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Comptroller of the Currency  
Administrator of National Banks

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Central District Office  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, Illinois 60605

August 16, 2007

**Conditional Approval #816  
September 2007**

Mr. Daniel W. Morton  
Senior Vice President  
The Huntington National Bank  
41 South High Street  
Columbus, Ohio 43287

**Re:           Application by Huntington National Bank, Columbus, Ohio to acquire,  
              through merger, Sky Bank, Salineville, Ohio and Sky Trust, National  
              Association, Pepper Pike, Ohio (collectively referred to as Banks)  
              OCC Control Number 2007-CE-02-007**

Dear Mr. Morton:

This letter is in response to the above referenced Application. Based on a thorough evaluation of all information available to the Office of the Comptroller of the Currency (“OCC”), including the representations and commitments made in the Application and by the applicant’s representatives, the OCC conditionally approves the following for the reasons and subject to the requirements set forth below.

- (1) Application to merge Sky Bank, Salineville, Ohio (“Sky Bank”) and Sky Trust, National Association, Pepper Pike, Ohio (“Sky Trust”) with and into The Huntington National Bank, Columbus, Ohio (“Huntington”). The resulting bank will be named The Huntington National Bank (the “Resulting Bank”); and
- (2) Retention by the Resulting Bank of its own branches and Sky Bank’s main office and branch offices as branches.<sup>1</sup>

### **Legal Authority**

The mergers of Banks into Huntington are legally authorized under 12 U.S.C § 215a. This statute provides that national banks and state banks with main offices in the same state may merge, provided the merger is approved by a majority of the board of each bank and ratified by a

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<sup>1</sup> Huntington will not operate any offices of Sky Trust as branches, but will operate them as trust offices.

vote of shareholders of each bank owning at least two-thirds of the capital stock outstanding, unless, where the target is a state bank, state law requires ratification by a larger percentage of shareholders.<sup>2</sup> Banks and Huntington each has its main office in Ohio and Huntington represents that the board and shareholder approval requirements have been satisfied. Thus, Banks are legally authorized to merge with and into Huntington under the authority of section 215a.

Where a state bank is the target in a merger, however, the merger cannot be in contravention of the law of the state under which the bank is incorporated.<sup>3</sup> The proposed merger of Sky Bank into Huntington is not in contravention of state law.<sup>4</sup> Consequently, the proposed mergers of Banks into Huntington may be legally approved.<sup>5</sup> In addition, as authorized by 12 U.S.C. § 36(b)(2)(A) and (c), the OCC approves Huntington's retention of its own branches and Huntington's retention of the main office and the branch offices of Sky Bank as branch offices of Huntington.

### **Bank Merger Act**

The OCC reviewed the proposed merger transactions under the criteria of the Bank Merger Act<sup>6</sup> and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have any significant anticompetitive effects.<sup>7</sup> The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider "...the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including in overseas branches..."<sup>8</sup> We have considered these factors and found them to be consistent with approval under the statutory provisions.

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<sup>2</sup> The OCC has long held that section 215a applies to mergers between banks with the same main office state even if the banks have branches in other states, as do Huntington and Sky Bank. *See* Decision of the OCC on the Application to merge First Bank National Association, Minneapolis, Minnesota, and First National Bank of East Grand Forks, East Grand Forks, Minnesota, Corporate Decision 97-68 (July 10, 1997) (and cases cited therein) ("*East Grand Forks*")

<sup>3</sup> 12 U.S.C. § 215a(d).

<sup>4</sup> Ohio Rev. Code Ann. § 1115.11(A) (affirmatively permitting state banks to merge into national banks).

<sup>5</sup> As will be subsequently discussed, approval of the mergers is also consistent with the factors set forth in the Bank Merger Act and with the record of compliance of the parties to the merger with the Community Reinvestment Act.

<sup>6</sup> 12 U.S.C. § 1828(c).

<sup>7</sup> With respect to impact on competition, the parties to the mergers are affiliates.

<sup>8</sup> 12 U.S.C. § 1828(c)(11).

## **Community Reinvestment Act Review**<sup>2</sup>

The Community Reinvestment Act (“CRA”) requires the OCC to take into account the records of the institutions proposing to engage in a merger in helping to meet the credit needs of the community, including low- and moderate-income (“LMI”) neighborhoods, when evaluating merger applications.<sup>10</sup> The OCC considered the CRA Performance Evaluation (“PE”) of each institution involved in the transaction. A review of the records of these applicants, and other information available to the OCC as a result of its regulatory responsibilities, revealed the applicants’ records of helping to meet the credit needs of their communities, including LMI neighborhoods, are satisfactory.

### **Huntington**

Huntington’s latest PE, dated March 31, 2003, and issued by the OCC, assigned the bank a “Satisfactory” rating.<sup>11</sup> Among the major factors supporting Huntington’s rating in the PE were: (i) the volume of home mortgage and small loans to businesses was good; (ii) the distribution of loans to borrowers of different income levels was good; (iii) the bank originated a high volume of community development loans; (iv) the bank’s service delivery systems were accessible to geographies and individuals of different income levels in the Assessment Areas (“AAs”) via the branch network; and, (v) the bank provided a relatively high level of community development services. No evidence of illegal or discriminatory lending practices was identified in the PE.

### **Sky Bank**

The most recent PE for Sky Bank, dated March 13, 2006, and issued by the Federal Reserve Bank of Cleveland, assigned the bank a “Satisfactory” rating.<sup>12</sup> Among the major factors supporting Sky Bank’s rating in the PE were: (i) the level of lending reflected good

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<sup>9</sup> Sky Trust, as a special purpose bank engaged only in trust activities, is not subject to CRA. 12 C.F.R. § 25.11(c)(3).

<sup>10</sup> 12 U.S.C. §§ 2903(a)(2) and 2902(3)(E); 12 C.F.R. § 25.29(a)(3).

<sup>11</sup> Huntington was examined using the Large Bank examination procedures and received a “High Satisfactory” rating on each of the lending, investment and service tests. The evaluation period for the 2003 PE was January 1, 1999, through December 31, 2002, for the lending test and July 1, 1999, to December 31, 2002, for the service and investment tests. The OCC is currently in the process of performing a CRA examination at Huntington. The results of this examination will be documented in a PE. Upon consummation of the merger, these areas will again be reviewed in the context of the consolidated company in a future CRA examination.

<sup>12</sup> Sky was also examined using the Large Bank examination procedures and received an “Outstanding” rating on the investment test and a “High Satisfactory” rating on both the lending and service tests. The evaluation period for the 2006 PE was January 1, 2003, through December 31, 2004, for home mortgage and home improvement loans under the lending test and October 1, 2003, to March 31, 2006, for community development loans and investments under the lending and investment tests and community development services under the service test.

responsiveness to identified AA credit needs; (ii) the geographic distribution of loans reflected a good penetration throughout the AAs; (iii) the distribution of borrowers reflected a good penetration among customers of different income levels; and, (iv) the service delivery systems were reasonably accessible to essentially all geographies and individuals of different income levels in the AAs. In addition, the PE recognized that Sky Bank was a leader in making community development loans in its AAs, especially in Ohio. No evidence of illegal or discriminatory lending practices was identified in the PE.

### **Public Comments**

The OCC received multiple letters from two commenters protesting the application. One of the commenters represents the views of three organizations and two individuals. The discussion below summarizes the major issues raised by the commenters and, where applicable, Huntington's response.

#### ***Branch Presence and the Potential Impact of Branch Closings***

Both commenters expressed concerns regarding the adequacy of the current branch network in Ohio and the potential impact that branch closings could have on residents of the affected communities in Ohio. Specifically, the commenters raised concerns that the reduced availability of local branches in an area is related to an increase in the presence of predatory mortgage and payday lenders in that area, which in turn impacts the rate of mortgage foreclosures. The commenters also stated that Huntington and Sky Bank have failed to meet the consumer banking needs in communities where they accept deposits and have failed to serve LMI and minority communities by not having a sufficient branch presence in these communities.

Huntington's most recent PE resulted in a "high satisfactory" rating on the service test, both overall and in Ohio. The PE noted that the bank's branch network was accessible to geographies and individuals of different income levels throughout all of the AAs<sup>13</sup>, including the Columbus and Cleveland AAs, and that its Automated Teller Machine ("ATM") network offered a reasonably effective alternative system for delivering retail-banking services to LMI individuals and geographies in the Columbus and Cleveland AAs. According to the PE, Huntington's record of opening and closing branches generally did not significantly impact the accessibility of delivery systems within its AAs and favorably impacted the accessibility of delivery systems within certain Michigan and Ohio AAs, including Cleveland.

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<sup>13</sup> Under CRA, the service test evaluates a bank's record of helping to meet the credit needs of its AAs by analyzing the distribution of branches by income level of geography; the bank's record of opening and closing branches within the context of that distribution; the availability and effectiveness of alternative systems for delivering retail banking services (e.g. ATMs, ATMs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in LMI geographies and to LMI individuals; the range of services provided in low-, moderate-, middle-, and upper-income geographies and the extent that those services are tailored to meet the needs of the community; and, the extent, innovativeness, and responsiveness of the bank's community development services.

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Sky Bank also received an overall “high satisfactory” rating on the service test. The Wheeling MSA and the States of Indiana and Ohio received “low satisfactory” ratings, while the other remaining 18 AAs received “high satisfactory” ratings. While the service test rating in Ohio was considered “low satisfactory” because the geographic distribution of the branches appeared to be inconsistent given the population distribution, the PE noted that Sky Bank had relocated and/or consolidated a number of branch locations due to acquisitions that had taken place since the previous CRA examination. The PE further noted that Sky Bank provided a high level of community development services throughout Ohio.

In response to commenters’ concerns, Huntington stated that it has opened and closed branches in the past in compliance with its branch closing policy. This policy requires the bank to ensure that its products and services meet the needs and convenience of the communities in which it does business, including LMI communities. In making a decision on whether to close a branch, bank management reviews and assesses any factors and potential changes that, if implemented, might reasonably improve the viability of an office and reduce the need to close that office.

The OCC enforces the federal banking law which specifically addresses branch closings with respect to national banks, which requires that a national bank provide notice to its customers and to the OCC before closing a branch.<sup>14</sup> The amendment to the branch closing statute that was enacted as part of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the “Waters Amendment”), contained in 12 U.S.C. § 1831 r-1(d)(2), requires that the OCC convene a meeting of community leaders and, at the OCC’s discretion, other interested persons to discuss the feasibility of obtaining adequate alternative banking facilities and services for areas affected by a potential branch closing if a person from the affected area requests such a meeting and other prescribed requirements are satisfied. However, convening such a meeting does not give the OCC the authority to delay or deny the branch closings if the bank has otherwise met the statutory requirements.

Huntington has filed the appropriate branch closing notices and consolidation applications with the OCC. Huntington has taken the steps required by regulation to notify customers of the branches identified for closure, and the OCC will continue to ensure that Huntington adheres to its branch closing policies and procedures and to applicable federal law. Should the OCC receive comments from the public that satisfy the Waters Amendment criteria, the OCC will hold appropriate meetings.<sup>15</sup> An announcement will be made if those meetings are scheduled.

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<sup>14</sup> Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1) and the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34, 844 (1999)), which provides guidance for complying with section 42, requires that a national bank provide the public and the OCC with at least 90 days’ notice prior to the date of the proposed branch closing. The bank is also required to provide the OCC a detailed statement of the reasons for the decision to close the branch and statistical and other data supporting those reasons.

<sup>15</sup> The *Comptroller’s Licensing Manual for Branch Closings* dated April 2003, outlines the requirements that must be fulfilled by a national bank that plans to close a branch office, and also outlines the steps that the OCC will take if it receives a public comment letter in connection with a branch closing notice. In addition, Huntington’s notices and applications appeared in the OCC Weekly Bulletin dated July 14, 2007.

Finally, future CRA examinations will analyze the availability and effectiveness of the Resulting Bank's systems for delivering retail banking services to the AAs it serves.

***Fair Lending and the Home Mortgage Disclosure Act ("HMDA")***

One commenter alleged, based on an analysis of 2005 HMDA data, that Huntington and Sky Bank fall short in serving LMI and minority census tracts and that Huntington has denied the home mortgage loan applications of African American borrowers more frequently than those of nonminority applicants in the Columbus metropolitan area.<sup>16</sup> The record shows no evidence of discriminatory lending practices for either Huntington or Sky Bank. OCC has reviewed and found satisfactory Huntington's company wide policies and procedures which help to ensure compliance with all fair lending and other consumer protection laws and regulations. Huntington's management continuously monitors compliance with these policies and regulations.

In its response letters to the commenters' concerns dated July 20, 2007 and July 25, 2007, Huntington outlined that its fair lending program is comprised of lending policies, training and testing of employees, an internal fair lending analysis process for second and third reviews of applications, and oversight and monitoring efforts which include systems for ensuring that appropriate disclosures are consistently provided to customers in addition to a process for tracking and responding to consumer complaints. Adherence to credit policy is monitored using monthly reporting and quality control reviews. The bank has a computer-based training and testing module which covers numerous consumer and fair lending laws, and all employees receive annual training tailored to their specific job title or function. Results of the ongoing fair lending reviews are presented and analyzed during monthly management meetings.

Huntington stated that it has worked to curb predatory lending in its AAs and provided specific examples of such efforts in Ohio. The bank noted that several employees serve on the Ohio Foreclosure Taskforce with the State Treasurer's Office. Additionally, Huntington is a participating lender in numerous anti-predatory lending programs in Ohio, including two Fannie Mae-initiated anti-predatory lending pilots in Cleveland and Toledo designed to assist victims of predatory lending, as well as the Ohio Housing Finance Agency Refinance Program which assists borrowers who currently have adjustable rate loans and wish to refinance to fixed rate loans.

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<sup>16</sup> Denial and pricing disparities are of concern to the OCC and are evaluated in fair lending examinations. However, it is important to note that HMDA data alone are not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or to indicate whether its level of lending is sufficient. HMDA data do not take into consideration borrower creditworthiness, housing prices, collateral values, credit scores, and other factors relevant to each credit decision, nor do they fully reflect the range of a bank's lending activities or efforts. The OCC is carefully examining the 2005 and 2006 HMDA data for national banks, including Huntington, and is incorporating the results of its analysis into the OCC's supervisory strategy for examinations.

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The bank has also partnered with Homes on the Hill, which is a non-profit organization in Southwest Franklin County, Ohio. In an effort to increase homeownership for African American, Hispanic and disabled households, Huntington partners with the City of Cleveland to work with Neighborhood Housing Services and the Spanish American Committee which provide homeownership counseling in an effort to increase homeownership for LMI individuals and minorities.

### ***Products and Services for LMI Residents***

One commenter alleged that the banking needs of residents of LMI neighborhoods within the AAs have been inadequately addressed by the bank. Huntington responded that it has introduced innovative mortgage and other products to assist LMI borrowers since the 2003 CRA examination. Among these is “Community Access Mortgage”, which is a mortgage product offering up to 100% financing with no mortgage insurance on owner-occupied properties in LMI census tracts and on properties purchased by LMI borrowers in census tracts of any income level. Borrowers who qualify for this product contribute \$250 toward the purchase price of the home and receive homeownership counseling classes.

The bank offers a “Welcome Home” program that provides a fixed-rate mortgage with no required down-payment and reduced mortgage insurance for those with minimally impaired credit histories and limited funds for closing costs. This program offers special flexibilities for teachers, police officers, firefighters, military personnel, and healthcare workers. Approximately \$176 million in loan proceeds have been disbursed under the “Welcome Home” program. Finally, a similar program is used in Cleveland’s “Help Eliminate Loans that are Predatory” program, which was initiated by Fannie Mae and local financial institutions, including Huntington and Sky Bank, to create a fund to refinance mortgages for borrowers who have mortgages with problematic features, such as significant prepayment penalties.

One of the commenters expressed concerns about the bank serving the credit needs of new immigrant groups, citing as an example the growing Somali immigrant community in Columbus, Ohio. Huntington responded that it has a 15-member Community Development Advisory Council that advises bank management on credit issues, problem-solving, and business opportunities for local residents. Two members of the Community Development Advisory Council are Somali representatives. Huntington has hired several Somali individuals to work in the bank’s retail banking centers. Huntington has also participated in a number of events in Columbus, such as the Somali Housing Forum, sponsored by the Somali Community Association of Ohio, and has engaged in dialogue with Somali community-based organizations to better understand how the bank can meet the credit needs of the Somali community.

In sum, we have closely reviewed the comments submitted in connection with the merger and we find that they are not inconsistent with approval of the pending application. Moreover, records of performance under the CRA for Huntington and Banks are consistent with approval.

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### **Request for a Public Hearing and an Extension of the Public Comment Period**

Both commenters requested that the OCC conduct a public hearing and extend the public comment period by 90 days. The general standard the OCC applies to determine whether to hold a public hearing is contained in 12 C.F.R. § 5.11(b), which provides:

The OCC generally grants a hearing request only if the OCC determines that written submissions would be insufficient or that a hearing would otherwise benefit the decision-making process. The OCC also may order a hearing if it concludes that a hearing would be in the public interest.

After careful consideration, the OCC determined not to hold a public hearing. The OCC is not aware of any reason why written comments would be insufficient or why a public hearing would be in the public interest. The OCC has thoroughly reviewed all of the written comments submitted, including any received after the close of the public comment period and up to the date of this letter. The OCC forwarded comments received to Huntington for review, and Huntington has responded in a satisfactory manner. Additionally, the OCC gathered sufficient information to address the commenters' concerns through the application process and through discussions with the OCC's resident examination team where necessary and appropriate.

The OCC determined not to grant an extension of the comment period because the commenters did not demonstrate that additional time was necessary to develop factual information relevant to this application, and no extenuating circumstances were present. *See* 12 C.F.R. § 5.10(b)(2)(ii), (iii). The OCC did, however, consider all comments received prior to issuing this letter.

### **Consummation Guidance**

Please refer to the Comptroller's Licensing Manual for Business Combinations for steps to complete the mergers. These approvals are granted based on our understanding that other applicable regulatory approvals, non-objections, or waivers with respect to the proposed transactions, will have been received prior to the mergers, as appropriate.

### **Condition Imposed in Writing**

This approval is also subject to the following condition:

The Huntington National Bank, the Resulting Bank, shall ensure that the commitments and actions set forth in the July 27 and August 1, 2007, letters from Mr. Richard A. Cheap, General Counsel and Secretary, Huntington Bancshares, Inc., to the OCC are fully adopted and timely implemented and adhered to.

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This condition is a condition imposed in writing by the agency in connection with any action on any application within the meaning of 12 U.S.C. § 1818. As such, this condition is enforceable under 12 U.S.C. § 1818.

As a reminder, the Central District Licensing division must be advised in writing 10 days in advance of the desired effective date for the merger so it may issue the necessary certification letter. The effective date must follow any other applicable regulatory approvals.

The OCC will include branch authorizations, as appropriate, in the letter certifying consummation of the mergers. With respect to the merger application, we remind you that the following items must be satisfactorily addressed prior to your desired consummation date:

- Huntington must ensure that all other required regulatory approvals, non-objections, or waivers have been received.
- Huntington must provide a Secretary's Certificate for each institution certifying that a majority of each bank's board of directors approved the merger.
- Huntington must provide a Secretary's Certificate from each institution certifying that the shareholder approvals have been obtained, if required.
- Huntington must provide an executed merger agreement with Articles of Association for the resulting bank attached.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

These conditional approvals and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

A satisfaction survey letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may continue to improve our service.

Mr. Daniel W. Morton  
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All correspondence regarding this application should reference the control number. If you have any questions, please contact Licensing Analyst Marta Reyes at (312) 360-8881 or e-mail [Marta.Reyes@occ.treas.gov](mailto:Marta.Reyes@occ.treas.gov).

Sincerely,

/s/

David J. Rogers  
Central District Director for Licensing

Enclosure: Survey Letter