

# Morgan Stanley 2010 Outlook Conference

February 2, 2010  
New York City



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## Participants

### Presenter

#### **Steve Steinour**

- Chairman, President, and Chief Executive Officer

### Others Present

#### **Don Kimble**

- Senior Executive Vice President – Chief Financial Officer

#### **Dan Neumeyer**

- Senior Executive Vice President – Chief Credit Officer

#### **Tim Barber**

- Senior Vice President – Credit Risk Management



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## Outline

- 2009 Report card
- Commercial real estate discussion
- Moving to the next level
- 2010 Objectives
- Important messages
- Q & A

## 2009 Report Card

- ✓ **Strengthened the balance sheet**
  - Built liquidity
  - Addressed credit risk
    - Enhanced risk management practices and oversight
    - Franklin
    - Commercial real estate
    - Commercial and business banking
    - Consumer loans
    - Built loan loss reserves
  - Improved deposit mix
  - Reduced wholesale funding
  - Strengthened capital
- ✓ **Grew pre-tax, pre-provision income**
- ✓ **Strengthened management**
- ✓ **Strengthened the board of directors**
- ✓ **Completed the Warren Bank acquisition**
- ✓ **Developed / began implementation of a 3-year strategic plan**
- ✓ **Made investments in growth**

## CRE – Portfolio Positioning

### Segmented CRE Into “Core” and “Noncore” Portfolios

#### Core

- Well-seasoned regional or institutional owners, developers, and organizations
- Meaningful relationship in place – opportunities for additional cross-sell
- Midwest footprint projects generating adequate return on capital

#### Noncore

- Limited opportunity to gain overall banking relationship
- Includes numerous performing, pass-rated loans not meeting desired return on capital
- Includes most “criticized” loans from the overall CRE portfolio



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## CRE – Core vs. Noncore

(\$MM)	O/S	ACL	Criticized	NAL's	Prior Charge-offs <sup>(1)</sup>	ACL	Credit Mark <sup>(2)</sup>
<u>9/30/09</u>							
<b>CRE Total</b>	<b>\$8,715</b>	<b>\$451</b>	<b>\$1,942</b>	<b>\$1,134</b>	<b>\$343</b>	<b>5.17%</b>	<b>8.77%</b>
<u>12/31/09</u>							
<b>Core Total</b>	<b>\$4,038</b>	<b>\$168</b>	<b>\$530</b>	<b>\$4</b>	<b>\$--</b>	<b>4.16%</b>	<b>4.16%</b>
Noncore SAD	\$1,809	\$410	\$1,547	\$861	\$511	22.66%	39.70%
Noncore Other	1,842	186	722	71	26	10.10%	11.35%
<b>Noncore Total</b>	<b>\$3,651</b>	<b>\$596</b>	<b>\$2,269</b>	<b>\$932</b>	<b>\$537</b>	<b>16.32%</b>	<b>27.05%</b>
<b>CRE Total</b>	<b>\$7,689</b>	<b>\$764</b>	<b>\$2,799</b>	<b>\$936</b>	<b>\$537</b>	<b>9.94%</b>	<b>15.82%</b>

(1) Prior charge-offs represents activity on existing accounts as of 12/31/09, not cumulative for the portfolio

(2) Credit mark = (ACL + prior charge-offs) / (outstandings + prior charge-offs)



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## CRE – Core Characteristics

### EOP Outstandings – \$4.0 Billion <sup>(1)</sup>

- Long-term relationships... many have been customers for 20+ years.
- Proven CRE participants... 28+ years average CRE experience
- 95% of the loans have personal guarantees
- Income producing loans have weighted average debt service coverage of:
  - 1.30X... based on 7% rate and 25 year amortization
  - 1.52X... based on average contractual rate and 20 year amortization
  - < 5% of these projects have negative cash flow

## CRE – Noncore Characteristics

### EOP Outstandings – \$3.7 Billion <sup>(1)</sup>

#### Noncore-Overall

- 27% aggressive credit mark
  - Updated values to incorporate current market conditions
- Limited future funding requirements... ~\$150 million
- 95%+ have guarantors
- 98% is secured debt
- 89% is within our geographic footprint
- 73% are “pass” grade or better

## CRE – Noncore Segment Characteristics

### Special Assets Division (SAD) (\$1.8 billion)

- 39.70% aggressive credit mark
  - Actively working to exit... more aggressive terms; e.g. higher pricing, shorter amortization, sale, etc.
  - The majority of “criticized” loans are managed within SAD

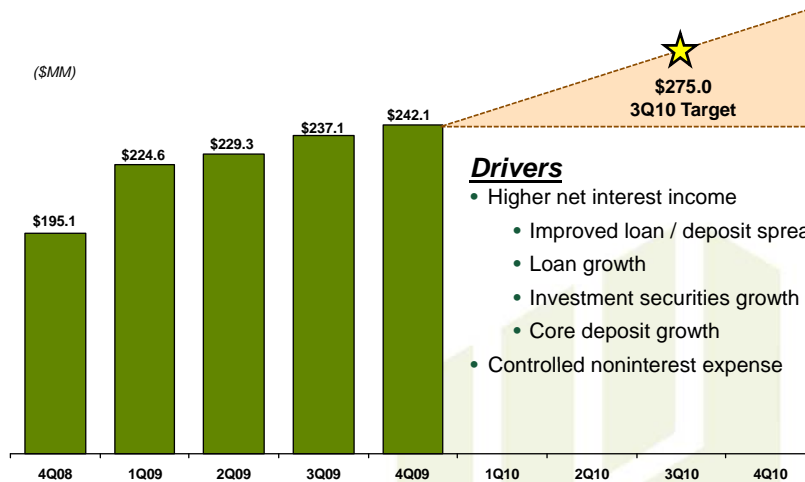
### Other (\$1.9 billion)

- 11.35% credit mark represents... 3X coverage of NALs... 81% coverage of “criticized” loans
- 30+ days past due of only \$79 million (4.3%)
- Includes \$712 million of small dollar Investment Real Estate loans
  - Not a strategic focus going forward
  - Very granular risk assessment
  - Actively managing within a context of an exit orientation... though may have opportunities to develop some into fuller, more profitable relationships



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## Improve Pre-Tax, Pre-Provision Income <sup>(1)</sup>



### Drivers

- Higher net interest income
  - Improved loan / deposit spreads
  - Loan growth
  - Investment securities growth
  - Core deposit growth
- Controlled noninterest expense



(1) See Basis of Presentation for definition, as well as reconciliation slide in the Appendix

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## Staged Strategic Plan Implementation

The strategic plan will be executed in logical stages

2009

### Lay the Foundation

- Capital and liquidity
- Organizational changes
- Build management depth
- Credit and risk management



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## Positioning for Growth

### Business Segments

- Retail and Business Banking
- Commercial Banking
- Commercial Real Estate
- Auto Finance and Dealer Services
- Private Financial Group

### Support

- Technology and Operations
- Chief Financial Officer
- Chief Risk Officer
- Chief Credit Officer
- Strategy & Segment Performance
- Corporate PR & Communications
- General Counsel
- Chief Auditor
- Human Resource Director

### Positioning for Growth

- Retail and Business Banking
  - Deposit Product Pricing Director
  - Fee Income Director
  - Consumer Lending Director
  - Payments & Channels Director
  - Chief Marketing Officer
  - Treasury Management Director
- Commercial Banking
  - Large Corporate Director
  - Asset Based Lending Director
- Private Financial Group
  - Currency Risk Management – 5 FTE
  - Trust Business Development – 7 FTE
  - Brokerage Sales – 14 FTE
  - National Settlements – 4 FTE

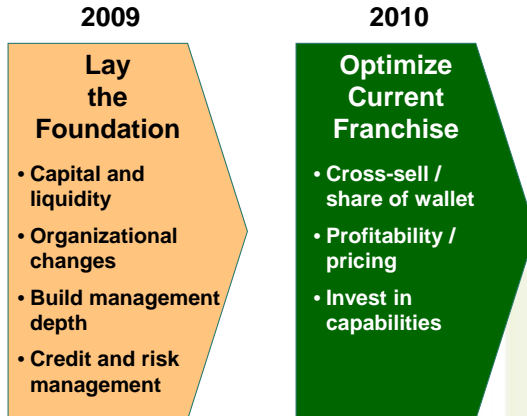


New senior executive / management position / hires

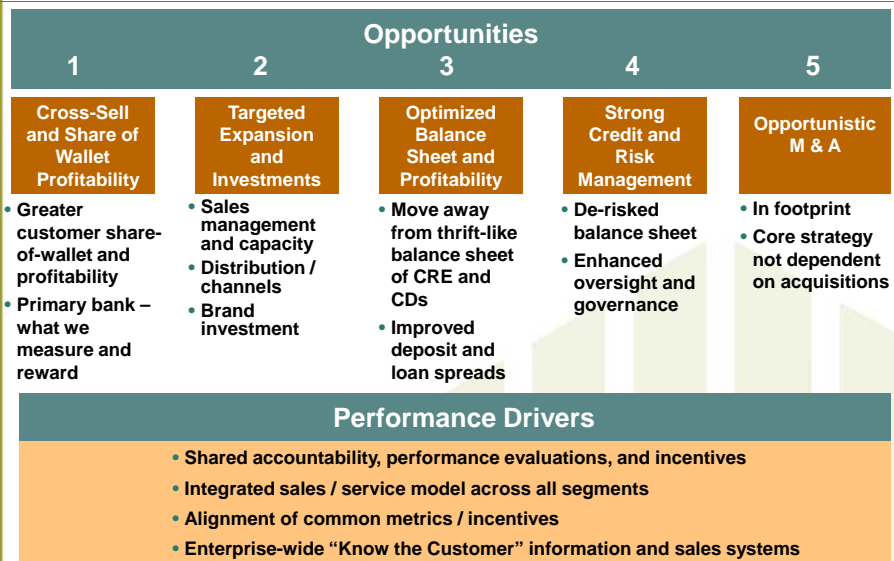
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## Staged Strategic Plan Implementation

The strategic plan will be executed in logical stages

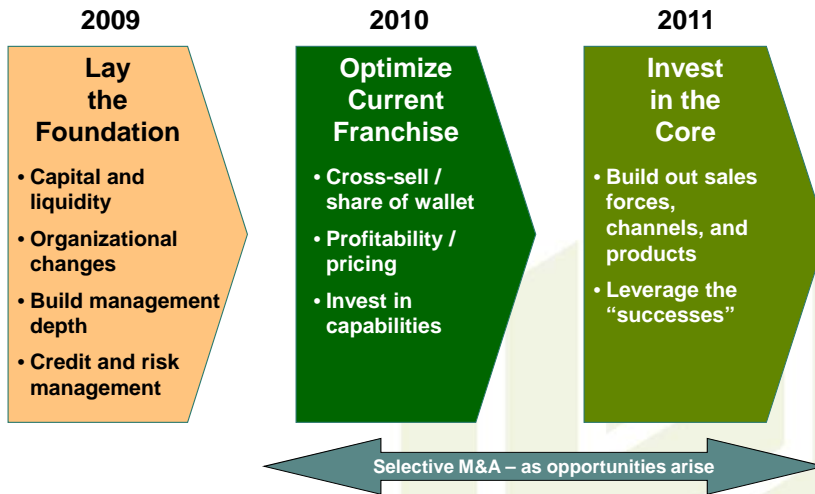


## A Comprehensive, Integrated Strategy



## Staged Strategic Plan Implementation

The strategic plan will be executed in logical stages



## Why We Will Succeed

- Right-sized our risk appetite
- Incentive plans requiring cross-sell / share of wallet improvement
- Enhanced relationship management technology and upgraded MIS / performance tracking mechanisms
- Rigorous goal setting with frequent, methodical, face-to-face follow-up
- Improved colleague accountability
- Highly engaged and re-energized colleagues with a sense of “shared fate”

*It's All About Focus and Execution*

## 2010 Objectives

- Grow revenue
- Improve cross sell and share-of-wallet profitability across all business segments
- Grow key fee businesses... existing and new
- Lower NCOs and NPAs
- Reduce CRE “noncore” exposure
- Return to quarterly profitability some time during the year

*Move to a Higher Performance / Execution Level*

## Important Messages

- Balance sheet has been strengthened and is getting stronger... loans, investment securities, deposits, and other funding
- Sufficient capital raised to weather a stressed economic scenario... no current plans to raise new capital
- Credit outlook is improving
- Increased opportunities / attention on growing revenue
- Making investments to grow key fee businesses
- Return to quarterly profitability expected some time in 2010

*Getting Stronger Every Day*

## Basis of Presentation

### Use of non-GAAP financial measures

This presentation contains GAAP financial measures and non-GAAP financial measures where management believes it to be helpful in understanding Huntington's results of operations or financial position. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the current quarter earnings release, this presentation, in the Quarterly Financial Review supplement to the current quarter earnings release, or the Form 8-K related to the filed 1/22/10 earnings press release, which can be found on Huntington's website at [huntington-ir.com](http://huntington-ir.com)

### Annualized data

Certain returns, yields, performance ratios, or quarterly growth rates are presented on an "annualized" basis. This is done for analytical and decision-making purposes to better discern underlying performance trends when compared to full year or year-over-year amounts. For example, loan and deposit growth rates, as well as net charge-off percentages are most often expressed in terms of an annual rate like 8%. As such, a 2% growth rate for a quarter would represent an annualized 8% growth rate.

### Pre-tax, Pre-provision Income

One non-GAAP performance metric that Management believes is useful in analyzing underlying performance trends, particularly in times of economic stress, is pre-tax, pre-provision income. This is the level of earnings adjusted to exclude the impact of:

- provision expense, which is excluded because its absolute level is elevated and volatile in times of economic stress;
- investment securities gains/losses, which are excluded because in times of economic stress securities market valuations may also become particularly volatile;
- amortization of intangibles expense, which is excluded because return on tangible common equity is a key metric used by Management to gauge performance trends; and
- certain items identified by Management (see Significant Items slide) which Management believes may distort the company's underlying performance trends.



## Basis of Presentation

### Significant Items

From time to time, revenue, expenses, or taxes, are impacted by items judged by Management to be outside of ordinary banking activities and/or by items that, while they may be associated with ordinary banking activities, are so unusually large that their outsized impact is believed by Management at that time to be one-time or short-term in nature. We refer to such items as "Significant Items". Most often, these Significant Items result from factors originating outside the company; e.g., regulatory actions/assessments, windfall gains, changes in accounting principles, one-time tax assessments/refunds, etc. In other cases they may result from Management decisions associated with significant corporate actions out of the ordinary course of business; e.g., merger/restructuring charges, recapitalization actions, goodwill impairment, etc.

Even though certain revenue and expense items are naturally subject to more volatility than others due to changes in market and economic environment conditions, as a general rule volatility alone does not define a Significant Item. For example, changes in the provision for credit losses, gains/losses from investment activities, asset valuation writedowns, etc., reflect ordinary banking activities and are, therefore, typically excluded from consideration as a Significant Item.

Management believes the disclosure of "Significant Items" in current and prior period results aids analysts/investors in better understanding corporate performance and trends so that they can ascertain which of such items, if any, they may wish to include/exclude from their analysis of the company's performance; i.e., within the context of determining how that performance differed from their expectations, as well as how, if at all, to adjust their estimates of future performance accordingly. To this end, Management has adopted a practice of listing "Significant Items" in its external disclosure documents (e.g., earnings press releases, investor presentations, Forms 10-Q and 10 K).

"Significant Items" for any particular period are not intended to be a complete list of items that may materially impact current or future period performance. A number of factors could significantly impact these periods, including those described in Huntington's 2008 Annual Report on Form 10-K and other factors described from time to time in Huntington's other filings with the Securities and Exchange Commission.



## Basis of Presentation

### Fully-taxable equivalent interest income and net interest margin

Income from tax-exempt earning assets is increased by an amount equivalent to the taxes that would have been paid if this income had been taxable at statutory rates. This adjustment puts all earning assets, most notably tax-exempt municipal securities and certain lease assets, on a common basis that facilitates comparison of results to results of competitors.

### Rounding

Please note that columns of data in the following slides may not add due to rounding.

### Earnings per share equivalent data

Significant income or expense items may be expressed on a per common share basis. This is done for analytical and decision-making purposes to better discern underlying trends in total corporate earnings per share performance excluding the impact of such items. Investors may also find this information helpful in their evaluation of the company's financial performance against published earnings per share consensus amounts, which typically exclude the impact of significant items. Earnings per share equivalents are usually calculated by applying a 35% effective tax rate to a pre-tax amount to derive an after-tax amount which is divided by the average shares outstanding during the respective reporting period. Occasionally, when the item involves special tax treatment, the after-tax amount is separately disclosed, with this then being the amount used to calculate the earnings per share equivalent.

### NM or nm

Percent changes of 100% or more are typically shown as "nm" or "not meaningful" unless required. Such large percent changes typically reflect the impact of unusual or particularly volatile items within the measured periods. Since the primary purpose of showing a percent change is to discern underlying performance trends, such large percent changes are typically "not meaningful" for such trend analysis purposes.



## Forward Looking Statements

*This presentation contains certain forward-looking statements, including certain plans, expectations, goals, projections, and statements, which are subject to numerous assumptions, risks, and uncertainties.*

*Actual results could differ materially from those contained or implied by such statements for a variety of factors including: (1) deterioration in the loan portfolio could be worse than expected due to a number of factors such as the underlying value of the collateral could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected; (2) changes in economic conditions; (3) movements in interest rates; (4) competitive pressures on product pricing and services; (5) success and timing of other business strategies; (6) extended disruption of vital infrastructure; and (7) the nature, extent, and timing of governmental actions and reforms, including existing and potential future restrictions and limitations imposed in connection with the Troubled Asset Relief Program's voluntary Capital Purchase Plan or otherwise under the Emergency Economic Stabilization Act of 2008.*

*Additional factors that could cause results to differ materially from those described above can be found in Huntington's 2008 Annual Report on Form 10-K, and documents subsequently filed by Huntington with the Securities and Exchange Commission.*

*All forward-looking statements included in this presentation are based on information available at the time of the release. Huntington assumes no obligation to update any forward-looking statement.*



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