HUNTINGTON BANCSHARES INC/MD
Form 10-Q/A
August 18, 2003

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

FORM 10-Q/A

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

Commission File Number 0-2525

HUNTINGTON BANCSHARES INCORPORATED

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

41 SOUTH HIGH STREET, COLUMBUS, OHIO 43287

Registrant's telephone number (614) 480-8300

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

Yes X No

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

Yes X No

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

HUNTINGTON BANCSHARES INCORPORATED

EXPLANATORY NOTE TO AMENDMENT

This amended 2003 Second Quarter Form 10-Q/A reflects proofreading changes inadvertently not made during the Edgarization process which were not detected prior to filing on August 14, 2003.

INTRODUCTORY NOTE

On July 17, 2003, Huntington Bancshares Incorporated (Huntington) announced it was voluntarily restating prior period results to reflect a series of actions related to the timing of recognition of origination fees paid to automobile dealers, commissions paid to employees for deposit gathering activities, certain residential mortgage loan origination fee income, expense related to pension settlements, and reserves related to the sale of an automobile debt cancellation product. The financial impact related to these actions is reflected in the second quarter financial information included in this report and, for previously reported periods, is summarized in Part II, Item 5 of this report. Huntington also stated it would defer origination fees and expenses prospectively for all loans and leases originated after June 30, 2003.

In addition, Huntington announced that it is reviewing the application of SFAS 91 (Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases) on historical results. SFAS 91 deals with the timing of recognition of loan and lease origination fees and certain expenses, and requires that such fees and costs, if material, be deferred and amortized over the estimated life of the asset.

Part II, Item 5 also contains additional disclosures which have no financial impact on previously reported results, but which will be included in the second amended 2002 Annual Report on Form 10-K/A and/or the amended 2003 First Quarter 10-Q/A. Huntington is not filing these amended documents at this time because it has not completed gathering and analyzing data for 1995-1997, which is necessary to finalize its review of the impact of not having deferred net origination fees and costs on prior period results. However, based upon information currently available, Huntington expects the majority of any additional impact that might result from a restatement, should it occur, for the deferral of all loan origination fees and costs would be reflected in 1999 and earlier periods, similar to the timing impact of the restatements announced on July 17, 2003.

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PART 1. FINANCIAL INFORMATION
FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (in thousands) | JUNE 30, 2003 | December 31, 2002 |
|---|---|---|
| | | (Restated) |
| ASSETS | | |
| Cash and due from banks | $ 1,153,108 | $ 969,483 |
| Federal funds sold and securities purchased under resale agreements | 74,473 | 49,280 |
| Interest bearing deposits in banks | 44,906 | 37,300 |
| Trading account securities | 19,426 | 241 |
| Loans held for sale | 713,722 | 528,379 |
| Securities available for sale - at fair value | 3,702,761 | 3,403,369 |
| Investment securities - fair value $6,780, $7,725, and $10,963, respectively | 6,593 | 7,546 |
| Total loans and direct financing leases | 19,098,929 | 18,619,211 |
| Less allowance for loan and lease losses | 340,947 | 336,648 |
| Net loans and direct financing leases | 18,757,982 | 18,282,563 |
| Operating lease assets | 1,717,194 | 2,252,445 |
| Bank owned life insurance | 906,823 | 886,214 |
| Premises and equipment | 332,916 | 341,366 |
| Goodwill and other intangible assets | 218,080 | 218,567 |
| Customers' acceptance liability | 8,372 | 16,745 |
| Accrued income and other assets | 635,663 | 522,611 |
| TOTAL ASSETS | $ 28,292,019 | $ 27,516,109 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Total deposits | $ 18,371,359 | $ 17,499,326 |

| | | |
|---|---|---|
| Short-term borrowings | 918,771 | 2,141,016 |
| Federal Home Loan Bank advances | 1,273,000 | 1,013,000 |
| Subordinated notes | 496,666 | 738,678 |
| Other long-term debt | 3,508,397 | 2,495,123 |
| Company obligated mandatorily redeemable preferred capital securities of subsidiary trusts holding solely junior subordinated debentures of the Parent Company | 300,000 | 300,000 |
| Bank acceptances outstanding | 8,372 | 16,745 |
| Accrued expenses and other liabilities | 1,144,917 | 1,053,833 |
| Total Liabilities | 26,021,482 | 25,257,721 |
| 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 228,660,038, 232,878,851, and 242,919,872 shares, respectively | 2,483,105 | 2,484,421 |
| Less 29,206,217, 24,987,404, and 14,946,383 treasury shares, respectively | (555,176) | (475,399) |
| Accumulated other comprehensive income | 40,817 | 62,300 |
| Retained earnings | 301,791 | 187,066 |
| Total Shareholders' Equity | 2,270,537 | 2,258,388 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 28,292,019 | $ 27,516,109 |

See notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | THREE MONTHS ENDED JUNE 30, | |
|---|---|---|
| (in thousands, except per share amounts) | 2003 | 2002 |
| | | (Restated) |
| Interest and fee income | | |
| Loans and leases | $279,506 | $274,893 |
| Securities | 42,033 | 44,424 |
| Other | 8,923 | 3,499 |
| TOTAL INTEREST INCOME | 330,462 | 322,816 |
| Deposits | 76,383 | 93,759 |
| Short-term borrowings | 4,313 | 6,156 |
| Federal Home Loan Bank advances | 5,634 | 212 |

| | | |
|---|---|---|
| Subordinated notes and other long-term debt including preferred capital securities | 28,554 | 30,695 |
| TOTAL INTEREST EXPENSE | 114,884 | 130,822 |
| NET INTEREST INCOME | 215,578 | 191,994 |
| Provision for loan and lease losses | 49,193 | 49,876 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES | 166,385 | 142,118 |
| Operating lease income | 124,209 | 168,047 |
| Service charges on deposit accounts | 40,914 | 35,608 |
| Trust services | 15,580 | 16,247 |
| Gains on sales and securitizations of loans | 14,808 | 1,743 |
| Brokerage and insurance income | 14,196 | 16,899 |
| Other service charges and fees | 11,372 | 10,529 |
| Bank Owned Life Insurance income | 11,043 | 11,443 |
| Mortgage banking | 11,033 | 10,115 |
| Gain on sale of Florida operations | --- | --- |
| Securities gains | 6,887 | 966 |
| Other | 24,164 | 16,068 |
| TOTAL NON-INTEREST INCOME | 274,206 | 287,665 |
| Personnel costs | 114,047 | 106,808 |
| Operating lease expense | 102,939 | 131,695 |
| Equipment | 16,341 | 16,659 |
| Outside data processing and other services | 16,104 | 16,592 |
| Net occupancy | 15,583 | 14,756 |
| Professional services | 9,872 | 7,864 |
| Marketing | 8,454 | 7,231 |
| Telecommunications | 5,394 | 5,320 |
| Printing and supplies | 2,253 | 3,683 |
| Restructuring charges (releases) | (5,315) | --- |
| Other | 20,372 | 21,083 |
| TOTAL NON-INTEREST EXPENSE | 306,044 | 331,691 |
| INCOME BEFORE INCOME TAXES | 134,547 | 98,092 |
| Income taxes | 37,160 | 25,081 |
| NET INCOME | $ 97,387 | $ 73,011 |
| PER COMMON SHARE | | |
| Net Income | | |
| Basic | $0.43 | $0.30 |
| Diluted | $0.42 | $0.29 |
| Cash Dividends Declared | $0.16 | $0.16 |
| AVERAGE COMMON SHARES | | |
| Basic | 228,633 | 246,106 |
| Diluted | 230,572 | 247,867 |

See notes to unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

| (in thousands) | COMMON STOCK | | TREASURY STOCK | | AC COM INC |
|---|---|---|---|---|---|
| | SHARES | AMOUNT | SHARES | AMOUNT | |
| Six Months Ended June 30, 2002: | | | | | |
| Balance, beginning of period | 257,866 | $2,490,724 | (6,672) | $(123,849) | $ |
| Comprehensive Income: | | | | | |
| Net income | | | | | |
| Unrealized net holding gains on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income | | | | | |
| Unrealized losses on derivative instruments used in cash flow hedging relationships | | | | | |
| Total comprehensive income | | | | | |
| Stock issued for acquisition | | | 203 | 3,952 | |
| Cash dividends declared | | | | | |
| Stock options exercised | | (2,837) | 312 | 5,365 | |
| Treasury shares purchased | | | (8,789) | (175,173) | |
| Balance, end of period | 257,866 | $2,487,887 | (14,946) | $(289,705) | $ |
| SIX MONTHS ENDED JUNE 30, 2003: | | | | | |
| BALANCE, BEGINNING OF PERIOD | 257,866 | $2,484,421 | (24,987) | $(475,399) | $ |
| COMPREHENSIVE INCOME: | | | | | |
| NET INCOME | | | | | |
| UNREALIZED NET HOLDING LOSSES ON SECURITIES AVAILABLE FOR SALE ARISING DURING THE PERIOD, NET OF RECLASSIFICATION ADJUSTMENT FOR NET GAINS INCLUDED IN NET INCOME | | | | | |
| UNREALIZED LOSSES ON DERIVATIVE INSTRUMENTS USED IN CASH FLOW HEDGING RELATIONSHIPS | | | | | |
| TOTAL COMPREHENSIVE INCOME | | | | | |
| CASH DIVIDENDS DECLARED | | | | | |
| STOCK OPTIONS EXERCISED | | (1,316) | 118 | 1,902 | |
| TREASURY SHARES PURCHASED | | | (4,300) | (81,061) | |
| OTHER | | | (37) | (618) | |
| BALANCE, END OF PERIOD | 257,866 | $2,483,105 | (29,206) | $(555,176) | $ |

See notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | SIX |
|---|---|
| (in thousands of dollars) | 2003 |
| **OPERATING ACTIVITIES** | |
| Net Income | $ 187,9 |
| Adjustments to reconcile net income to net cash provided by operating activities | |
| Provision for loan and lease losses | 86,0 |
| Depreciation on operating lease assets | 187,9 |
| Other depreciation and amortization | 42,2 |
| Deferred income tax expense | 27,5 |
| (Increase) decrease in trading account securities | (19,1 |
| (Increase) decrease in mortgages held for sale | (185,3 |
| Gains on sales of securities available for sale | (8,0 |
| Gains on sales/securitizations of loans | (26,9 |
| Gain on sale of Florida banking and insurance operations | - |
| Restructuring charges (releases) | (6,3 |
| Other, net | (63,5 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 222,2 |
| **INVESTING ACTIVITIES** | |
| Increase in interest bearing deposits in banks | (7,6 |
| Proceeds from: | |
| Maturities and calls of investment securities | 9 |
| Maturities and calls of securities available for sale | 945,5 |
| Sales of securities available for sale | 591,4 |
| Purchases of securities available for sale | (1,649,7 |
| Proceeds from sales/securitizations of loans | 1,390,3 |
| Net loan and lease originations, excluding sales | (2,131,3 |
| Net decrease (increase) in operating lease inventory | 347,3 |
| Proceeds from sale of premises and equipment | 4,0 |
| Purchases of premises and equipment | (22,2 |
| Proceeds from sales of other real estate | 4,8 |
| Cash paid in purchase acquisition | - |
| Net cash paid related to sale of Florida banking and insurance operations | - |
| NET CASH USED FOR INVESTING ACTIVITIES | (526,3 |
| **FINANCING ACTIVITIES** | |
| Increase in total deposits | 869,3 |
| (Decrease) increase in short-term borrowings | (1,222,2 |
| Payment of subordinated notes | (250,0 |
| Proceeds from Federal Home Loan Bank advances | 270,0 |

| | |
|---|---|
| Maturity of Federal Home Loan Bank advances | (10,0 |
| Proceeds from long term debt | 1,235,0 |
| Maturity of long-term debt | (225,0 |
| Dividends paid on common stock | (73,7 |
| Repurchases of common stock | (81,0 |
| Net proceeds from issuance of common stock | 5 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 512,8 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 208,8 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,018,7 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 1,227,5 |
| Supplemental disclosures: | |
| Income taxes paid | $ 65,6 |
| Interest paid | 247,1 |
| Non-cash activities | |
| Mortgage loans securitized | 171,5 |
| Common stock dividends accrued not paid | 27,9 |

See notes to unaudited consolidated financial statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Huntington Bancshares Incorporated (Huntington) reflect all adjustments consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position, the results of operations, and cash flows for the periods presented. These unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted. The Notes to the Consolidated Financial Statements appearing in Huntington's amended 2002 Annual Report on Form 10-K/A filed on May 20, 2003 (amended Form 10-K/A), which include descriptions of significant accounting policies as updated by the information contained in this report, should be read in conjunction with these interim financial statements.

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

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

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

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

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

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



issued financial statements for one or more years with a cumulative effect adjustment as of the beginning of the first year restated.

Effective July 1, 2003, Huntington adopted FIN 46 resulting in the consolidation of one of the securitization trusts formed in 2000. The consolidation of that trust involved recognition of the trust's assets and liabilities, elimination of the related retained interest and servicing asset, recognition of other related assets, and establishment of a 1.01% allowance for loan and lease losses. Reflecting these impacts, the adoption of FIN 46 will result in a cumulative effect charge of approximately $11 million, or $0.05 per share, in the third quarter, a reduction of the ALLL by approximately 3 basis points, and a reduction of the tangible common equity ratio of approximately 30 basis points. Regulatory capital was minimally impacted since these assets were reflected previously in risk-based assets.

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

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

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

interim period beginning after June 15, 2003. Huntington is in the process of assessing the impact of Statement No. 150 on its results of operations and financial condition.

Statement of Financial Accounting Standards No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases, (SFAS 91) deals with the timing of recognition of loan and lease origination fees and certain expenses. The statement requires that such fees and costs, if material, be deferred and amortized over the estimated life of the asset. Generally, Huntington records the fees it receives from loan and lease origination activities, as well as the cost of those activities, in the period in which the fees are received and the costs incurred. Effective July 1, 2003, Huntington elected to defer loan origination fees and related costs prospectively for all loan and lease originations. Management believes that the deferral of all loan and origination fees will reduce reported income per share by $0.05 in the second half of 2003. Huntington is reviewing whether it is appropriate to restate prior periods to reflect the deferral of origination fees and costs. If prior years are restated, the impact on earnings for the second half of 2003 would be less.



NOTE 3 - RESTATEMENTS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Huntington has voluntarily restated its prior period financial results to reflect a series of actions related to the timing and recognition of origination fees paid to automobile dealers, commissions paid to originate deposits, mortgage origination fee income, and expense related to pension settlements, and reserves related to the sale of an automobile debt cancellation product. In addition, Huntington reclassified certain tax consulting expenses from income tax expense to professional services.

The following table reflects the financial statement line items in Huntington's balance sheets and income statements, showing the previously reported financial information included in the Form 10-K/A filed on May 20, 2003 and the related restated amounts.

| | DECEMBER 31, 2002 | | JUNE 30, |
|---|---|---|---|
| (in thousands of dollars) | PREVIOUSLY REPORTED | RESTATED | PREVIOUSLY REPORTED & RESTATED(1) |
| BALANCE SHEET: | | | |
| Total loans and leases | $ 18,645,189 | $ 18,619,211 | $ 16,808,113 |
| Net loans and leases | 18,308,541 | 18,282,563 | 16,456,417 |
| Accrued income and other assets | 537,775 | 522,611 | 506,957 |
| Total Assets | 27,557,251 | 27,516,109 | 25,390,402 |
| Accrued expenses and other liabilities | 1,062,868 | 1,053,833 | 1,066,319 |
| Total liabilities | 25,266,756 | 25,257,721 | 23,034,616 |
| Retained earnings | 219,172 | 187,066 | 128,949 |
| Total shareholders' equity | 2,290,495 | 2,258,388 | 2,355,786 |
| Total Liabilities and Shareholders' Equity | $ 27,557,251 | $ 27,516,109 | $ 25,390,402 |

(1) Reflects impact of amendment to Form 10-K filed on May 20, 2003.

| (in thousands of dollars) | THREE MONTHS ENDED JUNE 30, 2002 PREVIOUSLY REPORTED | THREE MONTHS ENDED JUNE 30, 2002 RESTATED | SIX MONTHS JUNE 30, PREVIOUSLY REPORTED |
|---|---|---|---|
| INCOME STATEMENT: | | | |
| Interest expense | $ 131,835 | $ 130,822 | $ 282,605 |
| Net interest income | 190,981 | 191,994 | 375,412 |
| Net interest income after provision for loan and lease losses | 141,105 | 142,118 | 286,526 |
| Service charges on deposit accounts | 35,354 | 35,608 | 73,884 |
| Mortgage banking income | 10,725 | 10,115 | 22,982 |
| Gain on sale of Florida operations | --- | --- | 175,344 |
| Total non-interest income | 288,021 | 287,665 | 767,121 |
| Personnel costs | 105,146 | 106,808 | 219,431 |
| Professional services | 6,267 | 7,864 | 11,668 |
| Other non-interest expense | 20,683 | 21,083 | 41,217 |
| Total non-interest expense | 328,032 | 331,691 | 734,706 |
| Income before income taxes | 101,094 | 98,092 | 318,941 |
| Income taxes | 27,169 | 25,081 | 151,875 |
| Net income | $ 73,925 | $ 73,011 | $ 167,066 |
| Earnings per share: | | | |
| Basic | $0.30 | $0.30 | $0.67 |
| Diluted | $0.30 | $0.29 | $0.67 |

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Restated financial information for prior periods has been summarized in Part II Item 5 of this report. Financial information included in this report for the three and six months ended June 30, 2002, has also been restated. Net income was reduced by $0.9 million for the three-month period and increased by $2.0 million, or $0.01 per share, for the six-month period. Total loans and leases were reduced by $24.0 million, other assets by $14.2 million, other liabilities by $10.7 million and retained earnings by $27.5 million at June 30, 2002, for the cumulative effect of the restatement.

NOTE 4 - RESTRUCTURING CHARGES

During the second quarter 2003, Huntington released $5.3 million of restructuring reserves through a credit to the restructuring charge line of non-interest expense in the accompanying unaudited consolidated financial statements. Released reserves of $3.8 million related to those established in 1998 and $1.5 million related to the strategic refocusing plan established in 2001 and 2002. Reserves of $1.0 million and $7.2 million were released in the first quarter of 2003 and the fourth quarter of 2002, respectively, also related to the strategic refocusing plan. The 1998 reserve was established for, among other items, the exit of under performing product lines, including possible third party claims related to these exits. Management reviewed this reserve and

determined that future claims would be immaterial, and reduced the level of the reserve accordingly.

During the first quarter of 2002, Huntington recorded pre-tax restructuring charges of $56.2 million related to the implementation of strategic initiatives announced July 2001. These charges included expenses of $32.7 million related to the sale of the Florida operations, $8.0 million for asset impairment, $4.3 million for the exit of certain e-commerce activities, $1.8 million related to facilities, and $9.4 million for other costs. These charges amounted to $36.5 million, or $0.14 per share, on an after-tax basis and are reflected in Non-interest expense in the accompanying unaudited consolidated financial statements.

As of June 30, 2003, Huntington has remaining reserves for restructuring of $0.3 million related to the 1998 strategic initiative, and $9.1 million related to the 2001 strategic initiatives, respectively. Huntington expects that this remaining reserve will be adequate to fund the remaining estimated future cash outlays that are expected in the completion of the exit activities contemplated by Huntington's 2001 strategic refocusing plan.



NOTE 5- SECURITIES AVAILABLE FOR SALE

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

| | JUNE 30, 2003 | | DECEMBER |
|---|---|---|---|
| (in thousands of dollars) | Amortized Cost | Fair Value | Amortized Cost |
| U.S. Treasury | | | |
| Under 1 year | $ 327 | $ 331 | $ --- |
| 1-5 years | 38,930 | 39,543 | 13,434 |
| 6-10 years | 64,063 | 66,158 | 4,704 |
| Over 10 years | --- | --- | 412 |
| Total | 103,320 | 106,032 | 18,550 |
| Federal agencies | | | |
| Mortgage-backed securities | | | |
| 1-5 years | 13,353 | 13,660 | 34,196 |
| 6-10 years | 209,451 | 215,030 | 264,219 |
| Over 10 years | 720,332 | 738,826 | 873,552 |
| Total | 943,136 | 967,516 | 1,171,967 |
| Other agencies | | | |
| Under 1 year | 137,797 | 141,375 | 34,923 |
| 1-5 years | 305,503 | 324,030 | 758,032 |
| 6-10 years | 210,788 | 209,510 | 95,617 |
| Over 10 years | 948,281 | 961,049 | 477,185 |

| | | | |
|---|---|---|---|
| Total | 1,602,369 | 1,635,964 | 1,365,757 |
| Total U.S. Treasury and Federal Agencies | 2,648,825 | 2,709,512 | 2,556,274 |
| Other | | | |
| Under 1 year | 7,720 | 7,731 | 7,133 |
| 1-5 years | 59,007 | 59,735 | 62,939 |
| 6-10 years | 57,989 | 59,974 | 49,581 |
| Over 10 years | 649,192 | 651,330 | 451,108 |
| Retained interest in securitizations | 148,177 | 163,664 | 146,160 |
| Marketable equity securities | 50,809 | 50,815 | 42,846 |
| Total | 972,894 | 993,249 | 759,767 |
| TOTAL SECURITIES AVAILABLE FOR SALE | $ 3,621,719 | $ 3,702,761 | $ 3,316,041 |

NOTE 6 - OPERATING LEASE ASSETS

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

| (in thousands of dollars) | JUNE 30, 2003 | DECEMBER 31, 2002 | JUNE 30 2002 |
|---|---|---|---|
| Cost of automobiles under operating leases | $ 2,689,413 | $ 3,260,897 | $ 3,782 |
| Accumulated depreciation | (972,219) | (1,008,452) | (981 |
| OPERATING LEASE ASSETS, NET | $ 1,717,194 | $ 2,252,445 | $ 2,801 |

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

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NOTE 7 - EARNINGS PER SHARE

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

| | THREE MONTHS ENDED | SIX MONTHS ENDED |
|---|---|---|

| | JUNE 30, | | JUNE 30, | |
|---|---|---|---|---|
| (in thousands, except per share amounts) | 2003 | 2002 | 2003 | 20 |
| | | (Restated) | | (Rest |
| NET INCOME | $ 97,387 | $ 73,011 | $ 187,963 | $ 16 |
| Average common shares outstanding | 228,633 | 246,106 | 229,987 | 24 |
| Dilutive effect of common stock equivalents | 1,939 | 1,761 | 1,697 | |
| DILUTED AVERAGE COMMON SHARES OUTSTANDING | 230,572 | 247,867 | 231,684 | 24 |
| EARNINGS PER SHARE | | | | |
| Basic | $0.43 | $0.30 | $0.82 | |
| Diluted | $0.42 | $0.29 | $0.81 | |

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

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

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

NOTE 8 - COMPREHENSIVE INCOME

The components of Huntington's Other Comprehensive Income are the unrealized gains (losses) on securities available for sale, unrealized gains (losses) on derivative instruments used in cash flow hedging relationships, and minimum pension liability. The related before and after tax amounts in each of the three and six months ended June 30 were as follows:



| | THREE MONTHS ENDED JUNE 30, |
|---|---|

| (in thousands of dollars) | 2003 | 2002 | |
|---|---|---|---|
| Minimum pension liability: | | | |
| Unrealized net loss | $ --- | $ --- | $ |
| Related tax benefit | --- | --- | |
| Net | --- | --- | |
| Unrealized holding gains (losses) on securities available for sale arising during the period: | | | |
| Unrealized net gains | 9,053 | 32,852 | |
| Related tax expense | (3,169) | (11,498) | |
| Net | 5,884 | 21,354 | |
| Unrealized holding losses on derivatives used in cash flow hedging relationships arising during the period: | | | |
| Unrealized net losses | (23,415) | (2,392) | (2 |
| Related tax benefit | 8,195 | 837 | |
| Net | (15,220) | (1,555) | (1 |
| Less: Reclassification adjustment for net gains from sales of securities available for sale realized during the period: | | | |
| Realized net gains | 6,887 | 966 | |
| Related tax expense | (2,410) | (338) | ( |
| Net | 4,477 | 628 | |
| TOTAL OTHER COMPREHENSIVE INCOME | $(13,813) | $19,171 | $(2 |

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

| (in thousands of dollars) | MINIMUM PENSION LIABILITY | UNREALIZED GAINS (LOSSES) ON SECURITIES AVAILABLE FOR SALE | UNREALIZED GAINS (LOSSES) ON DERIVATIVE INSTRUMENTS USED IN CASH FLOW HEDGING RELATIONSHIPS | TO |
|---|---|---|---|---|
| Balance, December 31, 2001 | $ --- | $29,469 | $ (3,981) | $ 25 |
| Period change | --- | 5,926 | (2,759) | 3 |
| Balance, June 30, 2002 | $ --- | $35,395 | $ (6,740) | $ 28 |
| Balance, December 31, 2002 | $ (195) | $56,856 | $ 5,639 | $ 62 |
| Current-period change | --- | (4,391) | (17,092) | (21 |
| Balance, June 30, 2003 | $ (195) | $52,465 | $ (11,453) | $ 40 |

NOTE 9 - STOCK-BASED COMPENSATION

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

In December 2002, the FASB issued Statement No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure. This Statement amends Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to Statement No. 123's fair value method of accounting for stock-based employee compensation. Statement No. 148 also amends the disclosure provisions of Statement 123 and APB Opinion No. 28,



Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While Statement No. 148 does not amend Statement No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of Statement No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of Statement No. 123 or the intrinsic value method of APB Opinion No. 25.

Huntington expects to adopt the fair value method of recording stock options under the transitional guidance of Statement No. 148. Huntington is currently evaluating which of the three methods under the transitional guidance it will adopt.

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 in measuring compensation costs for stock options. The fair values of the stock options granted were estimated using the Black-Scholes option-pricing model. This model assumes that the estimated fair value of the options is amortized over the options' vesting periods and the compensation costs would be included in personnel expense on the income statement. The following table also includes the weighted-average assumptions that were used in the option-pricing model for options granted in the three and six month periods presented:

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| PERIOD-END OPTIONS OUTSTANDING (IN THOUSANDS) | 17,399 | 13,729 | 17,399 | 13, |
| ASSUMPTIONS | | | | |
| Risk-free interest rate | 4.46% | 4.13% | 4.30% | 4. |
| Expected dividend yield | 3.26% | 3.34% | 3.30% | 3. |
| Expected volatility of Huntington's common stock | 33.8% | 33.8% | 33.8% | 33 |

| PRO FORMA RESULTS (IN MILLIONS OF DOLLARS) | | | | |
|---|---|---|---|---|
| Net income, as reported | $ 97.4 | $ 73.0 | $ 188.0 | $ 16 |
| Less pro forma expense, net of tax, related to options granted | 2.9 | 2.9 | 5.9 | |
| PRO FORMA NET INCOME | $ 94.5 | $ 70.1 | $ 182.1 | $ 16 |
| NET INCOME PER COMMON SHARE: | | | | |
| Basic, as reported | $0.43 | $0.30 | $0.82 | $0 |
| Basic, pro forma | 0.41 | 0.28 | 0.79 | 0 |
| Diluted, as reported | 0.42 | 0.29 | 0.81 | 0 |
| Diluted, pro forma | 0.41 | 0.28 | 0.79 | 0 |

NOTE 10 - SEGMENT REPORTING

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

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

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

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

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

REGIONAL BANKING

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

DEALER SALES

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

PRIVATE FINANCIAL GROUP (PFG)

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

TREASURY / OTHER

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



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

| THREE MONTHS ENDED JUNE 30, | | | | | |
|---|---|---|---|---|---|
| INCOME STATEMENTS (in thousands of dollars) | Regional Banking | Dealer Sales | PFG | Treasury/ Other | H Co |

| | | | | |
|---|---|---|---|---|
| 2003 | | | | |
| Net interest income | $ 152,342 | $ 21,048 | $ 9,794 | $ 32,394 |
| Provision for loan and lease losses | 40,525 | 9,192 | (458) | (66) |
| Non-Interest income | 75,684 | 144,003 | 27,847 | 26,672 |
| Non-Interest expense | 150,125 | 125,590 | 25,886 | 4,443 |
| Income taxes | 13,082 | 10,594 | 4,275 | 9,209 |
| Net income, as reported | 24,294 | 19,675 | 7,938 | 45,480 |
| Restructure charges (releases), net of tax | --- | --- | --- | (3,455) |
| Operating earnings | $ 24,294 | $ 19,675 | $ 7,938 | $ 42,025 |
| 2002 | | | | |
| Net interest income | $ 146,411 | $ 4,233 | $ 8,917 | $ 32,433 |
| Provision for loan and lease losses | 36,844 | 10,737 | 447 | 1,848 |
| Non-Interest income | 66,550 | 175,863 | 31,344 | 13,908 |
| Non-Interest expense | 140,082 | 153,919 | 26,991 | 10,699 |
| Income taxes | 12,612 | 5,404 | 4,488 | 2,577 |
| Net income, as reported | 23,423 | 10,036 | 8,335 | 31,217 |
| Florida operating results, net of tax | --- | --- | 532 | --- |
| Operating earnings | $ 23,423 | $ 10,036 | $ 7,803 | $ 31,217 |

SIX MONTHS ENDED JUNE 30,

| INCOME STATEMENTS (in thousands of dollars) | Regional Banking | Dealer Sales | PFG | Treasury/ Other | H Co |
|---|---|---|---|---|---|
| 2003 | | | | | |
| Net interest income | $ 300,936 | $ 44,699 | $ 19,312 | $ 64,367 | |
| Provision for loan and lease losses | 64,066 | 20,577 | 1,454 | (60) | |
| Non-Interest income | 149,944 | 293,659 | 55,057 | 43,577 | |
| Non-Interest expense | 297,049 | 259,930 | 52,502 | 20,902 | |
| Income taxes | 31,418 | 20,248 | 7,145 | 8,357 | |
| Net income, as reported | 58,347 | 37,603 | 13,268 | 78,745 | |
| Restructure charges (releases), net of tax | --- | --- | --- | (4,105) | |
| Operating earnings | $ 58,347 | $ 37,603 | $ 13,268 | $ 74,640 | |
| 2002 | | | | | |
| Net interest income | $ 306,734 | $ (454) | $ 16,398 | $ 54,884 | |
| Provision for loan and lease losses | 64,356 | 20,386 | 2,036 | 2,108 | |
| Non-Interest income | 142,581 | 356,322 | 64,125 | 208,811 | |
| Non-Interest expense | 285,575 | 314,793 | 54,882 | 85,941 | |
| Income taxes | 34,784 | 7,241 | 8,262 | 100,015 | |
| Net income, as reported | 64,600 | 13,448 | 15,343 | 75,631 | |
| Florida operating results, net of tax | (1,445) | (1,106) | (2,746) | 6,822 | |
| Gain on sale of Florida operations, net of tax | --- | --- | --- | (60,691) | |
| Restructuring charges, net of tax | --- | --- | --- | 36,519 | |
| Operating earnings | $ 63,155 | $ 12,342 | $ 12,597 | $ 58,281 | |

| PERIOD-END BALANCE SHEET DATA | TOTAL ASSETS AT JUNE 30, | | TOTAL DEPOSITS A |
|---|---|---|---|
| (in millions of dollars) | 2003 | 2002 | 2003 |
| Regional Banking | $ 14,624 | $ 13,062 | $ 16,628 |
| Dealer Sales | 6,652 | 6,596 | 67 |
| Private Financial Group | 1,328 | 1,000 | 1,027 |
| Treasury / Other | 5,688 | 4,694 | 649 |
| Total | $ 28,292 | $ 25,352 | $ 18,371 |

NOTE 11 - DIVESTITURES

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

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

On February 15, 2002, Huntington completed the sale of its Florida operations to SunTrust Banks, Inc. Included in the sale were $4.8 billion of deposits and other liabilities and $2.8 billion of loans and other assets. Huntington received a deposit premium of 15%, or $711.9 million. The total net pre-tax gain from the sale was $181.3 million and is reflected in Non-interest income. The after-tax gain was $60.7 million, or $0.24 per share. Income taxes related to this transaction were $120.7 million, an amount higher than the tax impact at the statutory rate of 35% because most of the goodwill relating to the Florida operations was non-deductible for tax purposes.

NOTE 12 - SEC INVESTIGATION

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

Committee and the SEC. The SEC investigation is ongoing and Huntington is continuing to cooperate fully.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

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

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

FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements are subject to numerous assumptions, risks, and uncertainties. A number of factors could cause actual conditions, events, or results to differ significantly from those described in the forward-looking statements. These factors include, but are not limited to, those set forth under the heading "Business Risks" included in Item 1 of Huntington's amended 2002 Annual Report on Form 10-K/A filed on May 20, 2003 (amended Form 10-K/A) and other factors described from time to time in other filings with the Securities and Exchange Commission.

Management encourages readers of this interim report to understand forward-looking statements to be strategic objectives rather than absolute forecasts of future performance. Forward-looking statements speak only as of the date they are made. Huntington does not update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events.

RESTATEMENT OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Huntington has voluntarily restated its prior period financial results

to reflect a series of actions related to the timing and recognition of origination fees paid to automobile dealers, deferral of commissions paid to originate deposits, mortgage origination fee income, expenses related to pension settlements, and reserves related to the sale of an automobile debt cancellation product. In addition, Huntington reclassified certain tax consulting expenses from income tax expense to professional services.

Financial information included in this report for the three and six months ended June 30, 2002, has also been restated. Net income was reduced by $0.9 million for the three-month period and increased by $2.0 million, or $0.01 per common share, for the six-month period. The cumulative effect of this restatement reduced total loans and leases by $24.0 million, other assets by $14.2 million, other liabilities by $10.7 million, and retained earnings by $27.5 million at June 30, 2002.

The results of this restatement are reflected in the unaudited consolidated financial statements, notes to the unaudited consolidated financial statements, and management's discussion and analysis for all current and prior periods reported in this Form 10-Q. Note 3 in the notes to the unaudited consolidated financial statements contains additional information regarding this restatement.

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CRITICAL ACCOUNTING POLICIES

Note 1 to the consolidated financial statements included in Huntington's amended Form 10-K/A lists significant accounting policies used in the development and presentation of its 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, its financial position, results of operations, and cash flows.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires Huntington's management to establish critical accounting policies and make accounting estimates, assumptions, and judgments that affect amounts recorded and reported in its financial statements. An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements of Huntington if a different amount within a range of estimates were used or if estimates changed from period to period. Readers of this interim report should understand that estimates are made under facts and circumstances at a point in time and changes in those facts and circumstances could produce actual results that differ from when those estimates were made. Huntington's management has identified the most significant accounting estimates and their related application in Huntington's amended Form 10-K/A.

ADOPTION OF FINANCIAL INTERPRETATION NO. (FIN) 46 INVOLVING SPECIAL PURPOSE ENTITIES (SPEs)

Huntington established two securitization trusts, or SPEs, in 2000. These two trusts had total assets of approximately $1.1 billion at June 30, 2003. In the securitization transactions, indirect automobile loans that Huntington originated were sold to these trusts. Under GAAP at June 30, 2003, these trusts were not required to be consolidated in Huntington's financial statements. As such, the loans and the debt within the trusts were not included on Huntington's balance sheets at June 30. See Note 10 to the consolidated financial statements in Huntington's amended Form 10-K/A for more information regarding securitized loans.

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

Effective July 1, 2003, Huntington adopted FIN 46 resulting in the consolidation of one of the securitization trusts formed in 2000. The consolidation of that trust involved recognition of the trust's assets and liabilities, elimination of the related retained interest and servicing asset, recognition of other related assets, and establishment of a 1.01% allowance for loan and lease losses. Reflecting these impacts, the adoption of FIN 46 will result in a cumulative effect charge of approximately $11 million, or $0.05 per share, in the third quarter, a reduction of the ALLL by approximately 3 basis points, and a reduction in the tangible common equity ratio of approximately 30 basis points. Regulatory capital will have minimal impact since these assets are currently reflected in risk-based assets.

DERIVATIVES AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

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

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



RELATED PARTY TRANSACTIONS

Various directors and executive officers of Huntington, and entities affiliated with those directors and executive officers, are customers of Huntington's subsidiaries. All transactions with Huntington's directors and executive officers and their affiliates are conducted in the ordinary course of business under normal credit terms, including interest rate and collateralization, and do not represent more than the normal risk of collection. A summary of the indebtedness of management can be found in Note 9 to

Huntington's amended Form 10-K/A. All other related party transactions, including those reported in Huntington's 2003 Proxy Statement and transactions subsequent to December 31, 2002, were considered immaterial to its financial condition, results of operations, and cash flows.

SUMMARY DISCUSSION OF RESULTS

2003 Second Quarter versus 2002 Second Quarter

Huntington's second quarter 2003 earnings were $97.4 million, or $0.42 per common share, up 33% and 45%, respectively, from $73.0 million, or $0.29 per common share in the year-ago quarter. This primarily reflected the benefit of a 13% increase in fully taxable equivalent net interest income and an 8% decline in non-interest expense, partially offset by a 5% decline in non-interest income. The higher percent change in per common share earnings reflected the benefit of repurchased common shares. The return on average assets (ROA) and return on average equity (ROE) were 1.39% and 17.5%, respectively, compared with 1.17% and 12.5% in the year-ago quarter.

Fully taxable equivalent net interest income increased $24.6 million, or 13%, reflecting a $4.0 billion, or 20%, increase in average earning assets, partially offset by a 25 basis point, or an effective 6%, decline in the fully taxable equivalent net interest margin to 3.69% from 3.94%. The decline in non-interest expense of $25.6 million, or 8%, primarily reflected a $28.8 million, or 22%, decline in operating lease expense, and $5.3 million decrease in restructuring charges, partially offset by a $7.2 million, or 7%, increase in personnel costs. Non-interest income decreased $13.5 million, or 5%, primarily due to a $43.8 million, or 26%, decline in operating lease income, partially offset by a $21.2 million increase in other income, which included an $11.6 million gain from the sale of automobile loans.

2003 Second Quarter versus 2003 First Quarter

Compared with the first quarter 2003 earnings of $90.6 million, or $0.39 per common share, second quarter earnings and earnings per common share were up 7% and 8%, respectively. This increase primarily reflected the benefit of a 6% decline in non-interest expense and 2% increase in non-interest income, partially offset by a 34% increase in provision for loan and lease losses. Fully taxable equivalent net interest income was up 1% between quarters. ROA and ROE were 1.34% and 16.3%, respectively, in the first quarter 2003.

The $18.3 million, or 6%, decline in non-interest expense was driven primarily by an $8.6 million, or 8%, decline in operating lease expense, a $7.7 million, or 6%, decline in personnel costs, and a $4.3 million decline in restructuring charges. The $6.2 million, or 2%, increase in non-interest income reflected the $3.3 million increase in gains from sales of automobile loans and a $5.7 million increase in securities gains, partially offset by a $9.5 million, or 7%, decline in operating lease income.



TABLE 1 - SELECTED QUARTERLY INCOME STATEMENT DATA (1)

| | 2003 | | |
|---|---|---|---|
| (in thousands, except per share amounts) | SECOND | First | Fourth |

| | | | |
|---|---|---|---|
| TOTAL INTEREST INCOME | $330,462 | $331,991 | $341,44 |
| TOTAL INTEREST EXPENSE | 114,884 | 118,255 | 130,16 |
| NET INTEREST INCOME | 215,578 | 213,736 | 211,28 |
| Provision for loan and lease losses | 49,193 | 36,844 | 51,23 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES | 166,385 | 176,892 | 160,04 |
| Operating lease income | 124,209 | 133,755 | 143,46 |
| Service charges on deposit accounts | 40,914 | 39,869 | 41,43 |
| Trust services | 15,580 | 14,911 | 15,30 |
| Gains on sales and securitizations of loans | 14,808 | 12,114 | 4,65 |
| Brokerage and insurance income | 14,196 | 15,497 | 13,94 |
| Other service charges and fees | 11,372 | 10,338 | 10,89 |
| Bank Owned Life Insurance income | 11,043 | 11,137 | 11,44 |
| Mortgage banking | 11,033 | 13,789 | 10,00 |
| Merchant Services gain | --- | --- | -- |
| Securities gains | 6,887 | 1,198 | 2,33 |
| Other | 24,164 | 15,423 | 16,96 |
| TOTAL NON-INTEREST INCOME | 274,206 | 268,031 | 270,44 |
| Personnel costs | 114,047 | 121,743 | 119,13 |
| Operating lease expense | 102,939 | 111,588 | 120,74 |
| Equipment | 16,341 | 16,412 | 17,33 |
| Outside data processing and other services | 16,104 | 16,579 | 17,20 |
| Net occupancy | 15,583 | 16,815 | 13,45 |
| Professional services | 9,872 | 9,285 | 9,11 |
| Marketing | 8,454 | 6,626 | 6,18 |
| Telecommunications | 5,394 | 5,701 | 5,71 |
| Printing and supplies | 2,253 | 3,681 | 3,99 |
| Restructuring charges (releases) | (5,315) | (1,000) | (7,21 |
| Other | 20,372 | 16,909 | 32,61 |
| TOTAL NON-INTEREST EXPENSE | 306,044 | 324,339 | 338,29 |
| INCOME BEFORE INCOME TAXES | 134,547 | 120,584 | 92,19 |
| Income taxes | 37,160 | 30,008 | 21,57 |
| NET INCOME | $ 97,387 | $ 90,576 | $ 70,62 |
| PER COMMON SHARE | | | |
| Net Income - Diluted | $0.42 | $0.39 | $0.3 |
| Cash Dividends Declared | $0.16 | $0.16 | $0.1 |
| RETURN ON: | | | |
| Average total assets | 1.39% | 1.34% | 1.04 |
| Average total shareholders' equity | 17.5% | 16.3% | 12.5 |
| Net interest margin (2) | 3.69% | 3.84% | 3.86 |
| Efficiency ratio (3) | 63.1% | 67.2% | 70.3 |
| Effective tax rate | 27.6% | 24.9% | 23.4 |
| REVENUE - FULLY TAXABLE EQUIVALENT (FTE) | | | |
| Net Interest Income | $215,578 | $213,736 | $211,28 |
| Tax Equivalent Adjustment (2) | 2,076 | 2,096 | 1,86 |
| Net Interest Income | 217,654 | 215,832 | 213,15 |
| Non-Interest Income | 274,206 | 268,031 | 270,44 |

| | | | |
|---|---|---|---|
| TOTAL REVENUE | $491,860 | $483,863 | $483,59 |
| TOTAL REVENUE EXCLUDING SECURITIES GAINS | $484,973 | $482,665 | $481,26 |

(1) Each of the quarters in 2002 and the first quarter in 2003 have been restated. Please see note 3 to the unaudited consolidated financial statements for further information.
(2) Represents the tax-exempt portion of net interest income increased by an amount equivalent to taxes that would have been paid if this income had been taxed at a 35% statutory tax rate.
(3) Non-interest expense less amortization of intangible assets divided by the sum of fully taxable equivalent net interest income and non-interest income excluding securities gains.



2003 First Six Months versus 2002 First Six Months

For the first six months of 2003, earnings were $188.0 million, or $0.81 per common share, up 11% and 19%, respectively, from $169.0 million, or $0.68 per common share, in the comparable year-ago period. This increase primarily reflected the benefits of a 14% increase in fully taxable equivalent net interest income, a 15% decline in non-interest expense, a 3% decline in provision for loan and lease losses, and a lower effective tax rate, partially offset by a 30% decline in non-interest income. The year-ago six-month period included two significant items. The first consisted of a $181.3 million pre-tax gain ($60.7 million after tax, or $0.24 per common share) from the sale of the Florida banking operations reported in non-interest income. The second was $56.2 million ($36.5 million after tax, or $0.15 per common share) in restructuring charges related to the strategic initiatives announced in July 2001 reported in non-interest expense. The higher percent change in per common share earnings reflected the benefit of repurchased shares. ROA and ROE were 1.37% and 16.9%, respectively, up from 1.32% and 14.4%, in the year-ago six-month period.

The $53.7 million, or 14%, increase in fully taxable equivalent net interest income reflected a $3.1 billion, or 15%, increase in average earnings assets, partially offset by a 4 basis point, or an effective 1%, decline in the fully taxable equivalent net interest margin to 3.75% from 3.79%. The $110.8 million, or 15%, decline in non-interest expense primarily reflected a $62.5 million decline in restructuring charges and a $58.0 million, or 21%, decline in operating lease expense, partially offset by a $13.3 million, or 6%, increase in personnel costs. Provision for loan and lease losses decreased $2.8 million, or 3%, and reflected a release of provision associated with the loans sold with Florida banking operations in the prior year, partially offset by higher provision expense due to loan growth and higher net charge-offs.

The reduction in tax expense reflects the decline in the effective tax rate to 26.3% in the current six-month period, down from 47.1%, in the year-ago six-month period. The higher effective tax rate in the year-ago period reflected the fact that most of the goodwill relating to the sold Florida operations was non-deductible for tax purposes.

RESULTS OF OPERATIONS

NET INTEREST INCOME

2003 Second Quarter versus 2002 Second Quarter

Compared with the year-ago quarter, fully taxable equivalent net

interest income increased $24.6 million, or 13%, reflecting the benefit of an increase in average earning assets, partially offset by a 25 basis point, or an effective 6%, decline in the net interest margin to 3.69% from 3.94%. The decline in the fully taxable equivalent net interest margin was driven by a number of factors including significant repayments and prepayments of higher rate mortgages and mortgage backed securities, growth in lower rate but higher quality automobile loans and direct financing leases, and the difficulty in lowering deposit rates as fast as the decline in rates on loans and securities. Average total earning assets increased $4.0 billion, or 20%, of which $0.8 billion related to higher securities and $3.2 billion related to higher average loans and leases and mortgages held for sale.

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

Compared with the year-ago quarter, average loans and leases increased $2.7 billion, or 16%. Average automobile loans and leases increased $1.4 billion, or 52%. This high growth rate was influenced by the significant growth in direct financing automobile leases as this portfolio is relatively new and consists only of leases originated after April 2002 with no meaningful offsetting impact from maturing leases. Average automobile loans were up 10%. As part of a plan to reduce loan concentration exposure to the automobile financing business, $569 million of automobile loans were sold in the second quarter 2003, following the sale of $558 million in the first quarter. This brought 2003 year-to-date sales to $1.1 billion. Each sale occurred at the end of their respective quarter and, thus, did not have a material impact on average balances for their respective quarters. However, the first quarter sale did have a material impact on second quarter 2003 averages and comparisons to the year-ago quarter. Excluding the impact of the first quarter sale, average automobile loans in the second quarter 2003 were up 32% from the year-ago quarter.

Average residential mortgages increased $0.5 billion, or 36%, with average home equity loans and lines up $0.4 billion, or 15%, reflecting the impact low interest rates had on home borrowing and refinancing. Total average commercial real estate loans increased $0.4 billion, or 11%. Average commercial loans were essentially flat with the year-ago period. While small business banking loans showed some growth, this was offset by declines in larger commercial loans, including a reduction in exposure to shared national credits.

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

2003 Second Quarter versus 2003 First Quarter

Fully taxable equivalent net interest income in the second quarter 2003 increased $1.8 million, or 1%, from the first quarter, reflecting growth in average earning assets substantially offset by a decline in the net interest margin. The fully taxable equivalent net interest margin declined to 3.69% from 3.84%, down 15 basis points, or an effective 4%, driven by the same factors that affected comparisons to the year-ago quarter, as noted above. Average total earning assets increased $0.9 billion, or 4%, of which $0.4 billion related to higher securities and $0.5 billion related to higher average loans and leases

and mortgages held for sale.

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

Average loans and leases increased $0.3 billion, or 2%, from the first quarter, or 4% excluding the impact of automobile loan sales. Reflecting the impact of the low interest rate environment, average residential mortgages grew 3% and average home equity loans and lines of credit increased 4%. Average automobile loans and leases increased 1%, or 12% excluding the impact of the first quarter sale of $558 million of automobile loans. Loans sold in the first quarter impacted average loans and leases in that quarter by $459 million. Year-to-date sales of automobile loans totaled $1.1 billion with such sales reflecting a strategy to reduce loan concentration exposure to the automobile financing business. Total average commercial real estate loans increased 3%. In contrast, average commercial loans were essentially unchanged reflecting a 3% growth in small business loans, offset by declines in larger commercial credits.

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

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

2003 First Six Months versus 2002 First Six Months

Net interest income on a fully taxable equivalent basis for the first six months of 2003 increased $53.7 million, or 14%, from the comparable year-ago period. This reflected 15% growth in average earnings assets, as the fully taxable equivalent net interest margin declined slightly to 3.75% from 3.79%, down 4 basis points, or an effective 1%. Average total earning assets increased $3.1 billion, or 15%, of which $0.7 billion related to higher average securities, $0.3 billion to higher average mortgages held for sale, and $2.2 billion related to higher average loans and leases.

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

Average loans and leases increased $2.2 billion, or 13%, from the year-ago six-month period. This increase was driven primarily by a $1.4 billion, or 50%, increase in average automobile loans and leases, impacted by the significant growth in direct financing automobile leases given reclassification of all April 2002 and prior originations as operating leases. Average automobile loans increased 12%, but rose 25% excluding the impact of the loan sales. Average residential mortgages were up $0.6 billion, or 45%, with average home equity loans and lines of credit up $0.2 billion, or 8%. Average commercial real estate loans were $0.3 million, or 7%, higher than in the year-ago period, whereas average commercial loans were down $0.2 billion, or 4%, reflecting the continued weak demand for commercial credits and planned decline in the shared national credit portfolio, partially offset by growth in small business loans.

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

average core deposits increased 6%.

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

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TABLE 2 - CONSOLIDATED QUARTERLY AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS
(in millions)

| | QUARTERLY AVERAGE BALANCES | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2002 | | | |
| Fully Tax Equivalent Basis (1) | SECOND | First | Fourth | Third | Second | SECON |
| ASSETS | | | | | | |
| Interest bearing deposits in banks | $ 45 | $ 37 | $ 34 | $ 35 | $ 29 | 1.58 |
| Trading account securities | 23 | 12 | 9 | 7 | 6 | 4.15 |
| Federal funds sold and securities purchased under resale agreements | 69 | 57 | 83 | 76 | 68 | 2.19 |
| Mortgages held for sale | 601 | 459 | 467 | 267 | 174 | 5.42 |
| Securities: | | | | | | |
| Taxable | 3,382 | 3,014 | 3,029 | 2,953 | 2,735 | 4.59 |
| Tax exempt | 275 | 275 | 234 | 108 | 96 | 7.29 |
| Total Securities | 3,657 | 3,289 | 3,263 | 3,061 | 2,831 | 4.79 |
| Loans and leases: (2) | | | | | | |
| Commercial | 5,623 | 5,621 | 5,553 | 5,502 | 5,614 | 5.37 |
| Real Estate | | | | | | |
| Construction | 1,240 | 1,188 | 1,071 | 1,248 | 1,259 | 4.28 |
| Commercial | 2,621 | 2,565 | 2,601 | 2,316 | 2,233 | 5.40 |
| Consumer | | | | | | |
| Automobile loans and leases | 4,173 | 4,116 | 3,726 | 3,245 | 2,744 | 7.62 |
| Home equity | 3,359 | 3,239 | 3,168 | 3,062 | 2,911 | 5.21 |
| Residential mortgage | 1,890 | 1,834 | 1,696 | 1,487 | 1,387 | 5.29 |
| Other loans | 379 | 388 | 398 | 405 | 414 | 8.53 |
| Total Consumer | 9,801 | 9,577 | 8,988 | 8,199 | 7,456 | 6.38 |
| Total loans and leases | 19,285 | 18,951 | 18,213 | 17,265 | 16,562 | 5.82 |
| Allowance for loan and lease losses | 338 | 349 | 386 | 367 | 357 | |
| Net loans and leases | 18,947 | 18,602 | 17,827 | 16,898 | 16,205 | |
| Total earning assets | 23,680 | 22,805 | 22,069 | 20,711 | 19,670 | 5.63 |
| Operating lease assets | 1,848 | 2,126 | 2,382 | 2,657 | 2,906 | |
| Cash and due from banks | 735 | 740 | 717 | 763 | 722 | |
| Intangible assets | 218 | 218 | 225 | 202 | 213 | |
| All other assets | 1,909 | 1,870 | 1,839 | 1,821 | 1,807 | |
| TOTAL ASSETS | $28,052 | $ 27,410 | $26,846 | $25,787 | $ 24,961 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Core deposits | | | | | | |
| Non-interest bearing deposits | $3,046 | $ 2,958 | $ 2,955 | $ 2,868 | $ 2,739 | |
| Interest bearing demand deposits | 6,100 | 5,597 | 5,305 | 5,269 | 4,920 | 1.43 |
| Savings deposits | 2,804 | 2,771 | 2,746 | 2,766 | 2,808 | 1.46 |
| Retail certificates of deposit | 2,799 | 2,963 | 3,305 | 3,453 | 3,509 | 3.75 |
| Other domestic time deposits | 673 | 682 | 702 | 714 | 718 | 3.85 |
| Total core deposits | 15,422 | 14,971 | 15,013 | 15,070 | 14,694 | 2.09 |
| Domestic time deposits of $100,000 or more | 808 | 769 | 730 | 777 | 843 | 2.55 |
| Brokered time deposits and negotiable CDs | 1,241 | 1,155 | 1,057 | 907 | 649 | 1.79 |
| Foreign time deposits | 426 | 515 | 409 | 370 | 296 | 1.03 |
| Total deposits | 17,897 | 17,410 | 17,209 | 17,124 | 16,482 | 2.06 |
| Short-term borrowings | 1,634 | 1,947 | 2,115 | 1,793 | 1,636 | 1.06 |
| Federal Home Loan Bank advances | 1,267 | 1,216 | 848 | 228 | 14 | 1.76 |
| Subordinated notes and other long-term debt, including preferred capital securities | 4,010 | 3,570 | 3,380 | 3,281 | 3,375 | 2.85 |
| Total interest bearing liabilities | 21,762 | 21,185 | 20,597 | 19,558 | 18,768 | 2.11 |
| All other liabilities | 1,010 | 1,019 | 1,048 | 1,066 | 1,103 | |
| Shareholders' equity | 2,234 | 2,248 | 2,246 | 2,295 | 2,351 | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $28,052 | $ 27,410 | $26,846 | $25,787 | $ 24,961 | |
| Net interest rate spread | | | | | | 3.52 |
| Impact of non-interest bearing funds on margin | | | | | | 0.17 |
| NET INTEREST MARGIN | | | | | | 3.69 |

(1) Fully tax equivalent yields are calculated assuming a 35% tax rate.
(2) Individual loan components include applicable fees.
(3) Loan and deposit average rates include impact of applicable derivatives.

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TABLE 3 - CONSOLIDATED SIX-MONTH AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS
(in millions)

| | SIX-MONTH AVERAGE BALANCES | | INTEREST INCOM EXPENSE | |
|---|---|---|---|---|
| Fully Tax Equivalent Basis (1) | 2003 | 2002 | 2003 | |
| ASSETS | | | | |
| Interest bearing deposits in banks | $ 41 | $ 31 | $ 0.3 | $ |
| Trading account securities | 17 | 6 | 0.4 | |
| Federal funds sold and securities purchased under resale agreements | 63 | 65 | 0.7 | |
| Mortgages held for sale | 531 | 277 | 14.5 | |

| | | | |
|---|---|---|---|
| Securities: | | | |
| Taxable | 3,199 | 2,724 | 77.6 |
| Tax exempt | 275 | 99 | 10.0 |
| Total Securities | 3,474 | 2,823 | 87.6 |
| Loans and leases: (2) | | | |
| Commercial | 5,622 | 5,828 | 151.7 |
| Real Estate | | | |
| Construction | 1,215 | 1,272 | 26.4 |
| Commercial | 2,593 | 2,298 | 70.5 |
| Consumer | | | |
| Automobile loans and leases | 4,146 | 2,772 | 162.1 |
| Home equity | 3,299 | 3,059 | 86.1 |
| Residential mortgage | 1,862 | 1,288 | 50.3 |
| Other loans | 383 | 448 | 16.0 |
| Total Consumer | 9,690 | 7,567 | 314.5 |
| Total loans and leases | 19,120 | 16,965 | 563.1 |
| Allowance for loan and lease losses | 343 | 364 | |
| Net loans and leases | 18,777 | 16,601 | |
| Total earning assets / Total interest income / Rate | 23,246 | 20,167 | 666.6 |
| Operating lease assets | 1,985 | 2,973 | |
| Cash and due from banks | 738 | 770 | |
| Intangible assets | 218 | 354 | |
| All other assets | 1,889 | 1,854 | |
| TOTAL ASSETS | $27,733 | $25,754 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Core deposits | | | |
| Non-interest bearing deposits | $ 2,984 | $ 2,889 | |
| Interest bearing demand deposits | 5,868 | 5,033 | 41.9 |
| Savings deposits | 2,788 | 2,952 | 22.6 |
| Retail certificates of deposit | 2,880 | 3,863 | 54.4 |
| Other domestic time deposits | 678 | 759 | 13.2 |
| Total core deposits | 15,198 | 15,496 | 132.1 |
| Domestic time deposits of $100,000 or more | 789 | 944 | 10.4 |
| Brokered time deposits and negotiable CDs | 1,198 | 476 | 11.2 |
| Foreign time deposits | 470 | 283 | 2.4 |
| Total deposits | 17,655 | 17,199 | 156.1 |
| Short-term borrowings | 1,789 | 1,692 | 9.9 |
| Federal Home Loan Bank advances | 1,242 | 16 | 11.2 |
| Subordinated notes and other long-term debt, including preferred capital securities | 3,792 | 3,403 | 55.9 |
| Total interest bearing liabilities / Total interest expense / Rate | 21,494 | 19,421 | 233.1 |
| All other liabilities | 1,014 | 1,078 | |
| Shareholders' equity | 2,241 | 2,366 | |

| | | | | |
|---|---|---|---|---|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $27,733 | $25,754 | | |
| Net interest rate spread | | | | |
| Impact of non-interest bearing funds on margin | | | | |
| NET INTEREST INCOME (FTE) (1) / MARGIN | | | $ 433.5 | $ |

(1) Fully tax equivalent net interest income and yields are calculated assuming a 35% tax rate.
(2) Individual loan components include applicable fees.
(3) Loan and deposit average rates include impact of applicable derivatives.

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PROVISION FOR LOAN AND LEASE LOSSES

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

2003 Second Quarter versus 2002 Second Quarter

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

2003 Second Quarter versus 2003 First Quarter

Provision for loan and lease losses in the second quarter was up $12.3 million, or 34%, from the first quarter due primarily to an $8.1 million provision expense reflecting loan growth, and to a lesser degree higher net charge-offs between periods. The June 30, 2003, ALLL as a percent of period-end loans and leases was 1.79%, up slightly from 1.78% at March 31, 2003. The allowance for loan and lease losses as a percent of non-performing assets increased to 255% at June 30, 2003, from 239% at the end of the immediately preceding quarter.

2003 First Six Months versus 2002 First Six Months

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

NON-INTEREST INCOME

2003 Second Quarter versus 2002 Second Quarter

Non-interest income in the second quarter 2003 was $274.2 million, down $13.5 million, or 5%, from $287.7 million in the year-ago quarter. This decline was driven primarily by a $43.8 million, or 26%, decline in operating lease income as this portfolio runs off due to the fact that all automobile leases originated after April 2002 are direct financing leases. Unlike income on

operating leases, the income on direct financing leases is reflected in net interest income. (See Operating Lease discussion.) Excluding operating lease income of $124.2 million and $168.0 million from the current and year-ago quarters, respectively, non-interest income was up $30.4 million, or 25%. (See Table 4.)

Fee income categories that increased over this period included service charges on deposit accounts, up $5.3 million, or 15%, due to higher NSF and overdraft fees on retail accounts. Mortgage banking income increased $0.9 million, or 9%, reflecting higher origination-related fees due to the increased volume of mortgage originations, partially offset by an acceleration in the amortization of mortgage servicing rights (MSRs) and a $6.4 million MSR impairment charge in the current quarter versus $0.9 million in the year-ago quarter. The MSR impairment charge and acceleration in the amortization of MSRs reflected high mortgage prepayment levels as the low interest rate environment continued to produce high refinancing activity. At June 30, 2003, MSRs as a percent of serviced mortgages were 0.72%, down from 1.00% at June 30, 2002. The increase in the gains on sales and securitizations of loans includes $11.6 million gain on the sale of automobile loans in the current quarter. The $9.5 million increase in other income reflected a $4.4 million increase in trading-related revenue, $4.1 million of higher fees from automobile lease terminations, and a $3.2 million increase in the market value of certain equity investments partially offset by other miscellaneous income categories. Other service charge income increased $0.8 million, or 8%, reflecting higher transaction-based product fees.

Fee income categories that decreased included brokerage and insurance income, down $2.7 million, or 16%, primarily due to lower insurance income associated with the sold J. Rolfe Davis Insurance Agency, Inc. Trust services income was down $0.6 million, or 4%, due to a decline in average asset values. Table 4 shows details of non-interest income for the three and six-month periods ended June 30, 2003 and 2002:



TABLE 4 - NON-INTEREST INCOME

| (in thousands of dollars) | THREE MONTHS ENDED JUNE 30, | | |
|---|---|---|---|
| | 2003 | 2002 | % Change |
| Operating lease income | $ 124,209 | $ 168,047 | (26.1)% |
| Service charges on deposit accounts | 40,914 | 35,608 | 14.9 |
| Trust services | 15,580 | 16,247 | (4.1) |
| Brokerage and insurance income | 14,196 | 16,899 | (16.0) |
| Gains on sales and securitizations of loans | 13,408 | 1,743 | N.M. |
| Other service charges and fees | 11,372 | 10,529 | 8.0 |
| Bank Owned Life Insurance income | 11,043 | 11,443 | (3.5) |
| Mortgage banking | 11,033 | 10,115 | 9.1 |
| Securities gains | 6,887 | 966 | N.M. |
| Other | 25,564 | 16,068 | 59.1 |
| TOTAL NON-INTEREST INCOME | $ 274,206 | $ 287,665 | (4.7)% |

| (in thousands of dollars) | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|
| | 2003 | 2002 | % Change |
| Operating lease income | $ 257,964 | $ 343,953 | (25.0)% |
| Service charges on deposit accounts | 80,783 | 74,423 | 8.5 |
| Trust services | 30,491 | 31,748 | (4.0) |
| Brokerage and insurance income | 29,693 | 34,504 | (13.9) |
| Mortgage banking | 24,822 | 28,469 | (12.8) |
| Gains on sales and securitizations of loans | 26,922 | 3,138 | N.M. |
| Bank Owned Life Insurance income | 22,180 | 23,119 | (4.1) |
| Other service charges and fees | 21,710 | 21,161 | 2.6 |
| Securities gains | 8,085 | 1,423 | N.M. |
| Gain on sale of Florida operations | --- | 181,344 | N.M. |
| Other | 39,587 | 28,557 | 38.6 |
| TOTAL NON-INTEREST INCOME | $ 542,237 | $ 771,839 | (29.7)% |

2003 Second Quarter versus 2003 First Quarter

Non-interest income of $274.2 million in the second quarter was up $6.2 million, or 2%, from $268.0 million in the first quarter, despite a $9.5 million decline in operating lease income. Excluding operating lease income of $124.2 million from the current quarter and $133.8 million in the 2003 first quarter, non-interest income was up $15.7 million, or 12%.

Income categories that increased included other income, up $10.1 million. This increase reflected higher fees from the termination of operating lease assets, an increase in the market value of certain equity investments, as well as higher letter of credit fees. The increase in the gains on sales and securitizations of loans included $3.3 million higher gains from sales of automobile loans offset by $0.6 million lower securitization gains. Securities gains totaled $6.9 million, up $5.7 million from the first quarter. Service charges on deposit accounts increased $1.0 million, or 3%, due to higher retail fees. Other service charges and fees were up $1.0 million, or 10%, reflecting higher transaction-based product fees from the seasonally weak first quarter. Trust services increased $0.7 million, or 4%, due to higher institutional fees.

Partially offsetting these increases were declines in several fee income categories, including brokerage and insurance income, down $1.3 million, or 8%, due to an 18% decline in annuity sales, though mutual fund sales increased 45%. Mortgage banking income declined $2.8 million, or 20%, from the first quarter reflecting a $6.4 million impairment of MSR in the current quarter, compared with no impairment in the first quarter 2003. Excluding the MSR impairment, mortgage banking income increased $3.6 million, or 26%, reflecting a 34% increase in closed loan production. At June 30, 2003, MSRs as a percent of mortgages serviced for others were 0.72%, down from 0.80% at March 31, 2003.

2003 First Six Months versus 2002 First Six Months

Non-interest income for the first six months of 2003 was $542.2 million, down $229.6 million, or 30%, from



$771.8 million in the comparable year-ago period. This decline reflected the $181.3 million gain from the sale of the Florida banking operations in the year-ago period, as well as an $86.0 million, or 25%, decline in operating lease income as this portfolio runs off. (See Operating Lease discussion.) Excluding

the year-ago gain, as well as operating lease income of $258.0 million and $344.0 million from the current and year-ago six-month periods, respectively, non-interest income was up $37.7 million, or 15%.

Non-interest income categories contributing to the increase included service charges on deposit accounts, up $6.4 million, or 9%; a $6.7 million increase in securities gains; and a $11.0 million increase in other income. The increase in other income was due to a $7.6 million increase in lease termination fees, and a $7.5 million increase in capital markets-related income including trading and sales activities, partially offset by a $3.1 million decrease in standby letter of credit fees related to the implementation of FIN 45, as well as lower other miscellaneous fees. Gains on sales and securitizations of loans included $19.9 million in gains from the sale of automobile loans in the first six months. Brokerage and insurance income was down $4.8 million, or 14%, and trust services declined $1.3 million, or 4%, reflecting the same factors influencing the declines between second quarters. Mortgage banking income declined $3.6 million, or 13%, reflecting year-to-date MSR impairments totaling $6.4 million in 2003 versus $1.1 million in the year-ago period.

NON-INTEREST EXPENSE

2003 Second Quarter versus 2002 Second Quarter

Non-interest expense in the second quarter 2003 was $306.0 million, down $25.7 million, or 8%, from $331.7 million in the year-ago quarter. This decline was driven primarily by a $28.8 million, or 22%, decline in operating lease expense as this portfolio runs off. (See Operating Lease discussion). Excluding operating lease expense of $102.9 million and $131.7 million from the current and year-ago quarters, respectively, non-interest expense was up $3.1 million, or 2%. (See Table 5).

This $3.1 million increase reflected a $7.2 million, or 7%, increase in personnel costs with higher salaries, sales commissions, and benefit expenses each contributing equally to the increase. Full-time equivalent staff at the end of June 2003 was 8,093, down slightly from 8,174 at the end of the second quarter last year. Professional services expense increased $2.0 million, or 26%, primarily related to legal and audit expenses associated with the restatement announced in May of this year and costs pertaining to the investigation by the SEC. Also contributing to the increase were higher marketing expenses, up $1.2 million, or 17%.

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

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

TABLE 5 - NON-INTEREST EXPENSE

| (in thousands of dollars) | THREE MONTHS ENDED JUNE 30 | | |
|---|---|---|---|
| | 2003 | 2002 | % |
| Personnel costs | $ 114,047 | $ 106,808 | |
| Operating lease expense | 102,939 | 131,695 | |
| Equipment | 16,341 | 16,659 | |
| Outside data processing and other services | 16,104 | 16,592 | |
| Net occupancy | 15,583 | 14,756 | |
| Professional services | 9,872 | 7,864 | |
| Marketing | 8,454 | 7,231 | |
| Telecommunications | 5,394 | 5,320 | |
| Printing and supplies | 2,253 | 3,683 | |
| Restructuring charges (releases) | (5,315) | --- | |
| Other | 20,372 | 21,083 | |
| TOTAL NON-INTEREST EXPENSE | $ 306,044 | $ 331,691 | |

| (in thousands of dollars) | SIX MONTHS ENDED JUNE 30 | | |
|---|---|---|---|
| | 2003 | 2002 | % |
| Personnel costs | $ 235,790 | $ 222,491 | |
| Operating lease expense | 214,527 | 272,480 | |
| Equipment | 32,753 | 33,608 | |
| Outside data processing and other services | 32,683 | 35,031 | |
| Net occupancy | 32,398 | 31,995 | |
| Professional services | 19,157 | 14,294 | |
| Marketing | 15,080 | 14,234 | |
| Telecommunications | 11,095 | 11,338 | |
| Printing and supplies | 5,934 | 7,520 | |
| Restructuring charges (releases) | (6,315) | 56,184 | |
| Other | 37,281 | 42,016 | |
| TOTAL NON-INTEREST EXPENSE | $ 630,383 | $ 741,191 | |

2003 Second Quarter versus 2003 First Quarter

Non-interest expense of $306.0 million in the current quarter was down $18.3 million, or 6%, from $324.3 million the first quarter. This decline reflected an $8.6 million, or 8%, decline in operating lease expense as the operating lease portfolio runs off. (See Operating Lease discussion.) Excluding operating lease expense of $102.9 million and $111.6 million from the current and prior quarters, respectively, non-interest expense was down $9.6 million, or 5%.

Contributing to the $9.6 million decline were lower personnel costs,

down $7.7 million, or 6%, due to a combination of lower salaries, benefit, and severance costs. Net occupancy expense decreased $1.2 million, or 7%, as the first quarter results included significant seasonal costs, while printing and supplies costs declined $1.4 million, or 39%. Partially offsetting these declines were increases in a number of expense categories including a $3.5 million, or 20%, increase in other expenses spread across a number of categories. Marketing expense increased $1.8 million, or 28%, with professional services expense up $0.6 million, or 6%, primarily related to legal and audit expenses associated with the restatement announced in May of this year and the investigation by the SEC.

2003 First Six Months versus 2002 First Six Months

Non-interest expense for the first six months of 2003 was $630.4 million, down $110.8 million, or 15%, from $741.2 million in the comparable year-ago period. Two items significantly affect this year-over-year comparison. Changes in restructuring reserves for the six month 2003 period represented a net credit, or release, to reserves of $6.3 million compared with $56.2 million of charges in the year-ago period primarily related to the last significant charges associated with the strategic initiatives announced in July 2001, including the sale of the Florida banking operations. The second is a $58.0 million, or 21%, decline in operating lease expense as the portfolio of operating lease assets runs off. (See Operating Lease discussion.) Excluding the impact of restructuring charges and releases, as well as operating lease expense of $214.5 million and $272.5 million from the current and year-ago six-month periods, respectively, non-interest expense was up $9.6 million, or 2%.

This $9.6 million increase reflected increases of $13.3 million, or



6%, in personnel costs, and a $4.9 million, or 34%, increase in professional services. Partially offsetting these increases were declines of $2.3 million, or 7%, in outside data processing and other services, and a $1.6 million, or 21%, decline in printing and supply costs. These year-to-date changes reflect the same factors influencing comparisons between second quarters. In addition, other expenses declined $4.7 million, or 11%, reflecting lower state and local tax expense and amortization of intangible assets.

OPERATING LEASE ASSETS

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

Operating lease income, which totaled $124.2 million in the second quarter 2003, represented 45% of non-interest income in that quarter. Operating lease income was down $43.8 million, or 26%, from the year-ago quarter and $9.5 million, or 7%, from the first quarter 2003, reflecting declines in average operating leases of 36% and 13%, respectively. As no new operating leases have been originated after April 2002, the operating lease asset balances will continue to decline through both depreciation and lease terminations. Net rental income was down 25% and 8%, respectively, from the year-ago and first quarter. Fees declined 70% and 12%, respectively, from the year-ago and prior quarters. Recoveries from early terminations declined 31% from the year-ago quarter, but were up 16% from the first quarter.

Operating lease expense totaled $102.9 million, down $28.8 million, or

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

For the first six months of 2003, operating lease income totaled $258.0 million, compared with $344.0 million for the same period last year. This decline reflected 33% lower average operating lease balances for the comparable periods. Net rental income and fees were down 23% and 79%, respectively, from a year ago. Recoveries from early terminations declined nearly 35%. Operating lease expense declined from $272.5 million for the six-month period last year to $214.5 million. Losses on early terminations declined almost 16% from $28.3 million in the year-ago six month period to $23.9 million this year.

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

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



TABLE 6 - OPERATING LEASE ASSETS PERFORMANCE

| | THREE MONTHS ENDED JUNE 30, | | |
|---|---|---|---|
| | 2003 | 2002 | % Change |
| BALANCE SHEET (IN MILLIONS) | | | |
| Average operating lease assets outstanding | $ 1,848 | $ 2,906 | (36.4) % |
| INCOME STATEMENT (IN THOUSANDS) | | | |
| Net rental income | $ 120,502 | $ 160,658 | (25.0) % |
| Fees | 1,049 | 3,538 | (70.4) |
| Recoveries - early terminations | 2,658 | 3,851 | (31.0) |
| TOTAL OPERATING LEASE INCOME | 124,209 | 168,047 | (26.1) |
| Depreciation and residual losses at termination | 91,387 | 119,941 | (23.8) |
| Losses - early terminations | 11,552 | 11,754 | (1.7) |
| TOTAL OPERATING LEASE EXPENSE | 102,939 | 131,695 | (21.8) |
| NET EARNINGS CONTRIBUTION | $ 21,270 | $ 36,352 | (41.5) % |

| | | |
|---|---|---|
| Earnings ratios (1) | | |
| Net rental income | 26.08% | 22.11% |
| Depreciation | 19.78% | 16.51% |

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

| | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|
| | 2003 | 2002 | % Change |
| BALANCE SHEET (IN MILLIONS) | | | |
| Average operating lease assets outstanding | $ 1,985 | $ 2,973 | (33.2) % |
| INCOME STATEMENT (IN THOUSANDS) | | | |
| Net rental income | $ 250,776 | $ 325,699 | (23.0) % |
| Fees | 2,244 | 10,671 | (79.0) |
| Recoveries - early terminations | 4,944 | 7,583 | (34.8) |
| TOTAL OPERATING LEASE INCOME | 257,964 | 343,953 | (25.0) |
| Depreciation and residual losses at termination | 190,670 | 244,185 | (21.9) |
| Losses - early terminations | 23,857 | 28,295 | (15.7) |
| TOTAL OPERATING LEASE EXPENSE | 214,527 | 272,480 | (21.3) |
| NET EARNINGS CONTRIBUTION | $ 43,437 | $ 71,473 | (39.2) % |
| Earnings ratios (1) | | | |
| Net rental income | 25.27% | 21.91% | |
| Depreciation | 19.21% | 16.43% | |

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

INCOME TAXES

The provision for income taxes in the second quarter 2003 was $37.2 million and represented an effective tax rate on income before taxes of 27.6%. This was up $12.1 million from the year-ago quarter primarily due to higher pre-tax income, as the effective tax rate in the year-ago quarter was lower at 25.6%. The effective tax rate in the first quarter 2003 was 24.9%. Each quarter, taxes for the full year are re-estimated and year-to-date tax accrual adjustments are made. A number of factors, such as year-to-date adjustments, can result in fluctuations in quarterly effective tax rates.

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For the first six months of 2003, the provision for income taxes was $67.2 million and represented an effective tax rate on income before taxes of 26.3%. This was down $83.1 million from the comparable year-ago period in which the effective tax rate was unusually high at 47.1%, reflecting the fact that most of the goodwill relating to the Florida operations sold in the first

quarter of 2002 was non-deductible for tax purposes.

CREDIT RISK

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

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

LOAN AND LEASE COMPOSITION

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

TABLE 7 - LOAN AND LEASE COMPOSITION

| (in millions of dollars) | JUNE 30, 2003 | | December 31, 2002 | | June 30, |
|---|---|---|---|---|---|
| BY TYPE | BALANCE | % | Balance | % | Balance |
| Commercial | $ 5,528 | 28.9 | $ 5,606 | 30.1 | $ 5,591 |
| Commercial real estate | 3,952 | 20.7 | 3,730 | 20.0 | 3,530 |
| Total Commercial and Commercial Real Estate | 9,480 | 49.6 | 9,336 | 50.1 | 9,121 |
| Consumer | | | | | |
| Automobile loans | 2,377 | 12.4 | 3,052 | 16.4 | 2,611 |
| Automobile direct financing leases | 1,511 | 7.9 | 893 | 4.8 | 276 |
| Home equity | 3,436 | 18.0 | 3,200 | 17.2 | 2,991 |
| Residential mortgage | 1,918 | 10.0 | 1,743 | 9.4 | 1,376 |
| Other loans | 377 | 2.1 | 395 | 2.1 | 409 |
| Total Consumer | 9,619 | 50.4 | 9,283 | 49.9 | 7,663 |
| TOTAL LOANS AND LEASES | $ 19,099 | 100.0 | $ 18,619 | 100.0 | $ 16,784 |
| By Business Segment | | | | | |
| Regional Banking | | | | | |
| Central Ohio / West Virginia | $ 4,875 | 25.5 | $ 4,824 | 25.9 | $ 4,583 |
| Northern Ohio | 2,712 | 14.2 | 2,607 | 14.0 | 2,723 |

| | | | | | |
|---|---|---|---|---|---|
| Southern Ohio / Kentucky | 1,548 | 8.1 | 1,506 | 8.1 | 1,431 |
| West Michigan | 1,967 | 10.3 | 1,871 | 10.0 | 1,835 |
| East Michigan | 1,225 | 6.4 | 1,192 | 6.4 | 1,054 |
| Indiana | 730 | 3.8 | 682 | 3.7 | 682 |
| Total Regional Banking | 13,057 | 68.3 | 12,682 | 68.1 | 12,308 |
| Dealer Sales | 4,696 | 24.6 | 4,711 | 25.3 | 3,534 |
| Private Financial Group | 1,181 | 6.2 | 1,062 | 5.7 | 866 |
| Treasury / Other | 165 | 0.9 | 164 | 0.9 | 76 |
| TOTAL LOANS AND LEASES | $ 19,099 | 100.0 | $ 18,619 | 100.0 | $ 16,784 |

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NET CHARGE-OFFS

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

TABLE 8 - NET LOAN AND LEASE CHARGE-OFFS

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| (in thousands) | 2003 | 2002 | 2003 | 2002 |
| NET CHARGE-OFFS | | | | |
| Commercial | $ 26,546 | $ 21,528 | $ 41,450 | $ 41,11 |
| Commercial real estate | 607 | 2,037 | 1,153 | 6,02 |
| Total commercial and commercial real estate | 27,153 | 23,565 | 42,603 | 47,13 |
| Consumer | | | | |
| Automobile loans | 7,524 | 7,356 | 18,147 | 20,11 |
| Automobile direct financing leases | 1,422 | 498 | 2,342 | 49 |
| Home equity loans | 3,671 | 3,096 | 7,724 | 7,04 |
| Residential mortgage | 267 | 555 | 412 | 67 |
| Other loans | 1,019 | 1,927 | 2,664 | 4,49 |
| Total consumer | 13,903 | 13,432 | 31,289 | 32,83 |
| TOTAL NET CHARGE-OFFS | $ 41,056 | $ 36,997 | $ 73,892 | $ 79,96 |

ANNUALIZED NET CHARGE-OFFS AS A % OF AVERAGE LOANS AND LEASES

| | | | | |
|---|---|---|---|---|
| Commercial | 1.89 % | 1.54 % | 1.47 % | 1.41 |
| Commercial real estate | 0.06 | 0.23 | 0.06 | 0.34 |
| Total commercial and commercial real estate | 1.15 | 1.04 | 0.90 | 1.00 |
| Consumer | | | | |
| Automobile loans | 1.06 | 1.14 | 1.22 | 1.52 |
| Automobile direct financing leases | 0.43 | 1.20 | 0.40 | 0.77 |
| Home equity loans & lines of credit | 0.44 | 0.43 | 0.47 | 0.46 |
| Residential mortgage | 0.06 | 0.16 | 0.04 | 0.11 |
| Other loans | 1.08 | 1.87 | 1.39 | 2.01 |
| Total consumer | 0.57 | 0.72 | 0.65 | 0.87 |
| ANNUALIZED NET CHARGE-OFFS AS A % OF AVERAGE LOANS AND LEASES | 0.85 % | 0.90 % | 0.77 % | 0.94 |

Commercial charge-offs totaled $26.5 million, or an annualized 1.89% of average commercial loans, for the second quarter 2003, up from $21.5 million, or 1.54%, in the year-ago quarter, and $14.9 million, or 1.06%, from the first quarter 2003. The primary driver of this increase was the charge-off of one of the second quarter's new non-performing assets, and which accounted for 45% of total commercial charge-offs in the recent quarter. Total consumer net charge-offs were $13.9 million, or an annualized 0.57% of average consumer loans, during the second quarter 2003. This compares with $13.4 million, or 0.72%, in the second quarter of last year and $17.3 million, or 0.73%, in the first quarter 2003. The recent decline from the first quarter was driven by a $3.1 million, or 29%, drop in automobile loan net charge-offs, from 1.38% to 1.06%. Automobile direct financing lease net charge-offs totaled $1.4 million, or 0.43%, in the second quarter 2003 versus $0.5 million, or 1.20%, and $0.9 million, or 0.36%, for the second quarter 2002 and first quarter 2003, respectively. As this lease portfolio is new and rapidly growing, management anticipates that it may take a year or two to reach a mature, stable net charge-off run rate, and therefore, the net charge-off ratio is likely to increase over this period.

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

NON-PERFORMING ASSETS

Non-performing assets (NPAs) consist of loans and leases that are no longer accruing interest, loans and leases that have been renegotiated to below market rates based upon financial difficulties of the borrower, and real estate acquired through foreclosure. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior year amounts generally charged off as a credit loss. Commercial and commercial real estate loans are generally placed on non-accrual status when collection of principal or interest is in doubt or when the loan is 90 days past

due. Consumer loans and leases, excluding residential mortgages, are not placed on non-accrual status but are charged off in accordance with regulatory statutes, which is generally no more than 120 days past due. Residential mortgages, while highly secured, are placed on non-accrual status within 180 days past due as to principal and 210 days past due as to interest, regardless of security. A charge-off on a residential mortgage is recorded when the loan has been foreclosed and the loan balance exceeds the fair value of the real estate. The fair value of the collateral is then recorded as real estate owned. When, in management's judgment, the borrower's ability to make periodic interest and principal payments resumes and collectibility is no longer in doubt, the loan is returned to accrual status.

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

TABLE 9 - NON-PERFORMING ASSETS AND PAST DUE LOANS AND LEASES

| | 2003 | | 2002 | | |
|---|---|---|---|---|---|
| (in thousands) | SECOND | FIRST | FOURTH | THIRD | SECOND |
| Non-accrual loans and leases: | | | | | |
| Commercial | $ 86,021 | $ 94,754 | $ 91,861 | $147,392 | $ 156,2 |
| Commercial real estate | 22,398 | 22,585 | 26,765 | 47,537 | 45,7 |
| Residential mortgage | 11,735 | 9,302 | 9,443 | 8,488 | 8,7 |
| Total Nonaccrual Loans and Leases | 120,154 | 126,641 | 128,069 | 203,417 | 210,8 |
| Renegotiated loans | --- | --- | --- | 37 | 1,2 |
| TOTAL NON-PERFORMING LOANS AND LEASES | 120,154 | 126,641 | 128,069 | 203,454 | 212,0 |
| Other real estate, net | 13,568 | 14,084 | 8,654 | 10,675 | 11,1 |
| TOTAL NON-PERFORMING ASSETS | $133,722 | $ 140,725 | $ 136,723 | $214,129 | $ 223,2 |
| Non-performing loans and leases as a % of total loans and leases | 0.63% | 0.67% | 0.69% | 1.14% | 1.2 |
| Non-performing assets as a % of total loans and leases and other real estate | 0.70% | 0.74% | 0.73% | 1.20% | 1.3 |
| ACCRUING LOANS AND LEASES PAST DUE 90 DAYS OR MORE | $ 55,287 | $ 57,241 | $ 61,526 | $ 57,337 | $ 47,6 |

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

Loans and leases past due ninety days or more and still accruing interest at the end of the second quarter of 2003 were $55.3 million versus $47.7 million at the end of the same period a year ago. These past due loans and leases represented 0.29% and 0.28% of total loans and leases at the end of the second quarter of 2003 and 2002, respectively. At March 31, 2003, these loans

and leases amounted to $57.2 million and represented 0.30% of total loans and leases. Table 10 reflects the change in NPAs for the recent five quarters:



TABLE 10 - NON-PERFORMING ASSET ACTIVITY

| | 2003 | | 2002 | | |
|---|---|---|---|---|---|
| (in thousands) | SECOND | FIRST | FOURTH | THIRD | SECOND |
| BEGINNING OF PERIOD | $ 140,725 | $136,723 | $214,129 | $ 223,237 | $225,53 |
| New non-performing assets | 83,104 | 48,359 | 65,506 | 47,275 | 73,00 |
| Returns to accruing status | (9,866) | (5,993) | (12,658) | (380) | (33 |
| Loan and lease losses | (30,204) | (17,954) | (72,767) | (25,480) | (28,29 |
| Payments | (26,831) | (15,440) | (28,500) | (26,308) | (44,30 |
| Sales | (23,206) | (4,970) | (28,987) | (4,215) | (2,35 |
| END OF PERIOD | $ 133,722 | $140,725 | $136,723 | $ 214,129 | $223,23 |

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

ALLOWANCE FOR LOAN AND LEASE LOSSES (ALLL)

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

Table 11 reflects the activity in the ALLL for the recent five quarters. The $3.5 million and $3.0 million allowance of sold loans in the second and first quarters of 2003 related to the $569 million and $558 million of automobile loans sold in the respective quarters. The $1.3 million of allowance related to purchased loans in the third quarter of last year was attributed to the LeaseNet acquisition.

TABLE 11 - ALLOWANCE FOR LOAN AND LEASE LOSSES AND RELATED STATISTICS

| | 2003 | | 2002 | | |
|---|---|---|---|---|---|
| (in thousands) | SECOND | FIRST | FOURTH | THIRD | SEC |
| ALLOWANCE FOR LOAN AND LEASE LOSSES, BEGINNING OF PERIOD | $337,017 | $ 336,648 | $ 371,033 | $ 351,696 | $ 34 |
| Loan and lease losses | (49,985) | (40,265) | (93,890) | (43,748) | (45 |
| Recoveries | 8,929 | 7,429 | 10,732 | 9,963 | 8 |
| Net loan and lease losses | (41,056) | (32,836) | (83,158) | (33,785) | (36 |
| Provision for loan and lease losses | 49,193 | 36,844 | 51,236 | 54,304 | 49 |
| Allowance of (sold) purchased loans | (3,477) | (2,981) | --- | 1,264 | |
| Allowance of securitized loans | (730) | (658) | (2,463) | (2,446) | (2 |
| ALLOWANCE FOR LOAN AND LEASE LOSSES, END OF PERIOD | $340,947 | $ 337,017 | $ 336,648 | $ 371,033 | $ 35 |
| Allowance for loan and lease losses as a percent of: | | | | | |
| Total loans and leases | 1.79 % | 1.78 % | 1.81 % | 2.08 % | |
| Non-performing loans and leases | 283.8 | 266.1 | 262.9 | 182.4 | 1 |
| Non-performing assets | 255.0 | 239.5 | 246.2 | 173.3 | 1 |

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

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

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

INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

When evaluating short-term interest rate risk exposure, management uses, for its primary measurement, scenarios that model parallel shifts in the yield curve resulting in a gradual 200 basis point increase/decrease in rates over the next twelve-month period. However, at December 31, 2002, only the 200 basis point increasing parallel shift in the yield curve was reported because a 200 basis point decrease in the interest rate curve was not feasible given the overall low level of interest rates. At June 30, 2003, that scenario modeled net interest income 0.8% lower than the internal forecast of net

interest income over the same time period using the current level of forward rates. This was relatively unchanged from the negative impact to net interest income generated by the same 200 basis point scenario at the end of 2002. Management believes further declines in market rates would put modest downward pressure on net interest income, resulting from the implicit pricing floors in non-maturity deposits.

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

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

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



LIQUIDITY

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

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

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TABLE 12 - DEPOSIT LIABILITIES

| (in millions of dollars) | JUNE 30, 2003 | | December 31, 2002 | | June 30, 2002 | |
|---|---|---|---|---|---|---|
| BY TYPE | BALANCE | % | Balance | % | Balance | % |
| Demand deposits | | | | | | |
| Non-interest bearing | $ 3,110 | 16.9 | $ 3,074 | 17.6 | $ 2,770 | 16 |
| Interest bearing | 6,332 | 34.5 | 5,374 | 30.7 | 5,105 | 30 |
| Savings deposits | 3,085 | 16.8 | 2,851 | 16.3 | 2,839 | 16 |
| Other domestic time deposits | 3,400 | 18.5 | 3,956 | 22.6 | 4,239 | 25 |
| Total Core Deposits | 15,927 | 86.7 | 15,255 | 87.2 | 14,953 | 88 |
| Domestic time deposits of $100,000 or more | 826 | 4.5 | 732 | 4.2 | 765 | 4 |
| Brokered and negotiable CDs | 1,227 | 6.7 | 1,093 | 6.2 | 849 | 5 |
| Foreign time deposits | 391 | 2.1 | 419 | 2.4 | 294 | 1 |
| TOTAL DEPOSITS | $18,371 | 100.0 | $ 17,499 | 100.0 | $ 16,861 | 100 |
| | | | | | | |
| BY BUSINESS SEGMENT | | | | | | |
| Regional Banking | | | | | | |
| Central Ohio / West Virginia | $ 6,223 | 33.9 | $ 5,361 | 30.6 | $ 5,295 | 31 |
| Northern Ohio | 3,692 | 20.1 | 3,602 | 20.6 | 3,391 | 20 |
| Southern Ohio / Kentucky | 1,412 | 7.7 | 1,365 | 7.8 | 1,344 | 8 |
| West Michigan | 2,582 | 14.1 | 2,402 | 13.7 | 2,557 | 15 |
| East Michigan | 2,079 | 11.3 | 1,962 | 11.2 | 1,931 | 11 |
| Indiana | 640 | 3.4 | 613 | 3.5 | 603 | 3 |
| Total Regional Banking | 16,628 | 90.5 | 15,305 | 87.4 | 15,121 | 89 |
| Dealer Sales | 67 | 0.4 | 59 | 0.3 | 50 | 0 |
| Private Financial Group | 1,027 | 5.6 | 924 | 5.3 | 826 | 4 |
| Treasury / Other | 649 | 3.5 | 1,211 | 7.0 | 864 | 5 |
| TOTAL DEPOSITS | $18,371 | 100.0 | $ 17,499 | 100.0 | $ 16,861 | 100 |

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

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

$295 million availability under a $750 million medium term note program as of the same date.



CAPITAL

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

Shareholders' equity increased $47 million for the recent quarter and $12 million during the first six months of 2003 and $58 million from June 30, 2002. The increase was less for the six-month period in 2003 primarily due to the repurchase of 4.3 million common shares at a value of $81.1 million in the 2003 first quarter. In February 2002, the Board of Directors authorized a common share repurchase program for up to 22 million common shares and canceled the previously existing authorization. Under this authorization, a total of 19.4 million common shares were repurchased: 19.2 million in 2002, including 8.8 million common shares purchased in the first six months of 2002, and 0.2 million in the 2003 first quarter. In mid-January 2003, the Board of Directors authorized a new common share repurchase program, canceling the 2.6 million common shares remaining under the February 2002 authorization, and approved a new common share repurchase authorization for up to 8.0 million common shares. Under this authorization, 4.1 million common shares were repurchased in the 2003 first quarter, leaving 3.9 million common shares remaining for repurchase at June 30, 2003.

Average equity to average assets in the second quarter of 2003 was 7.96% versus 9.42% for the same period last year. Tangible period-end equity to period-end assets, which excludes intangible assets, was 7.31% at the end of June 2003, down from 8.42% a year earlier. The high tangible equity to asset ratio in the year-ago quarter reflected excess capital generated from the sale of the Florida operations in the first quarter 2002. Management has a longer-term targeted tangible equity to asset ratio of 7.00%, given the current asset mix and risk profile.

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

TABLE 13 - END OF PERIOD CAPITAL DATA

| | 2003 | 2002 |
|---|---|---|

| (in millions) | SECOND | FIRST | FOURTH | THIRD | SECON |
|---|---|---|---|---|---|
| Total risk-adjusted assets | $27,416 | $27,290 | $27,187 | $26,304 | $25,2 |
| Tier 1 risk-based capital ratio | 8.61% | 8.42% | 8.54% | 9.04% | 9.6 |
| Total risk-based capital ratio | 11.42% | 11.31% | 11.44% | 12.00% | 12.6 |
| Tier 1 leverage ratio | 8.50% | 8.47% | 8.74% | 9.31% | 9.8 |
| Tangible equity / asset ratio | 7.31% | 7.25% | 7.47% | 7.89% | 8.4 |

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

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

TABLE 14 - QUARTERLY STOCK SUMMARY

| | 2003 | | 2002 | | |
|---|---|---|---|---|---|
| | SECOND | FIRST | FOURTH | THIRD | SECOND |
| High | $ 21.540 | $ 19.800 | $ 19.980 | $ 20.430 | $ 21. |
| Low | 18.030 | 17.780 | 16.160 | 16.000 | 18. |
| Close | 19.510 | 18.590 | 18.710 | 18.190 | 19. |
| Average daily closing price | 19.790 | 18.876 | 18.769 | 19.142 | 20. |
| Cash dividends declared | $ 0.16 | $ 0.16 | $ 0.16 | $ 0.16 | $ 0 |

In July 2003, the board of directors declared a dividend of $0.175 per common share for the third quarter 2003, an increase of 9.4% over the previous quarterly dividend. The dividend is payable October 1, 2003, to shareholders of record on September 19, 2003. Management has increased its dividend payout target range to 40%-45% of earnings, up from the previous target range of 35%-45%.

LINES OF BUSINESS DISCUSSION

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

For analytical purposes in understanding performance trends, strategic decision making, determining incentive compensation, and evaluating line of

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

REGIONAL BANKING

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

TABLE 15 - REGIONAL BANKING

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2003 | 2002 |
| Net interest income | $152,342 | $ 146,411 | $300,936 | $ 292,3 |
| Provision for loan and lease losses | 40,525 | 36,844 | 64,066 | 59,8 |
| Non-interest income | 75,684 | 66,550 | 149,944 | 138,4 |
| Non-interest expense | 150,125 | 140,082 | 297,049 | 273,8 |
| Income before taxes | 37,376 | 36,035 | 89,765 | 97,1 |
| Income taxes | 13,082 | 12,612 | 31,418 | 34,0 |
| Operating income | $ 24,294 | $ 23,423 | $ 58,347 | $ 63,1 |

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Regional Banking's operating income was $24.3 million for the second quarter 2003, an increase of 4% from $23.4 million for the same period a year ago. For the six months ended June 30, 2003 and 2002, operating income was $58.3 million and $63.2 million, respectively.

Net interest income in the second quarter 2003 was up $5.9 million, or 4%, over the prior-year quarter. The increase reflected a 7% increase in average loans and a 4% increase in average deposits. The increase was largely attributed to increased mortgage loan balances, which reflected robust refinancing activity. The net interest income on other loan and deposit growth was largely

offset by continued rate declines and the resulting repricing impact of loans and deposits. Further margin compression resulted from the lower interest rate environment and the inability to pass along lower rates to deposit customers.

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

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

Non-interest income for the second quarter 2003 was up $9.1 million, or 14%, from the year-ago quarter. Increased fee based revenue was driven by deposit service charges, electronic banking, and mortgage banking revenue, despite $6.4 million of mortgage servicing rights impairment recognized in the second quarter of 2003, versus $1.1 million in the year-ago quarter. Standby letters of credit income was down, due to the January 1, 2003 adoption of FASB Interpretation No. 45 (see Note 2 to Huntington's unaudited consolidated financial statements). Revenue generated from sales referrals from investment in insurance products is included in Regional Banking's non-interest income as fee sharing. Second quarter referrals generated $4.3 million of higher fee sharing revenue versus the second quarter of last year.

Non-interest expense for the 2003 second quarter was $150.1 million, up $10.0 million, or 7%, from the second quarter of 2002. The increase is due primarily to personnel, occupancy and equipment expense. The increase in salaries and benefits is reflective of investment in our management team and volume related increases in performance based incentive compensation. Partially offsetting these increases were decreases in printing and supplies, charge card processing, and lower operating losses.

Regional Banking contributed 47% and 26% of total revenues and total operating income, respectively, in the second quarter of 2003, and represented 52% of total assets and 91% of total deposits at June 30, 2003.

DEALER SALES

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

TABLE 16 - DEALER SALES

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2003 | 2002 |
| Net interest income | $ 21,048 | $ 4,233 | $ 44,699 | $ (2,3 |
| Provision for loan and lease losses | 9,192 | 10,737 | 20,577 | 19,7 |
| Non-interest income | 144,003 | 175,863 | 293,659 | 355,8 |
| Non-interest expense | 125,590 | 153,919 | 259,930 | 314,7 |
| Income before taxes | 30,269 | 15,440 | 57,851 | 18,9 |
| Income taxes | 10,594 | 5,404 | 20,248 | 6,6 |
| Operating income | $ 19,675 | $ 10,036 | $ 37,603 | $ 12,3 |

Dealer Sales operating income was $19.7 million in the second quarter 2003, up from $10.0 million for the year-ago quarter. For the six months, operating income was $37.6 million for 2003, up from $12.3 million for 2002.

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

Net interest income was $21.0 million in the recent quarter, an increase of $16.8 million from $4.2 million in the second quarter of 2002. This increase reflected growth in average loan and direct financing lease balances from $3.4 billion in 2002 to $5.0 billion in 2003. This change in average balances was due primarily to direct financing leases, which accounted for $1.2 billion of the increase. The margin was also reduced by a $10.0 million charge to interest expense associated with unwinding funding related to the loans sold in the second quarter and $6.0 million related to loans sold in the first quarter.

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

Total non-interest income declined $31.9 million to $144.0 million for the second quarter 2003 from $175.9 for the same period last year. This reflected a $44.3 million decline in operating lease income from the second quarter 2002 compared with the current year's second quarter, partially offset by a gain of $11.6 million on the sale of $569 million of automobile loans in the second quarter of 2003. Excluding operating lease income in the second quarter of 2003 and 2002 of $123.7 million and $168.0 million, respectively, as well as the $11.6 million gain on sale of automobile loans in the 2003 second quarter, noninterest income was up $0.9 million, or 11%.

A decline in operating lease expense of $28.3 million in a year-over-year comparison for the second quarter drove non-interest expense down to $125.6 million for the second quarter 2003 from $153.9 million for the year ago quarter. Excluding operating lease expense of $102.9 million in the 2003 second quarter and $131.7 million in the year-ago quarter, non-interest expense was up $0.4 million, or 2%.

Dealer Sales contributed 34% of total second quarter 2003 revenues, 21% of total operating income in the second quarter of 2003, and represented 24% of total assets at June 30, 2003.



PRIVATE FINANCIAL GROUP

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

TABLE 17 - PRIVATE FINANCIAL GROUP

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2003 | 2002 |
| Net interest income | $ 9,794 | $ 8,917 | $ 19,312 | $ 16,6 |
| Provision for loan losses | (458) | 447 | 1,454 | 2,0 |
| Non-interest income | 27,847 | 28,634 | 55,057 | 55,3 |
| Non-interest expense | 25,886 | 25,116 | 52,502 | 50,6 |
| Income before taxes | 12,213 | 11,988 | 20,413 | 19,3 |
| Income taxes | 4,275 | 4,185 | 7,145 | 6,7 |
| Operating income | $ 7,938 | $ 7,803 | $ 13,268 | $ 12,5 |

Operating income in the second quarter 2003 was $7.9 million, compared with $7.8 million for the second quarter 2002 as improvement in net interest income and provision for loan losses were offset by lower non-interest income (net of fee sharing to Regional Banking) and higher non-interest expense. On a

year-to-date basis, operating income was $13.3 million for 2003, up slightly from $12.6 million in the same period of 2002.

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

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

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

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

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



TREASURY / OTHER

The Treasury / Other segment includes assets, liabilities, equity, revenue, and expense not directly assigned or allocated to one of the lines of business. Since a match-funded transfer pricing system is used to allocate interest income and interest expense to other business segments, Treasury / Other results include the net impact of any over or under allocations arising

from centralized management of interest rate risk including the net impact of derivatives used to hedge interest rate sensitivity. Furthermore, this segment's results include the net impact of administering Huntington's investment securities portfolio as part of overall liquidity management, as well as the impact of mezzanine lending activity conducted through Huntington's Capital Markets Group. Additionally, amortization expense of intangible assets and gains or losses not allocated to other business segments are also a component.

TABLE 18 - TREASURY / OTHER

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| (in thousands of dollars) | 2003 | 2002 | 2003 | 2002 |
| Net interest income | $ 32,394 | $ 32,433 | $ 64,367 | $ 61,1 |
| Provision for loan losses | (66) | 1,848 | (60) | 2,1 |
| Non-interest income | 26,672 | 13,908 | 43,577 | 27,4 |
| Non-interest expense | 9,758 | 10,699 | 27,217 | 25,5 |
| Income before taxes | 49,374 | 33,794 | 80,787 | 60,9 |
| Income taxes | 7,349 | 2,577 | 6,147 | 2,7 |
| Operating income | $ 42,025 | $ 31,217 | $ 74,640 | $ 58,2 |

Treasury / Other's operating income was $42.0 million and $74.6 million in the second quarter and first half of 2003, respectively, up from last year's respective operating income of $31.2 million and $58.3 million. Net interest income for the recent three months was flat compared to the same period last year despite transfer pricing charges made to the Dealer Sales line of business for the early termination of funding related to the aforementioned June and March 2003 sales of automobile loans.

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

Non-interest income for 2003 second quarter was $26.7 million compared with $13.9 million for the same period a year ago. Higher securities gains and income from trading activities were the primary drivers for this increase. Non-interest expense for the recent quarter was down $0.9 million from the second quarter last year. This decline reflected higher allocated expenses to other lines of business due to methodology changes.

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



ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures for the current period are found beginning on page 36 of this report, which includes changes in market risk exposures from disclosures presented in Huntington's amended Form 10-K/A.

ITEM 4. CONTROLS AND PROCEDURES

Huntington carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer (CEO) along with the Chief Financial Officer (CFO), of the effectiveness of its disclosure controls and procedures as of June 30, 2003, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, the CEO along with the CFO concluded that Huntington's disclosure controls and procedures are effective in timely alerting the CEO and CFO to material information relating to Huntington (including its consolidated subsidiaries) required to be included in its periodic SEC filings.

There were no changes in the second quarter to Huntington's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Huntington's internal control over financial reporting.

PART II. OTHER INFORMATION

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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

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

| | | | |
|---|---|---|---|
| 3. Election of directors to serve as Class III Directors until the year 2005 Annual Meeting of Shareholders as follows: | | | |
| Michael J. Endres | 195,838,699 | | 4,779,572 |
| 4. Proposal to increase the number of shares of Huntington common Stock authorized for the Deferred Compensation Plan for Huntington Bancshares Incorporated Directors as follows: | 179,719,653 | 17,238,672 | 3,659,947 |
| 5. Ratification of Ernst & Young LLP to serve as independent auditors for the Corporation for the year 2003 | 194,233,436 | 4,365,241 | 2,019,595 |

ITEM 5. OTHER INFORMATION

It is expected that the following information will be included in the second amendment to the 2002 Annual Report on Form 10-K/A and/or the amended 2003 First Quarter Form 10-Q/A, when filed:

A. Impact of Restatement on Results of Operations and Financial Condition.

Huntington's restated results of operations and financial condition included the following:

- Huntington previously amortized the loan referral fees paid to automobile dealers (dealer premium) on a straight-line basis. As a result of the restatement, Huntington is now amortizing these fees to interest income using methods that closely approximate the results under the interest method. The impact of the restatement reduced the amount of dealer premium included in automobile loans and leases, reduced interest income on indirect loans and leases, and increased the other non-interest income.

- Huntington previously deferred sales commissions paid to employees for the origination of deposits and amortized these payments to interest expense over the expected life of the deposit. In the restatement, Huntington is recognizing the expense on these sales commissions when the deposits were originated and commissions were earned. The impact of the restatement decreased the interest expense on deposits, increased service charges on deposit accounts, and increased personnel costs.

- Huntington offers its customers the ability to forego the payment of origination fees at inception of a mortgage loan in exchange for a higher interest rate over the life of the loan. Huntington had previously recorded origination fees on such loans held for investment at inception. A loan

premium was recognized and amortized as a reduction of interest income on mortgage loans held for investment. The impact of the restatement reversed the loan premiums that were recognized as mortgage banking income and increased the interest income recognized on mortgage loans held for investment.

- Prior to 2002, Huntington recognized in the year incurred, the expense or gains for pension settlements, which are actuarially determined expenses or gains related to lump-sum benefit payments paid to individuals who voluntarily or involuntarily retire earlier than their expected retirement date or to individuals who voluntarily or involuntarily



separate from Huntington. The expense for 2002 for pension settlements was deferred to be recognized over a subsequent eight-year period. As part of the restatement, Huntington recognized this expense consistent with years prior to 2002, which increased other liabilities and increased personnel costs in the fourth quarter of 2002.

- Huntington previously recorded revenue from the sale of a contingent automobile debt cancellation product by allocating a fixed portion of the proceeds from each sale to revenue and reserves resulting in an incorrect reserve balance. As part of the restatement, the reserve was increased to cover expected claim losses on the products purchased by customers, and, accordingly, other liabilities and other non-interest expenses were increased.

- Huntington previously recorded tax consulting expenses as a component of income tax expense. The impact of the restatement reclassified those expenses to professional services and had no impact on net income. Tax consulting expense was $3.0 million for the first three months of 2003, $7.3 million in 2002, $9.0 million in 2001, $1.9 million in 2000. No tax consulting expenses were recorded as a component of income tax expense prior to 2000.

The following table summarizes the impact of the restatement on prior periods:

| IMPACT ON NET INCOME | | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended March 31, | Twelve Months Ended December 31, | | | | |
| (in thousands) | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| Automobile loan referral fees | $ 845 | $ 1,300 | $ --- | $ 1,760 | $ (2,380) | $ (4,493) |
| Commissions on deposit account originations | 900 | 1,726 | (1,582) | (1,571) | (2,709) | (5,720) |
| Mortgage loan origination fees | (716) | (2,490) | (458) | 905 | (2,041) | --- |

| | | | | | | |
|---|---|---|---|---|---|---|
| Pension settlements | --- | (2,193) | --- | --- | --- | --- |
| Debt cancellation insurance reserves | 715 | (1,039) | (1,308) | (312) | (250) | (263) |
| Tax consulting expenses | --- | --- | --- | --- | --- | --- |
| Total | $ 1,744 | $ (2,696) | $ (3,348) | $ 782 | $ (7,380) | $(10,476) |

B. Additional Disclosures Having No Financial Impact on Previously Reported Results.

2002 Fourth Quarter Items:

Non-interest expense in the 2002 fourth quarter included the following:

- Reserves of $7.2 million established in 1998 and 2001 were released in 2002 based on management's assessment of future claims on these reserves. The release of 1998 reserves consisted of a $5.0 million legal settlement received by Huntington in December 2002 and credited back to the 1998 reserves when it was received. Additionally, $2.2 million of reserves established in 2001 were released. At December 31, 2002, Huntington had $4.1 million remaining in reserves established in 1998 for the exit of under performing business units and $14.4 million remaining in restructuring reserves established in 2001. Also, at December 31, 2002, Huntington had a contingency reserve of $1.8 million related to its August 2002 restructuring of its interest in Huntington Merchant Services, L.L.C.

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- Benefit costs were increased by year-end accruals related to medical, long-term disability, and pension expenses, which aggregated $5.7 million.

- Personnel expense reflected a credit of $1.5 million in gains related to stock received from the demutualization of certain insurance companies where Huntington owned related insurance policies.

- Occupancy expense included a $1.5 million reversal of an excess accrual for real estate taxes.

- Year-end adjustments to accruals reduced total non-interest expense by $0.7 million related to litigation, marketing, and charitable contributions.

- A recovery of previous trust losses totaled $0.8 million.

- A legal settlement of $0.7 million related to amounts received or to be received from a joint venture in which Huntington was a participant.

- Impairment of an investment in an unconsolidated subsidiary totaled $3.9 million.

- Huntington recorded a minimum pension liability associated with its Supplement Income Retirement plan and various other benefit plans based on its actuarial valuation dated September 30, 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 $1.4 million 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 $0.2 million and was recorded as a reduction of equity, net of applicable taxes, as a separate component of accumulated other comprehensive income.

2003 First Quarter Item:

- Huntington has purchased insurance to cover the difference between the recorded residual value of automobiles leased to customers and the fair value at the end of the lease term, as evidenced by Black Book valuation. This insurance does not cover residual losses below Black Book valuation, which may arise when the automobile has excess wear and tear and/or excess mileage, not reimbursed by the lessee. Huntington maintains a reserve to cover such losses on direct financing leases based on quarterly evaluations of several factors, including vehicle type, lease terms, used automobile market conditions, new product offerings, expected leased vehicle return rates, and historical experience. In the first quarter of 2003, Huntington changed its methodology for calculating the appropriate reserve level. The revised methodology estimates the uninsured future losses inherent in the portfolio and discounts these losses to a present value at a current market interest rate. The prior methodology resulted in a reserve to cover the uninsured future losses inherent in the lease over the contractual life of the lease without discounting. The adequacy of the reserve was assessed quarterly on an undiscounted basis, and adjusted accordingly. Reserves for uninsured residual value losses on direct financing automobile leases were $2.0 million, $1.7 million, and $1.4 million at June 30, 2003, March 31, 2003, and December 31, 2002, respectively.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

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

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

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4. Instruments defining the Rights of Security Holders:

Reference is made to Articles Fifth, Eighth and Tenth of Articles of Restatement of Charter, as amended and supplemented, previously filed as exhibit 3(i) to annual report on form 10-K for the year ended December 31, 1993 and exhibit 3(i)(c) to quarterly report on form 10-Q for

the quarter ended March 31, 1998, and incorporated herein by reference. Also, reference is made to Rights Plan, dated February 22, 1990, previously filed as Exhibit 1 to Registration Statement on Form 8-A, and incorporated herein by reference and to Amendment No. 1 to the Rights Agreement, dated as of August 16, 1995, previously filed as Exhibit 4(b) to Form 8-K filed with the Securities and Exchange Commission on August 28, 1995, and incorporated herein by reference. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.

10. Material contracts:

(a)* Sixth Amendment to the Huntington Bancshares Incorporated 1990 Stock Option Plan

(b)* Fourth Amendment to the Amended and Restated Huntington Bancshares Incorporated 1994 Stock Option Plan

12. Earnings to Fixed Charges

31.1 Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer

31.2 Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Officer

32.1 Section 1350 Certification - Principal Executive Officer

32.2 Section 1350 Certification - Principal Financial Officer

(b) Reports on Form 8-K

1. A report on Form 8-K, dated April 16, 2003, was filed under report item numbers 5, 7, and 9, concerning Huntington's results of operations for the first quarter ended March 31, 2003.

2. A report on Form 8-K, dated May 20, 2003, was filed under report item numbers 5, 7, and 9, regarding Huntington's filing of its amended 2002 annual report on Form 10-K/A and its Form 10-Q for the first quarter ended March 31, 2003.

3. A report on Form 8-K, dated June 26, 2003, was filed under report item numbers 5 and 7, concerning the staff of the Securities and Exchange Commission conducting a formal investigation of Huntington.

* Denotes management contract or compensatory plan or arrangement.

SIGNATURES

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

Huntington Bancshares Incorporated
(Registrant)

Date: August 18, 2003

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

Date: August 18, 2003

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