from the Federal Reserve Bank.

Huntington's loan and lease portfolio includes lease financing receivables consisting of direct financing leases on equipment, which are included in commercial and industrial loans, and on automobiles. Net investment in lease financing receivables by category at December 31 were as follows:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Commercial and industrial | | |
| Lease payments receivable | $ 308,190 | $ 191,034 |
| Estimated residual value of leased assets | 53,119 | 28,388 |
| Gross investment in commercial lease financing receivables | 361,309 | 219,422 |
| Unearned income | (42,969) | (24,678) |
| **Total Net Investment in Commercial Lease Financing Receivables** | $ 318,340 | $ 194,744 |
| Consumer | | |
| Lease payments receivable | $ 444,924 | $ 645,544 |
| Estimated residual value of leased assets | 1,697,473 | 362,474 |
| Gross investment in consumer lease financing receivables | 2,142,397 | 1,008,018 |
| Deferred origination fees and costs | (1,950) | (960) |
| Unearned income | (238,277) | (133,459) |
| **Total Net Investment in Consumer Lease Financing Receivables** | $ 1,902,170 | $ 873,599 |

### RELATED PARTY TRANSACTIONS

Huntington has made loans to its officers, directors, and their associates. These loans were made 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. These loans to related parties are summarized as follows:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| **Balance, Beginning of Year** | $ 95,561 | $ 133,844 |
| Loans made | 181,314 | 114,694 |
| Repayments | (156,965) | (145,185) |
| Changes due to status of executive officers and directors | (5,392) | (7,792) |
| **Balance, End of Year** | $ 114,518 | $ 95,561 |

### NON-PERFORMING ASSETS AND PAST DUE LOANS

At December 31, 2003 and 2002, the loans in non-accrual status and loans past due 90 days or more and still accruing interest, were as follows:

| (in thousands of dollars) | 2003 | 2002 |
| --- | --- | --- |
| Commercial and industrial | $ 43,387 | $ 91,861 |
| Commercial real estate | 22,399 | 26,765 |
| Residential mortgage | 9,695 | 9,443 |
| Total Non-performing Loans | 75,481 | 128,069 |
| Other real estate, net | 11,905 | 8,654 |
| **Total Non-performing Assets** | $ 87,386 | $ 136,723 |
| **Accruing Loans Past Due 90 Days or More** | $ 55,913 | $ 61,526 |

The amount of interest that would have been recorded under the original terms for total loans classified as non-accrual or renegotiated was $6.3 million for 2003, $12.6 million for 2002, and $10.3 million for 2001. Amounts actually collected and recorded as interest income for these loans totaled $3.0 million, $5.1 million, and $4.9 million for 2003, 2002, and 2001, respectively.

## 7. Loan Sales and Securitizations

### AUTOMOBILE LOANS

During 2003, Huntington sold $2.1 billion of automobile loans, retaining only the right to service these loans. Also, during both 2003 and 2002, Huntington sold automobile loans in securitization transactions totaling $252.5 million and $480.0 million, respectively. For the loans sold in securitization transactions, Huntington retained both the interest rate risk and the rights to future cash flows arising after the investors in the securitization trusts have received their contractual return. These cash flows arise from cash reserve accounts, loan collateral in excess of the note amounts issued by the securitization trusts, and excess interest collections. Huntington's interests are subordinate to investors' interests. The investors and the securitization trusts have no recourse to Huntington's other assets for failure of debtors to pay when due.

As a result of adopting FIN 46 in the third quarter of 2003, one of the securitization trusts sponsored by Huntington was consolidated. The impact of this consolidation was to reduce the outstanding automobile loans serviced by $1.0 billion, reduce the retained interest asset by $142.3 million, and reduce the servicing asset by $11.7 million. Huntington has the option to repurchase all outstanding loan receivables in the unconsolidated securitization trust when those receivables are less than 5% of the original loan receivables that Huntington sold to the trust, which amounts to $25 million. Since this trust had $37.3 million of outstanding loan receivables at December 31, 2003, it is likely that Huntington will be able to repurchase the outstanding loan receivable in 2004. Such a repurchase, if made, is not expected to have a significant impact to the consolidated financial statements.

At December 31, 2003 and 2002, the fair value of Huntington's retained interest in automobile loan securitizations was $6.3 million and $160.0 million, respectively. Management periodically reviews the assumptions underlying these values. If these assumptions change, the related asset and income would be affected. At December 31, 2003, cash of $41.4 million was held by the subsidiary securitization trust and was restricted as to Huntington's ability to withdraw this cash.

Huntington has retained servicing responsibilities and receives annual servicing fees of 1.0% of the outstanding loan balances. Servicing income, net of amortization of capitalized servicing assets, amounted to $4.5 million in 2003, $1.0 million in 2002, and $3.6 million in 2001. There were no impairment charges related to Huntington's retained interest in 2003. Impairment charges of retained interests were $4.0 million in 2002 and $12.2 million in 2001. The unpaid principal balance of automobile loans serviced for third parties was $1.8 billion, $1.1 billion, and $1.2 billion at December 31, 2003, 2002, and 2001, respectively. Changes in the carrying value of automobile loan servicing rights for the three years ended December 31, 2003, were as follows:

| (in thousands of dollars) | 2003 | 2002 | 2001 |
| --- | --- | --- | --- |
| **Balance, Beginning of Year** | $ 12,676 | $ 17,647 | $ 22,718 |
| New servicing assets | 25,106 | 6,227 | 6,146 |
| Amortization | (8,434) | (11,198) | (9,917) |
| Impairment charges | — | — | (1,300) |
| Adoption of FIN 46 | (11,686) | — | — |
| **Balance, End of Year** | $ 17,662 | $ 12,676 | $ 17,647 |

Huntington recorded pre-tax gains of $40.0 million in 2003 from sales of automobile loans. No sales of automobile loans were made in 2002 or 2001. Huntington recorded net pre-tax gains from automobile loan securitizations of $5.6 million, $11.0 million, and $6.6 million in 2003, 2002, and 2001, respectively. Gains or losses from securitizations depend in part on the previous carrying amount of the financial assets involved, which are allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

Quoted market prices are generally not available for retained interest in automobile loan securitizations. The key economic assumptions used during 2003, to measure the fair value of the retained interest at the time of securitization are included in the table below. In 2003 and 2002, the interest rate paid to transferees on variable-rate securities was estimated based on the forward one-month London Interbank Offered Rate (LIBOR) yield plus the average contractual spread over LIBOR of 34 basis points.

At December 31, 2003, the assumptions and the sensitivity of the current fair value of the retained interest to immediate 10% and 20% adverse changes in those assumptions were:

| | | Decline in fair value due to | |
|---|---|---|---|
| (in millions of dollars) | Actual | 10% adverse change | 20% adverse change |
| Monthly prepayment rate (ABS curve) | 1.45% | $ — | $ — |
| Expected annual credit losses | 2.51 | — | 0.1 |
| Discount rate | 10.00 | — | 0.1 |

Certain cash flows received from and paid to securitization trusts were:

| | Twelve Months Ended December 31, | |
|---|---|---|
| (in million of dollars) | 2003 | 2002 |
| Collections used by the trusts to purchase new balances in revolving securitizations | $ 252 | $ 480 |
| Servicing fees received | 6 | 12 |
| Other cash flows received on retained interest | 27 | 81 |

### RESIDENTIAL MORTGAGE LOANS

During 2003, Huntington securitized $354.2 million of residential mortgage loans and retained all of the resulting securities. Accordingly, the securitized amounts were reclassified from loans to securities available for sale.

The unpaid principal balance of residential mortgage loans serviced for third parties was $6.4 billion, $3.8 billion, and $3.0 billion at December 31, 2003, 2002, and 2001, respectively. Changes in the carrying value of mortgage servicing rights and the associated valuation allowance for the three years ended December 31, 2003, were as follows:

| (in thousands of dollars) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Balance, Beginning of Year** | $ 29,271 | $ 35,282 | $ 29,630 |
| New servicing assets | 52,896 | 41,586 | 53,144 |
| Amortization | (25,966) | (12,051) | (6,590) |
| Impairment recovery (charges) | 14,957 | (14,114) | (6,322) |
| Sales | (71) | (21,432) | (34,580) |
| **Balance, End of Year** | $ 71,087 | $ 29,271 | $ 35,282 |

Servicing rights are evaluated quarterly for impairment based on the fair value of those rights, using a disaggregated approach. The fair value of the servicing rights is determined by estimating the present value of future net cash flows, taking into consideration market loan prepayment speeds, discount rates, servicing costs, and other economic factors. Seven risk tranches are used in the evaluation of mortgage servicing rights for impairment: three tranches for servicing rights on 30 year mortgage loans (based on interest rate bands of below 6.00%; 6.00% up to 6.99%; and 7.00% and above), three tranches for servicing rights on 15 year mortgage loans (based on interest rate bands of below 5.50%; 5.50% up to 6.49%; and 6.50% and above), and one tranche encompassing balloon and adjustable rate mortgages. Huntington began using the expanded interest rate bands in the fourth quarter of 2003. Temporary impairment is

recognized in a valuation allowance against the mortgage servicing rights. Huntington also analyzes its mortgage servicing rights periodically for other-than-temporary impairment. Other-than-temporary impairment is recognized as a direct reduction of the carrying value of the mortgage servicing right and cannot be recovered. Servicing rights are amortized over the period of, and in proportion to, the estimated future net servicing revenue. Amortization is recorded as a reduction of servicing income, which is reflected in non-interest income in Huntington's consolidated income statement.

At December 31, 2003, the assumptions and the sensitivity of the current fair value of the Huntington's mortgage servicing rights to immediate 10% and 20% adverse changes in those assumptions were:

| | | Decline in fair value due to | |
|---|---|---|---|
| (in millions of dollars) | Actual | 10% adverse change | 20% adverse change |
| Constant pre-payment rate | 22.30% | $ (4.5) | $ (8.9) |
| Discount rate | 8.90 | (2.1) | (4.1) |

Caution should be used when reading these sensitivities as a change in an individual assumption and its impact on fair value is shown independent of changes in other assumptions. Economic factors are dynamic and may counteract or magnify sensitivities.

## 8. Allowance for Loan and Lease Losses

A summary of the transactions in the allowance for loan and lease losses and details regarding impaired loans and leases follows for the three years ended December 31:

| (in thousands of dollars) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Balance, Beginning of Year** | $ 336,648 | $ 369,332 | $ 264,929 |
| Loan and lease losses | (201,534) | (234,352) | (174,540) |
| Recoveries of previously charged off loans and leases | 39,725 | 37,440 | 28,271 |
| Net charge-offs | (161,809) | (196,912) | (146,269) |
| Provision for loan and lease losses | 163,993 | 194,426 | 257,326 |
| Allowance of securitized or sold loans [1] | (3,578) | (31,462) | (6,654) |
| Allowance of assets acquired | — | 1,264 | — |
| **Balance, End of Year** | $ 335,254 | $ 336,648 | $ 369,332 |
| **Recorded Balance of Impaired Loans, at end of year [2]:** | | | |
| With related allowance for loan and lease losses | $ 54,853 | $ 91,578 | $ 168,753 |
| With no related allowance for loan and lease losses | — | 2,972 | 2,557 |
| **Total** | $ 54,853 | $ 94,550 | $ 171,310 |
| **Average Balance of Impaired Loans for the Year [2]** | $ 33,970 | $ 87,286 | $ 111,921 |
| **Allowance for Loan and Lease Losses on Impaired Loans [2]** | 26,249 | 37,984 | 65,125 |

(1) In conjunction with the automobile loan securitizations in 2003, 2002, and 2001, an allowance for loan and lease losses attributable to the associated loans sold was included as a component of the loan's carrying value upon their sale. The allowance associated with the 2002 sale of the Florida banking and insurance operations was $22.3 million.

(2) Includes impaired commercial and industrial and commercial real estate loans with outstanding balances greater then $500,000. A loan is impaired when it is probable that Huntington will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are included in non-performing assets. There was no interest recognized in 2003, 2002, and 2001 on impaired loans while they were considered impaired.

## 9. Operating Lease Assets

For periods before May 2002, Huntington purchased vehicles, primarily automobiles, for lease to consumers under operating lease arrangements. These operating lease arrangements required the lessee to make a fixed monthly rental payment over a specified lease term, typically from 36 to 66 months. These vehicles, net of accumulated depreciation, were recorded as operating lease assets in the consolidated balance sheet. Rental income is earned by Huntington on the operating lease assets and reported as Non-interest income. These vehicles are depreciated over the term of the lease to the estimated fair value of the vehicle at the end of the lease. The depreciation of these vehicles is reported as a component of Non-interest expense. At the end of the lease, the vehicle is either purchased by the lessee or returned to Huntington. The following is a summary of operating lease assets at December 31:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Cost of operating lease assets (including residual value of $814,078 and $1,325,547, respectively) | $ 2,136,502 | $ 3,260,897 |
| Deferred origination fees and costs | (2,117) | (51,920) |
| Accumulated depreciation | (873,945) | (1,008,452) |
| **Operating Lease Assets, Net** | $ 1,260,440 | $ 2,200,525 |

The future lease rental payments due from customers on operating lease assets at December 31, 2003, totaled $672.7 million and are due as follows: $335.2 million in 2004; $215.5 million in 2005; $105.9 million in 2006; and $16.1 million in 2007. Depreciation expense for each of the years ended December 31, 2003, 2002, and 2001 was $367.5 million, $435.8 million, and $468.7 million, respectively.

## 10. Premises and Equipment

At December 31, premises and equipment stated at cost were comprised of the following:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Land and land improvements | $ 59,347 | $ 56,782 |
| Buildings | 216,076 | 211,700 |
| Leasehold improvements | 127,830 | 123,944 |
| Equipment | 477,385 | 447,374 |
| **Total Premises and Equipment** | 880,638 | 839,800 |
| Less accumulated depreciation and amortization | (530,926) | (498,434) |
| **Net Premises and Equipment** | $ 349,712 | $ 341,366 |

Depreciation and amortization charged to expense and rental income credited to occupancy expense for the year ended December 31 were:

| (in thousands of dollars) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Total depreciation and amortization of premises and equipment | $ 46,746 | $ 46,319 | $ 53,805 |
| Rental income credited to occupancy expense | 14,837 | 15,868 | 17,662 |

## 11. Goodwill and Other Intangible Assets

At December 31, goodwill and other intangible assets, net of accumulated amortization, were comprised of:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Goodwill | $ 210,539 | $211,282 |
| Leasehold intangible | 6,470 | 7,285 |
| **Balance, End of Period** | $ 217,009 | $218,567 |

At December 31, 2003, none of Huntington's goodwill is deductible for tax purposes. Goodwill and other intangible assets, net of accumulated amortization, and related activity for the years ended December 31, 2002 and 2001, were as follows:

| (in thousands of dollars) | Regional Banking | Dealer Sales | PFG | Treasury/ Other | Huntington Consolidated |
|---|---|---|---|---|---|
| **Balance, January 1, 2002** | $ 684,934 | $ — | $ 23,019 | $ 8,101 | $ 716,054 |
| Purchases | 19,508 | — | 9,129 | — | 28,637 |
| Disposals | (504,904) | — | (19,201) | — | (524,105) |
| Amortization | (1,203) | — | — | (816) | (2,019) |
| **Balance, December 31, 2002** | 198,335 | — | 12,947 | 7,285 | 218,567 |
| Disposals | (333) | — | — | — | (333) |
| Amortization | — | — | — | (816) | (816) |
| Adjustments | (409) | — | — | — | (409) |
| **Balance, December 31, 2003** | $ 197,593 | $ — | $ 12,947 | $ 6,469 | $ 217,009 |

During 2003, Huntington completed the sale of certain banking offices in West Virginia, resulting in a $0.3 million write-off of the remaining associated goodwill. The remaining $0.4 million write-off related to an adjustment of the goodwill amount recorded as part of the LeaseNet acquisition in 2002. The additions totaling $28.6 million for 2002 related to the acquisitions of LeaseNet and Haberer. No impairment of goodwill was recognized in 2003 or 2002.

Before the sale of Huntington's operations in Florida, a majority of goodwill and other intangible assets related to those operations. A substantial portion of the remaining goodwill is attributable to the previously acquired banking operations reported under the Regional Banking line of business. In 2001, prior to the adoption of Statement No. 142, Huntington amortized $16.2 million, or $0.06 per share, of non-deductible goodwill and $22.9 million, or $0.09 per share, of deductible goodwill. For the years 2004 through 2008, amortization expense associated with the leasehold intangible is expected to be $0.8 million each year.

## 12. Deposits

At December 31, deposits were comprised of the following:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Demand deposits | | |
| Non-interest bearing | $ 2,986,992 | $ 3,058,044 |
| Interest bearing | 6,411,380 | 5,389,920 |
| Savings deposits | 2,959,993 | 2,851,158 |
| Retail certificates of deposit | 2,461,531 | 3,261,403 |
| Other domestic time deposits | 631,205 | 694,903 |
| **Total Core Deposits** | 15,451,101 | 15,255,428 |
| Domestic time deposits of $100,000 or more | 789,341 | 731,959 |
| Brokered time deposits and negotiable CDs | 1,771,738 | 1,092,754 |
| Foreign time deposits | 475,215 | 419,185 |
| **Total Deposits** | $ 18,487,395 | $ 17,499,326 |

Core deposits are comprised of interest bearing and non-interest bearing demand deposits, savings deposits, retail certificates of deposit, and other domestic time deposits. Other domestic time deposits are comprised of certificates of deposit under $100,000 and all IRA deposits. Brokered time deposits represent funds obtained by or through a deposit broker. At December 31, 2003, $900 million of brokered deposits were issued in denominations of $100,000 or more and participated by the broker in shares of $100,000 or less. Foreign time deposits were comprised of time certificates of deposit issued by Huntington's foreign offices in denomination of $100,000 or more. Foreign deposits are interest bearing and all mature in one year or less.

The aggregate amount of certificates of deposit and other time deposits outstanding in domestic offices was $5.7 billion and $5.8 billion at December 31, 2003 and 2002, respectively. The contractual maturity of these deposits at the end of 2003 was as follows: $2.7 billion in 2004; $971 million in 2005; $619 million in 2006; $537 million in 2007; $185 million in 2008; and $684 million thereafter.

Domestic certificates of deposit and other time deposits of $100,000 or more totaled $2.6 billion at the end of 2003 and $1.9 billion at the end of 2002. The contractual maturity of these deposits at December 31, 2003, was as follows: $680 million in three months or less; $296 million after three months through six months; $254 million after six months through twelve months; and $1,406 million after twelve months.

Demand deposit overdrafts that have been reclassified as loan balances were $16.6 million and $18.2 million at December 31, 2003 and 2002, respectively.

## 13. Short-term Borrowings

At December 31, short-term borrowings were comprised of the following:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Federal funds purchased | $ 230,585 | $ 1,244,637 |
| Securities sold under agreements to repurchase | 1,147,473 | 813,886 |
| Commercial paper | 3,481 | 5,031 |
| Other | 70,765 | 77,462 |
| **Total Short-term Borrowings** | $ 1,452,304 | $ 2,141,016 |

Information concerning securities sold under agreements to repurchase at December 31 is summarized as follows:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Average balance during the year | $ 880,363 | $ 1,012,690 |
| Average interest rate during the year | 0.73% | 1.15% |
| Maximum month-end balance during the year | $ 1,276,761 | $ 1,487,819 |

Commercial paper is issued by Huntington Bancshares Financial Corporation, a non-bank subsidiary, with principal and interest guaranteed by the parent company.

As a result of a formal Securities and Exchange Commission investigation, which is more fully described in Note 26, one rating agency placed Huntington's debt rating on "Credit Watch Negative" pending completion of the investigation. As a result of this action by the credit agency, one investor reduced its unsecured line of credit available to Huntington. As of December 31, 2003, there were no borrowings against the unsecured line of credit.

## 14. Federal Home Loan Bank Advances

Huntington's long-term advances from the Federal Home Loan Bank had weighted average interest rates of 1.23% and 1.62% at December 31, 2003 and 2002, respectively. These advances, which had a combination of fixed and variable interest rates, were collateralized by qualifying real estate loans and securities. As of December 31, 2003 and 2002, Huntington's maximum borrowing capacity was $1.4 billion and $1.3 billion, respectively. The advances of $1.3 billion mature over the next five years as follows: $3 million in 2004; $100 million in 2005; none in 2006; $900 million in 2007; and $270 million in 2008. The terms of advances include various restrictive covenants including limitations on the acquisition of additional debt in excess of specified levels, dividend payments, and the disposition of subsidiaries. As of December 31, 2003, Huntington was in compliance with all such covenants.

## 15. Subordinated Notes

At December 31, Huntington's subordinated notes consisted of the following:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| **Parent Company:** | | |
| 2.40% junior subordinated debentures due 2027 [(1)] | $ 206,186 | $ — |
| 2.33% junior subordinated debentures due 2028 [(2)] | 103,093 | — |
| **The Huntington National Bank:** | | |
| Floating rate subordinated notes due 2008 | 100,000 | 100,000 |
| 8.00% subordinated notes due 2010 | 162,769 | 164,812 |
| 4.90% subordinated notes due 2014 | 198,431 | — |
| 6.60% subordinated notes due 2018 | 219,991 | 220,824 |
| 7.62% subordinated notes due 2003 | — | 150,572 |
| 6.75% subordinated notes due 2003 | — | 102,470 |
| **Total Subordinated Notes** | $ 990,470 | $ 738,678 |

(1) Variable effective rate at December 31, 2003, based on three month LIBOR + 0.70%.
(2) Variable effective rate at December 31, 2003, based on three month LIBOR + 0.625%.

Amounts above are reported net of unamortized discounts and include values related to hedging with derivative financial instruments. The derivative instruments, principally interest rate swaps, are used to match the funding rates on certain assets by hedging the cash flow variability associated with certain variable-rate debt by converting the debt to fixed-rate and hedging the fair values of certain fixed-rate debt by converting the debt to a variable rate. See Note 28 for more information regarding such financial instruments.

The weighted-average interest rate for subordinated notes was 6.36% at December 31, 2003, and 6.47% at the end of 2002. The Huntington National Bank's floating rate subordinated notes were issued in 1998 and are based on three-month LIBOR. At December 31, 2003, these notes carried an interest rate of 1.62%.

At December 31, 2002, Huntington reported $300 million of company obligated mandatorily redeemable preferred capital securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company (Capital Securities). One subsidiary trust held $200 million of Capital Securities, bearing interest at three-month LIBOR plus 0.70% and due February 1, 2027. The other subsidiary trust held $100 million of Capital Securities, bearing interest at three-month LIBOR plus 0.625% and due June 15, 2028.

With the adoption of FIN 46, these two subsidiary trusts are no longer consolidated. As a result, the Capital Securities are no longer reported as obligations of Huntington. Also, the junior subordinated debentures of the parent company are no longer eliminated in consolidation as an inter-company item and are therefore reported as obligations of Huntington. At December 31, 2003, the parent company had an equity investment in both of the business trusts of $9.3 million.

## 16. Other Long-Term Debt

At December 31, Huntington's other long-term debt consisted of the following:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| The Huntington National Bank | $ 4,394,509 | $ 2,305,123 |
| Parent company (maturing in 2005 and interest rate of 2.57%) (1) | 100,000 | 140,000 |
| Class C preferred securities of REIT subsidiary (no maturity and interest rate of 7.88%) | 50,000 | 50,000 |
| **Total Other Long-Term Debt** | $ 4,544,509 | $ 2,495,123 |

(1) Variable effective rate at December 31, 2003, based on three month LIBOR + 1.40%.

Amounts above are reported net of unamortized discounts and include values related to hedging with derivative financial instruments. The derivative instruments, principally interest rate swaps, are used to match the funding rates on certain assets by hedging the cash flow variability associated with certain variable-rate debt by converting the debt to fixed-rate and hedging the fair values of certain fixed-rate debt by converting the debt to a variable rate. See Note 28 for more information regarding such financial instruments.

The weighted-average interest rate for other long-term debt at December 31, 2003 and 2002, was 1.67% and 1.56%, respectively. The parent company issued $100 million of long-term notes in 2002 that mature in 2004. The parent company long-term notes issued in 2001 matured in the first quarter of 2003. At December 31, 2003, Huntington's other long term debt included $500 million of secured borrowings, which had variable rates based on the five-year and ten-year constant maturity indices. At December 31, 2003, these secured borrowings had a remaining average maturity of 1.5 years and a weighted average cost of 1.70%.

The terms of the other long-term debt obligations contain various restrictive covenants including limitations on the acquisition of additional debt in excess of specified levels, dividend payments, and the disposition of subsidiaries. As of December 31, 2003, Huntington was in compliance with all such covenants.

Other long-term debt maturities for the next five years are as follows: $1.2 billion in 2004; $1.8 billion in 2005; $0.4 billion in 2006; none in 2007; $0.2 billion in 2008; and $0.9 billion in 2009 and thereafter. In the fourth quarter of 2003, Huntington extinguished $250 million of secured, long-term debt and recognized, in other expense, a loss of $15.3 million. The weighted-average rate on the secured, long-term debt that was extinguished was 4.98%.

## 17. 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. During 2002, the previously reported segments, Retail Banking and Corporate Banking, were combined and renamed Regional Banking. Since this segment is managed through seven geographically defined regions where each region's management has responsibility for both retail and corporate banking business development, combining these two previously separate segments better reflects the management accountability and decision making structure. In addition, changes were made to the methodologies utilized for certain balance sheet and income statement allocations from Huntington's management reporting system. The prior periods have not been restated for these methodology changes.

Management relies on "operating earnings" for review of performance and for critical decision making purposes. Operating earnings exclude the impact of the significant items listed in the reconciliation table below. See Note 21 to the consolidated financial statements for further discussions regarding Restructuring and Note 22 regarding the sale of Huntington's Florida banking and insurance operations. The financial information that follows is inclusive of the above adjustments on an after-tax basis to reflect the reconciliation to reported net income.

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 and services are offered in seven operating regions within the five states of Ohio, Michigan, West Virginia, Indiana, and Kentucky through Huntington's traditional banking network. Each region is further divided into Retail and Commercial Banking units. Retail products and services include home equity loans and lines of credit, first mortgage loans, direct installment loans, business loans, personal and business deposit products, as well as sales of investment and insurance services. Retail products and services comprise 51% and 84%, of total regional banking loans and deposits, respectively. These products and services are delivered to customers through banking offices, ATMs, Direct Bank—Huntington's customer service center, and Web Bank at huntington.com. Commercial banking products include middle-market and large commercial banking relationships which use a variety of banking products and services including, but not limited to, commercial and industrial loans, international trade, and cash management, leasing, interest rate protection products, capital market alternatives, 401(k) plans, and mezzanine investment capabilities.

**Dealer Sales:** This segment 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 automobiles under long-term direct financing leases, finances the dealership's floor plan inventories, real estate, or working capital needs, and provides other banking services to the automotive dealerships and their owners.

**Private Financial Group:** This segment provides products and services designed to meet the needs of Huntington's higher net worth customers. Revenue is derived through trust, asset management, investment advisory, brokerage, insurance, and private banking products and services. The trust division provides fiduciary services to more than 11,000 accounts with assets totaling $37.5 billion, including $8.4 billion managed by the Private Financial Group (PFG). In addition, PFG has over $500 million in assets managed by Haberer Registered Investment Advisor, which provides investment management services to nearly 400 customers.

**Treasury/Other:** This segment includes revenue and expense related assets, liabilities, and equity that are not directly assigned or allocated to one of the three business segments. Assets included in this segment include bank owned life insurance, investment securities, and mezzanine loans originated through Huntington Capital Markets.

Since a funds transfer pricing system is used to attribute appropriate funding interest income and interest expense to other business segments, Treasury/Other segment results include the net impact of any over or under allocations arising from centralized management of interest rate risk. This includes 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 portfolios as part of overall liquidity management. Additionally, gains or losses not allocated to other business segments are also a component.

Listed below is certain operating basis financial information reconciled to Huntington's 2003, 2002, and 2001 reported results by line of business:

| Income Statements (in thousands of dollars) | Regional Banking | Dealer Sales | PFG | Treasury/ Other | Huntington Consolidated |
|---|---|---|---|---|---|
| **2003** | | | | | |
| Net interest income | $ 605,363 | $ 107,190 | $ 41,937 | $ 94,496 | $ 848,986 |
| Provision for loan and lease losses | (93,989) | (59,469) | (4,796) | (5,739) | (163,993) |
| Non-interest income | 317,717 | 525,968 | 107,940 | 64,377 | 1,016,002 |
| Non-interest expense | (563,246) | (481,353) | (105,153) | (71,823) | (1,221,575) |
| Income taxes | (93,046) | (32,317) | (13,975) | 16,643 | (122,695) |
| **Operating Earnings** | 172,799 | 60,019 | 25,953 | 97,954 | 356,725 |
| Restructuring releases | — | — | — | 4,333 | 4,333 |
| Gain on sale of automobile loans | — | 13,493 | — | 12,532 | 26,025 |
| Cumulative effect of change in accounting principle | — | (10,888) | — | (2,442) | (13,330) |
| Gain on sale of branch offices | — | — | — | 8,523 | 8,523 |
| Long-term debt extinguishment | — | — | — | (9,913) | (9,913) |
| **Reported Earnings** | $ 172,799 | $ 62,624 | $ 25,953 | $ 110,987 | $ 372,363 |
| **2002** | | | | | |
| Net interest income | $ 575,004 | $ 5,344 | $ 35,826 | $ 123,676 | $ 739,850 |
| Provision for loan and lease losses | (133,895) | (46,335) | (3,480) | (5,530) | (189,240) |
| Non-interest income | 264,054 | 687,543 | 108,937 | 60,807 | 1,121,341 |
| Non-interest expense | (531,009) | (609,833) | (103,089) | (61,033) | (1,304,964) |
| Income taxes | (60,954) | (12,852) | (13,368) | (104) | (87,278) |
| **Operating Earnings** | 113,200 | 23,867 | 24,826 | 117,816 | 279,709 |
| Restructuring charges | — | — | (3,429) | (28,403) | (31,832) |
| Florida operations sold | 1,270 | 790 | 1,428 | (5,013) | (1,525) |
| Gain on sale of Florida operations | — | — | — | 61,422 | 61,422 |
| Merchant Services restructuring gain | — | — | — | 15,957 | 15,957 |
| **Reported Earnings** | $ 114,470 | $ 24,657 | $ 22,825 | $ 161,779 | $ 323,731 |
| **2001** | | | | | |
| Net interest income | $ 597,062 | $ (26,692) | $ 36,604 | $ 26,041 | $ 633,015 |
| Provision for loan and lease losses | (161,883) | (78,822) | (460) | (1,040) | (242,205) |
| Non-interest income | 257,835 | 712,452 | 86,735 | 65,928 | 1,122,950 |
| Non-interest expense | (497,781) | (638,057) | (93,771) | (89,974) | (1,319,583) |
| Income taxes | (68,332) | 10,892 | (10,188) | 74,232 | 6,604 |
| **Operating Earnings (loss)** | 126,901 | (20,227) | 18,920 | 75,187 | 200,781 |
| Restructuring charges | (5,948) | (10,400) | (2,990) | (32,634) | (51,972) |
| Florida operations sold | 19,761 | 2,902 | 5,663 | (42,339) | (14,013) |
| **Reported Earnings (loss)** | $ 140,714 | $ (27,725) | $ 21,593 | $ 214 | $ 134,796 |

| Balance Sheets | Assets At December 31, | | | Deposits At December 31, | | |
|---|---|---|---|---|---|---|
| (in millions of dollars) | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| Regional Banking | $ 14,933 | $ 13,942 | $ 12,846 | $ 15,546 | $ 15,299 | $ 14,282 |
| Dealer Sales | 9,798 | 9,114 | 7,463 | 71 | 58 | 61 |
| PFG | 1,463 | 1,205 | 878 | 1,163 | 938 | 712 |
| Treasury/Other | 4,290 | 3,317 | 4,157 | 1,707 | 1,204 | 464 |
| Subtotal | 30,484 | 27,578 | 25,344 | 18,487 | 17,499 | 15,519 |
| Florida | — | — | 3,073 | — | — | 4,668 |
| **Total** | $ 30,484 | $ 27,578 | $ 28,417 | $ 18,487 | $ 17,499 | $ 20,187 |

## 18. Comprehensive Income

The components of Huntington's Other Comprehensive Income in each of the three years ended December 31 were as follows:

| (in thousands of dollars) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Cumulative effect of change in accounting method for derivatives used in cash flow hedging relationships: | | | |
| Unrealized net losses | $ — | $ — | $ (14,020) |
| Related tax benefit | — | — | 4,907 |
| Net | — | — | (9,113) |
| Minimum pension liability: | | | |
| Unrealized net loss | (1,714) | (300) | — |
| Related tax benefit | 600 | 105 | — |
| Net | (1,114) | (195) | — |
| Unrealized holding gains and losses on securities available for sale arising during the period: | | | |
| Unrealized net (losses) gains | (67,520) | 46,655 | 84,256 |
| Related tax benefit (expense) | 23,511 | (16,082) | (29,796) |
| Net | (44,009) | 30,573 | 54,460 |
| Unrealized holding gains and losses on derivatives used in cash flow hedging relationships arising during the period: | | | |
| Unrealized net (losses) gains | (17,048) | 14,799 | 7,895 |
| Related tax benefit (expense) | 5,967 | (5,179) | (2,763) |
| Net | (11,081) | 9,620 | 5,132 |
| Less: Reclassification adjustment for net gains from sales of securities available for sale realized during the period: | | | |
| Realized net gains | 5,258 | 4,902 | 723 |
| Related tax expense | (1,840) | (1,716) | (252) |
| Net | 3,418 | 3,186 | 471 |
| **Total Other Comprehensive (Loss) Income** | $ (59,622) | $ 36,812 | $ 50,008 |

Activity in Accumulated Other Comprehensive Income for the most recent three years is as follows:

| (in thousands of dollars) | Minimum pension liability | Unrealized gains and losses on securities available for sale | Unrealized gains and losses on derivative instruments used in cash flow hedging relationships | Total |
|---|---|---|---|---|
| **Balance, January 1, 2001** | $ — | $ (24,520) | $ — | $ (24,520) |
| Change in accounting method | — | — | (9,113) | (9,113) |
| Current-period change | — | 53,989 | 5,132 | 59,121 |
| **Balance, December 31, 2001** | — | 29,469 | (3,981) | 25,488 |
| Current-period change | (195) | 27,387 | 9,620 | 36,812 |
| **Balance, December 31, 2002** | (195) | 56,856 | 5,639 | 62,300 |
| Current-period change | (1,114) | (47,427) | (11,081) | (59,622) |
| **Balance, December 31, 2003** | $ (1,309) | $ 9,429 | $ (5,442) | $ 2,678 |

## 19. 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 for stock options. The calculation of basic and diluted earnings per share for each of the three years ended December 31 is as follows:

| (in thousands, except per share amounts) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Income Before Cumulative Effect of Accounting Change** | $ 385,693 | $ 323,731 | $ 134,796 |
| **Net income** | $ 372,363 | $ 323,731 | $ 134,796 |
| Average common shares outstanding | 229,401 | 242,279 | 251,078 |
| Dilutive effect of common stock equivalents | 2,181 | 1,733 | 638 |
| **Diluted Average Common Shares Outstanding** | 231,582 | 244,012 | 251,716 |
| **Earnings Per Share** | | | |
| Basic | | | |
| Income before cumulative effect of accounting change | $ 1.68 | $ 1.34 | $ 0.54 |
| Net income | $ 1.62 | $ 1.34 | $ 0.54 |
| Diluted | | | |
| Income before cumulative effect of accounting change | $ 1.67 | $ 1.33 | $ 0.54 |
| Net income | $ 1.61 | $ 1.33 | $ 0.54 |

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 2.8 million, 7.7 million, and 9.9 million stock options were outstanding at the end of 2003, 2002, and 2001, respectively. These outstanding options 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 $26.74 per share, $22.19 per share, and $20.96 per share at the end of the same respective periods.

At December 31, 2003, a total of 544,357 common shares associated with a recent 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 are also held in escrow.

## 20. Stock-based Compensation

Huntington sponsors nonqualified and incentive stock option plans. These plans provide for the granting of stock options to officers and other employees. Huntington's board of directors has approved all of the plans. Shareholders have approved each of the plans, except for the broad-based Employee Stock Incentive Plan. Approximately 25.7 million shares have been authorized under the plans, of which 5.7 million were available for future grants at December 31, 2003. Options that were granted in the most recent six years vest ratably over three years or when other conditions are met while those granted in 1994 through 1997 vested ratably over four years. All grants preceding 1994 became fully exercisable after one year. All options granted have a maximum term of ten years.

The fair value of the options granted was estimated at the date of grant using a Black-Scholes option-pricing model. Huntington's stock option activity and related information for each of the recent three years ended December 31 is summarized below:

| | 2003 | | 2002 | | 2001 | |
|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | Options | Weighted-Average Exercise Price | Options | Weighted-Average Exercise Price | Options | Weighted-Average Exercise Price |
| **Outstanding at Beginning of Year** | 18,024 | $ 18.93 | 14,649 | $ 18.70 | 9,482 | $ 19.26 |
| Granted | 3,659 | 20.38 | 5,511 | 18.78 | 6,820 | 17.46 |
| Exercised | (788) | 14.40 | (887) | 12.79 | (606) | 9.30 |
| Forfeited/expired | (898) | 19.32 | (1,249) | 19.89 | (1,047) | 21.13 |
| **Outstanding at End of Year** | 19,997 | $ 19.40 | 18,024 | $ 18.93 | 14,649 | $ 18.70 |
| **Exercisable at End of Year** | 9,649 | $ 19.60 | 8,352 | $ 19.62 | 7,346 | $ 19.34 |
| **Weighted-Average Fair Value of Options Granted During the Year** | | $ 5.64 | | $ 5.18 | | $ 4.55 |

Additional information regarding options outstanding as of December 31, 2003, is as follows:

| (in thousands, except per share amounts) | Options Outstanding | | | Exercisable Options | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Shares | Weighted-Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| $10.51 to $15.50 | 3,220 | 5.2 | $ 14.52 | 2,984 | $ 14.49 |
| $15.51 to $20.50 | 13,921 | 8.2 | 19.05 | 3,876 | 18.39 |
| $20.51 to $25.50 | 488 | 4.9 | 23.44 | 421 | 23.81 |
| $25.51 to $28.35 | 2,368 | 5.1 | 27.26 | 2,368 | 27.26 |
| **Total** | 19,997 | 7.2 | $ 19.40 | 9,649 | $ 19.60 |

Included in the above options outstanding, the company has the following options, which were granted to all employees, whose vesting occurs five years from the date of grant or upon Huntington's common stock closing for five consecutive trading days at or above a Vesting Price:

(in thousands, except per share amounts)

| Grant Date | Exercise Price | Shares Under Option | Vesting Date | Vesting Price |
|---|---|---|---|---|
| September 4, 2001 | $ 17.99 | 2,269,600 | 09/04/2006 | $ 25.00 |
| August 27, 2002 | 19.94 | 1,979,250 | 08/27/2007 | 27.00 |

## 21. Restructuring Reserves

In 2002 and 2001, Huntington reserved $49.0 million and $80.0 million, respectively, for the implementation of the 2001 strategic refocusing plan. The strategic refocusing plan included the sale of Huntington's banking and insurance operations in Florida, the consolidation of certain banking offices, and other actions to strengthen Huntington's balance sheet and financial performance. The 1998 reserve was established for, among other items, the exit from under-performing product lines, including possible third party claims related to these exits. During 2003, Huntington released $6.7 million of restructuring reserves through a credit to the restructuring charges line of non-interest expense in the accompanying consolidated income statement. Released reserves of $3.8 million related to those established in 1998 and $2.9 million related to the strategic refocusing plan established in 2001. On a quarterly basis, Huntington assesses its remaining restructuring reserves and makes adjustments to those reserves as necessary. As of December 31, 2003, Huntington had remaining reserves for restructuring of $13.6 million. Huntington expects that the reserves will be adequate to fund the estimated cash outlays necessary to complete the exit activities.

## 22. 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's pre-tax gain from this sale was $13.1 million in the third quarter of 2003 and is reflected as a separate component of non-interest income.

On July 18, 2002, Huntington announced the restructuring of its investment in Huntington Merchant Services LLC, the company's merchant services business. Huntington sold its Florida-related merchant business and decreased its equity investment in Huntington Merchant Services. As a result of the transaction, Huntington recorded a gain of $24.6 million.

On July 2, 2002, Huntington completed the sale of its Florida insurance operations to members of The J. Rolfe Davis Insurance Agency, Inc. management. Though the sale affected selected non-interest income and non-interest expense categories, it had no material gain or impact on 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 $0.25 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. At December 31, 2003, Huntington had a contingency reserve of $1.6 million related to the sale of its Florida banking and insurance operations. Huntington expects that this contingency reserve will be adequate to fund estimated future cash outlays.

## 23. Benefit Plans

Huntington sponsors the Huntington Bancshares Retirement Plan (the Plan), a non-contributory defined benefit pension plan covering substantially all employees. The Plan provides benefits based upon length of service and compensation levels. The funding policy of Huntington is to contribute an annual amount that is at least equal to the minimum funding requirements but not more than that deductible under the Internal Revenue Code.

In addition, Huntington has an unfunded defined benefit post-retirement plan that provides certain healthcare and life insurance benefits to retired employees who have attained the age of 55 and have at least 10 years of vesting service under this plan. For any employee retiring on or after January 1, 1993, post-retirement healthcare benefits are based upon the employee's number of months of service and are limited to the actual cost of coverage. Life insurance benefits are a percentage of the employee's base salary at the time of retirement, with a maximum of $50,000 of coverage.

The following table shows the weighted-average assumptions used to determine the benefit obligation at December 31, 2003 and 2002, and the net periodic benefit cost for the years then ended. Huntington's actuary has used September 30, 2003, as the measurement date for all calculations.

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| **Weighted-average assumptions used to determine benefit obligations at December 31** | | | | |
| Discount rate | 6.00% | 6.75% | 6.00% | 6.75% |
| Rate of compensation increase | 5.00 | 5.00 | N/A | N/A |
| **Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31** | | | | |
| Discount rate | 6.75% | 7.50% | 6.75% | 7.50% |
| Expected return on plan assets | 8.50 | 9.75 | N/A | N/A |
| Rate of compensation increase | 5.00 | 5.00 | N/A | N/A |

The investment objective of the Plan is to maximize the return on Plan assets over a long time horizon, while meeting the Plan obligations. At September 30, 2003, Plan assets were invested 71% in equity investments and 29% in bonds, with an average duration of five years on bond investments. The estimated life of benefit obligations was 14 years. Management believes that this mix is appropriate for the current economic environment. For 2004, Huntington lowered its assumptions for the expected return on Plan assets and discount rate. A 7% expected return on Plan assets was estimated based upon the current mix and duration of Plan assets. A 6% assumed discount rate was based upon the Moody's daily long-term corporate Aa bond yield as of the Plan's measurement date. The impact of lowering these assumptions will increase Huntington's 2004 pension expense. Partially offsetting this increase, is a modification made to the assumed rate of compensation increase. Although the assumption remains at 5%, it is now based upon the demographics of the employees covered by the plan and considers an age-based salary scale ranging from 3% to 9%, resulting in an average increase of 5%. In the past, Huntington has utilized a flat percentage increase for all employees.

The following table reconciles the beginning and ending balances of the benefit obligation of the Plan and the post-retirement benefit plan with the amounts recognized in the consolidated balance sheets at December 31:

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2003 | 2002 |
| **Change in Benefit Obligation:** | | | | |
| Projected benefit obligation at beginning of measurement year | $ 253,456 | $ 212,935 | $ 53,552 | $ 51,430 |
| Changes due to: | | | | |
| Service cost | 9,567 | 7,973 | 1,121 | 1,126 |
| Interest cost | 16,647 | 15,458 | 3,479 | 3,603 |
| Benefits paid | (6,542) | (6,049) | (2,967) | (3,456) |
| Settlements | (9,684) | (12,359) | — | — |
| Curtailment | — | — | — | (1,472) |
| Plan amendments | — | 1,423 | — | — |
| Actuarial assumptions and gains and losses | 35,584 | 34,075 | 305 | 2,321 |
| Total changes | 45,572 | 40,521 | 1,938 | 2,122 |
| **Projected Benefit Obligation at End of Measurement Year** | $ 299,028 | $ 253,456 | $ 55,490 | $ 53,552 |

The following table reconciles the beginning and ending balances of the fair value of Plan assets with the amounts recognized in the consolidated balance sheets at the September 30, 2003, measurement date:

| | Pension Benefits | |
|---|---|---|
| (in thousands of dollars) | 2003 | 2002 |
| **Change in Plan Assets:** | | |
| Fair Value of Plan Assets at beginning of measurement year | $ 246,643 | $ 226,959 |
| Changes due to: | | |
| Actual return on plan assets | 33,594 | (16,395) |
| Employer contributions | 25,000 | 55,000 |
| Settlements | (10,126) | (12,872) |
| Benefits paid | (6,542) | (6,049) |
| Total changes | 41,926 | 19,684 |
| **Fair Value of Plan Assets at End of Measurement Year (September 30)** | $ 288,569 | $ 246,643 |

Huntington’s accumulated benefit obligation was $262 million and $215 million at September 30, 2003 and 2002, respectively. In both years, the fair value of Huntington’s plan assets exceeded its accumulated benefit obligation.

The following table presents the funded status of the Plan and the post-retirement benefit plan with the amounts recognized in the consolidated balance sheets at December 31:

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2003 | 2002 |
| Projected benefit obligation greater than plan assets | $ (10,459) | $ (6,813) | $ (55,490) | $ (53,552) |
| Unrecognized net actuarial loss | 118,952 | 97,763 | 2,229 | 1,924 |
| Unrecognized prior service cost | 1,790 | 1,791 | 4,439 | 5,043 |
| Unrecognized transition (asset) liability, net of amortization | (1) | (256) | 9,936 | 11,040 |
| **Prepaid (Accrued) Benefit Costs** | $ 110,282 | $ 92,485 | $ (38,886) | $ (35,545) |

The following table shows the components of net periodic benefit cost recognized in the most recent three years:

| | Pension Benefits | | | Post-Retirement Benefits | | |
|---|---|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| Service cost | $ 9,817 | $ 8,263 | $ 8,394 | $ 1,121 | $ 1,126 | $ 1,060 |
| Interest cost | 16,647 | 15,458 | 14,675 | 3,479 | 3,603 | 3,435 |
| Expected return on plan assets | (25,138) | (26,416) | (22,821) | — | — | — |
| Amortization of transition asset | (251) | (265) | (259) | 1,104 | 1,104 | 1,261 |
| Amortization of prior service cost | — | (185) | (305) | 605 | 605 | 693 |
| Curtailments | — | 2,022 | — | — | 2,526 | — |
| Settlements | 4,354 | 3,373 | 471 | — | — | — |
| Recognized net actuarial loss (gain) | 1,774 | — | (535) | — | — | (31) |
| **Benefit Cost (Gain)** | $ 7,203 | $ 2,250 | $ (380) | $ 6,309 | $ 8,964 | $ 6,418 |

The curtailment reflected above related to the sale of the Florida banking and insurance operations. This expense was recognized in Huntington's results of operations in 2002. It is Huntington's policy to recognize settlement gains and losses as incurred. Management expects net periodic pension cost to approximate $20 million and net periodic post-retirement benefits cost to approximate $6 million for 2004.

At September 30, 2003 and 2002, The Huntington National Bank, as trustee, held all Plan assets. The Plan assets consisted of investments in a variety of Huntington mutual funds and Huntington common stock as follows:

| | Fair Value | | | |
|---|---|---|---|---|
| | 2003 | | 2002 | |
| (in thousands of dollars) | Balance | % | Balance | % |
| Cash | $ — | — | $ 5,000 | 2% |
| Huntington Funds—money market | 1,570 | 1% | 14,993 | 6% |
| Huntington Funds—equity funds | 191,616 | 66% | 146,024 | 59% |
| Huntington Funds—fixed income funds | 82,520 | 29% | 69,340 | 28% |
| Huntington Common Stock | 12,863 | 4% | 11,786 | 5% |
| **Fair Value of Plan Assets at September 30** | $288,569 | 100% | 246,643 | 100% |

The number of shares of Huntington common stock held by the Plan was 642,364 at ,September 30, 2003 and 2002. Dividends and interest received by the Plan during 2003 and 2002 were $7.0 million and $6.1 million, respectively. The Plan has acquired and held Huntington common stock in compliance at all times with Section 407 of the Employee Retirement Income Security Act of 1978.

The following table shows when benefit payments, which include expected future service, as appropriate, are expected to be paid:

| (in thousands of dollars) | Pension Benefits | Post-Retirement Benefits |
|---|---|---|
| **Fiscal Year:** | | |
| 2004 | $ 14,525 | $ 3,974 |
| 2005 | 15,710 | 4,190 |
| 2006 | 16,712 | 4,376 |
| 2007 | 18,351 | 4,503 |
| 2008 | 20,096 | 4,586 |
| 2009 through 2013 | 120,240 | 23,884 |

Expected contributions for 2004 for the Plan cannot be reasonably determined until pension funding reform measures currently pending in Congress are enacted, which is expected to be in the first quarter of 2004. Expected contributions for 2004 for the Post-Retirement Benefit plan are $4.0 million.

The assumed healthcare cost trend rate has a significant effect on the amounts reported. A one-percentage point increase would increase service and interest costs and the post-retirement benefit obligation by $69,000 and $0.8 million, respectively. A one-

percentage point decrease would reduce service and interest costs by $63,000 and the post-retirement benefit obligation by $0.7 million. The 2004 healthcare cost trend rate was projected to be 12.18% for pre-65 participants and 12.23% for post-65 participants compared with an estimate of 13.35% for pre-65 participants and 13.53% for post-65 participants in 2002. These rates are assumed to decrease gradually until they reach 5.09% for pre-65 participants and 5.17% for post-65 participants in the year 2017 and remain at that level thereafter. Huntington updated the immediate healthcare cost trend rate assumption based on current market data and Huntington's claims experience. This trend rate is expected to decline over time to a trend level consistent with medical inflation and long-term economic assumptions.

Huntington also sponsors other retirement plans. One of those plans is an unfunded Supplemental Executive Retirement Plan. This plan is a nonqualified plan that provides certain former officers of Huntington and its subsidiaries with defined pension benefits in excess of limits imposed by federal tax law. At December 31, 2003 and 2002, the accrued pension liability for this plan totaled $14.7 million and $14.3 million, respectively. Pension expense for the plan was $0.9 million in 2003, $1.3 million in 2002, and $2.1 million in 2001.

Other plans, including plans assumed in various past acquisitions, are unfunded, nonqualified plans that provide certain active and former officers of Huntington and its subsidiaries nominated by Huntington's compensation committee with deferred compensation, post-employment, and/or defined pension benefits in excess of the qualified plan limits imposed by federal tax law. These plans had a collective accrued liability of $8.6 million and $15.2 million at December 31, 2003 and 2002, respectively. Expense for these plans was $0.8 million in 2003, $1.0 million in 2002, and $1.8 million for 2001. At December 31, 2003, a minimum pension asset of $1.6 million and a reduction in accumulated other comprehensive income minimum pension liability of $1.7 million ($1.1 million after-tax) was recorded collectively for these plans.

Huntington recorded a minimum pension liability associated with the Supplemental Retirement Income Plan and various other benefit plans based on its actuarial valuation dated September 30, 2003 and 2002. The minimum pension liability was recognized because the plan's accumulated benefit obligation exceeded the fair value of its assets. A pension asset of $1.6 million and $1.4 million in 2003 and 2002, respectively was recorded equal to the plan's unrecognized prior service cost. The amount of the minimum pension liability that exceeded the pension asset, which represented a net loss not yet recognized as a net period pension cost, amounted to $1.1 million and $0.2 million in 2003 and 2002, respectively. The increase of $1.1 million was recorded as a reduction of equity, net of applicable taxes, as a separate component of accumulated other comprehensive income.

Huntington has a defined contribution plan that is available to eligible employees. Matching contributions by Huntington equal 100% on the first 3%, then 50% on the next 2%, of participant elective deferrals. The cost of providing this plan was $8.6 million in 2003, $8.4 million in 2002, and $8.7 million in 2001. The number of shares of Huntington common stock held by this plan was 8,368,383 at December 31, 2003 and 8,812,405 at the end of the prior year. The market value of these shares was $188.3 million and $164.9 million at the same respective dates. Dividends received by the plan during 2003 were $7.6 million and $11.3 million during 2002.

## 24. Income Taxes

The following is a summary of income tax expense (benefit):

| (in thousands of dollars) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Currently payable (receivable) | | | |
| Federal | $ 138,036 | $ 102,256 | $ (130,917) |
| State | — | — | — |
| Total current | 138,036 | 102,256 | (130,917) |
| Deferred tax expense | | | |
| Federal | 258 | 96,718 | 91,598 |
| State | — | — | — |
| Total deferred | 258 | 96,718 | 91,598 |
| **Income Tax Expense (Benefit)** | $ 138,294 | $ 198,974 | $ (39,319) |

Tax expense associated with securities transactions included in the above amounts was $1.8 million in 2003, $1.7 million in 2002, and $0.3 million in 2001.

The following is a reconcilement of income tax expense to the amount computed at the statutory rate of 35%:

| | 2003 | | 2002 | | 2001 | |
|---|---|---|---|---|---|---|
| (in thousands of dollars) | Amount | Rate | Amount | Rate | Amount | Rate |
| Income tax expense computed at the statutory rate | $ 183,396 | 35.0% | $ 182,947 | 35.0% | $ 33,416 | 35.0% |
| Increases (decreases): | | | | | | |
| Tax-exempt income | (21,441) | (4.1) | (18,621) | (3.6) | (18,486) | (19.4) |
| Asset securitization activities | (2,738) | (0.5) | (8,244) | (1.6) | (21,527) | (22.6) |
| Subsidiary capital activities | — | — | — | — | (32,500) | (34.0) |
| Nondeductible goodwill | — | — | 52,500 | 10.0 | 5,729 | 6.0 |
| General business credits | (11,176) | (2.1) | (2,100) | (0.4) | (2,100) | (2.2) |
| Other, net | (9,747) | (1.9) | (7,508) | (1.3) | (3,851) | (4.0) |
| **Income Taxes** | $ 138,294 | 26.4% | $ 198,974 | 38.1% | $ (39,319) | (41.2)% |

Income taxes include a benefit from bank owned life insurance, included in tax-exempt income in the previous table, of $15.1 million in both 2003 and 2002, and $14.4 million for 2001. The significant components of deferred assets and liabilities at December 31, are as follows:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for loan losses | $ 153,060 | $ 76,980 |
| Alternative minimum tax | — | 18,308 |
| Net operating loss | 8,715 | — |
| Other | 170,964 | 155,252 |
| **Total Deferred Tax Assets** | 332,739 | 250,540 |
| Deferred tax liabilities: | | |
| Lease financing | 857,842 | 717,643 |
| Undistributed income of subsidiary | — | 28,123 |
| Pension and other employee benefits | 3,037 | 16,480 |
| Mortgage servicing rights | 15,770 | 12,308 |
| Unrealized gains on securities available for sale | 5,078 | 30,129 |
| Other | 105,547 | 125,516 |
| **Total Deferred Tax Liability** | 987,274 | 930,199 |
| **Net Deferred Tax Liability** | $ 654,535 | $ 679,659 |

At December 31, 2003, Huntington's deferred tax asset related to loss and credit carry-forwards amounted to $8.7 million. This is comprised of net operating loss carry-forwards for United States federal income tax purposes, which will begin expiring in 2022. During 2003, the net deferred tax liability was decreased by $25.1 million for the tax effect of unrealized gains on securities available for sale.

## 25. Commitments and Contingent Liabilities

In the ordinary course of business, Huntington makes various commitments to extend credit that are not reflected in the financial statements. The contract amount of these financial agreements at December 31 were:

| (in millions of dollars) | 2003 | 2002 |
|---|---|---|
| **Contract amount represents credit risk** | | |
| Commitments to extend credit | | |
| Commercial | $ 5,712 | $ 4,435 |
| Consumer | 3,652 | 3,607 |
| Commercial real estate | 952 | 577 |
| Standby letters of credit | 983 | 880 |
| Commercial letters of credit | 166 | 71 |

### COMMITMENTS TO EXTEND CREDIT

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

The recognition requirements of FIN 45 were adopted prospectively January 1, 2003, which for Huntington apply generally to its standby letters of credit. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years. Approximately 54% of standby letters of credit are collateralized and nearly 97% are expected to expire without being drawn upon. The carrying amount of deferred revenue at December 31, 2003, was $3.8 million.

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

### LITIGATION

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

### COMMITMENTS UNDER CAPITAL AND OPERATING LEASE OBLIGATIONS

At December 31, 2003, Huntington and its subsidiaries were obligated under noncancelable leases for land, buildings, and equipment. Many of these leases contain renewal options and certain leases provide options to purchase the leased property during or at the expiration of the lease period at specified prices. Some leases contain escalation clauses calling for rentals to be adjusted for increased real estate taxes and other operating expenses or proportionately adjusted for increases in the consumer or other price indices.

The future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2003, were $32.9 million in 2004, $30.4 million in 2005, $28.3 million in 2006, $26.9 million in 2007, $24.9 million in 2008, and $192.5 million thereafter. Total minimum lease payments have not been reduced by minimum sublease rentals of $93.6 million due in the future under noncancelable subleases. The rental expense for all operating leases was $36.1 million, $38.7 million, and $47.5 million for 2003, 2002, and 2001, respectively. Huntington had no material obligations under capital leases.

## 26. Securities and Exchange Commission Investigation

On June 26, 2003, Huntington announced that the Securities and Exchange Commission (SEC) staff is conducting a formal investigation. The SEC 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 and following 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. The investigation is ongoing and Huntington continues to cooperate fully with the SEC. To the best of its knowledge, management believes that the actions it has taken to date have addressed all known accounting issues.

## 27. Fair Value of Financial Instruments

The carrying amounts and estimated fair values of Huntington's financial instruments, including the fair values of derivatives used to hedge related fair values or cash flows, at December 31 are presented in the following table:

| | 2003 | | 2002 | |
|---|---|---|---|---|
| (in thousands of dollars) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial Assets:** | | | | |
| Cash and short-term assets | $ 1,030,130 | $ 1,030,130 | $ 1,056,063 | $ 1,056,063 |
| Trading account securities | 7,589 | 7,589 | 241 | 241 |
| Mortgages held for sale | 226,729 | 226,729 | 528,379 | 528,379 |
| Securities | 4,929,060 | 4,981,060 | 3,410,915 | 3,411,201 |
| Net loans and direct financing leases | 20,739,864 | 21,220,864 | 18,250,755 | 18,995,327 |
| Customers' acceptance liability | 9,553 | 9,553 | 16,745 | 16,745 |
| **Financial Liabilities:** | | | | |
| Deposits | (18,487,395) | (17,903,395) | (17,499,326) | (17,653,972) |
| Short-term borrowings | (1,452,304) | (1,452,304) | (2,141,016) | (2,141,016) |
| Bank acceptances outstanding | (9,553) | (9,553) | (16,745) | (16,745) |
| Federal Home Loan Bank advances | (1,273,000) | (1,273,000) | (1,013,000) | (1,021,959) |
| Subordinated notes | (990,470) | (990,470) | (738,678) | (738,678) |
| Other long-term debt | (4,544,509) | (4,613,509) | (2,495,123) | (2,563,171) |
| Capital securities | — | — | (300,000) | (310,392) |

The short-term nature of certain assets and liabilities result in their carrying value approximating fair value. These include trading account securities, customers' acceptance liabilities, short-term borrowings, bank acceptances outstanding, and cash and short-term assets, which include cash and due from banks, interest-bearing deposits in banks, and federal funds sold and securities purchased under resale agreements. Loan commitments and letters of credit generally have short-term, variable-rate features and contain clauses that limit Huntington's exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value.

Certain assets, the most significant being operating lease assets, bank owned life insurance, and premises and equipment, do not meet the definition of a financial instrument and are excluded from this disclosure. Similarly, mortgage and non-mortgage servicing rights, deposit base, and other customer relationship intangibles are not considered financial instruments and are not discussed below. Accordingly, this fair value information is not intended to, and does not, represent Huntington's underlying value. Many of the assets and liabilities subject to the disclosure requirements are not actively traded, requiring fair values to be estimated by management. These estimations necessarily involve the use of judgment about a wide variety of factors, including but not limited to, relevancy of market prices of comparable instruments, expected future cash flows, and appropriate discount rates.

The following methods and assumptions were used by Huntington to estimate the fair value of the remaining classes of financial instruments:

*Mortgages held for sale*—valued using outstanding commitments from investors.

*Securities available for sale and investment securities*—based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Retained interests in securitized assets are valued using a discounted cash flow analysis. The carrying amount and fair value of securities exclude the fair value of asset/liability management interest rate contracts designated as hedges of securities available for sale.

*Loans and leases*—variable-rate loans that reprice frequently are based on carrying amounts, as adjusted for estimated credit losses. The fair values for other loans and leases are estimated using discounted cash flow analyses and employ interest rates currently being offered for loans and leases with similar terms. The rates take into account the position of the yield curve, as well as an adjustment for prepayment risk, operating costs, and profit. This value is also reduced by an estimate of probable losses in the loan and lease portfolio.

*Deposits*—demand deposits, savings accounts, and money market deposits are, by definition, equal to the amount payable on demand. The fair values of fixed-rate time deposits are estimated by discounting cash flows using interest rates currently being offered on certificates with similar maturities.

*Debt*—fixed-rate long-term debt is based upon quoted market prices or, in the absence of quoted market prices, discounted cash flows using rates for similar debt with the same maturities. The carrying amount of variable-rate obligations approximates fair value.

## 28. Derivative Financial Instruments

A variety of derivative financial instruments, principally interest rate swaps, are used in asset and liability management activities to protect against the risk of adverse price or interest rate movements on the value of certain assets and liabilities and on future cash flows. These instruments provide flexibility in adjusting sensitivity to changes in interest rates without exposure to loss of principal and higher funding requirements. By using derivatives to manage interest rate risk, the effect is a smaller, more efficient balance sheet, with a lower wholesale funding requirement and a higher net interest margin, but with a comparable level of net interest revenue and return on equity. All derivatives are reflected at fair value in the consolidated balance sheet. Huntington also uses derivatives, principally loan sale commitments, in the hedging of its mortgage loan commitments and its mortgage loans held for sale.

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

### ASSET AND LIABILITY MANAGEMENT

Derivatives that are used in asset and liability management are classified as fair value hedges or cash flow hedges and are required to meet specific criteria. To qualify as a hedge, the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge. This includes identifying the item and risk being hedged, the derivative being used, and how the effectiveness of the hedge is being assessed. A derivative must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. Correlation is evaluated on a retrospective and prospective basis using quantitative measures. If a hedge relationship is found to be ineffective, it no longer qualifies as a hedge and any excess gains or losses attributable to ineffectiveness, as well as subsequent changes in fair value, are recognized in other income.

For fair value hedges, specified fixed-rate automobile loans, deposits, short-term borrowings, and long-term debt are effectively converted to variable-rate obligations by entering into interest rate swap contracts whereby fixed-rate interest is received in exchange for variable-rate interest without the exchange of the contract's underlying notional amount. Forward contracts, used primarily in connection with its mortgage banking activities, settle in cash at a specified future date based on the differential between agreed interest

rates applied to a notional amount. The changes in fair value of the hedged item and the hedging instrument are reflected in current earnings. An insignificant loss was recognized in 2002 and no gain or loss in 2001 in connection with the ineffective portion of Huntington's fair value hedging instruments. Furthermore, there were no gains or losses on derivatives designated as fair value hedges that were excluded from the assessment of effectiveness during 2002 and 2001.

For cash flow hedges, interest rate swap contracts were entered into that pay fixed-rate interest in exchange for the receipt of variable-rate interest without the exchange of the contract's underlying notional amount, which effectively converts a portion of its floating-rate debt to fixed-rate. This reduces the potentially adverse impact of increases in interest rates on future interest expense. In like fashion, certain LIBOR-based commercial and industrial loans were effectively converted to fixed-rate by entering into contracts that swap variable-rate interest for fixed-rate interest over the life of the contracts.

Interest rate swaps are used to manage the interest rate risk associated with its retained interest in a securitization trust. This retained interest provides the right to receive any future cash flows arising after the investors in the securitization trust have received their contractual return. As the trust holds fixed-rate automobile loans and is funded with floating rate notes, the future cash flows associated with the retained interest will vary with interest rates. The interest rate swaps used convert the variable portion of these future cash flows to a fixed-rate cash flow.

To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, changes in the derivatives' fair value will not be included in current earnings but are reported as a component of accumulated other comprehensive income in shareholders' equity. These changes in fair value will be included in earnings of future periods when earnings are also affected by the changes in the hedged cash flows. To the extent these derivatives are not effective, changes in their fair values are immediately included in earnings. During 2002, a net loss was recognized in connection with the ineffective portion of its cash flow hedging instruments and a net gain was recognized in 2001. The amounts were classified in other non-interest income and were insignificant in both years. No amounts were excluded from the assessment of effectiveness during 2002 and 2001 for derivatives designated as cash flow hedges.

Derivatives used to manage Huntington's interest rate risk at December 31, 2003, are shown in the table below:

| | | | | Weighted-Average Rate | |
|---|---|---|---|---|---|
| (in thousands of dollars) | Notional Value | Average Maturity (years) | Fair Value | Receive | Pay |
| Asset conversion swaps | | | | | |
| Receive fixed—generic | $ 630,000 | 3.7 | $ 21,978 | 4.23% | 1.22% |
| Pay fixed—generic | 250,000 | 0.1 | (906) | 1.15 | 3.38 |
| **Total Asset Conversion Swaps** | 880,000 | 2.7 | 21,072 | 3.36 | 1.83 |
| Liability conversion swaps | | | | | |
| Receive fixed—generic | 850,000 | 7.5 | 15,445 | 4.03 | 1.53 |
| Receive fixed—callable | 754,000 | 9.5 | (13,365) | 4.76 | 1.08 |
| Pay fixed—generic | 3,472,188 | 3.1 | (14,530) | 1.16 | 2.67 |
| Pay fixed—forwards | 350,000 | N/A | (19,920) | N/A | N/A |
| **Total Liability Conversion Swaps** | 5,426,188 | 4.8 | (32,370) | 2.18 | 2.24 |
| **Total Swap Portfolio** | $ 6,306,188 | 4.5 | $ (11,298) | 2.35% | 2.18% |

At December 31, 2002, the fair value of the swap portfolio used for asset and liability management was $13.1 million. These values must be viewed in the context of the overall financial structure of Huntington, including the aggregate net position of all on- and off-balance sheet financial instruments.

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

The next table represents the gross notional value of derivatives used to manage interest rate risk at December 31, 2003, identified by the underlying interest rate-sensitive instruments. The notional amounts shown in the preceding and following tables should be viewed in the context of overall interest rate risk management activities to assess the impact on the net interest margin.

| (in thousands of dollars) | Fair Value Hedges | Cash Flow Hedges | Total |
|---|---|---|---|
| Instruments associated with: | | | |
| Loans | $ 922,188 | $ 575,000 | $ 1,497,188 |
| Deposits | 754,000 | 170,000 | 924,000 |
| Federal Home Loan Bank advances | — | 985,000 | 985,000 |
| Subordinated notes | — | 650,000 | 650,000 |
| Other long-term debt | 500,000 | 1,750,000 | 2,250,000 |
| **Total Notional Value at December 31, 2003** | $ 2,176,188 | $ 4,130,000 | $ 6,306,188 |

The estimated amount of the existing unrealized gains and losses to be reclassified to pre-tax earnings from accumulated other comprehensive income within the next twelve months is expected to be a net gain of $23.5 million.

Collateral agreements are regularly entered into as part of the underlying derivative agreements with its counterparties to mitigate the credit risk associated with both the derivatives used for asset and liability management and used in trading activities. At December 31, 2003 and 2002, aggregate credit risk associated with these derivatives, net of collateral that has been pledged by the counterparty, was $17.2 million and $15.9 million, respectively. The credit risk associated with interest rate swaps is calculated after considering master netting agreements.

These derivative financial instruments were entered into for the purpose of altering the interest rate risk embedded in its assets and liabilities. Consequently, net amounts receivable or payable on contracts hedging either interest earning assets or interest bearing liabilities were accrued as an adjustment to either interest income or interest expense. The net amount resulted in interest income exceeding interest expense by $51.6 million and $48.4 million in 2003 and 2002, respectively. Interest expense exceeded interest income by $6.2 million in 2001.

### DERIVATIVES USED IN MORTGAGE BANKING ACTIVITIES

Huntington also uses derivatives, principally loan sale commitments, in the hedging of its mortgage loan commitments and its mortgage loans held for sale. For derivatives that are used in hedging mortgage loans held for sale, ineffective hedge gains and losses are reflected in mortgage banking revenue in the income statement. Mortgage loan commitments are derivatives that are not included in FAS 133 relationships. These derivative financial instruments are carried at fair value on the consolidated balance sheet with changes in fair value reflected in mortgage banking revenue. The following is a summary of the derivative assets and liabilities that Huntington used in its mortgage banking activities:

| (in thousands of dollars) | 2003 | 2002 |
|---|---|---|
| Derivative assets: | | |
| Interest rate lock agreements | $ 658 | $ 5,314 |
| Forward trades | 24 | — |
| **Total Derivative Assets** | 682 | 5,314 |
| Derivative liabilities: | | |
| Interest rate lock agreements | (270) | (58) |
| Forward trades | (2,021) | (13,817) |
| **Total Derivative Liabilities** | (2,291) | (13,875) |
| **Net Derivative Liability** | $ (1,609) | $ (8,561) |

### DERIVATIVES USED IN TRADING ACTIVITIES

Various derivative financial instruments are offered to enable customers to meet their financing and investing objectives and for their risk management purposes. Derivative financial instruments held in Huntington's trading portfolio during 2003 and 2002 consisted predominantly of interest rate swaps, but also included interest rate caps, floors, and futures, as well as foreign exchange options. Interest rate options grant the option holder the right to buy or sell an underlying financial instrument for a predetermined price before the contract expires. Interest rate futures are commitments to either purchase or sell a financial instrument at a future date for a specified price or yield and may be settled in cash or through delivery of the underlying financial instrument. Interest rate caps and floors are option-based contracts that entitle the buyer to receive cash payments based on the difference between a designated reference rate and a strike price, applied to a notional amount. Written options, primarily caps, expose Huntington to market risk but not credit risk. Purchased options contain both credit and market risk. They are used to manage fluctuating interest rates as exposure to loss from interest rate contracts changes.

Supplying these derivatives to customers results in fee income. These instruments are carried at fair value with gains and losses reflected in other non-interest income. Total trading revenue for customer accommodation was $10.3 million in 2003, $6.4 million in 2002, and $8.4 million in 2001. The total notional value of derivative financial instruments used by Huntington on behalf of customers (for which the related interest rate risk is offset by third parties) was $5.0 billion at the end of 2003 and $3.2 billion at the end of the prior year. Huntington's credit risk from interest rate swaps used for trading purposes was $82.2 million and $92.1 million at the same dates.

In connection with its securitization activities, interest rate caps were purchased with a notional value totaling $1 billion. These purchased caps were assigned to the securitization trust for the benefit of the security holders. Interest rate caps were also sold totaling $1 billion outside the securitization structure. Both the purchased and sold caps are marked to market through income in accordance with accounting principles generally accepted in the United States.

## 29. Regulatory Matters

Huntington and its bank subsidiary, The Huntington National Bank, are subject to various regulatory capital requirements administered by federal and state banking agencies. These requirements involve qualitative judgments and quantitative measures of assets, liabilities, capital amounts, and certain off-balance sheet items as calculated under regulatory accounting practices. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a material adverse effect on Huntington's and The Huntington National Bank's financial statements. Applicable capital adequacy guidelines require minimum ratios of 4.00% for Tier 1 Risk-based Capital, 8.00% for Total Risk-based Capital, and 4.00% for Tier 1 Leverage Capital. To be considered well capitalized under the regulatory framework for prompt corrective action, the ratios must be at least 6.00%, 10.00%, and 5.00%, respectively.

As of December 31, 2003, Huntington and The Huntington National Bank (the Bank) met all capital adequacy requirements and had regulatory capital ratios in excess of the levels established for well-capitalized institutions. The period-end capital amounts and capital ratios of Huntington and the Bank are as follows:

| | Tier 1 | | Total Capital | | Tier 1 Leverage | |
|---|---|---|---|---|---|---|
| (in millions of dollars) | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **Huntington Bancshares Incorporated** | | | | | | |
| Amount | $ 2,401 | $ 2,254 | $ 3,367 | $ 3,041 | $ 2,401 | $ 2,254 |
| Ratio | 8.53% | 8.34% | 11.95% | 11.25% | 7.98% | 8.51% |
| **The Huntington National Bank** | | | | | | |
| Amount | $ 1,782 | $ 1,535 | $ 2,983 | $ 2,613 | $ 1,782 | $ 1,535 |
| Ratio | 6.36% | 5.67% | 10.65% | 9.65% | 6.01% | 5.88% |

Tier 1 Risk-Based Capital consists of total equity plus qualifying capital securities and minority interest, less unrealized gains and losses accumulated in other comprehensive income, and non-qualifying intangible and servicing assets. Total Risk-Based Capital is Tier 1 Risk-Based Capital plus qualifying subordinated notes and allowable allowance for loan and lease losses (limited to 1.25% of total risk-weighted assets). Tier 1 Leverage Capital is equal to Tier 1 Capital. Both Tier 1 Capital and Total Capital ratios are derived by dividing the respective capital amounts by net risk-weighted assets, which are calculated as prescribed by regulatory agencies. Tier 1 Leverage Capital ratio is calculated by dividing the Tier 1 capital amount by average adjusted total assets for the fourth quarter of 2003 and 2002, less non-qualifying intangibles and other adjustments.

Huntington and its subsidiaries are also subject to various regulatory requirements that impose restrictions on cash, debt, and dividends. The Bank is required to maintain cash reserves based on the level of certain of its deposits. This reserve requirement may be met by holding cash in banking offices or on deposit at the Federal Reserve Bank. During 2003 and 2002, the average balance of these deposits were $66.6 million and $70.0 million, respectively.

Under current Federal Reserve regulations, the Bank is limited as to the amount and type of loans it may make to the parent company and non-bank subsidiaries. At December 31, 2003, the Bank could lend $298.3 million to a single affiliate, subject to the qualifying collateral requirements defined in the regulations.

Dividends from the Bank are one of the major sources of funds for Huntington. These funds aid the parent company in the payment of dividends to shareholders, expenses, and other obligations. Payment of dividends to the parent company is subject to various legal and regulatory limitations. Regulatory approval is required prior to the declaration of any dividends in excess of available retained earnings. The amount of dividends that may be declared without regulatory approval is further limited to the sum of net income for the current year and retained net income for the preceding two years, less any required transfers to surplus or common stock. The Bank could declare, without regulatory approval, dividends in 2004 of approximately $332.7 million plus an additional amount equal to its net income through the date of declaration in 2004.

## 30. Parent Company Financial Statements

The parent company condensed financial statements, which include transactions with subsidiaries, are as follows.

| **Balance Sheets** | December 31, | |
|---|---|---|
| (in thousands of dollars) | 2003 | 2002 |
| **Assets** | | |
| Cash and cash equivalents | $ 432,632 | $ 546,897 |
| Securities available for sale | — | 40,041 |
| Due from The Huntington National Bank | 250,759 | 250,759 |
| Due from non-bank subsidiaries | 172,371 | 117,987 |
| Investment in The Huntington National Bank | 1,492,278 | 1,389,829 |
| Investment in non-bank subsidiaries | 584,741 | 453,196 |
| Goodwill, net of accumulated amortization | 9,877 | 9,877 |
| Accrued interest receivable and other assets | 155,114 | 184,611 |
| **Total Assets** | $ 3,097,772 | $ 2,993,197 |
| **Liabilities** | | |
| Short- and medium-term borrowings | $ 204,012 | $ 145,556 |
| Long-term borrowed funds from subsidiary trusts | — | 309,279 |
| Long-term borrowed funds from unaffiliated companies | 309,279 | — |
| Dividends payable, accrued expenses, and other liabilities | 309,479 | 348,569 |
| **Total Liabilities** | 822,770 | 803,404 |
| **Shareholders' Equity** | 2,275,002 | 2,189,793 |
| **Total Liabilities and Shareholders' Equity** | $ 3,097,772 | $ 2,993,197 |

| **Statements of Income** | Year Ended December 31, | | |
|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2001 |
| **Income** | | | |
| Dividends from | | | |
| The Huntington National Bank | $ 150,533 | $ 231,000 | $ 199,404 |
| Non-bank subsidiaries | 3,000 | 8,142 | 14,498 |
| Interest from | | | |
| The Huntington National Bank | 20,098 | 29,611 | 20,343 |
| Non-bank subsidiaries | 7,356 | 5,854 | 4,454 |
| Securities gains (losses) and other | 3,214 | 877 | (4,852) |
| **Total Income** | 184,201 | 275,484 | 233,847 |
| **Expense** | | | |
| Interest on debt | 12,976 | 20,213 | 29,673 |
| Other | 11,826 | 28,493 | 30,143 |
| **Total Expense** | 24,802 | 48,706 | 59,816 |
| Income before income taxes and equity in undistributed net income of subsidiaries | 159,399 | 226,778 | 174,031 |
| Income taxes | (5,130) | (12,970) | (19,721) |
| Income before equity in undistributed net income of subsidiaries and cumulative effect of change in accounting principle | 164,529 | 239,748 | 193,752 |
| Cumulative effect of change in accounting principle, net of tax of $1,315 | (2,442) | — | — |
| Income before equity in undistributed net income of subsidiaries | 162,087 | 239,748 | 193,752 |
| Equity in undistributed net income (loss) of: | | | |
| The Huntington National Bank | 196,659 | 88,710 | (58,353) |
| Non-bank subsidiaries | 13,617 | (4,727) | (603) |
| **Net Income** | $ 372,363 | $ 323,731 | $ 134,796 |

| Statements of Cash Flows | Year Ended December 31, | | |
|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2001 |
| **Operating Activities** | | | |
| Net income | $ 372,363 | $ 323,731 | $ 134,796 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Cumulative effect of change in accounting principle | 2,442 | — | — |
| Equity in undistributed net income of subsidiaries | (210,275) | (83,983) | 58,956 |
| Depreciation and amortization | 2,211 | 1,254 | 2,674 |
| (Gain) loss on sales of securities available for sale | (5) | (709) | 5,251 |
| Change in other assets and other liabilities | (67,852) | 45,575 | (60,866) |
| Restructuring charges | — | 6,859 | 5,604 |
| **Net Cash Provided by Operating Activities** | 98,884 | 292,727 | 146,415 |
| **Investing Activities** | | | |
| Decrease in investments in subsidiaries | — | 670,000 | 110,019 |
| Repayments from (advances to) subsidiaries | (47,649) | 7,397 | (62,419) |
| Purchase of securities available for sale | — | — | (15,027) |
| Proceeds from sale of securities available for sale | 46 | 8,977 | 10,889 |
| **Net Cash (Used in) Provided by Investing Activities** | (47,603) | 686,374 | 43,462 |
| **Financing Activities** | | | |
| Decrease in short-term borrowings | (1,544) | (4,020) | (89,093) |
| Proceeds from issuance of other long-term debt | 100,000 | 100,000 | 40,000 |
| Payment of other long-term debt | (40,000) | (150,000) | (25,000) |
| Dividends paid on common stock | (151,023) | (167,002) | (190,792) |
| Acquisition of treasury stock | (81,061) | (370,012) | — |
| Proceeds from issuance of treasury stock | 8,082 | 3,212 | 2,662 |
| **Net Cash Used for Financing Activities** | (165,546) | (587,822) | (262,223) |
| **Change in Cash and Cash Equivalents** | (114,265) | 391,279 | (72,346) |
| **Cash and Cash Equivalents at beginning of year** | 546,897 | 155,618 | 227,964 |
| **Cash and Cash Equivalents at end of year** | $ 432,632 | $ 546,897 | $ 155,618 |
| Supplemental disclosure: | | | |
| Interest paid | $ 13,157 | $ 20,779 | $ 31,067 |
| Income taxes paid | — | — | — |
| Common stock issued in purchase acquisitions | — | 19,151 | — |

## 31. Quarterly Results of Operations *(Unaudited)*

The following is a summary of the unaudited quarterly results of operations, as restated, for the years ended December 31, 2003 and 2002:

| (in thousands of dollars, except per share data) | Fourth | Third | Second | First |
|---|---|---|---|---|
| **2003** | | | | |
| Interest income | $ 335,097 | $ 333,320 | $ 317,325 | $ 320,014 |
| Interest expense | 110,782 | 112,849 | 114,884 | 118,255 |
| **Net Interest Income** | 224,315 | 220,471 | 202,441 | 201,759 |
| Provision for loan and lease losses | 26,341 | 51,615 | 49,193 | 36,844 |
| Gain on sale of automobile loans | 16,288 | — | 13,496 | 10,255 |
| Gain on sale of branch offices | — | 13,112 | — | — |
| Securities gains (losses) | 1,280 | (4,107) | 6,887 | 1,198 |
| Non-interest income | 228,942 | 263,763 | 256,568 | 261,471 |
| Loss on early extinguishment of debt | 15,250 | — | — | — |
| Restructure releases | (351) | — | (5,315) | (1,000) |
| Non-interest expense | 302,566 | 300,182 | 302,348 | 316,479 |
| **Income Before Income Taxes** | 127,019 | 141,442 | 133,166 | 122,360 |
| Income taxes | 33,758 | 37,230 | 36,676 | 30,630 |
| **Income before cumulative effect of change in accounting principle** | 93,261 | 104,212 | 96,490 | 91,730 |
| Cumulative effect of change in accounting principle, net of tax | — | (13,330) | — | — |
| **Net Income** | $ 93,261 | $ 90,882 | $ 96,490 | $ 91,730 |
| **Per Common Share:** | | | | |
| Income before cumulative effect of change in accounting principle—basic | $ 0.41 | $ 0.46 | $ 0.42 | $ 0.40 |
| Income before cumulative effect of change in accounting principle—diluted | 0.40 | 0.45 | 0.42 | 0.39 |
| Net income—basic | 0.41 | 0.40 | 0.42 | 0.40 |
| Net income—diluted | 0.40 | 0.39 | 0.42 | 0.39 |
| **2002** | | | | |
| Interest income | $ 329,340 | $ 324,177 | $ 311,176 | $ 328,502 |
| Interest expense | 130,161 | 132,912 | 130,915 | 149,633 |
| **Net Interest Income** | 199,179 | 191,265 | 180,261 | 178,869 |
| Provision for loan and lease losses | 51,236 | 54,304 | 49,876 | 39,010 |
| Gain on sale of Florida operations | — | — | — | 182,470 |
| Merchant Services gain | — | 24,550 | — | — |
| Securities gains | 2,339 | 1,140 | 966 | 457 |
| Non-interest income | 269,516 | 272,912 | 287,748 | 299,606 |
| Non-interest expense | 336,520 | 319,496 | 323,746 | 345,412 |
| Restructure (releases) charges | (7,211) | — | — | 56,184 |
| **Income Before Income Taxes** | 90,489 | 116,067 | 95,353 | 220,796 |
| Income taxes | 21,226 | 28,052 | 24,375 | 125,321 |
| **Net Income** | $ 69,263 | $ 88,015 | $ 70,978 | $ 95,475 |
| **Per Common Share:** | | | | |
| Net Income—Basic | $ 0.30 | $ 0.37 | $ 0.29 | $ 0.38 |
| Net Income— Diluted | 0.29 | 0.36 | 0.29 | 0.38 |

**Allowance for Loan and Lease Losses** — The reserve established by Management to cover unrecognized credit losses inherent in the loan and lease portfolio.

**Book Value Per Common Share**— Total common shareholders' equity divided by the total number of common shares outstanding.

**Common Shares Outstanding** — Total number of shares of common stock issued less common shares held in treasury.

**Core Deposits** — Total deposits, excluding foreign deposits, brokered time deposits, negotiable certificates of deposit, and domestic time deposits greater than $100,000.

**Derivative** — A contractual agreement between two parties to exchange cash or other assets in response to changes in an external factor, such as an interest rate or a foreign exchange rate.

**Dividend Payout Ratio** — Dividends per common share divided by net income per diluted common share.

**Effective Tax Rate** — Income tax expense divided by income before taxes.

**Efficiency Ratio** — Non-interest expense (excluding amortization of intangible assets) divided by the sum of fully taxable equivalent net interest income and non-interest income (excluding net securities transactions).

**Goodwill** — The excess of the purchase price of net assets over the fair value of net assets acquired in a business combination.

**Net Charge-Offs** — Loan and lease losses less related recoveries of loans and leases previously charged off.

**Net Income Per Common Share— Basic** — Net income divided by the number of weighted-average common shares outstanding.

**Net Income Per Common Share— Diluted** — Net income divided by the sum of weighted-average common shares outstanding plus the effect of common stock equivalents that have the potential to be converted into common shares outstanding.

**Net Interest Income** — The difference between interest income and interest expense.

**Net Interest Margin** — Net interest income on a fully taxable equivalent basis divided by total average earning assets.

**Non-Core Funding** — Includes domestic time deposits of $100,000 or more, brokered time deposits and negotiable CDs, foreign time deposits, short-term borrowings, Federal Home Loan Bank advances, subordinated notes, and other long-term debt. It also represents total liabilities less core deposits, accrued expenses, and other liabilities.

**Non-Performing Assets** — Loans and leases on which interest income is not being accrued for financial reporting purposes; loans for which the interest rates or terms of repayment have been renegotiated; and real estate which has been acquired through foreclosure.

**Provision For Loan and Lease Losses** — The periodic expense needed to maintain the level of the allowance for loan and lease losses.

**Reported Basis** — Amounts presented in accordance with accounting principles generally accepted in the United States (GAAP).

**Residual Value** — The expected value of a leased asset at the end of the lease term.

**Return on Average Assets** — Net income as a percent of average total assets.

**Return on Average Equity** — Net income as a percent of average shareholders' equity.

**Servicing Right** — A contractual agreement to provide certain billing, bookkeeping and collection services with respect to a pool of loans.

**Tangible Common Equity to Risk-Weighted Assets ratio** — Total equity less intangible assets, primarily goodwill, divided by total assets less intangible assets.

**Tier 1 Leverage Ratio** — Tier 1 Risk-Based Capital divided by average adjusted quarterly total assets. Average adjusted quarterly assets are adjusted to exclude non-qualifying intangible assets.

**Tier 1 Risk-Based Capital** — Total shareholders' equity (excluding unrealized gains and losses on securities available for sale) less non-qualifying goodwill and other intangibles.

**Total Risk-Adjusted Assets** — The sum of assets and credit equivalent off-balance sheet amounts that have been adjusted according to assigned regulatory risk weights, excluding the non-qualifying portion of allowance for loan and lease losses, goodwill and other intangible assets.

**Total Risk-Based Capital** — Tier 1 Risk-Based Capital plus qualifying long-term debt and the allowance for loan and lease losses.

**Treasury Stock** — Common stock repurchased and held by the issuing corporation for possible future issuance.

## Other Financial Terms

For analytical purposes, including understanding performance trends, decision-making, and peer comparison, management makes certain adjustments to some data. The following terms define some of those adjustments.

**Annualized** — A return, yield, performance ratio, or growth rate for a time period less than one year that is adjusted to represent an annual time period. Returns, yields, performance ratios, and growth rates are typically quoted on an annual basis for analytical purposes and for performance comparisons to competitors.

**Fully Taxable Equivalent Interest Income** — Income from tax-exempt earning assets that has been increased by an amount equivalent to the taxes that would have been paid if this income had been taxable at statutory rates, typically 35%. This adjustment puts all earning assets, most notably tax-exempt municipal securities, on a common basis that facilitates comparison of net interest margin to competitors.

**Operating Earnings** — Used in lines of business reporting and represents reported (GAAP) earnings excluding the impact of certain items. Management views operating basis to be a useful indicator of underlying, or run-rate, line of business trends. See line of business discussion in MD&A on page 69.

**Exhibit 16**

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Gentlemen:

We have read Item 9 of Form 10-K dated March 5, 2004, of Huntington Bancshares Incorporated and are in agreement with the statements contained in the first three paragraphs of Item 9 therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Ernst & Young LLP

Columbus, Ohio
March 5, 2004

**SUBSIDIARIES OF HUNTINGTON BANCSHARES INCORPORATED**

The subsidiaries of Huntington Bancshares Incorporated are listed below. The state or jurisdiction of incorporation or organization of each subsidiary (unless otherwise noted) is Ohio.

The Huntington National Bank (United States) and its direct and indirect subsidiaries,
41 South High Ltd.**
7575 Corporation
Bosgraaf Capital Company, LLC
Distinctive Mortgage Company, LLC
East Sound Realty, Inc.
First Sunset Development, Inc.
Forty-One Corporation
Fourteen Corporation
HMC Reinsurance Company (Vermont)
HNB 2000-B (NQ) LLC (Delaware)
HNB 2000-B (Q) LLC (Delaware)
HNB Clearing, Inc.
HNB I LLC (Delaware)
HPC Holdings-III, Inc. (Nevada)
HPCDS, Inc. (Nevada)
HPCKAL, LLC (Nevada)
HPCLI, Inc.
Huntington Asset Advisors, Inc.
Huntington Auto Trust 2000-B (Delaware)***
Huntington Capital Financing Holdings I, Inc. (Nevada)
Huntington Capital Financing Holdings II, Inc. (Nevada)
Huntington Capital Financing Holdings III, Inc. (Nevada)
Huntington Capital Financing, LLC (Nevada)
Huntington Kentucky, LLC (Kentucky)
Huntington LT (Delaware)
Huntington Merchant Services, L.L.C. (Delaware) **
Huntington Municipal Securities, Inc. (Nevada) *
Huntington Preferred Capital Holdings, Inc. (Indiana) *
Huntington Preferred Capital II, Inc.
Huntington Preferred Capital, Inc. **
Huntington Residential Mortgage Securities, Inc.
Huntington Trade Services, Asia, Limited (Hong Kong) *
Huntington Trade Services, Inc.
Huntington West, Inc. (Delaware)
Huntington West II, Inc. (Nevada)
LeaseNet Group, Inc.
Lodestone Realty Management, Inc.
SFA Holding, Inc.
STB Auto Exchange, LLC
The Check Exchange System Co. **
The Huntington Investment Company
The Huntington Leasing Company
Thirty-Seven Corporation
Traverse West, Inc. (Michigan)
Vehicle Reliance Company
WS Realty, Inc.

The direct subsidiaries of Huntington Bancshares Incorporated are listed below.

CB&T Capital Investment Company (West Virginia)
e-Banc LLC (Delaware)
Haberer Registered Investment Advisor, Inc.
HBI Title Services, Inc.
Heritage Service Corporation
HPC Holdings-II, Inc. (Indiana)
Huntington Bancshares Financial Corporation
Huntington Bancshares Florida, Inc.
Huntington Capital Corp.
Huntington Capital I (Delaware)
Huntington Capital II (Delaware)
Huntington Capital III (Delaware)
Huntington Capital IV (Delaware)
Huntington Capital V (Delaware)
Huntington Capital VI (Delaware)
Huntington Credit Reinsurance Company (Arizona) **
Huntington Insurance Agency Services, Inc.
Huntington Insurance Agency, Inc. (Michigan)
Huntington Life Insurance Agency, Inc.
Huntington Mezzanine Opportunities Inc.
Huntington Property and Casualty Insurance Agency, Inc.
Huntington Title Services, Inc. (Florida)
Huntington Title Services, Inc. (Michigan)
Huntington Title Services, Inc. (West Virginia)
Mezzanine Opportunities LLC **
PULSE EFT Association (Texas) **
The Huntington Capital Investment Company
The Huntington Community Development Corporation
The Huntington National Life Insurance Company (Arizona) **
The Huntington Real Estate Investment Company
WMR e-Banc Holdings LLC **
WMR e-PIN LLC **

* - Owned jointly between The Huntington National Bank and Huntington Bancshares Incorporated.

** - Less than 100% owned.

*** - Owned by HNB 2000-B (Q) LLC and HNB 2000-B (NQ) LLC in proportion to assets sold.

**EXHIBIT 23**

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the incorporation by reference of our report dated January 16, 2004, except for Note 3 as to which is dated January 27, 2004, with respect to the consolidated financial statements of Huntington Bancshares Incorporated and subsidiaries included in this Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Securities and Exchange Commission in the following Registration Statements and in the related prospectuses:

Form S-3 No. 33-63175 pertaining to the registration of Medium Term Notes, Series B dated October 3, 1995;

Form S-3 Nos. 333-53579, 333-53579-01, 333-53579-02, 333-53579-03, 333-53579-04, and 333-53579-05 pertaining to Huntington Bancshares Incorporated and Huntington Capital II, III, IV, VI, and V, respectively, in connection with the registration of capital securities dated May 26, 1998 and amended June 5, 1998;

Form S-3 No. 33-52569 pertaining to Huntington Bancshares Incorporated Dividend Reinvestment and Common Stock Purchase Plan Post-Effective Amendment No.2 dated September 25, 1998;

Form S-8 No. 33-37373 pertaining to Huntington Bancshares Incorporated 1990 Stock Option Plan dated October 18, 1990;

Form S-8 No. 33-38784 pertaining to Huntington Bancshares Incorporated 1990 Stock Option Plan dated January 28, 1991;

Form S-8 No. 33-10546 pertaining to Huntington Bancshares Incorporated Deferred Compensation Plan for Directors Post-Effective Amendment No. 2 dated January 28, 1991;

Form S-8 No. 33-41774 pertaining to Huntington Bancshares Incorporated Deferred Compensation Plan for Huntington Bancshares Incorporated Directors dated July 19, 1991;

Form S-8 No. 33-52553 pertaining to Huntington Bancshares Incorporated 1994 Stock Option Plan dated March 8, 1994;

Form S-8 No. 33-46327 pertaining to Huntington Investment and Tax Savings Plan Post-Effective Amendment No. 1 dated April 1, 1998;

Form S-8 No. 33-44208 pertaining to Huntington Supplemental Executive Stock Purchase and Tax Savings Plan and Trust Post-Effective Amendment No. 1 dated April 1, 1998;

Form S-8 No. 333-52394 pertaining to Huntington Bancshares Incorporated Long Term Incentive Compensation Plan dated December 21, 2000;

Form S-8 No. 333-61074 pertaining to Huntington Bancshares Incorporated 2001 Stock and Long-Term Incentive Plan dated May 16, 2001;

Form S-8 No. 333-75032 pertaining to Huntington Bancshares Incorporated Employee Stock Incentive Plan dated December 13, 2001;

Form S-11 (no file number) filed with the Office of the Comptroller of the Currency in connection with the potential future issuance of Class C or Class D preferred securities of Huntington National Bank on May 18, 2001;

Information Memorandum, dated February 6, 2003, pertaining to Huntington Bancshares Incorporated's global notes registered with the Luxembourg Stock Exchange.

/s/ ERNST & YOUNG LLP

Columbus, Ohio
March 5, 2004

**Exhibit 24**

## POWER OF ATTORNEY

Each director and officer of Huntington Bancshares Incorporated (the "Corporation"), whose signature appears below hereby appoints Richard A. Cheap, Thomas E. Hoaglin, and Michael J. McMennamin, or any of them, as his or her attorney-in-fact, to sign, in his or her name and behalf and in any and all capacities stated below, and to cause to be filed with the Securities and Exchange Commission, the Corporation's Annual Report on Form 10-K (the "Annual Report") for the fiscal year ended December 31, 2003, and likewise to sign and file any amendments, including post-effective amendments, to the Annual Report, and the Corporation hereby also appoints such persons as its attorneys-in-fact and each of them as its attorney-in-fact with like authority to sign and file the Annual Report and any amendments thereto in its name and behalf, each such person and the Corporation hereby granting to such attorney-in-fact full power of substitution and revocation, and hereby ratifying all that such attorney-in-fact or his substitute may do by virtue hereof.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney, in counterparts if necessary, effective as of January 16, 2004.

DIRECTORS/OFFICERS:

| Signatures | Title |
|---|---|
| /s/ Thomas E. Hoaglin<br>Thomas E. Hoaglin | Chairman, President, Chief Executive Officer, and Director<br>(Principal Executive Officer) |
| /s/ Michael J. McMennamin<br>Michael J. McMennamin | Vice Chairman, Chief Financial Officer, and Treasurer<br>(Principal Financial Officer) |
| /s/ John D. Van Fleet<br>John D. Van Fleet | Senior Vice President and Controller<br>(Principal Accounting Officer) |
| /s/ Raymond J. Biggs<br>Raymond J. Biggs | Director |
| /s/ Don M. Casto III<br>Don M. Casto III | Director |
| /s/ Michael J. Endres<br>Michael J. Endres | Director |
| /s/ John B. Gerlach, Jr.<br>John B. Gerlach, Jr. | Director |
| /s/ David P. Lauer<br>David P. Lauer | Director |
| /s/ Wm. J. Lhota<br>Wm. J. Lhota | Director |
| /s/ David L. Porteous<br>David L. Porteous | Director |
| /s/ Kathleen H. Ransier<br>Kathleen H. Ransier | Director |
| Robert H. Schottenstein | Director |
| /s/ George A. Skestos<br>George A. Skestos | Director |
| Lewis R. Smoot, Sr. | Director |

**Exhibit 31.1**

**CERTIFICATION**

I, Thomas E. Hoaglin, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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: March 5, 2004

/s/ Thomas E. Hoaglin

Thomas E. Hoaglin
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Michael J. McMennamin, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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: March 5, 2004

/s/ Michael J. McMennamin

Michael J. McMennamin
Chief Financial Officer

**Exhibit 32.1**

## SECTION 1350 CERTIFICATION

In connection with the Annual Report of Huntington Bancshares Incorporated (the "Company") on Form 10-K for the year ended December 31, 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
March 5, 2004

**Exhibit 32.2**

**SECTION 1350 CERTIFICATION**

In connection with the Annual Report of Huntington Bancshares Incorporated (the “Company”) on Form 10-K for the year ended December 31, 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
March 5, 2004