

June 17, 2009

Research Update:

Huntington Bancshares Inc. Rating Lowered To 'BB+'; Outlook Negative

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Research Update:

Huntington Bancshares Inc. Rating Lowered To 'BB+'; Outlook Negative

Overview

- We see greater banking industry risk and higher potential for credit losses for Huntington than in the past.
- We lowered our counterparty credit rating on Huntington Bancshares to 'BB+' from 'BBB'.
- Earnings and credit quality may deteriorate.

Rating Action

On June 17, 2009, Standard & Poor's Ratings Services lowered its long-term counterparty credit rating on Huntington Bancshares to 'BB+/B' from 'BBB/A-2' and its counterparty credit rating on Huntington National Bank to 'BBB-/A-3' from 'BBB+/A-2.' The outlooks are negative. The ratings were removed from CreditWatch Negative where they were placed on May 4, 2009.

Rationale

The downgrade reflects our negative view of industry risk and our expectations that Huntington's credit quality and profitability will remain under pressure through 2009 and into 2010, eating into its already strained capital levels. Huntington's credit quality in most loan types is weak, with problems especially heightened in its commercial real estate and commercial and industrial loans, which together account for 58% of loans. Credit quality in the company's consumer loan book, however, remains solid relative to peers'.

Given the stressed economic conditions in Huntington's Midwest market, we expect Huntington to continue to report heightened credit losses for at least the next year. Management's capital-raising initiatives, which have already added \$650 million in common equity to the balance sheet, partly mitigate the negative asset-quality trends, and we have incorporated these factors into our current analysis. However, under our base-case stress-loss factors, Huntington's losses could exceed the additional capital raised.

We view Huntington's current efforts to improve its performance positively. The company has been making good progress in growing its noninterest income, reducing its expenses, and improving its liquidity and core deposit base. We expect these initiatives to sustain the company during the longer term, although we think they are unlikely to materially offset the expected near-term losses.

The downgrade is part of an industry review and follows our recent criteria on stress testing and U.S. banks.

Outlook

The outlook is negative. If Huntington's credit losses exceed our current expectations under our base-case stress tests, or its capital raising initiatives are unsuccessful, we could lower the rating. Alternatively, if loss rates stabilize and profitability rebounds, we could revise the outlook to stable.

Related Research

- "Credit Stress Testing For Financial Institutions," published April 29, 2009
- "Stress Testing U.S. Financial Institutions," published April 29, 2009
- "What Stress Tests Reveal about U.S. Banks' Capital Needs," published May 1, 2009

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Huntington Bancshares Inc. Counterparty Credit Rating Subordinated	BB+/Negative/B BB	BBB/Watch Neg/A-2 BBB-/Watch Neg
Huntington National Bank Counterparty Credit Rating Certificate Of Deposit Local Currency Senior Unsecured Subordinated	BBB-/Negative/A-3 BBB-/A-3 BBB- BB+	BBB+/Watch Neg/A-2 BBB+/Watch Neg/A-2 BBB+/Watch Neg BBB/Watch Neg
Huntington Capital II Huntington Capital III Huntington Capital Trust Huntington Preferred Capital Inc. Sky Financial Capital Trust I Sky Financial Capital Trust III Preferred Stock	B	BB/Watch Neg

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