



## INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Huntington Bancshares Incorporated (“Huntington” or the “Company”) between July 20, 2007 to November 16, 2007 (the “Class Period”), against Huntington and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (“1934 Act”).

2. Huntington operates as the holding company for The Huntington National Bank (“Huntington National”) that provides retail and commercial financial products and services. On July 1, 2007, Huntington acquired Sky Financial Group, Inc. (“Sky Financial”) for \$3.3 billion. Huntington is headquartered in Columbus, Ohio.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company’s business and financial results. Huntington had acquired with the Sky Financial acquisition more than \$1.5 billion in exposure to subprime mortgages. As the real estate and credit markets continued to soften, defendants repeatedly assured Huntington investors that the Company had undertaken significant preparations and implemented defensive measures to weather the deteriorating real estate and credit markets.

4. As a result of defendants’ false statements, Huntington stock traded at artificially inflated prices during the Class Period, trading at approximately \$18 per share during much of the Class Period.

5. By the time Huntington closed the merger with Sky Financial, the housing and credit crisis had deepened, yet defendants continued to conceal Huntington’s growing exposure to these problems so as to not acknowledge the acquisition was a debacle so soon after it closed. As a result, Huntington’s stock continued to be artificially inflated due to defendants’ false statements.

6. Then, on November 16, 2007, Huntington reported its fourth quarter of 2007 financial results in a release that in part:

As a result of the recently announced actions of Franklin Credit Management Corporation and related deterioration in Franklin's mortgage portfolios, 2007 fourth quarter results for Huntington Bancshares Incorporated are expected to include an after-tax charge of up to \$300 million, or \$0.81 per common share, to replenish and build the allowance for loan and lease losses in support of the Franklin relationship. As a result of this charge, Huntington will report a 2007 fourth quarter net loss.

"For over 17 years Sky Financial had a commercial lending relationship with Franklin Credit Management Corporation. This became our relationship when we acquired Sky Financial on July 1, 2007," said Thomas E. Hoaglin, chairman and chief executive officer. "Throughout this period the relationship continued to perform. At September 30, 2007, our loans to Franklin totaled \$1.5 billion. All were performing and we had experienced no charge-offs. Even today, all loans are current."

"We only recently learned of Franklin's actions to reassess the adequacy of their loan loss reserves" he continued. "Franklin's mortgages represent the underlying collateral for our loans to Franklin. As a result of this new information, we needed to reassess the collectability of the Franklin loans. This has caused us to act promptly to review our estimates of the value of the cash flows and embedded losses over the life of these mortgages. The actions we have announced today, we believe, fully address the issues embedded in our Franklin exposure. The fact that this will result in a net loss for the quarter is regrettable and upsetting. Yet, we must take whatever action is necessary to deal with this issue."

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### **Franklin Credit Management Announcement and Agreements with Huntington**

After the market closed on November 15, 2007, Franklin Credit Management Corporation, a commercial loan customer of Huntington, announced it has delayed the release of its 2007 third quarter results and the filing of its 2007 third quarter Form 10-Q with the Securities and Exchange Commission (SEC). The Franklin 2007 third quarter Form 10-Q, originally scheduled to be filed with the SEC November 15, 2007, has been delayed to provide Franklin time to conduct a thorough review of the adequacy of its loan loss reserve. Franklin has also announced that it expects to complete its review, release its 2007 third quarter results, and file its 2007 third quarter Form 10-Q prior to December 31, 2007.

Franklin also announced that it expects its credit review will result in a substantial increase in its 2007 third quarter provision for loan losses due to increased delinquencies and the expectation of increased defaults and ultimate losses inherent in its portfolio as of September 30, 2007. Franklin also expects that this increase in its third quarter provision for credit losses will result in substantial negative stockholders' equity for them as of September 30, 2007.

Huntington has agreed with Franklin to waive the breach of Franklin's debt covenants for Franklin's failure to timely provide its financial statements. This waiver is in effect until the earlier of the filing of Franklin's 2007 third quarter Form 10-Q, or December 31, 2007. In consideration of this waiver, Franklin has agreed to pledge certain assets as additional security to Huntington.

Franklin has acknowledged that Huntington is under no obligation to grant additional waivers, and that if an accommodation with Huntington is not reached and additional waivers of Franklin's debt covenants are necessary and not granted, that Franklin's debt to Huntington could become immediately payable, resulting in Franklin's insolvency.

Huntington has suspended new loan origination and acquisition fundings for Franklin for the period of the review, and is under no obligation to resume funding Franklin's loan originations and acquisitions after the review is completed.

All of Franklin's loans to Huntington are current with regard to principal and interest payments.

7. On this news, Huntington's stock dropped from \$16.08 per share to as low as \$14.38 per share, closing at \$14.75 per share on November 16, 2007 on volume of over 10 million shares.

8. As Stifel Nicolas wrote on November 19, 2007:

We suspect Huntington has known a serious problem was brewing at Franklin Credit for several weeks, but was unable to address the issue until Franklin Credit disclosed it. Where we do fault Huntington is for not anticipating the risk in "scratch and dent" lending given the unprecedented housing dislocations being created by the unfolding subprime debacle. This exposure should have been more forcefully dealt with either at the time final Sky merger deal terms were set and marks were taken or when the 3Q07 provision was determined.

9. The true facts, which were known by defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company had far greater exposure to anticipated losses and defaults in its home loan portfolio, particularly with subprime debt exposure arising from Sky Financial, than it had previously disclosed; and

(b) Defendants' Class Period statements about the Company's financial results were materially false due to its failure to record timely and adequate accruals for losses on its exposure to delinquent subprime mortgages.

10. As a result of defendants' false statements and omissions, Huntington's stock traded at artificially inflated prices during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 19% from the price Huntington's stock traded their Class Period high.

### **JURISDICTION AND VENUE**

11. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

12. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District. Huntington has offices in this District and many of the acts and transactions giving rise to the violations of law complained of occurred here. Huntington's principal executive offices are located at Huntington Center, 41 South High Street, Columbus, Ohio.

13. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

### **THE PARTIES**

14. Plaintiff Stephen Ellman purchased 3,000 shares of Huntington stock on September 26, 2007, for \$17.40 per share, and 850 shares on October 29, 2007, for \$17.64 per share, for a total cost of \$67,199.25, as described in the attached certification, and was damaged thereby.

15. Defendant Huntington is a multi-state diversified financial holding company. Through its subsidiaries, the Company provides full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, private mortgage insurance, reinsuring credit life and disability insurance, and other insurance and financial products and services. The Company was founded in 1866 and is headquartered in Columbus, Ohio.

16. Defendant Thomas E. Hoaglin (“Hoaglin”) is, and at all relevant times was, a director, Chairman of the Board and Chief Executive Officer (“CEO”) of Huntington and Huntington National.

17. Defendant Marty E. Adams (“Adams”) was at all relevant times, President, Chief Operating Officer (“COO”) and a director of Huntington, pursuant to the Merger Agreement with Sky Financial Group, Inc. (“Sky”).

18. Defendant Donald R. Kimble (“Kimble”) is, and at all relevant times was, Executive Vice President, Finance Director, Chief Financial Officer (“CFO”) and Controller of Huntington.

19. Defendants Hoaglin, Adams and Kimble (the “Individual Defendants”), because of their positions with the Company, possessed the power and authority to control the contents of Huntington’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein at ¶¶23-35.

#### **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

20. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about Huntington. Defendants’ fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Huntington common stock was a success, as it: (i) deceived the investing public regarding Huntington’s prospects and business; (ii) artificially

inflated the price of Huntington's common stock; and (iii) caused plaintiff and other members of the Class to purchase Huntington common stock at inflated prices.

### **BACKGROUND**

21. Huntington operates as the holding company for Huntington National that provides retail and commercial financial products and services. It offers a range of deposit products, which include checking accounts, savings accounts, time deposits, money market accounts, and certificates of deposits. Huntington's lending portfolio comprises home equity loans and lines of credit, automobile loans, residential mortgage loans, first mortgage loans, commercial loans, direct installment loans, and small business loans, and also offers mortgage banking services, automobile financing, equipment leasing, investment management, trust services, and brokerage services. In addition, it provides Internet banking and telephone banking services. Further, Huntington offers private mortgage insurance, reinsuring credit life and disability insurance, and other insurance and financial products and services. As of February 12, 2007, Huntington operated 380 regional banking offices in Indiana, Kentucky, Michigan, Ohio, and West Virginia.

22. On July 1, 2007, Huntington completed a \$3.3 billion merger with Sky Financial. While this increased its footprint in mortgage lending, it also gave it increased exposure to subprime debt, which even then was causing market turmoil.

### **DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD**

23. On July 19, 2007, the Company reported its second quarter of 2007 financial results in a press release stating in part:

Huntington Bancshares Incorporated reported 2007 second quarter earnings of \$80.5 million, or \$0.34 per common share. Results in the year-ago second quarter were \$111.6 million, or \$0.46 per common share.

Earnings for the first six months of 2007 were \$176.2 million, or \$0.74 per common share, compared with \$216.1 million, or \$0.90 per common share, for the comparable year-ago period.

Performance compared with the 2007 first quarter included:

- \$0.34 earnings per common share, down from \$0.40 per common share in the prior quarter.
  - Current quarter results were negatively impacted by higher loan loss provision expense, primarily related to two eastern Michigan credit relationships and one northern Ohio credit (\$0.07 per common share); expenses related to the merger with Sky Financial Group, Inc. (Sky Financial), which closed July 1, 2007 (\$0.02 per common share); and net market-related losses (\$0.01 per common share).
- 3.27% net interest margin, down from 3.36%.
- 12% annualized growth in average total commercial loans.
- 4% annualized decline in average total consumer loans.
  - 13% annualized decline in average residential mortgages, reflecting the sale of \$110 million of residential mortgages at the end of the first quarter.
  - 5% annualized increase in average home equity loans.
  - 4% annualized decline in average total automobile loans and leases, reflecting a decline in automobile leases, partially offset by strong growth in average automobile loans.
- 5% annualized increase in average total core deposits.
  - 7% annualized growth in average non-interest bearing demand deposits.
  - 9% annualized growth in average interest bearing demand deposits.
- Strong performance in core fee income categories, reflecting 12% growth in service charges on deposits accounts, 13% growth in other service charges and fees, and 7% growth in brokerage and insurance income.
- 1% increase in non-interest expense.
- 0.52% annualized net charge-offs, up 24 basis points.
- 1.15% period-end allowance for loan and lease losses (ALLL) ratio, up from 1.08%.
- 0.97% period-end non-performing asset (NPA) ratio, up from 0.79%.
- 6.82% period-end tangible common equity ratio, down from 7.06%.

“As we announced on July 9, the disappointing results for the quarter primarily reflected the need to build our loan loss reserves,” said Thomas E. Hoaglin, chairman and chief executive officer. “Home builder markets in our footprint remain under pressure. This was especially true in eastern Michigan where the anticipated softness turned out to be much worse than expected. This past quarter we made the necessary credit adjustments based on the current condition of our loan portfolios and what we now expect. Yet, to the degree there remains continued pressure on businesses, we will address such issues aggressively and transparently.”

“While understandable, it is unfortunate that these issues overshadow the important progress we made this past quarter to improve the prospects of Huntington’s performance,” he continued. “Commercial loan growth was quite good. Performance in some of our key fee income activities was also quite strong. Underlying expenses were well controlled. While our net interest margin declined to 3.27%, much of the decline reflected the impact of higher non-accrual loans and seasonal factors. A testimony to our success in effective interest rate risk management is that for the last three and one-half years we have been able to maintain a net interest margin between 3.22%-3.38%.”

“Rapid changes in market conditions can always impact short-term performance. What is important is that we remain focused on executing our plans to build the franchise, with the objective of producing better long-term performance. The Sky Financial Group merger that closed July 1 is a prime example. This merger solidifies our position in Ohio, greatly expands our presence in the Indianapolis market, and establishes western Pennsylvania as a new market. Customers will have access to more offices, ATMs, and products and services. Third quarter earnings performance will include the expected impacts of merger charges and expenses associated with integrating systems and making certain our customers have a smooth integration experience. Major systems conversions will occur in late September. We remain confident that the financial and customer benefits from this merger will be realized and quite visible in fourth quarter financial performance results,” he concluded.

### **Provision for Credit Losses**

The provision for credit losses in the 2007 second quarter was \$60.1 million, up \$44.4 million from the year-ago quarter, and up \$30.7 million from the 2007 first quarter. The provision for credit losses in the 2007 second quarter exceeded same period net charge-offs by \$25.6 million . . . .

### **Credit Quality**

Overall credit quality performance in the 2007 second quarter reflected significant increases in net charge-offs, non-performing loans (NPL ), and allowances for credit losses (ACL). The net charge-off activity was directly impacted by losses associated with two single-family home builders in eastern Michigan. These two relationships, along with a C&I loan in northern Ohio, accounted for a significant portion of the increase in NPL’s and the ACL. The residential real estate market in eastern Michigan continued to deteriorate during the quarter, reflecting a

significant downturn in home sales activity. The Spring and early-Summer selling season is extremely important for home builders, and softness was expected. However, in the case of eastern Michigan, the impact turned out to be far worse than anticipated, particularly for the two noted relationships. The northern Ohio commercial credit was to an auto industry-related manufacturing company.

### **Allowances for Credit Losses (ACL)**

We maintain two reserves, both of which are available to absorb probable credit losses: the allowance for loan and lease losses (ALLL) and the allowance for unfunded loan commitments and letters of credit (AULC). When summed together, these reserves constitute the total ACL.

At June 30, 2007, the ALLL was \$307.5 million, up from \$287.5 million a year earlier, and \$24.5 million higher than \$283.0 million at March 31, 2007. Expressed as a percent of period-end loans and leases, the ALLL ratio at June 30, 2007, was 1.15%, up from 1.09% a year ago, and up from 1.08% at March 31, 2007. The level of required loan loss reserves is determined using a highly quantitative methodology, which determines the required levels for both the transaction reserve and economic reserve components.

\* \* \*

The increase in the transaction reserve component reflected the impact of increasing monitored credits, primarily resulting from softness in the residential and commercial real estate markets in the Midwest. The three relationships noted in the prior comments represented over half of the additional required reserve, with the remaining increase associated with the proper and timely recognition of relationships meeting the monitored credit definition. Our reserve methodology is designed to increase the reserve levels as potential problems are identified. Although monitored credits increased during the quarter, on both an absolute and relative basis, they were consistent with the level of the year-ago quarter.

The ALLL as a percent of NPLs was 145% at June 30, 2007, down from 213% a year ago, and from 180% at March 31, 2007. The ALLL as a percent of NPAs was 118% at June 30, 2007, down from 168% a year ago, and from 137% at March 31, 2007. At June 30, 2007, the AULC was \$41.6 million, up from \$38.9 million at the end of the year-ago quarter, and from \$40.5 million at March 31, 2007.

On a combined basis, the ACL as a percent of total loans and leases at June 30, 2007, was 1.30%, up from 1.24% a year ago, and up from 1.23% at March 31, 2007. The ACL as a percent of NPAs was 134% at June 30, 2007, down from 191% a year earlier and 157% at March 31, 2007.

Given the expectation of continued stress in commercial real estate markets, weak performance of the eastern Michigan and northern Ohio economies, as well as the increase in reserves recognized this quarter, the expectation is for moderate increases in the ALLL ratio over the second half of the year.

## 2007 OUTLOOK

When earnings guidance is given, it is the company's practice to do so on a GAAP basis, unless otherwise noted. Such guidance includes the expected results of all significant forecasted activities. However, guidance typically excludes selected items where the timing and financial impact is uncertain until the impact can be reasonably forecasted, and potential unusual or one-time items.

Our expectation is that the 2007 economic environment will continue to be negatively impacted by weakness in real estate markets and the automotive manufacturing and supplier sector. How much these factors will affect banking activities and overall credit quality trends is unknown. However, it is our expectation that any impact will be greatest in the eastern Michigan and northern Ohio markets. Interest rates are expected to remain relatively stable. We will continue to target our interest rate risk position at our customary neutral position.

Prior to the completion of the Sky Financial merger, our earnings per share guidance included its slightly accretive impact. However, its impact was excluded from other forward-looking performance assumptions. With the merger of Sky Financial completed on July 1, 2007, our 2007 full-year reported earnings per share guidance still includes its slightly accretive impact, but its impact is now also reflected in the assumptions listed below. All of the assumptions listed below, with the exception of net charge-offs, reflect 2007 second half expectations and are based on the estimated June 30, 2007, pro forma consolidated levels at the time of the merger close.

- Revenue growth in the low- to mid-single digit range, reflecting:
  - Net interest margin relatively consistent with the pro forma 2007 second quarter level for the combined company of approximately 3.50%.
  - Average total loan growth in the mid-single digit range, with total commercial loans in the mid- to upper-single digit range and total consumer loans being flat, reflecting continued softness in residential mortgages and home equity loans.
  - Core deposit growth in the low- to mid-single digit range.
  - Non-interest income growth in the mid- to higher-single digit range.
- Non-interest expense growth in the low single-digit range, excluding merger-related integration costs, as well as any merger-related cost savings. Merger-related integration costs for the second half of the year are estimated to be \$50-\$60 million. Annualized cost savings from the merger remain targeted at \$115 million with most of the annualized benefit expected to be achieved in the fourth quarter.

- NPA levels are expected to rise, reflecting pressure from continued economic weakness in our markets, and resulting higher levels of monitored credits.
- Moderate increases in the ALLL ratio is expected from its current level, and the full-year net charge-off ratio is expected to remain at the mid-to-upper half of our 0.35%-0.45% targeted range.
- No sizable stock repurchase activity.

Within this type of environment, and given the performance for the first six months of 2007, targeted full-year 2007 earnings are \$1.68-\$1.72 per common share, excluding merger-related integration costs. This earnings range reflects the impact of the higher shares from Sky Financial for the second half of the year, which results in the full-year earnings per share being approximately \$0.04 higher than the sum of the four quarters; i.e., earnings for the second half of 2007 are targeted at \$0.90-\$0.94 per share, excluding merger-related integration costs.

24. These were disappointing results and caused Huntington Bancshares stock to decline, along with other banking stocks. Yet the stock continued to trade at artificially inflated levels as defendants concealed the increased credit problems Huntington Bancshares had acquired through the merger with Sky Financial. This acquisition, due to the increased exposure to subprime debt, magnified Huntington Bancshares' problems in the mortgage industry. Yet, the market was not informed of this huge exposure and analysts were convinced the problems were contained. As Stifel Nicolaus wrote on July 20, 2007:

Based on our valuation matrix, which incorporates absolute, peer- and market-relative multiples of earnings, book value, and tangible book, PEG ratios, an assessment of takeover value, and our dividend discount and discounted cash flow models, we believe Huntington's fair value is roughly \$22 per share.

25. On September 24, 2007, Huntington issued a release about its acceptance of former Sky Financial Customers:

Huntington Bancshares Incorporated today announced that approximately 600,000 former Sky Bank consumer household and business accounts were successfully converted to Huntington during the weekend of September 21, resulting in more convenience and more product choices for customers.

"This merger not only provides expanded resources to our customers, but also represents an ideal combination. We have incorporated people and service offerings from both companies that allow us to meet the needs of our customers more effectively as one company," said Thomas Hoaglin, chairman and chief executive

officer. "We began sharing information about the transition and the benefits of the acquisition with our customers several months ago with the goal of making this conversion as smooth as possible."

"We wanted customers to know that, as Huntington, the same associates they have come to know over the years will continue to help them with their financial needs," said Marty Adams, Huntington's new president and chief operating officer and formerly Sky Financial's chairman and chief executive officer. "We are pleased to now have access to expanded resources and locations to serve clients, while maintaining our commitment to our communities."

26. On October 17, 2007, the Company reported its third quarter of 2007 financial results in a release that stated in part:

Huntington Bancshares Incorporated reported 2007 third quarter earnings of \$138.2 million, or \$0.38 per common share. Earnings in the year-ago third quarter were \$157.4 million, or \$0.65 per common share.

Earnings in the current and year-ago quarters were impacted by several significant items. The 2007 third quarter earnings were negatively impacted by \$0.09 per share, reflecting the combination of merger costs associated with the acquisition of Sky Financial Group, Inc. (Sky Financial) on July 1, 2007, and net market-related losses. In contrast, the year-ago quarter was positively impacted by a net \$0.18 per common share, reflecting a reduction of federal income tax expense, partially offset by the negative impacts of a securities impairment related to a balance sheet restructuring initiative, as well as an adjustment for equity method investments.

Earnings for the first nine months of 2007 were \$314.4 million, or \$1.12 per common share, compared with \$373.5 million, or \$1.56 per common share, for the comparable year-ago period.

### **Sky Financial Group, Inc. Acquisition Impact**

The acquisition of Sky Financial on July 1, 2007, significantly affected reported results. Sky Financial was approximately half the size of Huntington before its acquisition. As such, its acquisition significantly increased the absolute levels of 2007 third quarter reported balance sheet items (e.g., loans, deposits, etc.), and income statement items (e.g., net interest income, non-interest income, non-interest expenses, and taxes). It also affected the relative level of other performance metrics such as the net interest margin, efficiency ratio, and credit performance metrics like reserve ratios, etc. To assist in understanding the impacts of the merger, as well as performance not attributable to the merger, when comparing 2007 third quarter performance to that of prior periods, the following terms are used:

- "Merger related" refers to amounts and percentage changes representing the estimated impact attributable to the merger (see the "Estimating the Impact on Balance Sheet and Income Statement Results Due to Acquisitions" section and Table 11 in the "Basis of Presentation" discussion at the end of this press

release for details of the methodologies used and the reconciliation between reported results and estimates of non-merger related performance).

- “Merger costs” represent non-interest expenses associated primarily with merger integration activities.
- “Non-merger related” refers to estimated performance not attributable directly to the merger and includes:
  - “Merger efficiencies”, which represent non-interest expense reductions realized as a result of the merger.

## **PERFORMANCE OVERVIEW**

Performance compared with the 2007 second quarter included:

- \$0.38 earnings per common share, up from \$0.34 per common share in the prior quarter.
- Current quarter earnings were negatively impacted by \$0.09 per share, reflecting the combination of merger costs associated with the acquisition of Sky Financial and net market-related losses. The 2007 second quarter earnings were negatively impacted by \$0.03 per share, reflecting merger costs and net market-related losses.
- 3.52% net interest margin, consistent with expectations and up from 3.26%, primarily merger related.
- Strong growth in average total commercial loans with good growth in average total consumer loans.
- Good annualized non-merger related growth in average total deposits.
- Mixed non-merger related non-interest income performance. Strong non-merger related performance in service charges on deposit accounts and good growth in other service charges and fees. However, broker and insurance income on a non-merger related basis declined, primarily reflecting seasonal trends in brokerage as well as property and casualty insurance activities. The quarter also reflected \$23.5 million of market-related losses, compared with \$7.8 million of such losses in the 2007 second quarter.
- Significant decline in non-merger related total non-interest expense, reflecting the benefit of the achievement of over 70% of targeted total annualized merger efficiencies.
- 0.47% annualized net charge-offs, down 5 basis points.
- 1.14% period-end allowance for loan and lease losses (ALLL) ratio, down from 1.15%.

- 1.08% period-end non-performing asset (NPA) ratio, up from 0.97%, primarily reflecting \$144.5 million of acquired NPAs, as well as a decision to classify \$16.3 million of non-accruing investment securities as NPAs.
- 5.42% period-end tangible common equity ratio, down from 6.82%. This reduction reflected a combination of factors including the expected reduction due to the merger. About 17 basis points of the decline was attributable to a temporary increase in balances related to investment securities.

“The Sky Financial acquisition significantly impacted overall performance and materially affected comparisons of our third quarter performance to that in prior periods,” said Thomas E. Hoaglin, chairman and chief executive officer. “Yet, when you adjust for all merger related impacts, underlying performance basically matched or exceeded our expectations. The only exception was our net market-related losses, which reflected the severity of market pricing volatility during the quarter. We believe we have appropriately addressed the valuation of our market-related assets, given where we are today and our current expectations.”

“The major highlight of the quarter was the successful Sky Financial systems conversion over the September 22nd weekend,” he continued. “Accomplishing this conversion in less than 90 days after the merger closed was a significant accomplishment. It was an aggressive timetable and its success reflected a huge team effort and the culmination of endless hours of preparation. The fact that we were able to generate good loan and deposit growth at the same time we were going through the largest merger integration we have ever undertaken is a testimony to the unified spirit that focused every associate on the needs of our customers. Importantly, we also achieved over 70% of the targeted total annualized expense efficiencies in the third quarter. After considering all significant items and merger related impact, we estimate that our adjusted efficiency ratio for the quarter was just above our 50%-52% targeted range. We are also excited that, as a result of the merger, about 40% of our deposit base is now in markets where we have the number one market share. This portends well for our ability to grow earnings by focusing on serving our expanded customer base and actively pursuing the growth opportunities this merger affords us.”

“With all of the turmoil in credit markets, we were pleased with our underlying credit quality performance. Net charge-offs were a bit higher than expected, but this primarily reflected charge-offs on the three commercial credits for which we had already established reserves in the prior quarter. Our overall net charge-off outlook for the year has not changed materially. The non-merger related increase in the level of non-performing assets was also basically in line with our expectations, and we are pursuing opportunities that might permit us to move some of these off our balance sheet before the end of the year. The outlook for the fourth quarter is that non-performing loans will rise modestly as there remains pressure on businesses and consumers in our markets,” he concluded.

27. As reported by Stifel, Nicolaus & Company on October 19, 2007:

Huntington Bancshares reported 3Q07 EPS of \$0.38 versus \$0.65 in the year ago quarter. The results included \$0.06 in merger-related costs, thus operating EPS were \$0.44, two cents above our estimate and a penny better than consensus. On July 1, Huntington completed the merger of \$17 billion-asset Sky Financial, which raised the decibel level of the quarter, but on a core basis, we think Huntington's performance was quite solid.

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Although the sky system conversion was not completed until 9/22, the \$80 million in annualized merger savings topped our projection. The remaining \$35 million in projected savings should be realized this quarter.

#### Updated Guidance

Management provided updated guidance for the remainder of the year, which did not differ materially from previously announced expectations. Revenues are expected to increase in the low- to mid-single digits, with comparable balance sheet growth and a relatively stable margin. ***Mid- to high-single digit growth in fee income and flat to down expenses should buffer the impact of higher provisioning.*** Charge offs are also likely to be in the 45-47 bps range.

28. As Bear Stearns wrote on October 19, 2007:

Huntington expects the net charge-off ratio in the fourth quarter to remain stable. The NPL ratio is expected to increase modestly in the fourth quarter despite a possible decline in nonperforming assets as related to loans are sold. ***CEO Tom Hoaglin reiterated that Franklin loans continue to perform with no delinquencies,*** but that Huntington expects to reduce the exposure to Franklin on an absolute and relative basis.

29. And Stifel Nicolaus wrote in a report entitled "HBAN 3Q07 Follow-Up: Surprisingly

Stable Credit Quality" that:

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"We only recently learned of Franklin's actions to reassess the adequacy of their loan loss reserves" he continued. "Franklin's mortgages represent the underlying collateral for our loans to Franklin. As a result of this new information, we needed to reassess the collectability of the Franklin loans. This has caused us to act promptly to review our estimates of the value of the cash flows and embedded losses over the life of these mortgages. The actions we have announced today, we believe, fully address the issues embedded in our Franklin exposure. The fact that this will result in a net loss for the quarter is regrettable and upsetting. Yet, we must take whatever action is necessary to deal with this issue."

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### **Franklin Credit Management Announcement and Agreements with Huntington**

After the market closed on November 15, 2007, Franklin Credit Management Corporation, a commercial loan customer of Huntington, announced it has delayed the release of its 2007 third quarter results and the filing of its 2007 third quarter Form 10-Q with the Securities and Exchange Commission (SEC). The Franklin 2007 third quarter Form 10-Q, originally scheduled to be filed with the SEC November 15, 2007, has been delayed to provide Franklin time to conduct a thorough review of the adequacy of its loan loss reserve. Franklin has also announced that it expects to complete its review, release its 2007 third quarter results, and file its 2007 third quarter Form 10-Q prior to December 31, 2007.

Franklin also announced that it expects its credit review will result in a substantial increase in its 2007 third quarter provision for loan losses due to increased delinquencies and the expectation of increased defaults and ultimate losses inherent in its portfolio as of September 30, 2007. Franklin also expects that this increase in its third quarter provision for credit losses will result in substantial negative stockholders' equity for them as of September 30, 2007.

Huntington has agreed with Franklin to waive the breach of Franklin's debt covenants for Franklin's failure to timely provide its financial statements. This waiver is in effect until the earlier of the filing of Franklin's 2007 third quarter Form

10-Q, or December 31, 2007. In consideration of this waiver, Franklin has agreed to pledge certain assets as additional security to Huntington.

Franklin has acknowledged that Huntington is under no obligation to grant additional waivers, and that if an accommodation with Huntington is not reached and additional waivers of Franklin's debt covenants are necessary and not granted, that Franklin's debt to Huntington could become immediately payable, resulting in Franklin's insolvency.

Huntington has suspended new loan origination and acquisition fundings for Franklin for the period of the review, and is under no obligation to resume funding Franklin's loan originations and acquisitions after the review is completed.

All of Franklin's loans to Huntington are current with regard to principal and interest payments.

31. As Stifel Nicolas wrote on November 19, 2007:

We suspect Huntington has known a serious problem was brewing at Franklin Credit for several weeks, but was unable to address the issue until Franklin Credit disclosed it. Where we do fault Huntington is for not anticipating the risk in "scratch and dent" lending given the unprecedented housing dislocations being created by the unfolding subprime debacle. This exposure should have been more forcefully dealt with either at the time final Sky merger deal terms were set and marks were taken or when the 3Q07 provision was determined.

32. Investors were shocked by this news. As Columbus Business First reported on November 23, 2007:

Huntington's admission of the troubles caught investors and banking analyst by surprise because the bank has insisted it doesn't make subprime mortgages. But investors found out a major customer it picked up in the deal for Sky does. When Huntington bought Sky for \$3.3 billion, it inherited a 17-year-old relationship Sky had forged with Franklin Credit Management Corp., a subprime lender and servicer based Jersey City, N.J. Sky was the lead lender for Franklin Credit, which uses bank financing to originate mortgages and to buy pools of mortgages. It uses those mortgages as collateral on its loans.

Now Huntington is seeing a chunk of that collateral disappear because Franklin Credit's default rate on mortgages jumped amid persistent problems in the housing market.

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The problems at Franklin Credit are raising concerns over the merits of Huntington's deal for Sky and are calling into question the judgment of Huntington's top management. Also, no one can be sure the worst isn't yet to come at Franklin Credit - problems that could have a nasty effect on Huntington.

### Market Fears

Jeff Davis, a banking analyst at FTN Midwest Securities Corp. in Cleveland, said none of Huntington's executive team can avoid blame for the debacle. Former Sky CEO Marty Adams, now Huntington's president, set up the arrangement with Franklin Credit, while Huntington CEO Thomas E. Hoaglin and the board of directors failed to see the potential pitfalls.

"They all have a lot of egg on their face," Davis said.

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As recently as Nov. 8, Huntington said in a slideshow at a Boston investors' conference "we know this relationship well" and Franklin Credit has a "proven track record for servicing and collecting on (its) loans."

That Huntington executives apparently didn't offer an inkling of what was to come angered John Lewis, principal of New Albany Capital Partners LLC, an investment advisory firm. Lewis sold most of his remaining Huntington stock after the Nov. 16 announcement.

"Speaking as an investor who had every reason to trust Huntington's representations, I'll certainly have a lack of confidence in future representations," he said.

Stifel Nicolaus' report suggested Huntington executives probably had knowledge for weeks of problems at Franklin Credit, but they weren't able to divulge any of that information because it would have been material to another public company's operations.

33. On this news, Huntington's stock dropped from \$16.08 per share to as low as \$14.38 per share, closing at \$14.75 per share on November 16, 2007 on volume of over 10 million shares.

34. The true facts, which were known by defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company had far greater exposure to anticipated losses and defaults in its home loan portfolio, particularly with subprime debt exposure arising from Sky Financial, than it had previously disclosed; and

(b) Defendants' Class Period statements about the Company's financial results were materially false due to its failure to record timely and adequate accruals for losses on its exposure to delinquent subprime mortgages.

35. As a result of defendants' false statements and omissions, Huntington's stock traded at artificially inflated prices during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 40% from their Class Period high.

### **LOSS CAUSATION/ECONOMIC LOSS**

36. By misrepresenting Huntington's business, the defendants presented a misleading picture of the Company's business and prospects. Thus, instead of truthfully disclosing during the Class Period that Huntington's business was not as healthy as represented, Huntington falsely overstated its net income, and falsely concealed the problems with its loan portfolio.

37. These omissions caused and maintained the artificial inflation in Huntington's stock price throughout the Class Period and until the truth about its future earnings was revealed to the market.

38. Defendants' false and misleading statements had the intended effect and caused Huntington stock to trade at artificially inflated levels throughout the Class Period, trading for most of the Class Period at \$18 per share.

39. On November 16, 2007, defendants stunned investors by publicly disclosing massive anticipated losses in its home loan portfolio, causing its stock to drop to as low as \$14.38 per share on at closing on November 16, 2007 – a one day decline of \$1.33 per share. As a direct result of defendants' admissions and the public revelations regarding the truth about Huntington's profitability and its actual business prospects going forward, Huntington's stock price dropped more than \$3 per share from the time prior to the November 16, 2007 disclosure. This drop removed artificial inflation from Huntington's stock price, causing real economic loss to investors who had purchased the stock during the Class Period.

## COUNT I

### **For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants**

40. Plaintiff incorporates ¶¶1-39 by reference.

41. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

42. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their purchases of Huntington common stock during the Class Period.

43. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Huntington common stock. Plaintiff and the Class would not have purchased Huntington common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

## COUNT II

### **For Violation of §20(a) of the 1934 Act Against All Defendants**

44. Plaintiff incorporates ¶¶1-43 by reference.

45. The Individual Defendants acted as controlling persons of Huntington within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of Huntington stock, the Individual Defendants had the power and authority to cause Huntington to engage in the wrongful conduct complained of herein. Huntington controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

### **CLASS ACTION ALLEGATIONS**

46. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Huntington common stock during the Class Period (the “Class”). Excluded from the Class are defendants.

47. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Huntington has nearly 366 million shares of common stock outstanding, owned by hundreds if not thousands of persons.

48. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the 1934 Act was violated by defendants;
- (b) whether defendants omitted and/or misrepresented material facts;
- (c) whether defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
- (e) whether the price of Huntington common stock was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

49. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from defendants' wrongful conduct.

50. Plaintiff will adequately protect the interests of the Class and have retained counsel experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

51. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

#### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff's reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

#### **JURY DEMAND**

Plaintiff demands a trial by jury.

DATED: \_\_\_\_\_, 2007

DAVID P. MEYER & ASSOCIATES CO., LPA

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