

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
QUARTERLY PERIOD ENDED June 30, 2002

Commission File Number **0-2525**

**HUNTINGTON BANCSHARES INCORPORATED**

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

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

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

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

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

Yes  No

There were 240,575,448 shares of Registrant's without par value common stock outstanding on July 31, 2002.

# Huntington Bancshares Incorporated

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## Part 1. Financial Information

### Financial Statements

#### Consolidated Balance Sheets

<i>(in thousands)</i>	June 30, 2002 <i>(Unaudited)</i>	December 31, 2001	June 30, 2001 <i>(Unaudited)</i>
<b>Assets</b>			
Cash and due from banks	\$ 858,561	\$ 1,138,366	\$ 908,686
Interest bearing deposits in banks	28,385	21,205	4,893
Trading account securities	10,532	13,392	4,291
Federal funds sold and securities purchased under resale agreements	75,824	83,275	59,725
Loans held for sale	190,724	629,386	376,671
Securities available for sale - at fair value	3,006,273	2,849,579	3,190,686
Investment securities - fair value \$10,963; \$12,499; and \$15,159, respectively	10,769	12,322	14,978
Total loans	19,652,170	21,601,873	21,127,862
Less allowance for loan losses	393,011	410,572	352,243
Net loans	19,259,159	21,191,301	20,775,619
Bank owned life insurance	863,327	843,183	824,062
Premises and equipment	353,931	452,036	457,749
Goodwill and other intangible assets	210,685	716,054	737,437
Customers' acceptance liability	16,778	13,670	15,335
Accrued income and other assets	496,468	536,390	578,018
<b>Total Assets</b>	<b>\$ 25,381,416</b>	<b>\$ 28,500,159</b>	<b>\$ 27,948,150</b>
<b>Liabilities and Shareholders' Equity</b>			
Total deposits	\$ 16,861,100	\$ 20,187,304	\$ 18,996,922
Short-term borrowings	2,064,275	1,955,926	2,585,773
Bank acceptances outstanding	16,778	13,670	15,337
Medium-term notes	1,782,438	1,795,002	1,983,603
Subordinated notes and other long-term debt	943,706	944,330	890,371
Company obligated mandatorily redeemable preferred capital securities of subsidiary trusts holding solely junior subordinated debentures of the Parent Company	300,000	300,000	300,000
Accrued expenses and other liabilities	1,061,259	887,487	822,622
Total Liabilities	23,029,556	26,083,719	25,594,628
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 242,919,872; 251,193,814; and 251,056,761 shares, respectively	2,487,887	2,490,724	2,490,682
Less 14,946,383; 6,672,441; and 6,809,494 treasury shares, respectively	(289,705)	(123,849)	(125,095)
Accumulated other comprehensive income (loss)	28,655	25,488	(8,388)
Retained earnings (deficit)	125,023	24,077	(3,677)
Total Shareholders' Equity	2,351,860	2,416,440	2,353,522
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 25,381,416</b>	<b>\$ 28,500,159</b>	<b>\$ 27,948,150</b>

See notes to unaudited consolidated financial statements.

**Consolidated Statements of Income**  
*(Unaudited)*

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
<i>(in thousands, except per share amounts)</i>	2002	2001	2002	2001
Interest and fee income				
Loans	\$ 325,771	\$ 434,697	\$ 667,873	\$ 881,482
Securities	44,424	55,434	89,205	119,268
Other	3,592	8,828	10,304	16,184
<b>Total Interest Income</b>	<b>373,787</b>	<b>498,959</b>	<b>767,382</b>	<b>1,016,934</b>
Interest expense				
Deposits	94,865	170,288	204,832	355,369
Short-term borrowings	9,283	30,039	20,888	63,202
Medium-term notes	15,266	32,940	31,864	69,603
Subordinated notes and other long-term debt	12,514	17,659	25,114	37,603
<b>Total Interest Expense</b>	<b>131,928</b>	<b>250,926</b>	<b>282,698</b>	<b>525,777</b>
Net Interest Income	241,859	248,033	484,684	491,157
Provision for loan losses	53,892	117,495	109,673	150,959
<b>Net Interest Income</b>				
<b>After Provision for Loan Losses</b>	<b>187,967</b>	<b>130,538</b>	<b>375,011</b>	<b>340,198</b>
Service charges on deposit accounts	35,354	40,673	73,884	79,580
Brokerage and insurance income	17,677	19,388	36,469	38,156
Trust services	16,247	15,178	31,748	29,492
Bank Owned Life Insurance income	11,443	9,561	23,119	19,121
Mortgage banking	10,725	18,733	30,290	28,764
Other service charges and fees	10,529	12,217	21,161	23,315
Other	15,039	14,956	25,970	27,924
Total Non-Interest Income Before Securities				
Gains/(Losses) and Gain on Sale of Florida Operations	117,014	130,706	242,641	246,352
Gain on sale of Florida operations	---	---	175,344	---
Securities gains (losses)	966	(2,503)	1,423	(425)
<b>Total Non-Interest Income</b>	<b>117,980</b>	<b>128,203</b>	<b>419,408</b>	<b>245,927</b>
Personnel costs	105,146	122,068	219,431	239,730
Equipment	16,659	19,844	33,608	39,816
Outside data processing and other services	16,592	17,671	35,031	34,325
Net occupancy	14,756	18,188	31,995	37,968
Marketing	7,231	7,852	14,234	17,791
Professional services	6,267	6,763	11,668	11,732
Telecommunications	5,320	7,207	11,338	14,332
Printing and supplies	3,683	4,565	7,520	9,624
Franchise and other taxes	2,313	2,246	4,641	4,366
Amortization of intangible assets	235	10,435	1,611	21,011
Other	13,858	16,457	28,369	36,691
Total Non-Interest Expense Before Special Charges	192,060	233,296	399,446	467,386
Special charges	---	33,997	56,184	33,997
<b>Total Non-Interest Expense</b>	<b>192,060</b>	<b>267,293</b>	<b>455,630</b>	<b>501,383</b>
<b>Income Before Income Taxes</b>	<b>113,887</b>	<b>(8,552)</b>	<b>338,789</b>	<b>84,742</b>
Income taxes	31,647	(10,929)	158,822	14,499
<b>Net Income</b>	<b>\$ 82,240</b>	<b>\$ 2,377</b>	<b>\$ 179,967</b>	<b>\$ 70,243</b>
<b>Per Common Share</b>				
Net income				
Basic	\$0.33	\$0.01	\$0.72	\$0.28
Diluted	\$0.33	\$0.01	\$0.72	\$0.28
Cash dividends declared	\$0.16	\$0.20	\$0.32	\$0.40
<b>Average Common Shares</b>				
Basic	246,106	251,024	248,415	250,984
Diluted	247,867	251,448	249,946	251,479

See notes to unaudited consolidated financial statements.

## Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

<i>(in thousands)</i>	Common Stock		Treasury Stock		Accumulated Other Comprehensive	Retained	Total
	Shares	Amount	Shares	Amount	Income (Loss)	Earnings	
<b>Six Months Ended June 30, 2001:</b>							
Balance, beginning of period	257,866	\$ 2,493,645	(7,007)	\$ (129,432)	\$ (24,520)	\$ 26,354	\$ 2,366,047
<b>Comprehensive Income:</b>							
Net income						70,243	70,243
Cumulative effect of change in accounting principle for derivatives					(9,113)		(9,113)
Unrealized net holding gains on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income					19,893		19,893
Unrealized gains on derivative instruments used in cash flow hedging relationships					5,352		5,352
Total comprehensive income							86,375
Cash dividends declared						(100,274)	(100,274)
Stock options exercised		(2,963)	154	3,626			663
Treasury shares sold to employee benefit plans			44	711			711
<b>Balance, end of period</b>	<b>257,866</b>	<b>\$ 2,490,682</b>	<b>(6,809)</b>	<b>\$ (125,095)</b>	<b>\$ (8,388)</b>	<b>\$ (3,677)</b>	<b>\$ 2,353,522</b>
<b>Six Months Ended June 30, 2002:</b>							
Balance, beginning of period	257,866	\$ 2,490,724	(6,672)	\$ (123,849)	\$ 25,488	\$ 24,077	\$ 2,416,440
<b>Comprehensive Income:</b>							
Net income						179,967	179,967
Unrealized net holding gains on securities available for sale arising during the period, net of reclassification adjustment for net gains included in net income					5,926		5,926
Unrealized losses on derivative instruments used in cash flow hedging relationships					(2,759)		(2,759)
Total comprehensive income							183,134
Stock issued for acquisition		---	203	3,952			3,952
Cash dividends declared						(79,021)	(79,021)
Stock options exercised		(2,837)	312	5,365			2,528
Treasury shares purchased			(8,789)	(175,173)			(175,173)
<b>Balance, end of period</b>	<b>257,866</b>	<b>\$ 2,487,887</b>	<b>(14,946)</b>	<b>\$ (289,705)</b>	<b>\$ 28,655</b>	<b>\$ 125,023</b>	<b>\$ 2,351,860</b>

See notes to unaudited consolidated financial statements.

**Consolidated Statements of Cash Flows***(Unaudited)*

<i>(in thousands of dollars)</i>	<b>Six Months Ended June 30,</b>	
	<b>2002</b>	<b>2001</b>
<b>Operating Activities</b>		
Net Income	\$ 179,967	\$ 70,243
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	109,673	150,959
Provision for depreciation and amortization	30,382	51,237
Deferred income tax expense	244,825	12,941
Decrease in trading account securities	2,860	432
Decrease (increase) in mortgages held for sale	438,662	(221,567)
(Gains) losses on sales of securities available for sale	(1,423)	425
Gains on sales/securitizations of loans	(3,138)	(4,869)
Gain on sale of Florida operations	(175,344)	---
Restructuring and special charges	56,184	33,997
Other, net	(133,873)	(89,575)
<b>Net Cash Provided by Operating Activities</b>	<b>748,775</b>	<b>4,223</b>
<b>Investing Activities</b>		
(Increase) decrease in interest bearing deposits in banks	(7,180)	77
Proceeds from:		
Maturities and calls of investment securities	1,548	990
Maturities and calls of securities available for sale	381,329	633,121
Sales of securities available for sale	456,411	953,722
Purchases of securities available for sale	(782,961)	(634,687)
Proceeds from sales/securitizations of loans	226,707	303,240
Net loan originations, excluding sales	(1,283,679)	(962,780)
Proceeds from sale of premises and equipment	15,180	717
Purchases of premises and equipment	(26,389)	(30,719)
Proceeds from sales of other real estate	4,770	8,271
Cash paid in purchase acquisition	(4,026)	---
Net cash paid related to sale of Florida operations	(1,289,917)	---
<b>Net Cash (Used for) Provided by Investing Activities</b>	<b>(2,308,207)</b>	<b>271,952</b>
<b>Financing Activities</b>		
Increase (decrease) in total deposits	1,435,665	(779,650)
Increase in short-term borrowings	108,349	598,014
Maturity of long-term debt	(4,000)	(8,000)
Proceeds from issuance of medium-term notes	675,000	400,000
Payment of medium-term notes	(690,000)	(875,000)
Dividends paid on common stock	(80,193)	(100,385)
Repurchases of common stock	(175,173)	---
Net proceeds from issuance of common stock	2,528	1,374
<b>Net Cash Provided by (Used for) Financing Activities</b>	<b>1,272,176</b>	<b>(763,647)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(287,256)</b>	<b>(487,472)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,221,641</b>	<b>1,455,883</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 934,385</b>	<b>\$ 968,411</b>
Supplemental disclosures:		
Income taxes paid	\$ 20,136	\$ 25
Interest paid	\$ 298,235	\$ 293,715

*See notes to unaudited consolidated financial statements.*

## Notes to Unaudited Consolidated Financial Statements

### Note 1 – Basis of Presentation

The accompanying unaudited consolidated interim financial statements include the accounts of Huntington and its subsidiaries and were prepared in accordance with generally accepted accounting principles, and accordingly, reflect all adjustments consisting of normal recurring accruals, which are, in the opinion of management, necessary to fairly present Huntington's financial position, results of operations, and cash flows for the periods presented. As permitted by the SEC, these unaudited consolidated interim financial statements do not include certain information and footnotes normally included in annual financial statements. Accordingly, these unaudited consolidated interim financial statements should be read in conjunction with Huntington's 2001 Annual Report on Form 10-K.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current presentation. These reclassifications had no effect on net income.

### Note 2 – Earnings per Share

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
<i>(in thousands, except per share amounts)</i>	2002	2001	2002	2001
Net Income	\$82,240	\$2,377	\$179,967	\$70,243
Average common shares outstanding	246,106	251,024	248,415	250,984
Dilutive effect of stock options	1,761	424	1,531	495
Diluted common shares outstanding	247,867	251,448	249,946	251,479
Earnings per share				
Basic	\$0.33	\$0.01	\$0.72	\$0.28
Diluted	\$0.33	\$0.01	\$0.72	\$0.28

Approximately 3.1 million and 7.8 million stock options were outstanding at the end of June 2002 and 2001, 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 \$26.60 per share and \$20.84 at the end of the same respective periods.

### Note 3 – Intangible Assets

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill is no longer amortized but is subject to annual impairment tests in accordance with the Statements. Other intangible assets continue to be amortized over their useful lives. At June 30, 2002 and 2001, Huntington had \$210.7 million and \$737.4 million in goodwill and other intangible assets, respectively. The following table reflects the activity in goodwill and other intangible assets for the three and six months ended June 30:

<i>(in thousands of dollars)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Intangible Assets:				
Balance, beginning of period	\$ 209,942	\$ 745,023	\$ 716,054	\$ 755,270
Additions	7,978	2,849	8,146	3,178
Sale of Florida operations	(7,000)	---	(511,904)	---
Amortization	(235)	(10,435)	(1,611)	(21,011)
<b>Balance, end of period</b>	<b>\$ 210,685</b>	<b>\$ 737,437</b>	<b>\$ 210,685</b>	<b>\$ 737,437</b>

The additions totaling \$8.0 million for the second quarter of 2002 related to the April 1<sup>st</sup> acquisition of Haberer Registered Investment Advisor, Inc. (Haberer), a Cincinnati-based registered investment advisory firm. Haberer became part of Huntington's Private Financial Group line of business as a wholly owned subsidiary of Huntington. The sale of J. Rolfe Davis Insurance Agency, Inc. (JRD) resulted in a reduction in goodwill of \$7 million during the second quarter of 2002.

Huntington applied the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. In connection with the adoption of SFAS No. 142, management assessed the fair values of its lines of business in relation to their carrying value, including goodwill, in each line of business. Based on this assessment, there was no impairment of goodwill or other intangible assets. Huntington will continue to test for impairment on an annual basis as prescribed by SFAS No. 142.

Before the sale of Huntington's operations in Florida, a majority of goodwill and other intangible assets related to those operations. A substantial portion of the remaining goodwill is attributable to the previously acquired banking operations reported under the Regional Banking line of business. The application of the non-amortization provisions of SFAS No. 142 resulted in an increase in net income per share of \$0.01 for the second quarter and \$0.04 for the first six months of 2002. Had no amortization of goodwill, net of tax, been recorded in the prior year, net income and diluted earnings per share for the second quarter of 2001 would have been greater by \$7.7 million, or \$0.03 per share, and \$15.5 million, or \$0.06 per share, for the first half of 2001.

#### **Note 4 – Restructuring and Special Charges**

In July 2001, Huntington announced a strategic refocusing plan (the "Plan"). The Plan included the sale of Huntington's Florida banking and insurance operations, the consolidation of numerous non-Florida branch offices, as well as certain credit and other actions to strengthen Huntington's balance sheet and financial performance, including the use of excess regulatory capital generated by the sale to initiate a share repurchase program. During 2001, Huntington provided \$100.0 million of pre-tax expense to recognize a liability for these actions and provided \$71.7 million of additional allowance for loan losses in connection with the Plan. In the first quarter of 2002, Huntington provided an additional \$56.2 million of pre-tax expense to recognize additional liabilities related to the completion of the Plan.

Huntington has a remaining liability of \$22.8 million at June 30, 2002. Huntington expects that the remaining liability will be adequate to fund the estimated future cash outlays that are expected in the completion of the exit activities contemplated by the Plan.

#### **Note 5 – Sale of Florida Operations**

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 \$175.3 million and is reflected in non-interest income. The after-tax gain was \$56.8 million, or \$0.22 per share. Income taxes related to this transaction were \$118.6 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. Pro forma financial information reflecting the effect of the sale is presented and described below.

Since the transaction was completed during the first quarter of 2002, no pro forma balance sheet is presented in this report.

The following unaudited pro forma consolidated income statement is presented for the six months ended June 30, 2002, giving effect to the sale as if it had occurred on January 1, 2002, and does not include the net gain realized on the sale of Huntington's Florida operations or any related special charges. These pro forma financial statements do not include any assumptions as to future share repurchases pursuant to the previously announced share repurchase program that commenced following the sale.

The pro forma consolidated income statement may not be indicative of the results of operations that would have actually occurred had the transaction been consummated during the period indicated. This pro forma financial information is also not intended to be an indication of the results of operations that may be attained in the future. These pro forma consolidated financial statements should be read in conjunction with Huntington's historical financial statements.

<b>Unaudited Pro Forma Consolidated Income Statement without Florida Operations</b>				
<b>For the Six Months Ended June 30, 2002</b>				
<i>(in thousands of dollars)</i>	Huntington	Florida Operations	Related Transactions	Huntington Pro Forma Without Florida Operations
Net interest income	\$ 484,684	\$ (9,724)	\$ ---	\$ 474,960
Provision for loan losses	109,673	(5,186)	---	104,487
<b>Net Interest Income After Provision for Loan Losses</b>	<b>375,011</b>	<b>(4,538)</b>	<b>---</b>	<b>370,473</b>
Non-interest income	419,408	(13,343)	(175,344)	230,721
Non-interest expense	455,630	(20,210)	(32,728)	402,692
<b>Income Before Income Taxes</b>	<b>338,789</b>	<b>2,329</b>	<b>(142,616)</b>	<b>198,502</b>
Income taxes	158,822	804	(107,098)	52,528
<b>Net Income</b>	<b>\$ 179,967</b>	<b>\$ 1,525</b>	<b>\$ (35,518)</b>	<b>\$ 145,974</b>
<b>Net income per common share -- diluted</b>	<b>\$0.72</b>	<b>\$0.01</b>	<b>(\$0.14)</b>	<b>\$0.59</b>
<b>Operating Net Income <sup>(1)</sup></b>	<b>\$ 159,696</b>	<b>\$ 1,525</b>		<b>\$ 161,221</b>
<b>Operating net income per common share -- diluted <sup>(1)</sup></b>	<b>\$0.64</b>	<b>\$0.01</b>		<b>\$0.65</b>

<sup>(1)</sup> Excludes after-tax gain on sale of the Florida operations and restructuring and special charges.

The column entitled Florida Operations includes all direct revenue and expenses for Florida from January 1, 2002 through February 15, 2002, the results of operations for JRD for the six months period ended June 30, 2002, and any indirect revenue and expenses that ceased with the sale of the Florida operations, including \$1.1 million of amortization expense on intangible assets related to Florida. In addition, net interest income in that column includes: (1) a funding credit of \$5.3 million related to \$2.0 billion of funding that Florida provided to Huntington and (2) \$1.9 million of interest that would have been earned on the \$711.9 million deposit premium from January 1, 2002 through February 15, 2002. Both the funding credit and the assumed interest earned on the deposit premium are based on the average one-year LIBOR rate of 2.15% for the period. The column entitled Related Transactions reflects the \$175.3 million net gain on the sale of the Florida operations, \$32.7 million of the \$56.2 million special charges recorded in the first quarter of 2002 that related to the sale of Florida, and the applicable income taxes. After excluding the remaining restructuring and special

charges, net of taxes, operating earnings were \$161.2 million and earnings per share was \$0.65 for the first half of 2002.

**Note 6 – Available for Sale Securities**

Securities available for sale at June 30, 2002 and December 31, 2001 were as follows:

<i>(in thousands of dollars)</i>	<b>June 30, 2002</b>		<b>December 31, 2001</b>	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury				
Under 1 year	\$ 995	\$ 999	\$ 696	\$ 711
1-5 years	1,502	3,820	31,399	31,563
6-10 years	7,252	5,603	6,420	6,833
Over 10 years	412	433	413	433
Total	10,161	10,855	38,928	39,540
Federal agencies				
Mortgage-backed securities				
1-5 years	49,321	50,198	77,975	77,734
6-10 years	142,133	145,578	99,049	100,954
Over 10 years	839,553	858,345	651,187	662,674
Total	1,031,007	1,054,121	828,211	841,362
Other agencies				
Under 1 year	25,010	25,117	---	---
1-5 years	888,228	911,112	918,023	940,845
6-10 years	77,917	80,180	77,515	78,925
Over 10 years	420,758	429,105	414,485	421,407
Total	1,411,913	1,445,514	1,410,023	1,441,177
Total U.S. Treasury and Federal Agencies	2,453,081	2,510,490	2,277,162	2,322,079
Other				
Under 1 year	9,006	9,048	11,315	11,374
1-5 years	35,489	35,993	38,986	40,022
6-10 years	35,358	36,612	35,832	35,823
Over 10 years	221,170	220,308	176,524	174,715
Retained interest in securitizations	148,201	148,201	159,790	159,790
Marketable equity securities	42,760	45,621	104,395	105,776
Total	491,984	495,783	526,842	527,500
<b>Total Securities Available for Sale</b>	<b>\$ 2,945,065</b>	<b>\$ 3,006,273</b>	<b>\$2,804,004</b>	<b>\$2,849,579</b>

## Note 7 – Comprehensive Income

Comprehensive Income includes net income as well as certain items that are reported directly within a separate component of stockholders' equity that are not considered part of net income. Currently, Huntington's only components of Other Comprehensive Income are the unrealized gains (losses) on securities available for sale and unrealized gains and losses on certain derivatives. The related before and after tax amounts are as follows:

<i>(in thousands of dollars)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Cumulative effect of change in accounting method for derivatives used in cash flow hedging relationships:				
Unrealized net losses	\$ ---	\$ ---	\$ ---	\$ (14,020)
Related tax benefit	---	---	---	4,907
Net	---	---	---	(9,113)
Unrealized holding gains (losses) on securities available for sale arising during the period:				
Unrealized net gains (losses)	32,852	(12,376)	10,540	30,405
Related tax (expense) benefit	(11,498)	4,353	(3,689)	(10,787)
Net	21,354	(8,023)	6,851	19,618
Unrealized holding (losses) gains on derivatives used in cash flow hedging relationships arising during the period:				
Unrealized net (losses) gains	(2,393)	3,429	(4,245)	8,234
Related tax benefit (expense)	838	(1,200)	1,486	(2,882)
Net	(1,555)	2,229	(2,759)	5,352
Less: Reclassification adjustment for net gains (losses) from sales of securities available for sale realized during the period:				
Realized net gains (losses)	966	(2,503)	1,423	(425)
Related tax (expense) benefit	(338)	876	(498)	150
Net	628	(1,627)	925	(275)
Total Other Comprehensive (Loss) Income	\$ 19,171	\$ (4,167)	\$ 3,167	\$ 16,132

Activity in Accumulated Other Comprehensive Income for the six months ended June 30, 2002 and 2001 was as follows:

<i>(in thousands of dollars)</i>	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments used in cash flow hedging relationships
	Balance, December 31, 2000	\$ (24,520)
Change in accounting method	---	(9,113)
Current-period change	19,893	5,352
Balance, June 30, 2001	\$ (4,627)	\$ (3,761)
Balance, December 31, 2001	29,469	(3,981)
Current-period change	5,926	(2,759)
Balance, June 30, 2002	\$ 35,395	\$ (6,740)

## Note 8 – Segment Reporting

Huntington views its operations as four distinct segments. Regional Banking, Dealer Sales, and the Private Financial Group (PFG) are Huntington's major business lines. The 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 business profitability reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around Huntington's organizational and management structure and accordingly, the results below are not necessarily comparable with similar information published by other financial institutions. During the first quarter of 2002, the previously reported Retail Banking and Corporate Banking segments were combined and renamed Regional Banking. Since this segment is managed through six geographically defined regions where each region's management has responsibility for both retail and corporate banking business development, combining these two previous segments better reflects the management accountability and decision making structure. In addition, changes were made to the methodologies utilized for certain balance sheet and income statement allocations performed by Huntington's business profitability reporting system. The prior quarters have not been restated for these changes.

The chief decision-makers for Huntington rely on "operating earnings" for review of performance and for critical decision making purposes. Operating earnings exclude the the gain from the sale of the Florida operations, the historical Florida results, and restructuring and special charges. See Note 4 to the unaudited consolidated financial statements for further discussions regarding restructuring and special charges and Note 5 for the net gain on sale of Huntington's Florida operations. Net interest income is presented on a fully tax equivalent (FTE) basis using a 35% tax rate.

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

**Regional Banking:** provides products and services to retail, business banking, and corporate 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 through Huntington's traditional banking network; Direct Bank--Huntington's customer service center; and Web Bank at [www.huntington.com](http://www.huntington.com). Regional Banking also represents the middle-market and large corporate banking relationships which use a variety of banking products and services including, but not limited to, commercial loans, international trade, and cash management.

**Dealer Sales:** product offerings pertain to the automobile lending sector and include indirect consumer loans and leases, as well as floor plan financing. The consumer loans and leases comprise the vast majority of the business and involve the financing of vehicles purchased or leased by individuals through dealerships.

**Private Financial Group:** this segment's array of products and services are 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 cannot be 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. Additionally, amortization expense of intangible assets and gains or losses not allocated to other business segments are also a component.

Listed below is certain reported financial information reconciled to Huntington's second quarter and six-month 2002 and 2001 operating results by line of business.

**Three Months Ended June 30,**

<b>Income Statements</b> <i>(in thousands of dollars)</i>	Regional Banking	Dealer Sales	PFG	Treasury/ Other	Huntington Consolidated
<b>2002</b>					
Net interest income (FTE)	\$ 146,960	\$ 55,502	\$ 8,825	\$ 31,643	\$ 242,930
Provision for loan losses	41,278	12,313	301	---	53,892
Non-Interest income	78,871	5,886	23,602	9,621	117,980
Non-Interest expense	150,294	18,328	19,228	4,210	192,060
Income taxes/FTE adjustment	11,991	10,761	4,514	5,452	32,718
Net income, as reported	22,268	19,986	8,384	31,602	82,240
Florida operations, net of tax	---	---	(532)	---	(532)
Operating earnings	\$ 22,268	\$ 19,986	\$ 7,852	\$ 31,602	\$ 81,708

<b>2001</b>					
Net interest income (FTE)	\$ 198,877	\$ 58,383	\$ 9,373	\$ (16,984)	\$ 249,649
Provision for loan losses	33,763	83,603	129	---	117,495
Non-Interest income	96,099	(1,386)	18,148	15,342	128,203
Non-Interest expense	182,095	50,728	20,329	14,141	267,293
Income taxes/FTE adjustment	27,692	(27,067)	2,472	(12,410)	(9,313)
Net income, as reported	51,426	(50,267)	4,591	(3,373)	2,377
Florida operations, net of tax	(13,558)	(1,141)	(1,550)	17,347	1,098
Restructuring and special charges, net of tax	7,303	63,920	---	904	72,127
Operating earnings	\$ 45,171	\$ 12,512	\$ 3,041	\$ 14,878	\$ 75,602

<b>Balance Sheets</b> <i>(in millions of dollars)</i>	<b>2Q Average Assets</b>		<b>2Q Average Deposits</b>	
	2002	2001	2002	2001
Regional Banking	\$ 12,717	\$ 14,737	\$ 14,949	\$ 18,003
Dealer Sales	7,954	7,396	51	91
PFG	975	745	776	640
Treasury / Other	3,311	5,471	706	371
Subtotal	24,957	28,349	16,482	19,105
Florida operations	---	(3,156)	---	(4,496)
Total	\$ 24,957	\$ 25,193	\$ 16,482	\$ 14,609

**Six Months Ended June 30,**

<b>Income Statements</b> <i>(in thousands of dollars)</i>	Regional Banking	Dealer Sales	PFG	Treasury/ Other	Huntington Consolidated
<b>2002</b>					
Net interest income (FTE)	\$ 306,598	\$ 108,572	\$ 16,460	\$ 55,294	\$ 486,924
Provision for loan losses	70,247	39,125	301	---	109,673
Non-Interest income	168,408	8,526	47,168	195,306	419,408
Non-Interest expense	310,575	36,550	36,637	71,868	455,630
Income taxes/FTE adjustment	32,965	14,498	9,341	104,258	161,062
Net income, as reported	61,219	26,925	17,349	74,474	179,967
Florida operations, net of tax	(2,639)	(794)	(927)	5,885	1,525
Gain on sale of Florida operations, net of tax	---	---	---	(56,790)	(56,790)
Restructuring and special charges, net of tax	---	---	---	36,519	36,519
Operating earnings	\$ 58,580	\$ 26,131	\$ 16,422	\$ 60,088	\$ 161,221

<b>2001</b>					
Net interest income (FTE)	\$ 400,315	\$ 112,739	\$ 18,929	\$ (37,208)	\$ 494,775
Provision for loan losses	51,132	99,698	129	---	150,959
Non-Interest income	175,701	9,887	41,668	18,671	245,927
Non-Interest expense	357,047	64,388	46,994	32,954	501,383
Income taxes/FTE adjustment	58,744	(14,511)	4,716	(30,832)	18,117
Net income (loss), as reported	109,093	(26,949)	8,758	(20,659)	70,243
Florida operations, net of tax	(26,910)	(2,525)	(3,354)	37,476	4,687
Restructuring and special charges, net of tax	7,303	63,920	---	904	72,127
Operating earnings	\$ 89,486	\$ 34,446	\$ 5,404	\$ 17,721	\$ 147,057

<b>Balance Sheets</b> <i>(in millions of dollars)</i>	<b>YTD Average Assets</b>		<b>YTD Average Deposits</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Regional Banking	\$ 13,341	\$ 14,501	\$ 15,846	\$ 18,015
Dealer Sales	7,935	7,217	54	87
PFG	939	732	754	639
Treasury / Other	3,531	5,844	546	345
Subtotal	25,746	28,294	17,200	19,086
Florida operations	(877)	(3,115)	(1,178)	(4,506)
Total	\$ 24,869	\$ 25,179	\$ 16,022	\$ 14,580

**Note 9 – New Accounting Pronouncements**

In April 2002, the Financial Accounting Standards Board (FASB) issued Statement No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. This Statement rescinds Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, and an amendment of that Statement, Statement No. 64, *Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements*. This Statement also rescinds Statement No. 44, *Accounting for Intangible Assets of Motor Carriers*. This Statement amends Statement No. 13, *Accounting for Leases*, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. As a result, gains and losses from extinguishment of debt are classified as extraordinary items only if they meet the criteria in Accounting Principles Bulletin (APB) Opinion 30. Applying the provisions of APB Opinion 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual or infrequent or that meet the criteria for classification as an

extraordinary item. In addition, this Statement requires lease modifications to be accounted for in the same manner as sale-leaseback transactions.

In June 2002, the FASB issued Statement No. 146, *Accounting for Costs Associated with Exit Activities*. This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized using fair value when the liability is incurred. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged.

The adoption of Statements No. 145 and No. 146 are not expected to have a material impact on Huntington's results of operations or financial condition.

#### **Note 10 – Subsequent Events**

On July 18, 2002, Huntington announced the restructuring of its interest in Huntington Merchant Services, L.L.C. (HMS), Huntington's merchant services business, in a transaction with First Data Merchant Services Corporation, a subsidiary of First Data Corp. This transaction resulted in an approximate \$25 million pre-tax, non-operating gain (\$16 million after tax). Under the agreement, First Data obtained all of Huntington's Florida-related merchant business and increased its equity interest in HMS. In addition, as part of the transaction, Huntington extended its long-term merchant services relationship with First Data. Huntington remains a nominal equity owner.

On July 2, 2002, Huntington closed the sale of the Orlando, Florida-based JRD to members of its management team. Huntington acquired JRD in August of 2000 and operated it as a stand-alone property and casualty insurance agency within Huntington's insurance operations. Huntington's decision to sell JRD is consistent with its strategic refocusing plan.

These transactions are not expected to have a material impact on Huntington's future financial results.

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

### ***INTRODUCTION***

Huntington Bancshares Incorporated (Huntington) is a multi-state financial holding company headquartered in Columbus, Ohio. Its subsidiaries are engaged in full-service commercial and consumer banking, mortgage banking, lease financing, trust services, discount brokerage services, underwriting credit life and disability insurance, issuing commercial paper guaranteed by Huntington, and selling other insurance and financial products and services. Its subsidiaries operate domestically in offices located predominately in Ohio, Michigan, West Virginia, Indiana, and Kentucky. Huntington has a foreign office in the Cayman Islands and in Hong Kong.

### ***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, 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, including but not limited to, those set forth under the heading "Business Risks" included in Item 1 of Huntington's 2001 Annual Report and other factors described from time to time in other filings with the Securities and Exchange Commission, could cause actual conditions, events, or results to differ significantly from those described in the forward-looking statements.

Management encourages readers of this interim report on Form 10-Q to understand forward-looking statements to be strategic objectives rather than absolute targets 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.

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

### ***Significant Accounting Policies***

Note 1 to the consolidated financial statements included in Huntington's 2001 Annual Report 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, and results of operations.

### ***Special purpose entities (SPEs)***

Huntington utilized two securitization trusts, or SPEs, in 2000 as funding sources. In the securitization transactions, indirect auto loans that Huntington originated were sold to these trusts in exchange for funding collateralized by these loans. Under GAAP, these trusts are not consolidated in Huntington's financial statements. As such, the loans and the funding obtained are not included on Huntington's balance sheets.

The Financial Accounting Standards Board (FASB) has approved for issuance an Exposure Draft of a proposed Interpretation to ARB No. 51 that establishes accounting guidance for consolidation of SPEs. The proposed Interpretation, *Consolidation of Certain Special-Purpose Entities*, will apply to any business enterprise—both public and private companies—that has an ownership interest, contractual relationship, or other business relationship with an SPE. The comment period on this Exposure Draft concludes August 30, 2002.

The objective of this proposed Interpretation is to improve financial reporting by enterprises involved with SPEs—not to restrict the use of SPEs. Current accounting standards require an enterprise to include subsidiaries in which it has

a controlling financial interest in its consolidated financial statements. The FASB expects to issue a final Interpretation in the fourth quarter of this year. The accounting guidance would be effective immediately upon issuance of the Interpretation for new SPEs. Companies such as Huntington with SPEs that existed before the issuance of the Interpretation would be required to apply the guidance to the existing SPEs at the beginning of the first fiscal period after March 15, 2003. Calendar year-end companies would need to apply the guidance on April 1, 2003.

Huntington is in the initial stages of assessing the implications of this Interpretation as it applies to the consolidation of the securitization trusts and its impact to results of operations and financial condition.

#### ***Other off balance sheet arrangements***

Like other financial organizations, Huntington uses various commitments in the ordinary course of business that, under generally accepted accounting principles in the United States (GAAP), are not recorded in the financial statements. Specifically, Huntington makes various commitments to extend credit to customers and to sell loans, and have obligations under operating-type noncancelable leases for its facilities.

#### ***Derivatives***

Huntington uses a variety of derivatives, principally interest rate swaps, in its asset and liability management activities to protect against the risk of adverse interest rate movements on either cash flows or market value of certain assets and liabilities. This, along with other information regarding derivatives, is discussed under the "Interest Rate Risk Management" section of this report and in the notes to the unaudited consolidated financial statements.

#### ***Related party transactions***

Various directors and executive officers of Huntington are customers of its bank subsidiary, The Huntington National Bank (the Bank), and other affiliates and conducted transactions with these affiliates in the ordinary course of business. Directors and executive officers may also be affiliated with entities that are the Bank's customers and Huntington's other affiliates, which enter into transactions with these affiliates in the ordinary course of business. A summary of the indebtedness of management can be found in Note 4 to Huntington's 2001 Annual Report. All other related party transactions, including those reported in Huntington's 2002 Proxy Statement, were considered immaterial to its financial condition and results of operations.

#### ***Strategic Refocusing and Other Restructuring***

In July 2001, Huntington announced a strategic refocusing plan (the Plan). Key components of the Plan included the intent to sell the Florida banking and insurance operations, the consolidation of numerous non-Florida branch offices, as well as credit-related and other actions to strengthen its balance sheet and financial performance including the use of some of the excess capital to repurchase outstanding common shares. These initiatives were designed to attain more positive revenue and earnings for shareholders and to improve capital efficiency.

The sale of the Florida banking operations to SunTrust Banks, Inc., closed February 15, 2002, and included 143 banking offices and 456 ATMs with approximately \$2.8 billion in loans and other tangible assets, and \$4.8 billion in deposits and other liabilities. The transaction slightly increased Huntington's sensitivity to rising interest rates. In addition, the net interest margin, tangible equity to assets, and efficiency ratios were favorably impacted.

The sale of the Florida insurance operations involved the sale of Orlando-based J. Rolfe Davis Insurance Agency, Inc. (JRD), which closed on July 2, 2002, to members of its management team. Huntington remains committed to growing the insurance business in markets served by its retail and commercial banking operations. The JRD sale will not materially affect future financial results.

On February 19, 2002, Huntington announced a new share repurchase program authorizing the repurchase of up to 22 million shares. Repurchased shares will be reserved for reissue in connection with Huntington's dividend reinvestment and employee benefit plans, as well as for acquisitions and other corporate purposes. Through the end of June 2002, approximately 8.8 million shares of common stock were repurchased, including 6.9 million shares in the second quarter through open market and privately negotiated transactions.

During the first quarter of 2002, \$56.2 million of pre-tax restructuring and special charges (\$36.5 million after-tax, or \$0.14 per share) were recorded related to the Plan. Combined with amounts recorded in 2001, these pre-tax charges totaled \$233.1 million (\$151.5 million after-tax, or \$0.60 per share). In the first quarter of 2002, a pre-tax gain of \$175.3 million (\$56.7 million after-tax, or \$0.23 per share) on the sale of the Florida operations was recorded. Further

information regarding the financial impact of the Plan can be found in Notes 4 and 5 to the unaudited consolidated financial statements.

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

Huntington reported second quarter 2002 earnings of \$82.2 million, or \$0.33 per common share. This compares with earnings of \$2.4 million, or \$0.01 per common share, in the year-ago second quarter, and \$97.7 million, or \$0.39 per common share, in the first quarter of 2002. Year-to-date earnings in 2002 were \$180.0 million, or \$0.72 per common share, compared with \$70.2 million, or \$0.28 per common share, in the comparable year-ago six-month period.

On an operating basis (see Basis of Discussion – Operating Earnings below), second quarter 2002 earnings were \$81.7 million, or \$0.33 per common share, up 8% and 10%, respectively, compared with the year-ago second quarter's operating earnings of \$75.6 million, or \$0.30 per share. Second quarter operating net income and earnings per common share were both up 3% from first quarter operating earnings of \$79.5 million, or \$0.32 per common share. Operating earnings for the first six months of 2002 were \$161.2 million, or \$0.65 per common share, up 10% and 12%, respectively, from the comparable prior-year period operating earnings of \$147.1 million, or \$0.58 per common share.

The primary contributing factors to the \$6.1 million, or 8%, increase in operating net income from the year-ago quarter was higher net interest income, the benefit of which was partially offset by higher provision for loan losses. Net interest income increased \$16.0 million, or 7%, reflecting the benefit of a higher net interest margin as well as loan and deposit growth. The provision for loan losses increased \$12.0 million, or 29%. The increase in the provision for loan losses over the prior year quarter reflected higher net charge-offs and a higher level of loans. Second quarter results compared with the year-ago quarter also benefited, but to a lesser degree, from a \$1.7 million, or 1%, increase in non-interest income, and a \$2.3 million, or 1%, decline in non-interest expense. Income tax expense increased \$1.8 million from the year-ago quarter, reflecting the current quarter's higher level of net income.

Second quarter 2002 performance measures on an operating basis all improved from the same quarter of last year. This included the return on average equity (ROE) that increased from 12.6% to 14.0%, the return on average total assets (ROA) that increased from 1.20% to 1.31%, an increase in the net interest margin from 4.03% to 4.30%, and an improvement in the efficiency ratio from 56.0% to 53.2%. (See the Results of Operations discussion below for a complete discussion).

#### ***Basis of Discussion – Operating Earnings***

Reported results for the past five quarters have been significantly impacted by a number of items, primarily related to the strategic refocusing announced in July 2001 and the subsequent sale of the Florida banking and insurance operations in 2002. Reported 2002 first quarter results also included Florida operations for only half the quarter versus a full quarter for each prior quarter. Therefore, to better understand comparable underlying trends, the following discussion is on an operating basis. Specifically, operating earnings exclude the impact of restructuring and other charges, the gain on the sale of the Florida operations, and excludes the run-rate impact of the sold Florida banking and insurance operations.

The table on page 19 reconciles reported with operating results for the second quarter and first six months of 2002 and 2001. The table on page 20 entitled Selected Quarterly Income Statement Data, excluding Florida Operations, shows operating results beginning with the first quarter of 2001 through the current quarter. The following tables differ from the table presented in Note 5 to the unaudited consolidated income statements for the six months ended June 30, 2002. The tables below reconcile reported earnings to operating earnings and therefore exclude the impact of Florida banking and insurance operations and both Florida-related and non-Florida related restructuring charges. The table in Note 5 presents Huntington on a pro forma basis without the Florida banking and insurance operations and the Florida-related restructuring charges and therefore includes \$23.5 million of non-Florida related restructuring charges.

### ***RESULTS OF OPERATIONS***

For decision-making purposes, management reviews and analyzes financial results on an operating basis, which leads to a better understanding of underlying trends absent the impact of revenue and costs involved in the strategic refocusing plan announced in July 2001 and the run-rate impact of the Florida operations. Current and prior year results contained a number of such items. The Results of Operations discussion that follows is on an operating basis, except as otherwise stated. (See Basis of Discussion – Operating Earnings above for an expanded discussion of operating results and reconciliation to reported results.)

<i>(in thousands, except per share amounts)</i>	Reported Earnings	Gain on Sale of Florida Operations/ Restructuring and Other Charges	Florida Operations	Operating Earnings
<b>For the Three Months Ended June 30, 2002:</b>				
Net interest income	\$ 241,859			\$ 241,859
Provision for loan losses	53,892			53,892
Securities gains	966			966
Non-interest income	117,014	\$ ---	\$ 2,710	114,304
Non-interest expense	192,060	---	1,875	190,185
Pre-tax income	113,887	---	835	113,052
Income taxes	31,647	---	303	31,344
<b>Net income</b>	<b>\$ 82,240</b>	<b>\$ ---</b>	<b>\$ 532</b>	<b>\$ 81,708</b>
Net income per common share -- diluted	\$0.33	\$ ---	\$0.00	\$0.33
<b>For the Six Months Ended June 30, 2002:</b>				
Net interest income	\$ 484,684		\$ 9,724	\$ 474,960
Provision for loan losses	109,673		5,186	104,487
Securities gains	1,423		---	1,423
Non-interest income	417,985	\$ 175,344	13,343	229,298
Non-interest expense	455,630	56,184	20,210	379,236
Pre-tax income	338,789	119,160	(2,329)	221,958
Income taxes	158,822	98,889	(804)	60,737
<b>Net income</b>	<b>\$ 179,967</b>	<b>\$ 20,271</b>	<b>\$ (1,525)</b>	<b>\$ 161,221</b>
Net income per common share -- diluted	\$0.72	\$0.08	(\$0.01)	\$0.65
<b>For the Three Months Ended June 30, 2001:</b>				
Net interest income	\$ 248,033		\$ 22,150	\$ 225,883
Provision for loan losses	117,495	\$ 71,718	3,840	41,937
Securities (losses) gains	(2,503)	(5,250)	---	2,747
Non-interest income	130,706	---	19,845	110,861
Non-interest expense	267,293	33,997	40,853	192,443
Pre-tax (loss) income	(8,552)	(110,965)	(2,698)	105,111
Income taxes	(10,929)	(38,838)	(1,600)	29,509
<b>Net income (loss)</b>	<b>\$ 2,377</b>	<b>\$ (72,127)</b>	<b>\$ (1,098)</b>	<b>\$ 75,602</b>
Net income per common share -- diluted	\$0.01	(\$0.29)	\$0.00	\$0.30
<b>For the Six Months Ended June 30, 2001:</b>				
Net interest income	\$ 491,157		\$ 43,256	\$ 447,901
Provision for loan losses	150,959	\$ 71,718	7,595	71,646
Securities (losses) gains	(425)	(5,250)	---	4,825
Non-interest income	246,352	---	38,918	207,434
Non-interest expense	501,383	33,997	81,126	386,260
Pre-tax (loss) income	84,742	(110,965)	(6,547)	202,254
Income taxes	14,499	(38,838)	(1,860)	55,197
<b>Net income (loss)</b>	<b>\$ 70,243</b>	<b>\$ (72,127)</b>	<b>\$ (4,687)</b>	<b>\$ 147,057</b>
Net income per common share -- diluted	\$0.28	(\$0.29)	(\$0.01)	\$0.58

## Selected Quarterly Income Statement Data, excluding Florida Operations

<i>(in thousands, except per share amounts)</i> <sup>(1)</sup>	2002		2001			
	Second	First	Fourth	Third	Second	First
<b>Total Interest Income</b>	<b>\$ 373,787</b>	\$ 369,521	\$ 393,078	\$ 427,754	\$ 447,243	\$ 466,298
<b>Total Interest Expense</b>	<b>131,928</b>	136,420	157,532	197,292	221,360	244,280
<b>Net Interest Income</b>	<b>241,859</b>	233,101	235,546	230,462	225,883	222,018
Provision for loan losses	<b>53,892</b>	50,595	54,281	46,027	41,937	29,709
<b>Net Interest Income After</b>						
<b>Provision for Loan Losses</b>	<b>187,967</b>	182,506	181,265	184,435	183,946	192,309
Service charges on deposit accounts	<b>35,354</b>	34,282	35,220	33,593	32,650	31,143
Brokerage and insurance income	<b>14,967</b>	14,587	15,066	13,943	13,185	12,232
Trust services	<b>16,247</b>	15,096	14,679	14,816	14,431	13,670
Mortgage banking	<b>10,725</b>	19,644	15,049	13,859	17,672	9,238
Bank Owned Life Insurance income	<b>11,443</b>	11,676	9,560	9,560	9,561	9,560
Other service charges and fees	<b>10,529</b>	9,118	9,582	9,547	9,383	8,415
Other	<b>15,039</b>	10,591	15,135	14,722	13,979	12,315
<b>Total Non-Interest Income Before Securities Gains</b>	<b>114,304</b>	114,994	114,291	110,040	110,861	96,573
Securities gains	<b>966</b>	457	89	1,059	2,747	2,078
<b>Total Non-Interest Income</b>	<b>115,270</b>	115,451	114,380	111,099	113,608	98,651
Personnel costs	<b>103,589</b>	104,320	100,076	101,866	103,707	99,296
Outside data processing and other services	<b>16,592</b>	17,097	15,414	14,650	15,100	14,122
Equipment	<b>16,608</b>	15,582	18,117	17,580	17,363	17,503
Net occupancy	<b>14,642</b>	14,771	15,251	14,481	13,755	15,568
Marketing	<b>7,219</b>	7,174	5,305	5,717	6,807	8,832
Professional services	<b>6,265</b>	5,242	6,069	5,754	6,481	4,793
Telecommunications	<b>5,302</b>	5,282	5,647	5,728	5,964	5,952
Printing and supplies	<b>3,671</b>	3,519	3,511	3,693	3,688	4,098
Franchise and other taxes	<b>2,313</b>	2,326	2,885	2,439	2,229	2,116
Amortization of intangible assets	<b>203</b>	251	2,555	2,569	2,890	3,031
Other	<b>13,781</b>	13,487	12,599	12,577	14,459	18,506
<b>Total Non-Interest Expense</b>	<b>190,185</b>	189,051	187,429	187,054	192,443	193,817
<b>Income Before Income Taxes</b>	<b>113,052</b>	108,906	108,216	108,480	105,111	97,143
Income taxes	<b>31,344</b>	29,393	28,631	27,587	29,509	25,688
<b>Net Income</b>	<b>\$ 81,708</b>	\$ 79,513	\$ 79,585	\$ 80,893	\$ 75,602	\$ 71,455
<b>Net Income per Common Share - Diluted</b>	<b>\$0.33</b>	\$0.32	\$0.32	\$0.32	\$0.30	\$0.28
<b>Return on</b>						
Average total assets	<b>1.31%</b>	1.30%	1.28%	1.30%	1.20%	1.15%
Average total shareholders' equity	<b>14.0%</b>	13.6%	13.4%	13.5%	12.6%	12.1%
Net interest margin <sup>(2)</sup>	<b>4.30%</b>	4.21%	4.26%	4.17%	4.03%	3.99%
Efficiency ratio	<b>53.2%</b>	54.1%	52.7%	54.0%	56.0%	59.5%
Effective tax rate	<b>27.7%</b>	27.0%	26.5%	25.4%	28.1%	26.4%
<b>Revenue - Fully Taxable Equivalent (FTE)</b>						
Net Interest Income	<b>\$ 241,859</b>	\$ 233,101	\$ 235,546	\$ 230,462	\$ 225,883	\$ 222,018
Tax Equivalent Adjustment <sup>(2)</sup>	<b>1,071</b>	1,169	1,292	1,442	1,616	2,002
Net Interest Income	<b>242,930</b>	234,270	236,838	231,904	227,499	224,020
Non-Interest Income	<b>115,270</b>	115,451	114,380	111,099	113,608	98,651
<b>Total Revenue</b>	<b>\$ 358,200</b>	\$ 349,721	\$ 351,218	\$ 343,003	\$ 341,107	\$ 322,671
<b>Total Revenue Excluding Securities Gains</b>	<b>\$ 357,234</b>	\$ 349,264	\$ 351,129	\$ 341,944	\$ 338,360	\$ 320,593

<sup>(1)</sup> Income component excludes after-tax impact of the \$56.8 million gain on sale of Florida operations in 1Q '02 and restructuring and special charges (\$36.5 million in 1Q '02; \$9.8 million in 4Q '01; \$33.0 million in 3Q '01; \$72.1 million in 2Q '01).

<sup>(2)</sup> Calculated assuming a 35% tax rate.

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

Net interest income was \$241.9 million in the second quarter of 2002, up 7% from the year-ago quarter reflecting a 27 basis point increase in the net interest margin to 4.30% from 4.03%. The margin increase was due to a substantial reduction in short-term interest rates and the related steepening of the yield curve, as well as the maturity in late 2001 of certain interest rate swaps that had negative spreads. Earning assets were essentially unchanged. (See net interest margin detail and average balance sheets for the recent five quarters on the following page.) Average managed loans, which include \$1.2 billion of securitized auto loans, increased 5% after normalizing for residential real estate loan securitizations and the impact of Florida banking operations sold in the first quarter of 2002. However, this positive was largely offset by a planned decline in other earning assets, most notably low-yielding investment securities. A key strategy implemented last year was to improve the earning asset yield by reducing the level of low-margin investment securities. Investment securities averaged \$2.8 billion in the second quarter of 2002, down 21% from the year-ago quarter. As a result of this decrease, securities represented 13% of average earning assets in the second quarter of 2002, down from 16% in the year-ago quarter. Average core deposits were up 13% from the year-ago quarter, reflecting a 42% increase in money market and other interest bearing deposits and a 7% increase in other domestic time deposits. Deposit inflow has been influenced, in part, by turbulence in the financial markets, but also by the success of sales and deposit growth programs.

Compared with the 2002 first quarter, net interest income increased \$8.8 million, or 4%, reflecting a 9 basis point increase in the net interest margin to 4.30% and a \$237 million, or 1%, increase in average earning assets. The increase in the net interest margin was driven by seasonally higher loan fees and the positive impact of the interest rate environment, including a continuation of an upsloping yield curve, partially offset by a reduced benefit from the lagged repricing of the variable rate home equity loan portfolio. Average managed loans, normalized for residential real estate loan securitizations and the impact of Florida banking operations sold in the 2002 first quarter, grew at a 7% annualized rate during the quarter, but this benefit was partially offset by a decline in other earning assets, primarily mortgages held for sale. Average core deposits increased \$657.4 million, or at a 19% annualized rate from the first quarter, reflecting continued strong inflows in interest bearing and other domestic time deposits.

The average managed loans increase continued to be positively impacted by strong growth in residential mortgages and home equity loans and lines of credit. Average residential mortgages grew \$325.1 million, reflecting a decision to retain more of these loans on the balance sheet, with home equity loans and lines of credit up \$122.5 million, or at a 17% annualized rate. This reflected continued strong demand for residential mortgages, refinancing activity, and the promotion of adjustable mortgage products. Commercial real estate loans increased \$51.8 million, or at a 6% annualized rate, slower than the 15% and 18% annualized rates in the 2002 first quarter and 2001 fourth quarter, respectively. These increases were partially offset by declines in other loan categories reflecting the continued weakness in the economy and certain sectors. This was especially noticeable in the \$47.5 million, or 3% annualized decline in commercial loans and \$50.6 million, or 3% annualized, decline in managed auto loans and leases.

For the first six months of 2002, net interest income was \$475.0 million, up \$27.1 million, or 6%, from the comparable year-ago period. This reflected a 25 basis point increase in the net interest margin to 4.26% from 4.01% as average earning assets for the first six months of 2002 were essentially unchanged from the first six months of last year. Comparisons of average earning assets, loans, investment securities, and deposits for the first six months of 2002 versus the comparable year-ago period reflect the same factors that affected second quarter comparisons.

### ***Provision for Loan Losses***

The provision for loan losses is the expense necessary to maintain the allowance for loan losses (ALL) at a level adequate to absorb management's estimate of inherent losses in the loan portfolio. The provision expense in the second quarter of 2002 was \$53.9 million, up \$12.0 million, or 29%, from the year-ago quarter. This increase reflected loan growth and higher levels of net charge-offs, and continued economic weakness. At June 30, 2002, the allowance for loan losses as a percent of period-end loans was 2.00%, up from 1.76% at the end of the year-ago quarter. (See Credit Risk section for discussion of the ALL, NPAs and Net charge-offs.)

Compared with the first quarter of this year, the provision for loan losses increased \$3.3 million, and exceeded net charge-offs by \$9.0 million, providing for loan growth as the allowance for loan losses as a percent of period-end loans was unchanged at 2.00%.

For the first six months of 2002, the provision for loan losses was \$104.5 million, up from \$71.6 million from the first six months of 2001, reflecting the same factors that affected second quarter comparisons.

## Consolidated Quarterly Net Interest Margin Detail and Average Balances

(in millions)

	Average Balances					Average Rates <sup>(3)</sup>				
	2002		2001			2002		2001		
Fully Tax Equivalent Basis <sup>(1)</sup>	Second	First	Fourth	Third	Second	Second	First	Fourth	Third	Second
<b>Assets</b>										
Interest bearing deposits in banks	\$ 29	\$ 34	\$ 14	\$ 5	\$ 5	2.44 %	2.02 %	2.09 %	3.75 %	5.09 %
Trading account securities	6	5	8	8	39	5.37	2.79	3.59	3.83	5.15
Federal funds sold and securities purchased under resale agreements	68	62	86	86	93	1.51	1.43	2.18	3.20	4.21
Mortgages held for sale	174	381	433	344	420	7.07	6.51	6.64	7.18	6.96
Securities:										
Taxable	2,735	2,713	2,720	2,896	3,368	6.33	6.43	6.62	6.71	6.26
Tax exempt	96	102	108	140	201	7.69	7.76	7.81	7.38	7.26
Total Securities	2,831	2,815	2,828	3,036	3,569	6.37	6.48	6.66	6.75	6.32
Loans:										
Commercial	5,614	5,661	5,751	5,946	5,986	5.50	5.37	5.81	6.93	7.41
Real Estate										
Construction	1,420	1,405	1,386	1,281	1,190	4.81	4.91	5.49	6.60	7.44
Commercial	2,233	2,196	2,081	2,034	1,994	6.36	6.66	6.88	7.58	7.95
Consumer										
Auto leases - Indirect	3,113	3,166	3,229	3,243	3,222	6.42	6.62	6.58	6.67	6.71
Auto loans - Indirect	2,597	2,560	2,489	2,445	2,289	7.98	7.98	8.29	8.61	8.86
Home equity loans & lines of credit	2,911	2,788	2,753	2,709	2,664	5.72	6.09	7.05	7.73	8.47
Residential mortgage	1,229	904	672	619	696	6.23	6.60	7.10	7.55	7.70
Other loans	413	424	446	459	485	7.47	7.64	8.26	8.04	8.14
Total Consumer	10,263	9,842	9,589	9,475	9,356	6.64	6.86	7.27	7.59	7.88
Total Loans	19,530	19,104	18,807	18,736	18,526	6.15	6.25	6.65	7.32	7.71
Allowance for loan losses / fees <sup>(2)</sup>	400	403	371	315	279	0.55	0.49	0.53	0.56	0.60
Net loans	19,130	18,701	18,436	18,421	18,247	6.70	6.74	7.18	7.88	8.31
Total earning assets	22,638	22,401	22,176	22,215	22,652	6.64 %	6.68 %	7.08 %	7.69 %	7.94 %
Cash and due from banks	722	774	798	831	830					
All other assets	1,997	2,008	2,010	2,002	1,990					
<b>Total Assets</b>	<b>\$ 24,957</b>	<b>\$ 24,780</b>	<b>\$ 24,613</b>	<b>\$ 24,733</b>	<b>\$ 25,193</b>					
<b>Liabilities and Shareholders' Equity</b>										
Core deposits										
Non-interest bearing deposits	\$ 2,739	\$ 2,738	\$ 2,824	\$ 2,761	\$ 2,667					
Interest bearing demand deposits	4,920	4,362	4,014	3,687	3,456	1.84 %	1.79 %	1.93 %	2.73 %	2.87 %
Savings deposits	2,808	2,830	2,863	2,923	2,977	1.83	1.85	2.08	3.04	3.46
Other domestic time deposits	4,218	4,097	4,123	4,127	3,942	4.61	4.99	5.18	5.52	5.83
Total core deposits	14,685	14,027	13,824	13,498	13,042	2.29	2.39	2.54	3.09	3.31
Domestic time deposits of \$100,000 or more	852	959	1,008	1,053	1,078	2.82	2.91	4.66	4.70	5.23
Brokered time deposits and negotiable CDs	649	302	109	120	118	2.48	2.48	3.55	4.42	5.57
Foreign time deposits	296	268	224	250	371	1.38	1.92	1.99	3.40	4.11
Total deposits	16,482	15,556	15,165	14,921	14,609	2.31	2.41	2.68	3.22	3.49
Short-term borrowings	1,886	1,925	1,745	1,998	2,628	1.97	2.39	2.73	3.75	4.40
Medium-term notes	1,910	2,645	3,272	3,443	3,476	3.21	3.00	3.45	4.82	5.51
Subordinated notes and other long-term debt, including preferred capital securities										
Total interest bearing liabilities	18,768	18,620	18,541	18,785	19,226	2.82 %	2.96 %	3.37 %	4.17 %	4.62 %
All other liabilities	1,107	1,052	887	812	897					
Shareholders' equity	2,343	2,370	2,361	2,375	2,403					
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 24,957</b>	<b>\$ 24,780</b>	<b>\$ 24,613</b>	<b>\$ 24,733</b>	<b>\$ 25,193</b>					
Net interest rate spread						3.82 %	3.72 %	3.71 %	3.52 %	3.32 %
Impact of non-interest bearing funds on margin						0.48	0.49	0.55	0.65	0.71
<b>Net Interest Margin</b>						<b>4.30 %</b>	<b>4.21 %</b>	<b>4.26 %</b>	<b>4.17 %</b>	<b>4.03 %</b>

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

<sup>(2)</sup> Total loans with fees rate includes loan fees, whereas individual loan components above are shown exclusive of fees.

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

### ***Non-Interest Income Before Securities Gains***

Non-interest income before securities gains in the second quarter of 2002 was up \$3.4 million, or 3%, from the year-ago quarter despite a \$6.9 million, or 39%, decline in mortgage banking income. This reduction in mortgage banking income reflected a 61% decline in deliveries to the secondary market, primarily to retain more residential mortgage loans on the books. Excluding mortgage banking income, second quarter non-interest income was up \$10.4 million, or 11%, from the second quarter of last year. The following table reflects non-interest income detail for the three and six months ended June 30, 2002 and 2001:

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

*(in thousands of dollars)*

	<b>Three Months Ended June 30,</b>		
	<b>2002</b>	<b>2001</b>	<b>% Change</b>
Service charges on deposit accounts	\$ 35,354	\$ 32,650	8.3 %
Trust services	16,247	14,431	12.6
Brokerage and insurance income	14,967	13,185	13.5
Bank Owned Life Insurance income	11,443	9,561	19.7
Mortgage banking	10,725	17,672	(39.3)
Other service charges and fees	10,529	9,383	12.2
Other	15,039	13,979	7.6
<b>Total Non-Interest Income Before Securities Gains</b>	<b>114,304</b>	<b>110,861</b>	<b>3.1</b>
Securities gains	966	2,747	(64.8)
<b>Total Non-Interest Income</b>	<b>\$ 115,270</b>	<b>\$ 113,608</b>	<b>1.5 %</b>

  

	<b>Six Months Ended June 30,</b>		
	<b>2002</b>	<b>2001</b>	<b>% Change</b>
Service charges on deposit accounts	\$ 69,636	\$ 63,793	9.2 %
Trust services	31,343	28,101	11.5
Brokerage and insurance income	29,554	25,417	16.3
Bank Owned Life Insurance income	23,119	19,121	20.9
Mortgage banking	30,369	26,910	12.9
Other service charges and fees	19,647	17,798	10.4
Other	25,630	26,294	(2.5)
<b>Total Non-Interest Income Before Securities Gains</b>	<b>229,298</b>	<b>207,434</b>	<b>10.5</b>
Securities gains	1,423	4,825	(70.5)
<b>Total Non-Interest Income</b>	<b>\$ 230,721</b>	<b>\$ 212,259</b>	<b>8.7 %</b>

All remaining non-interest income categories experienced significant growth from the year-ago quarter. This included a \$2.7 million or 8% increase in deposit service charges, primarily driven by higher corporate maintenance fees. Brokerage and insurance income was up \$1.8 million, or 14%, from the year-ago quarter primarily due to strong retail investment sales, the benefit of which was partially offset by lower investment banking and insurance fees. Trust income was up \$1.8 million, or 13%, reflecting the impact of the acquisition of Haberer Registered Investment Advisors, Inc. (Haberer) in the 2002 first quarter. The increase in brokerage and insurance income was due to increased sales of mutual funds and annuities. Income from bank owned life insurance was up \$1.9 million, or 20%. Other service charges increased \$1.1 million, or 12%, reflecting increased debit card and ATM fees. Other income increased \$1.1 million, or 8%, reflecting a combination of higher securitization income and a gain on the sale of a real estate property, which was partially offset by lower sales of customer derivative products.

Compared with the first quarter of 2002, non-interest income before securities gains was down \$0.7 million, reflecting an \$8.9 million decline in mortgage banking income. Similar to comparisons to the year-ago quarter, this decline reflected a 64% decrease in deliveries to the secondary market from the first quarter's very strong performance, and to a lesser degree, a decision to retain a higher percentage of loans on the balance sheet. Excluding mortgage banking, non-interest income was up \$8.2 million, or 9%, from the first quarter reflecting broad-based increases in other fee income categories.

Trust income in the second quarter of 2002 was up \$1.2 million, or 8%, from the first quarter, mostly reflecting the impact from the Haberer acquisition. Corporate trust income increased 26%, largely due to the seasonality of annual

renewal fees and institutional sales activities. Partially offsetting these increases was the impact of declining asset values. Deposit service charges were up \$1.1 million, or 3%, with the primary driver being higher personal service charges, especially NSF and overdraft fees. Other service charges were up \$1.4 million, or 15%, from the first quarter, reflecting increased ATM and debit card fees. Other income was up \$4.4 million reflecting higher securitization income and a gain on the sale of a real estate property, partially offset by lower sales of customer derivative products.

For the first six months of 2002, non-interest income before securities gains was \$229.3 million, up 11% from the comparable year-ago period, reflecting the same factors that affected second quarter comparisons.

### **Securities Gains**

Securities gains in the second quarter of 2002 were \$1.0 million, down from \$2.7 million in the year-ago quarter and up \$0.5 million from the first quarter of 2002. The gains in the year-ago quarter resulted from investment securities sold reflecting a strategy to reduce low-margin investment securities. For the first half of 2002, securities gains were \$1.4 million, down from \$4.8 million in the first six months of last year.

### **Non-Interest Expense**

Non-interest expense was \$190.2 million in the second quarter of 2002, down \$2.3 million, or 1%, from the year-ago quarter. This reflected a \$2.7 million decline in intangible amortization expense primarily related to the reduction of non-Florida operations related intangible amortization due to implementing SFAS No. 142, described more fully in Note 3 to the unaudited consolidated financial statements. The following table reflects non-interest expense detail for the three and six months ended June 30, 2002 and 2001:

<b>Non-Interest Expense</b>	<b>Three Months Ended June 30,</b>		
	<b>2002</b>	<b>2001</b>	<b>% Change</b>
<i>(in thousands of dollars)</i>			
Personnel costs	\$ 103,589	\$ 103,707	(0.1) %
Outside data processing and other services	16,592	15,100	9.9
Equipment	16,608	17,363	(4.3)
Net occupancy	14,642	13,755	6.4
Marketing	7,219	6,807	6.1
Telecommunications	5,302	5,964	(11.1)
Professional services	6,265	6,481	(3.3)
Printing and supplies	3,671	3,688	(0.5)
Franchise and other taxes	2,313	2,229	3.8
Amortization of intangible assets	203	2,890	(93.0)
Other	13,781	14,459	(4.7)
<b>Total Non-Interest Expense</b>	<b>\$ 190,185</b>	<b>\$ 192,443</b>	<b>(1.2) %</b>
	<b>Six Months Ended June 30,</b>		
	<b>2002</b>	<b>2001</b>	<b>% Change</b>
Personnel costs	\$ 207,909	\$ 203,003	2.4 %
Outside data processing and other services	33,689	29,222	15.3
Equipment	32,190	34,866	(7.7)
Net occupancy	29,413	29,323	0.3
Marketing	14,393	15,639	(8.0)
Telecommunications	10,584	11,916	(11.2)
Professional services	11,507	11,274	2.1
Printing and supplies	7,190	7,786	(7.7)
Franchise and other taxes	4,639	4,345	6.8
Amortization of intangible assets	454	5,921	(92.3)
Other	27,268	32,965	(17.3)
<b>Total Non-Interest Expense</b>	<b>\$ 379,236</b>	<b>\$ 386,260</b>	<b>(1.8) %</b>

Personnel costs were essentially flat for the recent quarter when compared with the year-ago quarter, reflecting the benefit of a 5% decline in period-end full-time equivalent staff due to planned staff reductions. These were partially offset by higher sales commission expense. The following table reflects the number of full-time equivalent staff at the end of each period shown. Approximately 1,200 full-time equivalent staff were associated with the Florida banking operations sold in the 2002 first quarter. The 168 full-time equivalent decrease in staff from March 31, 2002 to June 20,

2002, reflected planned staff reductions, primarily Florida-related operations support staff located outside the state of Florida and not part of the sold banking operations.

	2002		2001		
	Second	First	Fourth	Third	Second
<u>Number of employees (full-time equivalent)</u>					
Huntington, excluding Florida operations	8,174	8,342	8,521	8,487	8,566
Florida operations	---	---	1,222	1,232	1,215
Total Huntington	8,174	8,342	9,743	9,719	9,781

Outside data processing and other services expense increased \$1.5 million, or 10% from the prior year quarter, reflecting higher processing expenses related to Huntington's loan and deposit products. On a combined basis, occupancy and equipment costs were up slightly from the year-ago quarter reflecting higher depreciation associated with technology investments including a new Internet-banking platform launched in the first quarter of this year, costs associated with the implementation of a new Customer Service System to assist personal bankers in branches in providing quicker and more comprehensive customer service, as well as enhanced product sales capabilities, and mainframe infrastructure upgrades, which was partially offset by lower depreciation and building maintenance costs primarily related to planned branch consolidations.

Compared with the first quarter of 2002, non-interest expense was up \$1.1 million, or 1%, driven by a \$0.9 million increase in occupancy and equipment costs and a \$1.0 million increase in professional services. These increases were partially offset by a \$0.7 million decrease in personnel costs, reflecting, in part, a 2% decline in full-time equivalent staff from March 31 to June 30 due to planned staff reductions, and a \$0.5 million decline in outside services.

For the first half of 2002, non-interest expense was \$379.2 million, down from \$386.3 million, or 2%, reflecting these same factors.

The combination of lower expenses as well as higher revenues positively affected the efficiency ratio, which expresses expenses (excluding amortization of intangible assets) as a percentage of revenues (before gains on securities transactions) on a tax-equivalent basis. The efficiency ratio improved to 53.2% in the second quarter of 2002 from 56.0% in the year-ago quarter and 54.1% in the first quarter of 2002.

### ***Income Taxes***

The provision for income taxes in the second quarter of 2002 was \$31.3 million and represented an effective tax rate on income before taxes of 27.7%. This compares to a provision for income taxes in the year-ago quarter of \$29.5 million, or 28.1% of income before taxes, and \$29.4 million, or 27.0% in the 2002 first quarter.

### ***CREDIT RISK***

Credit risk exposure is managed through the use of consistent underwriting standards, policies that limit exposure to higher risk credits (e.g. highly leveraged transactions or nationally syndicated credits), and a strategy of diversification of exposure by industry sector, geographic region, or other concentrations. Management has focused its commercial lending to customers with multiple relationships with the Bank. As a result, outstanding shared national credits declined to \$1.0 billion at June 30, 2002 from \$1.5 billion one year ago. The credit administration function employs extensive credit risk management techniques, including forecasting, to ensure loans adhere to corporate policy and problem loans are promptly identified. The loss forecasting process is performed on a monthly basis to ensure that all changes in the portfolio's composition and performance are incorporated. These procedures provide executive management with the information necessary to implement policy adjustments where necessary, and take corrective actions on a proactive basis.

### ***Loan Composition***

The following table shows the period-end reported loan portfolio by loan type and business segment, with the latter including a separate line indicating loans sold with the Florida banking operations in the first quarter of 2002:

<i>(in millions of dollars)</i>	June 30, 2002		December 31, 2001		June 30, 2001	
<b>By Type</b>	Balance	%	Balance	%	Balance	%
Commercial	\$ 5,591	28.5	\$ 6,439	29.8	\$ 6,754	32.0
Commercial real estate	3,699	18.8	3,976	18.4	3,640	17.2
Total Commercial and Commercial Real Estate	9,290	47.3	10,415	48.2	10,394	49.2
Consumer						
Auto leases - Indirect	3,120	15.9	3,208	14.8	3,195	15.1
Auto loans - Indirect	2,631	13.4	2,883	13.3	2,675	12.7
Home equity	2,991	15.2	3,582	16.6	3,406	16.1
Residential mortgage	1,211	6.2	971	4.5	844	4.0
Other loans	409	2.0	543	2.6	614	2.9
Total Consumer	10,362	52.7	11,187	51.8	10,734	50.8
<b>Total Loans</b>	<b>\$ 19,652</b>	<b>100.0</b>	<b>\$ 21,602</b>	<b>100.0</b>	<b>\$ 21,128</b>	<b>100.0</b>
<b>By Business Segment</b>						
Regional Banking						
Central Ohio / West Virginia	\$ 4,588	23.3	\$ 4,264	19.7	\$ 4,241	20.1
Northern Ohio	2,723	13.9	2,694	12.5	2,761	13.1
Southern Ohio / Kentucky	1,433	7.3	1,327	6.1	1,286	6.1
West Michigan	1,835	9.3	1,837	8.5	1,845	8.7
East Michigan	1,051	5.3	937	4.3	820	3.9
Indiana	683	3.5	696	3.2	664	3.1
Total Regional Banking	12,313	62.6	11,755	54.3	11,617	55.0
Dealer Sales	6,377	32.5	6,239	29.0	6,207	29.4
Private Financial Group	862	4.4	763	3.5	639	3.0
Treasury / Other	100	0.5	122	0.6	86	0.4
<b>Total Loans excluding Florida</b>	<b>19,652</b>	<b>100.0</b>	<b>18,879</b>	<b>87.4</b>	<b>18,549</b>	<b>87.8</b>
Florida	---	---	2,723	12.6	2,579	12.2
<b>Total Loans</b>	<b>\$ 19,652</b>	<b>100.0</b>	<b>\$ 21,602</b>	<b>100.0</b>	<b>\$ 21,128</b>	<b>100.0</b>

### **Non-Performing Assets**

Non-performing assets (NPAs) consist of loans that are no longer accruing interest, loans that have been renegotiated based upon financial difficulties of the borrower, and real estate acquired through foreclosure. Commercial and real estate loans stop accruing interest when collection of principal or interest is in doubt or generally when the loan is 90 days past due. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior year amounts generally charged off as a credit loss. Consumer loans are not placed on non-accrual status but are charged off in accordance with regulatory statutes, which is generally no more than 120 days.

The following table summarizes NPAs at the end of each of the recent five quarters in addition to past due information:

<i>(in thousands)</i>	2002			2001	
	Second	First	Fourth	Third	Second
Non-accrual loans:					
Commercial	\$ 156,252	\$ 162,959	\$ 155,720	\$ 143,132	\$ 111,363
Commercial real estate	45,795	43,295	45,180	37,772	23,418
Residential mortgage	8,776	11,896	11,086	10,923	10,916
<b>Total Nonaccrual Loans</b>	<b>210,823</b>	<b>218,150</b>	<b>211,986</b>	<b>191,827</b>	<b>145,697</b>
Renegotiated loans	1,268	1,268	1,276	1,286	1,290
<b>Total Non-Performing Loans</b>	<b>212,091</b>	<b>219,418</b>	<b>213,262</b>	<b>193,113</b>	<b>146,987</b>
Other real estate, net	11,146	6,112	6,384	8,050	9,913
<b>Total Non-Performing Assets</b>	<b>\$ 223,237</b>	<b>\$ 225,530</b>	<b>\$ 219,646</b>	<b>\$ 201,163</b>	<b>\$ 156,900</b>
Non-performing loans as a % of total loans	1.08%	1.13%	1.13%	1.02%	0.79%
Non-performing assets as a % of total loans and other real estate	1.14%	1.17%	1.16%	1.06%	0.85%
<b>Accruing loans past due 90 days or more</b>	<b>\$ 58,449</b>	<b>\$ 61,746</b>	<b>\$ 76,295</b>	<b>\$ 79,339</b>	<b>\$ 54,228</b>

Total NPAs were \$223.2 million at June 30, 2002, up from \$156.9 million at the end of the year-ago quarter, but down slightly from \$225.5 million at the end of the first quarter of 2002. The adverse impact was primarily from the uncertain economic environment in the Midwest, particularly in the manufacturing and service sectors, primarily resulted in the NPA increase from the year-ago period. NPAs as a percent of total loans and other real estate were 1.14% at June 30, 2002, up from 0.85% a year ago, but down slightly from 1.17% at March 31, 2002.

Loans past due ninety days at the end of the second quarter of 2002 were \$58.4 million and represented 0.30% of total loans. This was up slightly from \$54.2 million, or 0.29% at June 30, 2001, but down slightly from \$61.7 million, or 0.32% of total loans at March 31, 2002.

#### **Net Charge-offs**

In the second quarter of 2001, as part of the strategic restructuring plan, a decision was made to exit the sub-prime automobile lending, as well as truck and equipment lending businesses. At that time, special credit loss reserves were established to cover the inherent losses in those portfolios and to which related loan losses have been charged.

Excluding charge-offs related to these exited businesses, net charge-offs in the second quarter of 2002 were \$42.5 million and represented an annualized 0.88% of average loans. This was up from \$34.3 million, or 0.74%, in the year-ago quarter, but down from \$45.5 million, or 1.07%, in the first quarter of 2002.

The \$8.2 million increase in net charge-offs from the year-ago quarter reflected a \$12.3 million increase in commercial and commercial real estate net charge-offs, partially offset by a \$4.1 million decline in consumer net charge-offs. The increase in commercial net charge-offs primarily reflected the impact of the weakened economy while the decline in consumer net charge-offs primarily reflected lower auto lease and loan losses as a result of a management decision over the last two years to strengthen the underwriting criteria and credit score mix of new auto loan and lease originations.

The following table reflects net charge-offs and annualized charge-offs as a percent of average loans by type of loan:

<i>(in thousands)</i>	2002		2001		
	Second	First	Fourth	Third	Second
<b><u>Net Charge-offs by Loan Type</u></b>					
Commercial	\$ 21,468	\$ 16,092	\$ 19,475	\$ 8,755	\$ 9,507
Commercial real estate	2,037	3,723	867	3	1,704
Total commercial and commercial real estate	23,505	19,815	20,342	8,758	11,211
Consumer					
Auto leases	8,401	12,809	12,634	10,395	11,016
Auto loans	5,733	8,888	8,474	5,351	8,515
Home equity loans & lines of credit	3,096	2,814	3,313	3,772	2,311
Residential mortgage	555	104	370	93	241
Other loans	1,225	1,098	1,388	527	1,036
Total consumer	19,010	25,713	26,179	20,138	23,119
Total net charge-offs, excluding exited businesses	42,515	45,528	46,521	28,896	34,330
Net charge-offs related to exited businesses	2,385	3,748	3,628	7,186	27,382
<b>Total Net Charge-offs</b>	<b>\$ 44,900</b>	<b>\$ 49,276</b>	<b>\$ 50,149</b>	<b>\$ 36,082</b>	<b>\$ 61,712</b>
<b><u>Net Charge-offs as a % of Average Loans</u></b>					
Commercial	1.53%	1.15%	1.34%	0.58%	0.64%
Commercial real estate	0.22%	0.42%	0.10%	0.00%	0.21%
Total commercial and commercial real estate	1.02%	0.87%	0.88%	0.38%	0.49%
Consumer					
Auto leases	1.08%	1.64%	1.55%	1.27%	1.37%
Auto loans	0.92%	1.47%	1.43%	0.87%	1.49%
Home equity loans & lines of credit	0.43%	0.41%	0.48%	0.55%	0.35%
Residential mortgage	0.18%	0.05%	0.22%	0.06%	0.14%
Other loans	1.22%	1.09%	1.29%	0.46%	0.86%
Total consumer	0.75%	1.07%	1.10%	0.84%	0.99%
<b>Total Net Charge-offs</b>	<b>0.88%</b>	<b>0.97%</b>	<b>0.99%</b>	<b>0.61%</b>	<b>0.74%</b>
Total Net Charge-offs - Including Exited					
Businesses	0.92%	1.05%	1.06%	0.76%	1.33%

Management believes consumer net charge-offs could generally improve slightly from second quarter performance through the end of 2002 reflecting the decline in consumer delinquencies in recent months and the continued positive impact from higher quality auto loan and lease originations over the last several quarters. However, given the recent decline in charge-offs and the normal seasonal patterns, we expect that charge-offs may increase in the short run. The outlook for commercial net charge-offs is for gradual improvement. This expected improvement could be mitigated in the short run should opportunities exist to accelerate the resolution and/or exiting of certain troubled credits.

#### ***Allowance for Loan Losses***

The ALL was \$393.0 million at June 30, 2002, up from \$326.5 million at the end of the second quarter of 2001, and \$386.1 million at March 31, 2002. The ALL represented 2.00% of total loans at June 30, 2002, up from 1.76% at the end of the second quarter last year, but unchanged from March 31, 2002. The period-end ALL was 185% of NPAs at June 30, 2002, down from 222% a year ago, but up from 176% at March 31, 2002.

The following table reflects the activity in the ALL for the recent five quarters, excluding the Florida operations, and the ALL of \$22.3 million related to \$2.8 billion of loans sold in conjunction with the sale of Florida during the first quarter of 2002.

<i>(in thousands)</i>	2002			2001	
	Second	First	Fourth	Third	Second
<b>Allowance for Loan Losses,</b>					
<b>Beginning of Period</b>	\$ 386,053	\$ 386,956	\$ 334,827	\$ 326,495	\$ 276,116
Loan losses	(57,482)	(60,191)	(60,110)	(45,063)	(71,104)
Recoveries	12,582	10,915	9,961	8,981	9,392
Net loan losses	(44,900)	(49,276)	(50,149)	(36,082)	(61,712)
Provision for loan losses	53,892	50,595	104,281	46,027	113,655
Allowance of securitized loans	(2,034)	(2,222)	(2,003)	(1,613)	(1,564)
<b>Allowance for Loan Losses,</b>					
<b>End of Period</b>	\$ 393,011	\$ 386,053	\$ 386,956	\$ 334,827	\$ 326,495
Allowance for loan losses as a % of total loans	2.00%	2.00%	2.05%	1.77%	1.76%
Allowance for loan losses as a % of non-performing loans	185%	176%	181%	173%	222%
Allowance for loan losses and OREO as a % of non-performing assets	176%	171%	176%	166%	207%

The provision for loan losses for the second quarter of 2001 included additional charges of \$71.7 million to recognize the estimated embedded losses resulting from Huntington's decision to exit sub-prime automobile lending and truck and equipment lending, to charge-off delinquent consumer and small business loans more than 120 days past due, to increase reserves for consumer bankruptcies, and to increase commercial loan reserves. The provision for loan losses for the fourth quarter of 2001 included \$50.0 million of charges to increase the loan loss reserve in light of the higher charge-offs and non-performing assets experienced in the second half of 2001.

The ALL is allocated to each loan category based on expected losses. Expected losses are a function of the likelihood of default and the loss in the event of default. A continuous assessment of credit quality is based on portfolio risk characteristics and other relevant factors such as historical performance, internal controls, and impacts from mergers and acquisitions. For the commercial and industrial and commercial real estate credits, expected loss factors are assigned by credit grade at the individual loan level and are updated monthly. The aggregation of these factors represents management's estimate of the inherent loss. The portion of the allowance allocated to the more homogeneous consumer loan segments is determined by developing expected loss ratios based on the risk characteristics of the various segments and giving consideration to existing economic conditions and trends.

Projected loss ratios incorporate factors such as trends in past due and non-accrual amounts, recent loan loss experience, current economic conditions, risk characteristics, and concentrations of various loan categories. Actual loss ratios experienced in the future, however, could vary from those projected as a loan's performance is a function of not only economic factors but also other factors unique to each customer. The dollar exposure could significantly vary from estimated amounts due to losses from large dollar single client exposures, industry, product, or geographic concentrations, or changes in general economic conditions. To ensure adequacy to a higher degree of confidence, a portion of the ALL is considered unallocated. While amounts are allocated to various portfolio segments, the total ALL, 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. Unallocated reserves are based on levels of criticized/classified assets, delinquencies in the accruing loan portfolios, the level of non-performing loans, and general economic conditions and volatility. Total unallocated reserves were 13% at June 30, 2002, versus 11% one year ago.

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

Huntington seeks to achieve consistent growth in net interest income and net income while managing volatility arising from shifts in interest rates. The Board of Directors and Asset and Liability Management Committee (ALCO) oversee financial risk management by establishing broad policies and specific operating limits that govern a variety of financial risks inherent in Huntington's operations, including liquidity, counterparty, settlement, and market risks. Market risk is the potential for declines in the fair value of financial instruments due to changes in interest rates and

equity prices. Interest rate risk is Huntington's primary market risk and results from the timing differences in the repricing of assets and liabilities, changes in relationships in asset and liability repricing and the potential exercise of explicit or embedded options.

Interest rate risk management is a dynamic process, encompassing new business flows onto the balance sheet, prepayments/maturities of existing assets and liabilities, wholesale investments and funding, and the changing market and business environment. To accomplish its overall balance sheet objectives, Huntington regularly accesses a variety of global markets--money, bond, swaps, futures, and options. ALCO regularly monitors position concentrations and the interest rate sensitivity to ensure compliance with approved risk tolerances.

Measurement and monitoring of interest rate risk is an ongoing process. Two key elements used in this process are an income simulation model and a net present value model. The income simulation model is designed to capture interest rate risk over the short term i.e. changes in net interest income over the next 12 months resulting in changes in interest rates. The net present value model, or Economic Value of Equity (EVE), designed to capture the impact of changes in interest rates over the entire life of the assets and liabilities thus, the EVE model captures the impact of changing weights on assets and liabilities beyond the one-year timeframe of the income simulation model. EVE risk is measured using a static balance sheet under interest rate shock scenarios. Assumptions used in these models are inherently uncertain, but management believes that these models provide a reasonably accurate estimate of Huntington's interest rate risk exposure.

The income simulation model captures all major assets, liabilities, and off-balance sheet financial instruments, accounting for significant variables that are believed to be affected by interest rates. These include prepayment speeds on mortgages and consumer installment loans, cash flows of loans and deposits, principal amortization on revolving credit instruments, and balance sheet growth assumptions. The model also captures options embedded in balance sheet assets and liabilities, e.g. interest rate caps/floors or call options, and changes in rate relationships, as various rate indices lead or lag changes in market rates.

The income simulation model calculates the change in net interest income for the next twelve months resulting from a gradual (+50 basis points per quarter), parallel shift in interest rates. The change is measured from the net interest income level that results from using the current yield curve. It is estimated that net interest income would decline by 1.3% if rates were to increase +200 basis points over the next year in a parallel shift from the current yield curve.

EVE is defined as the discounted present value of asset cash flows and derivative cash flows, minus the discounted value of liability cash flows. It captures risk over the duration of the assets and liabilities. The timing and variability of balance sheet cash flows are critical assumptions, along with assumptions regarding the speed of loan and investment security prepayments and the assumed behavior of non-maturity deposits. As of June 30, 2002, an immediate increase of 100 and 200 basis points was estimated to reduce the EVE by 1.2% and 3.0%, respectively.

## ***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. A large portion of liquidity planning and management involves the level of core deposits, which are comprised of non-interest bearing and interest bearing demand deposits, savings accounts, and other domestic time deposits including certificates of deposit under \$100,000 and IRAs. Core deposits comprise 77% of Huntington's funding needs. ALCO regularly monitors the overall liquidity position of the business and ensures that various alternative strategies exist to cover unanticipated events. Management believes sufficient liquidity was available at the end of the recent quarter to meet estimated funding needs.

Funding sources other than core deposits include the sale or borrowings against the investment securities portfolio, the securitization and sale of loans, the ability to acquire national market non-core deposits, and the issuance of notes and common and preferred securities in the capital markets.

The following table shows the composition of deposits by type of deposit and by business segment, with the latter including a separate line indicating deposits sold with the Florida banking operations in the first quarter of 2002:

<i>(in millions of dollars)</i> <b>By Type</b>	June 30, 2002		December 31, 2001		June 30, 2001	
	Balance	%	Balance	%	Balance	%
Demand deposits						
Non-interest bearing	\$ 2,770	16.4	\$ 3,635	18.0	\$ 3,258	17.2
Interest bearing	5,105	30.3	5,723	28.4	4,878	25.7
Savings deposits	2,839	16.8	3,466	17.2	3,641	19.2
Other domestic time deposits	4,239	25.1	5,868	29.1	5,543	29.2
<b>Total Core Deposits</b>	<b>14,953</b>	<b>88.6</b>	<b>18,692</b>	<b>92.7</b>	<b>17,320</b>	<b>91.3</b>
Domestic time deposits of						
\$100,000 or more	765	4.5	1,131	5.6	1,167	6.1
Brokered time deposits and negotiable CDs	849	5.1	138	0.7	100	0.5
Foreign time deposits	294	1.8	226	1.0	410	2.1
<b>Total Deposits</b>	<b>\$ 16,861</b>	<b>100.0</b>	<b>\$ 20,187</b>	<b>100.0</b>	<b>\$ 18,997</b>	<b>100.0</b>
<b>By Business Segment</b>						
Regional Banking						
Central Ohio / West Virginia	\$ 5,302	31.4	\$ 5,217	25.8	\$ 4,703	24.8
Northern Ohio	3,378	20.0	3,256	16.1	3,034	16.0
Southern Ohio / Kentucky	1,345	8.0	1,291	6.4	1,206	6.3
West Michigan	2,546	15.1	2,227	11.0	2,208	11.6
East Michigan	1,945	11.5	1,895	9.4	1,741	9.2
Indiana	610	3.6	578	2.9	543	2.9
<b>Total Regional Banking</b>	<b>15,126</b>	<b>89.6</b>	<b>14,464</b>	<b>71.6</b>	<b>13,435</b>	<b>70.8</b>
Dealer Sales	50	0.3	82	0.4	88	0.4
Private Financial Group	811	4.8	717	3.6	595	3.1
Treasury / Other	874	5.3	256	1.3	420	2.2
<b>Total Deposits excluding Florida</b>	<b>16,861</b>	<b>100.0</b>	<b>15,519</b>	<b>76.9</b>	<b>14,538</b>	<b>76.5</b>
Florida	---	---	4,668	23.1	4,459	23.5
<b>Total Deposits</b>	<b>\$ 16,861</b>	<b>100.0</b>	<b>\$ 20,187</b>	<b>100.0</b>	<b>\$ 18,997</b>	<b>100.0</b>

The sale of the Florida operations required additional wholesale borrowings of \$1.2 billion, after receipt of the premium on deposits sold. To help mitigate this funding, management activity grew core deposits over the last twelve months to reduce its dependence on non-core funding. To further enhance liquidity, Huntington initiated a \$6 billion domestic bank note program in April of 2002 to replace an older facility of the same size and expects to draw on this note program in 2002.

## **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 declined \$82.1 million during the second quarter of 2002 from the end of the previous quarter and \$64.6 million from December 31, 2001, but remained relatively flat compared to shareholders' equity at June 30, 2001. Comprehensive income for 2002 was more than offset by dividends of \$79.0 million and repurchases of common shares of \$175.2 million. Activity related to shareholders' equity can be found on page 5 of this report. Average shareholders' equity in the second quarter of 2002 declined a modest 1% from the first quarter of 2002 and 2% from the second quarter of 2001.

Cash dividends that were declared in the second and four prior quarters along with common stock prices (based on NASDAQ intra-day and closing stock price quotes) were as follows:

	2002			2001	
	Second	First	Fourth	Third	Second
High	\$ 21.770	\$ 20.310	\$ 17.490	\$ 19.280	\$ 17.000
Low	18.590	16.660	14.510	15.150	13.875
Close	19.420	19.700	17.190	17.310	16.375
Average Closing Price	20.089	18.332	16.269	17.696	14.936
Cash dividends declared	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.20

The ratio of average equity to average assets in the second quarter of 2002 was 9.39% versus 9.54% a year ago. On a year to date basis, the ratio of average equity to average assets was 9.47% and 9.52% for the first half of 2002 and 2001, respectively.

Tangible period-end equity to period-end assets, which excludes the unrealized losses on securities available for sale and intangible assets, was 8.41% at the end of June 2002, up significantly from 5.97% a year earlier, but down from 9.03% at the end of March 2002. The change in the tangible equity to asset ratio from the year-ago periods reflected the capital generated from the sale of the Florida operations and the subsequent share repurchase program in the first and second quarters of 2002. Continuation of the share repurchase program in the second half of 2002 at current repurchase levels will reduce the ratio to 7.50% to 7.75% by year-end 2002. Management has previously indicated its intent to maintain a minimum tangible equity to asset ratio of 6.50%

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, the leverage ratio, and the risk-adjusted assets for the recent five quarters were as follows:

<i>(in millions)</i>	2002			2001	
	Second	First	Fourth	Third	Second
Total Risk-Adjusted Assets	\$ 25,309	\$ 24,954	\$ 27,896	\$ 27,757	\$ 27,375
Tier 1 Risk-Based Capital Ratio	9.72%	10.26%	7.24%	6.97%	7.01%
Total Risk-Based Capital Ratio	12.75%	13.40%	10.29%	10.13%	10.20%
Tier 1 Leverage Ratio	9.94%	9.72%	7.41%	7.10%	6.96%

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.

In February 2002, the Board of Directors authorized a new share repurchase program for up to 22 million shares and cancelled an earlier authorization. Repurchased shares will be reserved for reissue in connection with dividend reinvestment and employee benefit plans as well as for acquisitions and other corporate purposes. Through the end of June 2002, approximately 8.8 million shares of common stock had been repurchased through open market and privately negotiated transactions.

## ***LINES OF BUSINESS***

Below is a brief description of each line of business and a discussion of the business segment results. 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. Financial information and a full description of each line of business can also be found in Note 8 to the unaudited consolidated financial statements along with a reconciliation of reported earnings to operating earnings.

Management reviews financial results on an operating basis, which excludes the after-tax gain from the sale of the Florida operations, historical results for Florida, and restructuring and special charges. The following tables within each segment show performance on this basis for the three and six month periods ending June 30, 2002 and 2001.

### **Regional Banking**

Regional Banking provides products and services to retail, business banking, and corporate customers.

<i>(in thousands of dollars)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net Interest Income (FTE)	\$ 146,960	\$ 163,752	\$ 292,178	\$ 329,770
Provision for Loan Losses	41,278	20,799	65,710	35,307
Non-Interest Income	78,871	84,356	162,457	152,947
Non-Interest Expense	150,294	157,815	298,801	309,739
Income before Taxes	34,259	69,494	90,124	137,671
Income Taxes	11,991	24,323	31,544	48,185
Operating income	\$ 22,268	\$ 45,171	\$ 58,580	\$ 89,486

Regional Banking operating income in the second quarter of 2002 was \$22.3 million, down \$22.9 million, or 51%, from the year-ago quarter. This decline reflected higher provisions for loan losses as well as lower revenue (lower net interest income and non-interest income), which was offset partially by reduced expenses.

Net interest income was down \$16.8 million, or 10%, reflecting a decline in the internal funds credit for its deposits. Regional Banking is a net funds provider to other business segments since its deposits exceed loans. As a result, Regional Banking net interest income receives an internal funds transfer pricing credit for these excess deposits. Conversely, those business segments using these excess funds receive an internal funds transfer pricing charge. When interest rates fall, as they have over the past year, net interest income in Regional Banking is typically lower due to reduced credits attributed to deposits.

Residential mortgage loans and home equity loans and lines each increased 17% from the year-ago quarter with commercial real estate and construction loans up 9% and 20%, respectively. Commercial loans, reflecting the weakened economy as well as a specific effort to decrease exposure to large shared national credits, declined 6% from the second quarter of 2001.

The provision for loan losses increased \$20.5 million, almost double the provision in the year-ago second quarter. This reflected the impact of higher net charge-offs, as well as an increased provision for loan growth. Net charge-offs in the second quarter of 2002 were \$27.2 million, or an annualized 0.89% of average loans. This compared to \$18.4 million, or 0.64% of loans in the year-ago quarter. The increase in net charge-offs primarily reflected higher commercial net charge-offs. (See page 27 for discussion of net charge-offs).

Non-interest income was down \$5.5 million, or 7% from the second quarter of last year, due to a decline in mortgage banking income. Mortgage banking income declined 41% from the year-ago period due to a significant decline in deliveries of loans to the secondary market and, to a lesser degree, a decision to retain in the portfolio a higher percentage of originated residential mortgage loans. Excluding the decline in mortgage banking income, non-interest income in the second quarter of 2002 was up 2%.

Non-interest expense declined \$7.5 million, or 5%. This reflected a 27% decrease in equipment expense and a 4% decrease in occupancy expense, due to lower depreciation and maintenance costs, as well as a 43% decline in telecommunications expense. Partially offsetting these declines, were higher professional expenses due to an increase in collection costs and higher outside processing costs. Personnel costs were up only 1%.

Regional Banking contributed 63% of total revenues in the second quarter of 2002 and represented 63% of total loans and 90% of total deposits at June 30, 2002.

### **Dealer Sales**

Dealer Sales product offerings pertain to the automobile lending sector and include indirect consumer loans and leases, as well as floor plan financing.

<i>(in thousands of dollars)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net Interest Income (FTE)	\$ 55,502	\$ 55,122	\$ 106,702	\$ 106,455
Provision for Loan Losses	12,313	21,009	38,476	36,210
Non-Interest Income	5,886	3,864	8,526	15,137
Non-Interest Expense	18,328	18,728	36,550	32,388
Income before Taxes	30,747	19,249	40,202	52,994
Income Taxes	10,761	6,737	14,071	18,548
Operating income	\$ 19,986	\$ 12,512	\$ 26,131	\$ 34,446

Dealer Sales operating earnings were \$20.0 million in the second quarter of 2002, up \$7.5 million, or 60%, from the year-ago quarter. This increase was primarily driven by improved credit quality (which resulted in a decline in the provision for loan losses) and to a lesser degree by higher revenue and lower non-interest expense.

Net interest income in the second quarter of 2002 was \$55.5 million, up slightly from the year-ago quarter. Both the net interest margin and average loans were up modestly when compared with the same period last year. The provision for loan losses was \$12.3 million in the second quarter of 2002, down \$8.7 million, or 41%, from the prior-year quarter reflecting the significant reduction in auto-related net charge-offs. Auto loan and lease net charge-offs in the second quarter of 2002 totaled \$14.2 million, or 0.92% of average loans, down from \$15.8 million, or 1.03% of average loans, in the year-ago quarter. This improvement reflected stronger underwriting practices for auto loan and lease originations commencing in late 2000. Non-interest income was \$5.9 million, up \$2.0 million, or 52%, from the second quarter of 2001, which was driven by higher securitization income. Non-interest expense remained relatively flat for the comparable periods.

Dealer sales contributed 17% of total revenues in the second quarter of 2002 and represented 33% of total loans at the end of the recent quarter.

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

PFG provides an array of products and services designed to meet the needs of Huntington's higher wealth customers.

<i>(in thousands of dollars)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net Interest Income (FTE)	\$ 8,825	\$ 9,008	\$ 16,757	\$ 18,129
Provision for Loan Losses	301	129	301	129
Non-Interest Income	20,892	11,245	39,836	27,507
Non-Interest Expense	17,353	15,445	31,045	37,193
Income before Taxes	12,063	4,679	25,247	8,314
Income Taxes	4,211	1,638	8,825	2,910
Operating income	\$ 7,852	\$ 3,041	\$ 16,422	\$ 5,404

Private Financial Group (PFG) operating earnings in the second quarter of 2002 were \$7.9 million, up 158% from the year-ago quarter, primarily due to substantially higher non-interest income. Non-interest income was \$20.9 million, up 86% from the year-ago quarter. This increase of \$9.6 million resulted from higher deposit account service charges, increased trust income due to the acquisition of Haberer early in the second quarter 2002, and higher revenue from sales of Huntington's proprietary mutual funds and annuities. Non-interest expense increased \$1.9 million, or 12%, from the year-ago quarter reflecting increased sales commissions and other employee expenses associated with the rise in non-interest income.

PFG contributed 8% of total revenues in the second quarter of 2002 and represented 4% of total loans and 5% of total deposits at June 30, 2002.

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

The Treasury / Other segment absorbs unassigned assets, liabilities, equity, revenue, and expense that cannot be directly assigned or allocated to one of the lines of business.

<i>(in thousands of dollars)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net Interest Income (FTE)	\$ 31,643	\$ (383)	\$ 61,563	\$ (2,835)
Provision for Loan Losses	---	---	---	---
Non-Interest Income	9,621	14,143	19,902	16,668
Non-Interest Expense	4,210	455	12,840	6,940
Income before Taxes	37,054	13,305	68,625	6,893
Income Taxes	5,452	(1,573)	8,537	(10,828)
Operating income	\$ 31,602	\$ 14,878	\$ 60,088	\$ 17,721

Treasury / Other reported operating income of \$31.6 million in the second quarter of 2002, up from \$14.9 million in the year-earlier quarter. This primarily reflected the reduction in transfer pricing credits allocated to Regional Banking for its deposits, the maturity in late 2001 of \$2.0 billion of interest rate risk management positions (swaps) that had significant negative spreads, and the benefit of lower short-term interest rates, particularly with the steepened yield curve.

Non-interest income declined \$4.5 million from the year-ago quarter reflecting the year-ago quarter's higher gains from securities transactions, due to the sale of lower margin investment securities. Non-interest expense in the second quarter of 2002 increased \$3.8 million. This reflected higher unallocated outside services and processing, occupancy, and telecommunication expenses, partially offset by lower unallocated personnel costs and a \$2.7 million decline in the amortization of intangibles arising from the implementation of SFAS No. 142.

Income tax expense for each of the other business segments is calculated at a statutory 35% tax rate. However, Huntington's overall effective tax rate is lower. As a result, Treasury / Other reflects any 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 29 of this report, which includes changes in market risk exposures from disclosures presented in Huntington's 2001 Annual Report.

## 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 29, 2002. At that meeting, shareholders approved the following management proposals:

	<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN/ WITHHELD</u>	<u>BROKER NONVOTES</u>
1. Election of directors to serve as Class III Directors until the year 2005 Annual Meeting of Shareholders as follows:				
Don M. Casto III	216,433,426		4,428,373	
Patricia T. Hayot	215,083,879		5,777,920	
William J. Lhota	215,087,359		5,774,440	
Timothy P. Smucker	215,817,092		5,044,707	
2. Ratification of Ernst & Young LLP to serve as independent auditors for the Corporation for the year 2002	213,748,858	5,551,282	1,561,657	

### Item 5. Other Information

On August 14, 2002, Huntington Preferred Capital, Inc. (HPCI), a fully consolidated subsidiary of Huntington with a publicly traded class of preferred securities, requested a five day extension for filing its Form 10-Q for the quarter ending June 30, 2002, as permitted under the Securities Exchange Act of 1934. HPCI's Form 10-Q was otherwise due on August 14, 2002. The extension was requested to allow for a complete analysis and correction of the systems and methodology used to allocate financial information among Huntington's subsidiaries prior to finalizing HPCI's second quarter Form 10-Q.

This allocation of income, expense and other financial information among subsidiaries takes place after Huntington's consolidated financial statements are prepared and reviewed. A preliminary review of the second quarter 2002 allocations indicated that interest income and certain charge-offs and related provision expense were not fully allocated between The Huntington National Bank (HNB) and HPCI. Further analysis has determined this discrepancy has existed since October 1999. Indications are that when corrected, HPCI's previously reported net income and equity will increase

on a cumulative basis over this period. Earnings coverage of the dividends on the public preferred stock also will increase, thereby having no impact on HPCI's continued ability to pay dividends.

Since HPCI and HNB are fully consolidated subsidiaries of Huntington, any reallocation of financial information between these two subsidiaries has no impact on Huntington's consolidated results of operations or financial condition.

#### Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3. (ii) Amended and Restated Bylaws.

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) \* Executive Deferred Compensation Plan for Huntington Bancshares Incorporated.

99.1. Earnings to Fixed Charges

99.2 Chief Executive Officer Certification

99.3 Chief Financial Officer Certification

(b) Reports on Form 8-K

1. A report on Form 8-K, dated April 18, 2002, was filed under report item numbers 5 and 7, concerning Huntington's results of operations for the first quarter ended March 31, 2002.

\* 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 14, 2002

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

Date: August 14, 2002

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

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 8-K**

CURRENT REPORT  
PURSUANT TO SECTION 13 or 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

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**Date of Report: August 14, 2002**

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**HUNTINGTON BANCSHARES INCORPORATED**  
(Exact Name of Registrant as specified in its charter)

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Maryland  
(State or other  
jurisdiction of  
incorporation or  
organization)

0-2525  
(Commission File No.)

31-0724920  
(IRS Employer  
Identification Number)

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Huntington Center  
41 South High Street  
Columbus, Ohio 43287  
(614) 480-8300  
(Address, including zip code, and telephone number  
including area code of Registrant's  
principal executive offices)

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**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.**

(c) Exhibits

**Exhibit Number**

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**99.1 Statement Under Oath of Principal Executive Officer, dated August 14, 2002.**

**99.2 Statement Under Oath of Principal Financial Officer, dated August 14, 2002.**

**Item 9. Regulation FD Disclosure.**

On August 14, 2002, each of the Principal Executive Officer, Thomas E. Hoaglin, and the Principal Financial Officer, Michael J. McMennamin, of Huntington Bancshares Incorporated ("Huntington") submitted to the SEC sworn statements pursuant to Securities and Exchange Commission Order No. 4-460.

A copy of each of these statements is attached hereto as Exhibit 99.1 and Exhibit 99.2.

**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 hereunto duly authorized.

**HUNTINGTON BANCSHARES INCORPORATED**

Date: August 14, 2002

By: /s/ Michael J. McMennamin

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

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**EXHIBIT INDEX**

Exhibit No.	Description
Exhibit 99.1	Statement Under Oath of Principal Executive Officer, dated August 14, 2002.
Exhibit 99.2	Statement Under Oath of Principal Financial Officer, dated August 14, 2002.

**Statement Under Oath of Principal Executive Officer Regarding Facts and Circumstances  
Relating to Exchange Act Filings**

I, Thomas E. Hoaglin, state and attest that:

(1) To the best of my knowledge, based upon a review of the covered reports of Huntington Bancshares Incorporated, and, except as corrected or supplemented in a subsequent covered report:

- no covered report contained an untrue statement of a material fact as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed); and
- no covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed).

(2) I have reviewed the contents of this statement with Huntington Bancshares Incorporated's Audit Committee.

(3) In this statement under oath, each of the following, if filed on or before the date of this statement, is a "covered report":

- Annual Report on Form 10-K for the year ended December 31, 2001 of Huntington Bancshares Incorporated;
- all reports on Form 10-Q, all reports on Form 8-K and all definitive proxy materials of Huntington Bancshares Incorporated filed with the Commission subsequent to the filing of the Form 10-K identified above; and
- any amendments to any of the foregoing.

/s/ Thomas E. Hoaglin  
Thomas E. Hoaglin  
Chairman, President and Chief Executive  
Officer  
August 14, 2002

Subscribed and sworn to before me this  
14<sup>th</sup> day of August, 2002.

/s/ Nancy T. Hall  
Notary Public

My Commission Expires: July 31, 2004

**Statement Under Oath of Principal Financial Officer Regarding Facts and Circumstances  
Relating to Exchange Act Filings**

I, Michael J. McMennamin, state and attest that:

(1) To the best of my knowledge, based upon a review of the covered reports of Huntington Bancshares Incorporated, and, except as corrected or supplemented in a subsequent covered report:

- no covered report contained an untrue statement of a material fact as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed); and
- no covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed).

(2) I have reviewed the contents of this statement with Huntington Bancshares Incorporated's Audit Committee.

(3) In this statement under oath, each of the following, if filed on or before the date of this statement, is a "covered report":

- Annual Report on Form 10-K for the year ended December 31, 2001 of Huntington Bancshares Incorporated;
- all reports on Form 10-Q, all reports on Form 8-K and all definitive proxy materials of Huntington Bancshares Incorporated filed with the Commission subsequent to the filing of the Form 10-K identified above; and
- any amendments to any of the foregoing.

/s/ Michael J. McMennamin  
Michael J. McMennamin  
Vice Chairman, Chief Financial Officer and  
Treasurer  
August 14, 2002

Subscribed and sworn to before me this  
14<sup>th</sup> day of August, 2002.

/s/ Nancy T. Hall  
Notary Public

My Commission Expires: July 31, 2004