

HUNTINGTON BANCSHARES INC/MD
Form 10-Q
July 31, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
QUARTERLY PERIOD ENDED June 30, 2017
Commission File Number 1-34073
Huntington Bancshares Incorporated

Maryland 31-0724920
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
41 South High Street, Columbus, Ohio 43287

Registrant's telephone number, including area code (614) 480-8300

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer
 Smaller reporting company

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

There were 1,090,016,469 shares of Registrant's common stock (\$0.01 par value) outstanding on June 30, 2017.

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Glossary of Acronyms and Terms

The following listing provides a comprehensive reference of common acronyms and terms used throughout the document:

ABS	Asset-Backed Securities
ACL	Allowance for Credit Losses
AFS	Available-for-Sale
ALCO	Asset-Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ANPR	Advance Notice of Proposed Rulemaking
ASC	Accounting Standards Codification
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
Basel III	Refers to the final rule issued by the FRB and OCC and published in the Federal Register on October 11, 2013
BHC	Bank Holding Companies
BHC Act	Bank Holding Company Act of 1956
C&I	Commercial and Industrial
Camco Financial	Camco Financial Corp.
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized Debt Obligations
CDs	Certificate of Deposit
CET1	Common equity tier 1 on a transitional Basel III basis
CFPB	Bureau of Consumer Financial Protection
CISA	Cybersecurity Information Sharing Act
CMO	Collateralized Mortgage Obligations
CRA	Community Reinvestment Act

CRE	Commercial Real Estate
CREVF	Commercial Real Estate and Vehicle Finance
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EFT	Electronic Fund Transfer
EPS	Earnings Per Share
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FHA	Federal Housing Administration
FHC	Financial Holding Company
FHLB	Federal Home Loan Bank

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FICO	Fair Isaac Corporation
FirstMerit	FirstMerit Corporation
FRB	Federal Reserve Bank
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
HAA	Huntington Asset Advisors, Inc.
HASI	Huntington Asset Services, Inc.
HQLA	High Quality Liquid Asset
HTM	Held-to-Maturity
IRS	Internal Revenue Service
LCR	Liquidity Coverage Ratio
LGD	Loss-Given-Default
LIBOR	London Interbank Offered Rate
LIHTC	Low Income Housing Tax Credit
LTV	Loan to Value
Macquarie	Macquarie Equipment Finance, Inc. (U.S. operations)
MBS	Mortgage-Backed Securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NAICS	North American Industry Classification System
NALs	Nonaccrual Loans
NCO	Net Charge-off

NII	Net Interest Income
NIM	Net Interest Margin
NPAs	Nonperforming Assets
N.R.	Not relevant. Denominator of calculation is a gain in the current period compared with a loss in the prior period, or vice-versa
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PD	Probability-Of-Default
Plan	Huntington Bancshares Retirement Plan
RBHPCG	Regional Banking and The Huntington Private Client Group
REIT	Real Estate Investment Trust

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ROC	Risk Oversight Committee
RWA	Risk-Weighted Assets
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SRIP	Supplemental Retirement Income Plan
TCE	Tangible Common Equity
TDR	Troubled Debt Restructured Loan
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
Unified	Unified Financial Securities, Inc.
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VIE	Variable Interest Entity
XBRL	eXtensible Business Reporting Language

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PART I. FINANCIAL INFORMATION

When we refer to “we”, “our”, and “us”, and “the Company” in this report, we mean Huntington Bancshares Incorporated and our consolidated subsidiaries, unless the context indicates that we refer only to the parent company, Huntington Bancshares Incorporated. When we refer to the “Bank” in this report, we mean our only bank subsidiary, The Huntington National Bank, and its subsidiaries.

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have over 150 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, recreational vehicle and marine financing, equipment leasing, investment management, trust services, brokerage services, insurance programs, and other financial products and services. Our 996 branches and private client group offices are located in Ohio, Illinois, Indiana, Kentucky, Michigan, Pennsylvania, West Virginia, and Wisconsin. Select financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio. Our foreign banking activities, in total or with any individual country, are not significant.

This MD&A provides information we believe necessary for understanding our financial condition, changes in financial condition, results of operations, and cash flows. The MD&A included in our 2016 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2016 Form 10-K. This MD&A should also be read in conjunction with the Unaudited Condensed Consolidated Financial Statements, Notes to Unaudited Condensed Consolidated Financial Statements, and other information contained in this report.

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EXECUTIVE OVERVIEW

Summary of 2017 Second Quarter Results Compared to 2016 Second Quarter

For the quarter, we reported net income of \$272 million, or \$0.23 per common share, compared with \$175 million, or \$0.19 per common share, in the year-ago quarter (see Table 1). Reported net income was impacted by FirstMerit acquisition-related net expenses totaling \$50 million pre-tax, or \$0.03 per common share.

Fully-taxable equivalent net interest income was \$757 million, up \$241 million, or 47%. The results reflected the benefit from a \$23.9 billion, or 35%, increase in average earning assets and a 25 basis point improvement in the net interest margin to 3.31%. Average earning asset growth included a \$15.4 billion, or 30%, increase in average loans and leases, and an \$8.5 billion, or 56%, increase in average securities, both of which were impacted by the FirstMerit acquisition. The net interest margin expansion reflected a 34 basis point increase in earning asset yields, including an approximate 15 basis point impact of purchase accounting, and a 2 basis point increase in the benefit from noninterest-bearing funds, partially offset by an 11 basis point increase in funding costs.

The provision for credit losses was \$25 million consistent with the year-ago quarter. NCOs increased \$19 million to \$36 million, primarily as a result of Consumer charge-offs on the acquired FirstMerit portfolio. NCOs represented an annualized 0.21% of average loans and leases, which remains below our long-term target of 35 to 55 basis points. Noninterest income was \$325 million, up \$54 million, or 20%. The increase was primarily a result of the FirstMerit acquisition. In addition, card and payment processing income increased due to higher credit and debit card related income and underlying customer growth. Also, service charges on deposit accounts increased reflecting continued new customer acquisition.

Noninterest expense was \$694 million, up \$171 million, or 33%, primarily reflecting the impact of the FirstMerit acquisition. Personnel costs increased primarily reflecting an increase in average full-time equivalent employees and an increase in acquisition-related personnel expense. Further, deposit and other insurance expense increased, as a result of the larger assessment base as well as the FDIC Large Institution Surcharge implemented during the 2016 third quarter.

The tangible common equity to tangible assets ratio was 7.41%, down 55 basis points from a year-ago. The CET1 risk-based capital ratio was 9.88% at June 30, 2017, compared to 9.80% a year ago. The regulatory tier 1 risk-based capital ratio was 11.24% compared to 11.37% at June 30, 2016. Capital ratios were impacted by the goodwill created and the issuance of common stock as part of the FirstMerit acquisition. The regulatory Tier 1 risk-based and total risk-based capital ratios benefited from the issuance of Class C preferred equity during the 2016 third quarter in exchange for FirstMerit preferred equity in conjunction with the acquisition. The total risk-based capital ratio was impacted by the repurchase of trust preferred securities during the 2016 third quarter and fourth quarter. In addition, certain trust preferred securities were acquired in the FirstMerit acquisition and subsequently were redeemed. There were no common shares repurchased over the past five quarters.

Business Overview

General

Our general business objectives are: (1) grow net interest income and fee income, (2) deliver positive operating leverage, (3) increase primary customer relationships across all business segments, (4) continue to strengthen risk management and (5) maintain capital and liquidity positions consistent with our risk appetite.

Economy

We expect ongoing consumer and business confidence to translate into private sector investment fueling continued economic momentum. We are seeing solid manufacturing and infrastructure growth in the Midwest. Businesses are adding jobs and investing more, and our pipelines have remained steady.

DISCUSSION OF RESULTS OF OPERATIONS

This section provides a review of financial performance from a consolidated perspective. It also includes a “Significant Items” section that summarizes key issues important for a complete understanding of performance trends. Key Unaudited Condensed Consolidated Balance Sheet and Unaudited Condensed Statement of Income trends are discussed. All earnings per share data are reported on a diluted basis. For additional insight on financial performance, please read this section in conjunction with the “Business Segment Discussion.”

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Table 1 - Selected Quarterly Income Statement Data (1)

(dollar amounts in thousands, except per share amounts)

	Three Months Ended						
	June 30,	March 31,	December	September	June 30,		
	2017	2017	31, 2016	30, 2016	2016		
Interest income	\$846,424	\$820,360	\$814,858	\$694,346	\$565,658		
Interest expense	101,912	90,385	79,877	68,956	59,777		
Net interest income	744,512	729,975	734,981	625,390	505,881		
Provision for credit losses	24,978	67,638	74,906	63,805	24,509		
Net interest income after provision for credit losses	719,534	662,337	660,075	561,585	481,372		
Service charges on deposit accounts	87,582	83,420	91,577	86,847	75,613		
Cards and payment processing income	52,485	47,169	49,113	44,320	39,184		
Mortgage banking income	32,268	31,692	37,520	40,603	31,591		
Trust and investment management services	32,232	33,869	34,016	28,923	22,497		
Insurance income	15,843	15,264	16,486	15,865	15,947		
Brokerage income	16,294	15,758	17,014	14,719	14,599		
Capital markets fees	16,836	14,200	18,730	14,750	13,037		
Bank owned life insurance income	15,322	17,542	17,067	14,452	12,536		
Gain on sale of loans	12,002	12,822	24,987	7,506	9,265		
Securities gains (losses)	135	(8)	(1,771)	1,031	656
Other Income	44,219	40,735	29,598	33,399	36,187		
Total noninterest income	325,218	312,463	334,337	302,415	271,112		
Personnel costs	391,997	382,000	359,755	405,024	298,949		
Outside data processing and other services	75,169	87,202	88,695	91,133	63,037		
Equipment	42,924	46,700	59,666	40,792	31,805		
Net occupancy	52,613	67,700	49,450	41,460	30,704		
Professional services	18,190	18,295	23,165	47,075	21,488		
Marketing	18,843	13,923	21,478	14,438	14,773		
Deposit and other insurance expense	20,418	20,099	15,772	14,940	12,187		
Amortization of intangibles	14,242	14,355	14,099	9,046	3,600		
Other expense	59,968	57,148	49,417	48,339	47,118		
Total noninterest expense	694,364	707,422	681,497	712,247	523,661		
Income before income taxes	350,388	267,378	312,915	151,753	228,823		
Provision for income taxes	78,647	59,284	73,952	24,749	54,283		
Net income	271,741	208,094	238,963	127,004	174,540		
Dividends on preferred shares	18,889	18,878	18,865	18,537	19,874		
Net income applicable to common shares	\$252,852	\$189,216	\$220,098	\$108,467	\$154,666		
Average common shares—basic	1,088,934	1,086,374	1,085,253	938,578	798,167		
Average common shares—diluted	1,108,527	1,108,617	1,104,358	952,081	810,371		
Net income per common share—basic	\$0.23	\$0.17	\$0.20	\$0.12	\$0.19		
Net income per common share—diluted	0.23	0.17	0.20	0.11	0.19		
Cash dividends declared per common share	0.08	0.08	0.08	0.07	0.07		
Return on average total assets	1.09	% 0.84	% 0.95	% 0.58	% 0.96	%	
Return on average common shareholders' equity	10.6	8.2	9.4	5.4	9.6		
Return on average tangible common shareholders' equity (2)	14.4	11.3	12.9	7.0	11.0		
Net interest margin (3)	3.31	3.30	3.25	3.18	3.06		

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Efficiency ratio (4)	62.9	65.7	61.6	75.0	66.1
Effective tax rate	22.4	22.2	23.6	16.3	23.7
Revenue—FTE					
Net interest income	\$744,512	\$729,975	\$734,981	\$625,390	\$505,881
FTE adjustment	12,069	12,058	12,560	10,598	10,091
Net interest income (3)	756,581	742,033	747,541	635,988	515,972
Noninterest income	325,218	312,463	334,337	302,415	271,112
Total revenue (3)	\$1,081,799	\$1,054,496	\$1,081,878	\$938,403	\$787,084

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(dollar amounts in thousands, except per share amounts)

	Six Months Ended June		Change	
	2017	2016	Amount	Percent
Interest income	\$1,666,784	\$1,122,909	\$543,875	48 %
Interest expense	192,297	113,962	78,335	69
Net interest income	1,474,487	1,008,947	465,540	46
Provision for credit losses	92,616	52,091	40,525	78
Net interest income after provision for credit losses	1,381,871	956,856	425,015	44
Service charges on deposit accounts	171,002	145,875	25,127	17
Cards and payment processing income	99,654	75,631	24,023	32
Mortgage banking income	63,960	50,134	13,826	28
Trust and investment management services	66,101	45,335	20,766	46
Insurance income	31,107	32,172	(1,065)	(3)
Brokerage income	32,052	30,101	1,951	6
Capital markets fees	31,036	26,047	4,989	19
Bank owned life insurance income	32,864	26,049	6,815	26
Gain on sale of loans	24,824	14,660	10,164	69
Securities gains	127	656	(529)	(81)
Other income	84,954	66,319	18,635	28
Total noninterest income	637,681	512,979	124,702	24
Personnel costs	773,997	584,346	189,651	32
Outside data processing and other services	162,371	124,915	37,456	30
Equipment	89,624	64,381	25,243	39
Net occupancy	120,313	62,180	58,133	93
Professional services	36,485	35,026	1,459	4
Marketing	32,766	27,041	5,725	21
Deposit and other insurance expense	40,517	23,395	17,122	73
Amortization of intangibles	28,597	7,312	21,285	291
Other expense	117,116	86,145	30,971	36
Total noninterest expense	1,401,786	1,014,741	387,045	38
Income before income taxes	617,766	455,094	162,672	36
Provision for income taxes	137,931	109,240	28,691	26
Net income	479,835	345,854	133,981	39
Dividends declared on preferred shares	37,767	27,872	9,895	36
Net income applicable to common shares	\$442,068	\$317,982	\$124,086	39 %
Average common shares—basic	1,087,654	796,961	290,693	36 %
Average common shares—diluted	1,108,572	809,360	299,212	37
Net income per common share—basic	\$0.41	\$0.40	\$0.01	3
Net income per common share—diluted	0.40	0.39	0.01	3
Cash dividends declared per common share	0.16	0.14	0.02	14
Revenue—FTE				
Net interest income	\$1,474,487	\$1,008,947	\$465,540	46 %
FTE adjustment	24,127	19,250	4,877	25
Net interest income (3)	1,498,614	1,028,197	470,417	46
Noninterest income	637,681	512,979	124,702	24
Total revenue (3)	\$2,136,295	\$1,541,176	\$595,119	39 %

(1) Comparisons for presented periods are impacted by a number of factors. Refer to the “Significant Items” for additional discussion regarding these key factors.

(2) Net income excluding expense for amortization of intangibles for the period divided by average tangible common shareholders’ equity. Average tangible common shareholders’ equity equals average total common shareholders’ equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.

(3) On a fully-taxable equivalent (FTE) basis assuming a 35% tax rate.

(4) Noninterest expense less amortization of intangibles and goodwill impairment divided by the sum of FTE net interest income and noninterest income excluding securities gains.

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Significant Items

Earnings comparisons are impacted by the Significant Items summarized below:

Mergers and Acquisitions. Significant events relating to mergers and acquisitions, and the impacts of those events on our reported results, are as follows:

During the 2017 second quarter, \$50 million of noninterest expense was recorded related to the acquisition of FirstMerit. This resulted in a negative impact of \$0.03 per common share.

During the 2017 first quarter, \$73 million of noninterest expense and \$2 million of noninterest income was recorded related to the acquisition of FirstMerit. This resulted in a negative impact of \$0.04 per common share.

During the 2016 second quarter, \$21 million of noninterest expense was recorded related to the then pending acquisition of FirstMerit. This resulted in a negative impact of \$0.02 per common share.

The following table reflects the earnings impact of the above-mentioned Significant Items for periods affected:

Table 3 - Significant Items Influencing Earnings Performance Comparison
(dollar amounts in thousands, except per share amounts)

	Three Months Ended					
	June 30, 2017		March 31, 2017		June 30, 2016	
	Amount	EPS (1)	Amount	EPS (1)	Amount	EPS (1)
Net income	\$271,741		\$208,094		\$174,540	
Earnings per share, after-tax		\$0.23		\$0.17		\$0.19
Significant Items—favorable (unfavorable) impact	Earnings	EPS (1)	Earnings	EPS (1)	Earnings	EPS (1)
Mergers and acquisitions, net expenses	\$(50,243)		\$(71,145)		\$(20,789)	
Tax impact	17,585		24,901		7,213	
Mergers and acquisitions, after-tax	\$(32,658)	\$(0.03)	\$(46,244)	\$(0.04)	\$(13,576)	\$(0.02)

(1) Based upon the quarterly average outstanding diluted common shares.

	Six Months Ended			
	June 30, 2017		June 30, 2016	
	After-tax	EPS (1)	After-tax	EPS (1)
Net income	\$479,835		\$345,854	
Earnings per share, after-tax		\$0.40		\$0.39
Significant Items—favorable (unfavorable) impact	Earnings	EPS (1)	Earnings	EPS (1)
Mergers and acquisitions, net expenses	\$(121,388)		\$(27,195)	
Tax impact	42,486		9,219	
Mergers and acquisitions, after-tax	\$(78,902)	\$(0.07)	\$(17,976)	\$(0.03)

(1) Based upon the year to date average outstanding diluted common shares.

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Net Interest Income / Average Balance Sheet

The following tables detail the change in our average balance sheet and the net interest margin:

Table 4 - Consolidated Average Balance Sheet and Net Interest Margin Analysis

(dollar amounts in millions)

	Average Balances					Change		
	Three Months Ended		December 31, 2016	September 30, 2016	June 30, 2016	2Q17 vs. 2Q16		
	June 30, 2017	March 31, 2017				Amount	Percent	
Assets:								
Interest-bearing deposits in banks	\$102	\$100	\$110	\$95	\$99	\$3	4	%
Loans held for sale	525	415	2,507	695	571	(46)	(8))
Securities:								
Available-for-sale and other securities:								
Taxable	13,135	12,801	13,734	9,785	6,904	6,231	90	
Tax-exempt	3,104	3,049	3,136	2,854	2,510	594	24	
Total available-for-sale and other securities	16,239	15,850	16,870	12,639	9,414	6,825	72	
Trading account securities	91	137	139	49	41	50	121	
Held-to-maturity securities—taxable	7,427	7,656	5,432	5,487	5,806	1,621	28	
Total securities	23,756	23,643	22,441	18,175	15,261	8,495	56	
Loans and leases: (1)								
Commercial:								
Commercial and industrial	27,992	27,922	27,727	24,957	21,344	6,648	31	
Commercial real estate:								
Construction	1,130	1,314	1,413	1,132	881	249	28	
Commercial	5,940	6,039	5,805	5,227	4,345	1,595	37	
Commercial real estate	7,070	7,353	7,218	6,359	5,226	1,844	35	
Total commercial	35,062	35,276	34,945	31,316	26,570	8,492	32	
Consumer:								
Automobile	11,324	11,063	10,866	11,402	10,146	1,178	12	
Home equity	9,958	10,072	10,101	9,260	8,416	1,542	18	
Residential mortgage	7,979	7,777	7,690	7,012	6,187	1,792	29	
RV and marine finance	2,039	1,874	1,844	915	—	N.R.	N.R.	
Other consumer	983	919	959	817	613	370	60	
Total consumer	32,283	31,705	31,460	29,406	25,362	6,921	27	
Total loans and leases	67,345	66,981	66,405	60,722	51,932	15,413	30	
Allowance for loan and lease losses	(672)	(636)	(614)	(623)	(616)	(56)	9	
Net loans and leases	66,673	66,345	65,791	60,099	51,316	15,357	30	
Total earning assets	91,728	91,139	91,463	79,687	67,863	23,865	35	
Cash and due from banks	1,287	2,011	1,538	1,325	1,001	286	29	
Intangible assets	2,373	2,387	2,421	1,547	726	1,647	227	
All other assets	5,405	5,442	5,559	4,962	4,149	1,256	30	
Total assets	\$100,121	\$100,343	\$100,367	\$86,898	\$73,123	\$26,998	37	%
Liabilities and Shareholders' Equity:								
Deposits:								
Demand deposits—noninterest-bearing	\$21,599	\$21,730	\$23,250	\$20,033	\$16,507	\$5,092	31	%
Demand deposits—interest-bearing	17,445	16,805	15,294	12,362	8,445	9,000	107	
Total demand deposits	39,044	38,535	38,544	32,395	24,952	14,092	56	

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Money market deposits	19,212	18,653	18,618	18,453	19,534	(322)	(2)
Savings and other domestic deposits	11,889	11,970	12,272	8,889	5,402	6,487	120
Core certificates of deposit	2,146	2,342	2,636	2,285	2,007	139	7
Total core deposits	72,291	71,500	72,070	62,022	51,895	20,396	39
Other domestic time deposits of \$250,000 or more	479	470	391	382	402	77	19
Brokered deposits and negotiable CDs	3,783	3,969	4,273	3,904	2,909	874	30
Deposits in foreign offices	—	—	152	194	208	(208)	—
Total deposits	76,553	75,939	76,886	66,502	55,414	21,139	38
Short-term borrowings	2,687	3,792	2,628	1,306	1,032	1,655	160
Long-term debt	8,730	8,529	8,594	8,488	7,899	831	11
Total interest-bearing liabilities	66,371	66,530	64,858	56,263	47,838	18,533	39
All other liabilities	1,557	1,661	1,833	1,608	1,416	141	10
Shareholders' equity	10,594	10,422	10,426	8,994	7,362	3,232	44
Total liabilities and shareholders' equity	\$ 100,121	\$ 100,343	\$ 100,367	\$ 86,898	\$ 73,123	\$ 26,998	37 %

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Table 4 - Consolidated Average Balance Sheet and Net Interest Margin Analysis (Continued)

	Average Yield Rates (2)				
	Three Months Ended				
	June	March	December	September	June
	30,	31,	31,	30,	30,
	2017	2017	2016	2016	2016
Fully-taxable equivalent basis (3)					
Assets:					
Interest-bearing deposits in banks	1.53 %	1.09 %	0.64 %	0.64 %	0.25 %
Loans held for sale	3.73	3.82	2.95	3.53	3.89
Securities:					
Available-for-sale and other securities:					
Taxable	2.38	2.38	2.43	2.35	2.37
Tax-exempt	3.71	3.77	3.60	3.01	3.38
Total available-for-sale and other securities	2.64	2.65	2.65	2.50	2.64
Trading account securities	0.25	0.11	0.18	0.58	0.98
Held-to-maturity securities—taxable	2.38	2.36	2.43	2.41	2.44
Total securities	2.55	2.54	2.58	2.47	2.56
Loans and leases: (1)					
Commercial:					
Commercial and industrial	4.04	3.98	3.83	3.68	3.49
Commercial real estate:					
Construction	4.26	3.95	3.65	3.76	3.70
Commercial	3.97	3.69	3.54	3.54	3.35
Commercial real estate	4.02	3.74	3.56	3.58	3.41
Total commercial	4.04	3.93	3.78	3.66	3.47
Consumer:					
Automobile	3.55	3.55	3.57	3.37	3.15
Home equity	4.61	4.45	4.24	4.21	4.17
Residential mortgage	3.66	3.63	3.58	3.61	3.65
RV and marine finance	5.57	5.63	5.64	5.70	—
Other consumer	11.47	12.05	10.91	10.93	10.28
Total consumer	4.27	4.23	4.13	3.97	3.79
Total loans and leases	4.15	4.07	3.95	3.81	3.63
Total earning assets	3.75	3.70	3.60	3.52	3.41
Liabilities:					
Deposits:					
Demand deposits—noninterest-bearing	—	—	—	—	—
Demand deposits—interest-bearing	0.20	0.15	0.11	0.11	0.09
Total demand deposits	0.09	0.07	0.04	0.04	0.03
Money market deposits	0.31	0.26	0.24	0.24	0.24
Savings and other domestic deposits	0.21	0.22	0.25	0.21	0.11
Core certificates of deposit	0.56	0.39	0.29	0.43	0.79
Total core deposits	0.26	0.22	0.20	0.20	0.22
Other domestic time deposits of \$250,000 or more	0.49	0.45	0.39	0.40	0.40
Brokered deposits and negotiable CDs	0.95	0.72	0.48	0.44	0.40
Deposits in foreign offices	—	—	0.13	0.13	0.13
Total deposits	0.31	0.26	0.23	0.22	0.23
Short-term borrowings	0.78	0.63	0.36	0.29	0.36

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Long-term debt	2.49	2.33	2.19	1.97	1.85
Total interest-bearing liabilities	0.61	0.54	0.48	0.49	0.50
Net interest rate spread	3.14	3.16	3.12	3.03	2.91
Impact of noninterest-bearing funds on margin	0.17	0.14	0.13	0.15	0.15
Net interest margin	3.31	% 3.30	% 3.25	% 3.18	% 3.06

(1) For purposes of this analysis, NALs are reflected in the average balances of loans.

(2) Loan and lease and deposit average rates include impact of applicable derivatives, non-deferrable fees, and amortized fees.

(3) FTE yields are calculated assuming a 35% tax rate.

N.R. - Not relevant.

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2017 Second Quarter versus 2016 Second Quarter

FTE net interest income for the 2017 second quarter increased \$241 million, or 47%, from the 2016 second quarter. This reflected the benefit from the \$23.9 billion, or 35%, increase in average earning assets coupled with a 25 basis point improvement in the FTE net interest margin to 3.31%. The NIM expansion reflected a 34 basis point increase related to the mix and yield of earning assets and a 2 basis point increase in the benefit from noninterest-bearing funds, partially offset by an 11 basis point increase in funding costs. FTE net interest income during the 2017 second quarter included \$34 million, or approximately 15 basis points, of purchase accounting impact.

Average earning assets for the 2017 second quarter increased \$23.9 billion, or 35%, from the year-ago quarter, primarily reflecting the impact of the FirstMerit acquisition. Average earning asset growth included a \$15.4 billion, or 30%, increase in average loans and leases and an \$8.5 billion, or 56%, increase in average securities. Average securities included \$2.9 billion of direct purchase municipal instruments in our commercial banking segment compared to \$2.3 billion in the year-ago quarter. Average residential mortgage loans increased \$1.8 billion, or 29%, as we continue to see increased demand for residential mortgage loans across our footprint.

Average total deposits for the 2017 second quarter increased \$21.1 billion, or 38%, from the year-ago quarter, while average total core deposits increased \$20.4 billion, or 39%. Average total interest-bearing liabilities increased \$18.5 billion, or 39%, from the year-ago quarter. These increases primarily reflect the impact of the FirstMerit acquisition. Average demand deposits increased \$14.1 billion, or 56%, comprised of a \$9.9 billion, or 62%, increase in average commercial demand deposits and a \$4.2 billion, or 46%, increase in average consumer demand deposits. Average long-term borrowings increased \$0.8 billion, or 11%, reflecting the issuance of \$2.0 billion and maturity of \$1.6 billion of senior debt over the past five quarters.

2017 Second Quarter versus 2017 First Quarter

Compared to the 2017 first quarter, FTE net interest income increased \$15 million, or 2%. The increase in the NIM reflected a 5 basis point increase in earning asset yields and a 3 basis point increase in the benefit from noninterest-bearing funds, partially offset by a 7 basis point increase in the cost of interest-bearing liabilities. The purchase accounting impact on the net interest margin was approximately 15 basis points in the 2017 second quarter compared to approximately 16 basis points in the prior quarter.

Average earning assets increased \$0.6 billion, or less than 1% from the 2017 first quarter. Average loans and leases increased \$0.4 billion, or less than 1%, primarily reflecting growth in residential mortgage, automobile, and RV and marine loans partially offset by a decline in average commercial real estate loans. Total commercial lending was impacted by anticipated FirstMerit-related runoff and lower utilization.

Average total core deposits increased \$0.8 billion, or 1%, primarily reflecting a \$0.6 billion, or 3%, increase in money market deposits and a \$0.5 billion, or 1%, increase in average demand deposits. Average total debt decreased \$0.9 billion, or 7%, driven by a \$1.1 billion, or 29%, decrease in short-term borrowings, reflecting the maintenance of excess liquidity surrounding the branch conversion during the 2017 first quarter.

Table of ContentsTable 5 - Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis
(dollar amounts in millions)

	YTD Average Balances				YTD Average Rates (2)			
	Six Months Ended June 30,		Change		Six Months Ended June 30,			
Fully-taxable equivalent basis (1)	2017	2016	Amount	Percent	2017	2016		
Assets:								
Interest-bearing deposits in banks	\$ 101	\$ 98	\$ 3	3 %	1.31	0.23	%	%
Loans held for sale	470	502	(32)	(6)	3.76	3.93		
Securities:								
Available-for-sale and other securities:								
Taxable	12,969	6,768	6,201	92	2.38	2.38		
Tax-exempt	3,076	2,434	642	26	3.74	3.39		
Total available-for-sale and other securities	16,045	9,202	6,843	74	2.64	2.65		
Trading account securities	114	40	74	185	0.17	0.75		
Held-to-maturity securities—taxable	7,541	5,930	1,611	27	2.37	2.44		
Total securities	23,700	15,172	8,528	56	2.55	2.56		
Loans and leases: (3)								
Commercial:								
Commercial and industrial	27,957	20,996	6,961	33	4.01	3.51		
Commercial real estate:								
Construction	1,221	902	319	35	4.09	3.60		
Commercial	5,990	4,314	1,676	39	3.83	3.47		
Commercial real estate	7,211	5,216	1,995	38	3.88	3.49		
Total commercial	35,168	26,212	8,956	34	3.98	3.50		
Consumer:								
Automobile	11,194	9,938	1,256	13	3.55	3.16		
Home equity	9,994	8,429	1,565	19	4.54	4.18		
Residential mortgage	7,879	6,102	1,777	29	3.65	3.67		
RV and marine finance	1,957	—	1,957	N.R.	5.60	—		
Other consumer	972	594	378	64	11.49	10.16		
Total consumer	31,996	25,063	6,933	28	4.25	3.80		
Total loans and leases	67,164	51,275	15,889	31	4.11	3.65		
Allowance for loan and lease losses	(654)	(610)	(44)	7				
Net loans and leases	66,510	50,665	15,845	31				
Total earning assets	91,435	67,047	24,388	36	3.73 %	3.43 %	%	%
Cash and due from banks	1,647	1,007	640	64				
Intangible assets	2,380	728	1,652	227				
All other assets	5,424	4,187	1,237	30				
Total assets	\$ 100,232	\$ 72,359	\$ 27,873	39 %				
Liabilities and Shareholders' Equity:								
Deposits:								
Demand deposits—noninterest-bearing	\$ 21,664	\$ 16,421	\$ 5,243	32 %	— %	— %	%	%
Demand deposits—interest-bearing	17,127	8,111	9,016	111	0.18	0.09		
Total demand deposits	38,791	24,532	14,259	58	0.08	0.03		
Money market deposits	18,934	19,608	(674)	(3)	0.29	0.24		
Savings and other domestic deposits	11,930	5,354	6,576	123	0.21	0.12		
Core certificates of deposit	2,243	2,136	107	5	0.47	0.81		

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Total core deposits	71,898	51,630	20,268	39	0.24	0.22
Other domestic time deposits of \$250,000 or more	474	429	45	10	0.47	0.40
Brokered deposits and negotiable CDs	3,876	2,903	973	34	0.83	0.39
Deposits in foreign offices	—	236	(236)	—	—	0.13
Total deposits	76,248	55,198	21,050	38	0.28	0.24
Short-term borrowings	3,236	1,089	2,147	197	0.69	0.33
Long-term debt	8,630	7,549	1,081	14	2.41	1.77
Total interest-bearing liabilities	66,450	47,415	19,035	40	0.58	0.48
All other liabilities	1,609	1,465	144	10		
Shareholders' equity	10,509	7,058	3,451	49		
Total liabilities and shareholders' equity	\$100,232	\$72,359	\$27,873	39	%	
Net interest rate spread					3.15	2.94
Impact of noninterest-bearing funds on margin					0.16	0.14
Net interest margin					3.31	% 3.08 %

(1) FTE yields are calculated assuming a 35% tax rate.

(2) Loan, lease, and deposit average rates include the impact of applicable derivatives, non-deferrable fees, and amortized deferred fees.

(3) For purposes of this analysis, nonaccrual loans are reflected in the average balances of loans.

N.R.—Not relevant.

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2017 First Six Months versus 2016 First Six Months

FTE net interest income for the first six-month period of 2017 increased \$470 million, or 46%. This reflected the benefit of a \$24.4 billion, or 36%, increase in average total earning assets coupled with a FTE net interest margin increased to 3.31% from 3.08%. Average securities increased \$8.5 billion, or 56%, primarily reflecting the acquisition of FirstMerit and an increase in direct purchase municipal instruments in our commercial banking segment. Average loans and leases increased \$15.9 billion, or 31%, primarily reflecting an increase in C&I lending, residential mortgage loans and RV and marine finance resulting from the acquisition of FirstMerit.

Provision for Credit Losses

(This section should be read in conjunction with the Credit Risk section.)

The provision for credit losses is the expense necessary to maintain the ALLL and the AULC at levels appropriate to absorb our estimate of credit losses in the loan and lease portfolio and the portfolio of unfunded loan commitments and letters-of-credit.

The provision for credit losses for the 2017 second quarter was \$25 million, which remained relatively unchanged compared to the second quarter 2016. NCOs increased \$19 million to \$36 million compared with the same period in the prior year. Net charge-offs represented an annualized 0.21% of average loans and leases, which remains below our long-term target of 35 to 55 basis points.

On a year-to-date basis, provision for credit losses for the first six-month period of 2017 was \$93 million, an increase of \$41 million, or 78%, compared to year-ago period. The increase primarily relates to the FirstMerit acquisition as well as one large commercial recovery in the prior year period.

Noninterest Income

The following table reflects noninterest income for each of the periods presented:

Table 6 - Noninterest Income

(dollar amounts in thousands)

	Three Months Ended			2Q17 vs. 2Q16		2Q17 vs. 1Q17	
	June 30, 2017	March 31, 2017	June 30, 2016	Change Amount	Percent	Change Amount	Percent
Service charges on deposit accounts	\$87,582	\$83,420	\$75,613	\$11,969	16 %	\$4,162	5 %
Cards and payment processing income	52,485	47,169	39,184	13,301	34	5,316	11
Mortgage banking income	32,268	31,692	31,591	677	2	576	2
Trust and investment management services	32,232	33,869	22,497	9,735	43	(1,637)	(5)
Insurance income	15,843	15,264	15,947	(104)	(1)	579	4
Brokerage income	16,294	15,758	14,599	1,695	12	536	3
Capital markets fees	16,836	14,200	13,037	3,799	29	2,636	19
Bank owned life insurance income	15,322	17,542	12,536	2,786	22	(2,220)	(13)
Gain on sale of loans	12,002	12,822	9,265	2,737	30	(820)	(6)
Securities gains (losses)	135	(8)	656	(521)	(79)	143	(1,788)
Other Income	44,219	40,735	36,187	8,032	22	3,484	9
Total noninterest income	\$325,218	\$312,463	\$271,112	\$54,106	20 %	\$12,755	4 %

2017 Second Quarter versus 2016 Second Quarter

Noninterest income for the 2017 second quarter increased \$54 million, or 20%, from the year-ago quarter, primarily reflecting the impact of the FirstMerit acquisition. Card and payment processing income increased \$13 million, or 34%, due to higher credit and debit card related income and underlying customer growth. Service charges on deposit accounts increased \$12 million, or 16%, reflecting the benefit of the FirstMerit acquisition and continued new customer acquisition. Of the increase, \$6 million was attributable to consumer deposit accounts, and \$6 million was attributable to commercial deposit accounts.

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2017 Second Quarter versus 2017 First Quarter

Compared to the 2017 first quarter, total noninterest income increased \$13 million, or 4%. Card and payment processing income increased \$5 million, or 11%, reflecting seasonally higher credit and debit card related income and underlying customer growth.

Table 7 - Noninterest Income—2017 First Six Months vs. 2016 First Six Months
(dollar amounts in thousands)

	Six Months Ended		Change	
	June 30, 2017	2016	Amount	Percent
Service charges on deposit accounts	\$171,002	\$145,875	\$25,127	17 %
Cards and payment processing income	99,654	75,631	24,023	32
Mortgage banking income	63,960	50,134	13,826	28
Trust and investment management services	66,101	45,335	20,766	46
Insurance income	31,107	32,172	(1,065)	(3)
Brokerage income	32,052	30,101	1,951	6
Capital markets fees	31,036	26,047	4,989	19
Bank owned life insurance income	32,864	26,049	6,815	26
Gain on sale of loans	24,824	14,660	10,164	69
Securities gains (losses)	127	656	(529)	(81)
Other Income	84,954	66,319	18,635	28
Total noninterest income	\$637,681	\$512,979	\$124,702	24 %

Noninterest income for the first six-month period of 2017 increased \$125 million, or 24%, from the year-ago period, primarily reflecting the impact of the FirstMerit acquisition. Service charges on deposit accounts increased \$25 million, or 17%, reflecting the benefit of the FirstMerit acquisition and continued new customer acquisition. Cards and payment processing income increased \$24 million, or 32%, due to higher credit and debit card related income and underlying customer growth. Trust and investment management services increased \$21 million, or 46%, primarily reflecting an increase in personal trust services reflecting the benefit of the FirstMerit acquisition.

Noninterest Expense

(This section should be read in conjunction with Significant Items 1.)

The following table reflects noninterest expense for each of the periods presented:

Table 8 - Noninterest Expense
(dollar amounts in thousands)

	Three Months Ended			2Q17 vs. 2Q16		2Q17 vs. 1Q17	
	June 30, 2017	March 31, 2017	June 30, 2016	Change Amount	Percent	Change Amount	Percent
Personnel costs	\$391,997	\$382,000	\$298,949	\$93,048	31 %	\$9,997	3 %
Outside data processing and other services	75,169	87,202	63,037	12,132	19	(12,033)	(14)
Equipment	42,924	46,700	31,805	11,119	35	(3,776)	(8)
Net occupancy	52,613	67,700	30,704	21,909	71	(15,087)	(22)
Professional services	18,190	18,295	21,488	(3,298)	(15)	(105)	(1)
Marketing	18,843	13,923	14,773	4,070	28	4,920	35
Deposit and other insurance expense	20,418	20,099	12,187	8,231	68	319	2
Amortization of intangibles	14,242	14,355	3,600	10,642	296	(113)	(1)
Other expense	59,968	57,148	47,118	12,850	27	2,820	5
Total noninterest expense	\$694,364	\$707,422	\$523,661	\$170,703	33 %	\$(13,058)	(2) %
Number of employees (average full-time equivalent)	16,103	16,331	12,363	3,740	30 %	(228)	(1) %

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Impacts of Significant Items:

	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
(dollar amounts in thousands)			
Personnel costs	\$17,934	\$19,555	\$4,732
Outside data processing and other services	6,246	14,475	3,045
Equipment	3,994	5,763	3
Net occupancy	14,415	23,342	490
Professional services	3,804	4,218	10,709
Marketing	112	816	241
Other expense	3,738	5,126	1,569
Total noninterest expense adjustments	\$50,243	\$73,295	\$20,789

Adjusted Noninterest Expense (See Non-GAAP Financial Measures in the Additional Disclosures section):

	Three Months Ended			2Q17 vs. 2Q16		2Q17 vs. 1Q17	
	June 30, 2017	March 31, 2017	June 30, 2016	Change Amount	Change Percent	Change Amount	Change Percent
(dollar amounts in thousands)							
Personnel costs	\$374,063	\$362,445	\$294,217	\$79,846	27 %	\$11,618	3 %
Outside data processing and other services	68,923	72,727	59,992	8,931	15	(3,804)	(5)
Equipment	38,930	40,937	31,802	7,128	22	(2,007)	(5)
Net occupancy	38,198	44,358	30,214	7,984	26	(6,160)	(14)
Professional services	14,386	14,077	10,779	3,607	33	309	2
Marketing	18,731	13,107	14,532	4,199	29	5,624	43
Deposit and other insurance expense	20,418	20,099	12,187	8,231	68	319	2
Amortization of intangibles	14,242	14,355	3,600	10,642	296	(113)	(1)
Other expense	56,230	52,022	45,549	10,681	23	4,208	8
Total adjusted noninterest expense (Non-GAAP)	\$644,121	\$634,127	\$502,872	\$141,249	28 %	\$9,994	2 %

2017 Second Quarter versus 2016 Second Quarter

Reported noninterest expense for the 2017 second quarter increased \$171 million, or 33%, from the year-ago quarter, primarily reflecting the impact of the FirstMerit acquisition, including Significant Items. Personnel costs increased \$93 million, or 31%, primarily reflecting a 30% increase in average full-time equivalent employees and a \$13 million net increase in acquisition-related personnel expense. Deposit and other insurance expense increased \$8 million, or 68%, reflecting the larger assessment base and the FDIC Large Institution Surcharge implemented during the 2016 third quarter.

2017 Second Quarter versus 2017 First Quarter

Reported noninterest expense decreased \$13 million, or 2%, from the 2017 first quarter, including a \$23 million net decrease in Significant Items. Net occupancy costs decreased \$15 million, or 22%, reflecting a \$9 million net decrease in acquisition-related expenses and the branch consolidations completed during the 2017 first quarter. Partially offsetting those decreases, personnel costs increased \$10 million, or 3%, reflecting the implementation of annual merit increases and grant of annual long-term equity incentive compensation, both in May, partially offset by a \$2 million net decrease in acquisition-related expenses.

Table of ContentsTable 9 - Noninterest Expense—2017 First Six Months vs. 2016 First Six Months
(dollar amounts in thousands)

	Six Months Ended June 30,		Change	
	2017	2016	Amount	Percent
Personnel costs	\$773,997	\$584,346	\$189,651	32 %
Outside data processing and other services	162,371	124,915	37,456	30
Equipment	89,624	64,381	25,243	39
Net occupancy	120,313	62,180	58,133	93
Professional services	36,485	35,026	1,459	4
Marketing	32,766	27,041	5,725	21
Deposit and other insurance expense	40,517	23,395	17,122	73
Amortization of intangibles	28,597	7,312	21,285	291
Other expense	117,116	86,145	30,971	36
Total noninterest expense	\$1,401,786	\$1,014,741	\$387,045	38 %
Impacts of Significant Items:				

	Six Months Ended June 30,	
	2017	2016
Personnel costs	\$37,489	\$5,206
Outside data processing and other services	20,721	3,408
Equipment	9,757	3
Net occupancy	37,757	510
Professional services	8,022	14,997
Marketing	928	254
Other expense	8,864	2,817
Total noninterest expense adjustments	\$123,538	\$27,195

Adjusted Noninterest Expense (See Non-GAAP Financial Measures in Additional Disclosures section):

	Six Months Ended June 30,		Change	
	2017	2016	Amount	Percent
Personnel costs	\$736,508	\$579,140	\$157,368	27 %
Outside data processing and other services	141,650	121,507	20,143	17
Equipment	79,867	64,378	15,489	24
Net occupancy	82,556	61,670	20,886	34
Professional services	28,463	20,029	8,434	42
Marketing	31,838	26,787	5,051	19
Deposit and other insurance expense	40,517	23,395	17,122	73
Amortization of intangibles	28,597	7,312	21,285	291
Other expense	108,252	83,328	24,924	30
Total adjusted noninterest expense (Non-GAAP)	\$1,278,248	\$987,546	\$290,702	29 %

Reported noninterest expense increased \$387 million, or 38%, from the year-ago period, primarily reflecting the impact of the FirstMerit acquisition, including Significant Items. Personnel costs increased \$190 million, or 32%, primarily reflecting a 30% increase in the number of average full-time equivalent employees largely related to the addition of colleagues from FirstMerit and the in-store branch expansion. Net occupancy expense increased \$58 million, or 93%, primarily reflecting \$38 million of acquisition-related expense. Outside data processing and other services increased \$37 million, or 30%, primarily reflecting \$21 million of acquisition-related expense.

Provision for Income Taxes

The provision for income taxes in the 2017 second quarter was \$79 million. This compared with a provision for income taxes of \$54 million in the 2016 second quarter and \$59 million in the 2017 first quarter. The provision for income taxes for the six month periods ended June 30, 2017 and June 30, 2016 was \$138 million and \$109 million, respectively. All periods included the benefits from tax-exempt income, tax-advantaged investments, general business credits, investments in qualified affordable housing projects, excess tax deductions for stock-based compensation, and capital losses. The net federal deferred tax asset was \$41 million and the net state deferred tax asset was \$37 million at June 30, 2017.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2009. The IRS is currently examining our 2010 and 2011 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, Wisconsin, and Illinois.

RISK MANAGEMENT AND CAPITAL

We use a multi-faceted approach to risk governance. It begins with the board of directors defining our risk appetite as aggregate moderate-to-low. Risk awareness, identification and assessment, reporting, and active management are key elements in overall risk management. Controls include, among others, effective segregation of duties, access, authorization and reconciliation procedures, as well as staff education and a disciplined assessment process.

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We believe that our primary risk exposures are credit, market, liquidity, operational, and compliance oriented. More information on risk can be found in the Risk Factors section included in Item 1A of our 2016 Form 10-K and subsequent filings with the SEC. The MD&A included in our 2016 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the Form 10-K. This MD&A should also be read in conjunction with the financial statements, notes and other information contained in this report. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented in the 2016 Form 10-K.

Credit Risk

Credit risk is the risk of financial loss if a counterparty is not able to meet the agreed upon terms of the financial obligation. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. We also have credit risk associated with our AFS and HTM securities portfolios (see Note 4 and Note 5 of the Notes to the Unaudited Condensed Consolidated Financial Statements). We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking, and trading activities. While there is credit risk associated with derivative activity, we believe this exposure is minimal.

We continue to focus on the identification, monitoring, and managing of our credit risk. In addition to the traditional credit risk mitigation strategies of credit policies and processes, market risk management activities, and portfolio diversification, we use quantitative measurement capabilities utilizing external data sources, enhanced modeling technology, and internal stress testing processes. Our portfolio management resources demonstrate our commitment to maintaining an aggregate moderate-to-low risk profile. In our efforts to continue to identify risk mitigation techniques, we have focused on product design features, origination policies, and solutions for delinquent or stressed borrowers.

Loan and Lease Credit Exposure Mix

Refer to the “Loan and Lease Credit Exposure Mix” section of our 2016 Form 10-K for a brief description of each portfolio segment.

The table below provides the composition of our total loan and lease portfolio:

Table 10 - Loan and Lease Portfolio Composition

(dollar amounts in millions)

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Ending Balances by Type:					
Commercial:					
Commercial and industrial	\$27,969 41 %	\$28,176 42 %	\$28,059 42 %	\$27,668 42 %	\$21,372 41 %
Commercial real estate:					
Construction	1,145 2	1,107 2	1,446 2	1,414 2	856 2
Commercial	6,000 9	5,986 9	5,855 9	5,842 9	4,466 7
Commercial real estate	7,145 11	7,093 11	7,301 11	7,256 11	5,322 9
Total commercial	35,114 52	35,269 53	35,360 53	34,924 53	26,694 50
Consumer:					
Automobile	11,555 17	11,155 17	10,969 16	10,791 16	10,381 20
Home equity	9,966 15	9,974 15	10,106 15	10,120 15	8,447 17
Residential mortgage	8,237 12	7,829 12	7,725 12	7,665 12	6,377 12
RV and marine finance	2,178 3	1,935 2	1,846 3	1,840 3	— —
Other consumer	1,009 1	936 1	956 1	964 1	644 1
Total consumer	32,945 48	31,829 47	31,602 47	31,380 47	25,849 50
Total loans and leases	\$68,059 100 %	\$67,098 100 %	\$66,962 100 %	\$66,304 100 %	\$52,543 100 %

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The table below provides our total loan and lease portfolio segregated by industry type. The changes in the industry composition from December 31, 2016 are consistent with the portfolio growth metrics.

Table 11 - Loan and Lease Portfolio by Industry Type
(dollar amounts in millions)

	June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016		June 30, 2016	
Commercial loans:										
Real estate and rental and leasing	\$7,588	12 %	\$7,482	12 %	\$7,545	11 %	\$7,513	12 %	\$5,345	10 %
Manufacturing	4,916	7	5,048	8	4,937	7	4,931	7	3,392	6
Retail trade (1)	4,805	7	4,902	7	4,758	7	4,588	7	3,884	7
Finance and insurance	3,051	4	2,844	4	2,010	3	2,289	3	1,682	3
Health care and social assistance	2,699	4	2,727	4	2,729	4	2,638	4	1,776	3
Wholesale trade	2,058	3	2,181	3	2,071	3	2,009	3	1,311	2
Professional, scientific, and technical services	1,660	2	1,240	2	1,264	2	1,228	2	839	2
Transportation and warehousing	1,284	2	1,382	2	1,366	2	1,357	2	1,244	2
Accommodation and food services	1,261	2	1,652	2	1,678	3	1,612	2	1,157	2
Construction	1,232	2	924	1	875	1	889	1	674	1
Other services	928	1	1,278	2	1,223	2	1,205	2	978	2
Utilities	570	1	463	1	470	1	480	1	371	1
Mining, quarrying, and oil and gas extraction	501	1	511	1	668	1	704	1	691	1
Educational services	469	1	544	1	501	1	495	1	495	1
Arts, entertainment, and recreation	458	1	506	1	556	1	437	1	293	1
Information	444	1	454	1	473	1	475	1	325	1
Admin., support, waste management and remediation services	433	1	427	1	429	1	409	1	324	1
Public administration	274	—	266	—	272	—	273	—	282	1
Agriculture, forestry, fishing and hunting	203	—	170	—	151	—	161	—	132	—
Management of companies and enterprises	97	—	100	—	96	—	95	—	84	—
Unclassified, other	183	—	167	—	1,288	2	1,135	2	1,415	3
Total commercial loans by industry category	35,114	52	35,268	53	35,360	53	34,923	53	26,694	50
Automobile loans and leases	11,555	17	11,155	17	10,969	16	10,791	16	10,381	20
Home Equity	9,966	15	9,974	15	10,106	15	10,120	15	8,447	17
Residential mortgage	8,237	12	7,829	12	7,725	12	7,665	12	6,377	12
RV and marine finance	2,178	3	1,935	2	1,846	3	1,840	3	—	—
Other consumer loans	1,009	1	936	1	956	1	965	1	644	1
Total loans and leases	\$68,059	100%	\$67,097	100%	\$66,962	100%	\$66,304	100%	\$52,543	100%

(1) Amounts include \$3.2 billion, \$3.3 billion, \$3.2 billion, \$3.0 billion and \$2.7 billion of auto dealer floorplan loans at June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016 and June 30, 2016, respectively.

Our loan portfolio is composed of a managed mix of consumer and commercial credits. At the corporate level, we manage the overall credit exposure and portfolio composition in part via a credit concentration policy. The policy designates specific loan types, collateral types, and loan structures to be formally tracked and assigned maximum exposure limits as a percentage of capital. C&I lending by NAICS categories, specific limits for CRE project types, loans secured by residential real estate, shared national credit exposure, and designated high risk loan definitions

represent examples of specifically tracked components of our concentration management process. There are no identified concentrations that exceed the assigned exposure limit. Our concentration management policy is approved by the ROC of the Board and is one of the strategies used to ensure a high quality, well diversified portfolio that is consistent with our overall objective of maintaining an aggregate moderate-to-low

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risk profile. Changes to existing concentration limits require the approval of the ROC prior to implementation, incorporating specific information relating to the potential impact on the overall portfolio composition and performance metrics.

Commercial Credit

Refer to the "Commercial Credit" section of our 2016 Form 10-K for our commercial credit underwriting and on-going credit management processes.

Consumer Credit

Refer to the "Consumer Credit" section of our 2016 Form 10-K for our consumer credit underwriting and on-going credit management processes.

Credit Quality

(This section should be read in conjunction with Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements.)

We believe the most meaningful way to assess overall credit quality performance is through an analysis of credit quality performance ratios. This approach forms the basis of most of the discussion in the sections immediately following: NPAs and NALs, TDRs, ACL, and NCOs. In addition, we utilize delinquency rates, risk distribution and migration patterns, and product segmentation in the analysis of our credit quality performance.

Credit quality performance in the 2017 second quarter reflected continued overall positive results with stable levels of delinquencies and criticized loans and a 9% decline in NPAs. Total NCOs were \$36 million, or 0.21%, of average total loans and leases. Net charge-offs decreased by \$3 million from the prior quarter, with the improvement centered in the automobile portfolio. The ACL to total loans and leases ratio declined by 3 basis points to 1.11%.

NPAs, NALs, AND TDRs

(This section should be read in conjunction with Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements and "Credit Quality" section of our 2016 Form 10-K.)

NPAs and NALs

Of the \$212 million of CRE and C&I-related NALs at June 30, 2017, \$132 million, or 62%, represented loans that were less than 30-days past due, demonstrating our continued commitment to proactive credit risk management. With the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, first-lien loans secured by residential mortgage collateral are placed on nonaccrual status at 150-days past due.

Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile, RV and marine and other consumer loans are charged-off at 120-days past due.

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The following table reflects period-end NALs and NPAs detail for each of the last five quarters:

Table 12 - Nonaccrual Loans and Leases and Nonperforming Assets

(dollar amounts in thousands)

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	
Nonaccrual loans and leases (NALs):						
Commercial and industrial	\$ 195,279	\$ 232,171	\$ 234,184	\$ 220,862	\$ 289,811	
Commercial real estate	16,763	13,889	20,508	21,300	23,663	
Automobile	3,825	4,881	5,766	4,777	5,049	
Home equity	67,940	69,575	71,798	69,044	56,845	
Residential mortgage	80,306	80,686	90,502	88,155	85,174	
RV and marine finance	341	106	245	96	—	
Other consumer	2	2	—	—	5	
Total nonaccrual loans and leases	364,456	401,310	423,003	404,234	460,547	
Other real estate:						
Residential	26,890	31,786	30,932	34,421	26,653	
Commercial	16,926	18,101	19,998	36,915	2,248	
Total other real estate	43,816	49,887	50,930	71,336	28,901	
Other NPAs (1)	6,906	6,910	6,968	—	376	
Total nonperforming assets	\$ 415,178	\$ 458,107	\$ 480,901	\$ 475,570	\$ 489,824	
Nonaccrual loans and leases as a % of total loans and leases	0.54	% 0.60	% 0.63	% 0.61	% 0.88	%
NPA ratio (2)	0.61	0.68	0.72	0.72	0.93	
(NPA+90days)/(Loan+OREO)	0.81	0.87	0.91	0.92	1.12	

(1) Other nonperforming assets includes certain impaired investment securities.

(2) Nonperforming assets divided by the sum of loans and leases, other real estate owned, and other NPAs.

2017 Second Quarter versus 2016 Fourth Quarter.

Total NPAs decreased by \$66 million, or 14%, compared with December 31, 2016 primarily as a result of decreases in the C&I and residential portfolios NALs and a 14% decrease in OREO. The C&I decline was a result of significant payoffs and return to accrual of large relationships that were identified as NAL in the fourth quarter of 2016. The residential mortgage decline was a function of improved delinquencies partially as a result of the efforts by our Home Savers Group actively working with our customers.

TDR Loans

(This section should be read in conjunction with Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements and "TDR Loans" section of our 2016 Form 10-K.)

Over the past five quarters, the accruing component of the total TDR balance has been between 80% and 84%, as borrowers continue to make their monthly payments in accordance with the modified terms. From a payment standpoint, over 80% of the \$507 million of accruing TDRs secured by residential real estate (Residential mortgage and Home Equity in Table 13) are current on their required payments. In addition, over 60% of the accruing pool have had no delinquency at all in the past 12 months. There is very limited migration from the accruing to non-accruing components, and virtually all of the charge-offs come from the non-accruing TDR balances.

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The table below presents our accruing and nonaccruing TDRs at period-end for each of the past five quarters:

Table 13 - Accruing and Nonaccruing Troubled Debt Restructured Loans

(dollar amounts in thousands)

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Troubled debt restructured loans—accruing:					
Commercial and industrial	\$270,372	\$222,303	\$210,119	\$232,740	\$232,112
Commercial real estate	74,429	81,202	76,844	80,553	85,015
Automobile	28,140	27,968	26,382	27,843	25,892
Home equity	268,731	271,258	269,709	275,601	203,047
Residential mortgage	238,087	239,175	242,901	251,529	256,859
RV and marine finance	950	581	—	—	—
Other consumer	4,017	4,128	3,780	4,102	4,522
Total troubled debt restructured loans—accruing	884,726	846,615	829,735	872,368	807,447
Troubled debt restructured loans—nonaccruing:					
Commercial and industrial	89,757	88,759	107,087	70,179	77,592
Commercial real estate	3,823	4,357	4,507	5,672	6,833
Automobile	4,291	4,763	4,579	4,437	4,907
Home equity	28,667	29,090	28,128	28,009	21,145
Residential mortgage	55,590	59,773	59,157	62,027	63,638
RV and marine finance	381	106	—	—	—
Other consumer	109	117	118	142	142
Total troubled debt restructured loans—nonaccruing	182,618	186,965	203,576	170,466	174,257
Total troubled debt restructured loans	\$1,067,344	\$1,033,580	\$1,033,311	\$1,042,834	\$981,704

Accruing TDRs increased by \$55 million compared with December 31, 2016, primarily as a result of the addition of C&I loans that meet the well secured definition.

ACL

(This section should be read in conjunction with Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements.)

Our total credit reserve is comprised of two different components, both of which in our judgment are appropriate to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. Our ACL Methodology Committee is responsible for developing the methodology, assumptions and estimates used in the calculation, as well as determining the appropriateness of the ACL. The ALLL represents the estimate of losses inherent in the loan portfolio at the reported date. Additions to the ALLL result from recording provision expense for the recognition of loan losses due to increased risk levels resulting from loan risk-rating downgrades. Reductions reflect charge-offs (net of recoveries), decreased risk levels resulting from loan risk-rating upgrades, or the sale of loans. The AULC is determined by applying the same quantitative reserve determination process to the unfunded portion of the loan exposures adjusted by an applicable funding expectation. Loans originated for investment are stated at their principal amount outstanding adjusted for partial charge-offs, and net deferred loan fees and costs. Acquired loans are those purchased in the FirstMerit acquisition. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related ALLL. The difference between acquired contractual balance and estimated fair value at acquisition date was recorded as a purchase premium or discount.

Our ACL evaluation process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance.

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The table below reflects the allocation of our ACL among our various loan categories during each of the past five quarters:

Table 14 - Allocation of Allowance for Credit Losses (1)

(dollar amounts in thousands)

	June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016		June 30, 2016	
Allowance for Credit Losses										
Commercial										
Commercial and industrial	\$367,956	41 %	\$380,504	42 %	\$355,424	42 %	\$333,101	42 %	\$323,465	41 %
Commercial real estate	106,620	11	99,804	11	95,667	11	98,694	11	101,042	9
Total commercial	474,576	52	480,308	53	451,091	53	431,795	53	424,507	50
Consumer										
Automobile	48,322	17	46,402	17	47,970	16	42,584	16	50,531	20
Home equity	62,941	15	64,900	15	65,474	15	69,866	15	76,482	17
Residential mortgage	33,304	12	35,559	12	33,398	12	36,510	12	42,392	12
RV and marine finance	7,665	3	4,022	2	5,311	3	4,289	3	—	—
Other consumer	41,188	1	41,389	1	35,169	1	31,854	1	29,152	1
Total consumer	193,420	48	192,272	47	187,322	47	185,103	47	198,557	50
Total allowance for loan and lease losses	667,996	100 %	672,580	100 %	638,413	100 %	616,898	100 %	623,064	100 %
Allowance for unfunded loan commitments	85,359		91,838		97,879		88,433		73,748	
Total allowance for credit losses	\$753,355		\$764,418		\$736,292		\$705,331		\$696,812	
Total allowance for loan and leases losses as % of:										
Total loans and leases		0.98 %		1.00 %		0.95 %		0.93 %		1.19 %
Nonaccrual loans and leases		183		168		151		153		135
Nonperforming assets		161		147		133		130		127
Total allowance for credit losses as % of:										
Total loans and leases		1.11 %		1.14 %		1.10 %		1.06 %		1.33 %
Nonaccrual loans and leases		207		190		174		174		151
Nonperforming assets		181		167		153		148		142

(1) Percentages represent the percentage of each loan and lease category to total loans and leases.

2017 Second Quarter versus 2016 Fourth Quarter

At June 30, 2017, the ALLL was \$668 million, compared to \$638 million at December 31, 2016. The \$30 million, or 5%, increase in the ALLL relates to an increase in Criticized/Classified assets in the C&I portfolio and growth in the Other consumer loan category.

The ACL to total loans ratio was 1.11% at June 30, 2017, compared with 1.10% at December 31, 2016. Management believes the ratio is appropriate given the overall moderate-to-low risk profile of our loan portfolio. We continue to focus on early identification of loans with changes in credit metrics and proactive action plans for these loans. We believe that our ACL is appropriate and its coverage level is reflective of the quality of our portfolio and the current operating environment.

NCOs

Any loan in any portfolio may be charged-off if a loss confirming event has occurred or in accordance with the policies described below, whichever is earlier. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency where that asset is the sole source of repayment. Additionally, discharged, collateral dependent non-reaffirmed debt in Chapter 7 bankruptcy filings will result in a charge-off to estimated collateral value, less anticipated selling costs.

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C&I and CRE loans are either charged-off or written down to net realizable value at 90-days past due with the exception of Huntington Technology Finance administrative lease delinquencies. Automobile loans, RV and marine finance and other consumer loans are generally charged-off at 120-days past due. First-lien and junior-lien home equity loans are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due and 120-days past due, respectively. Residential mortgages are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due.

Table 15 - Quarterly Net Charge-off Analysis

(dollar amounts in thousands)

	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
Net charge-offs (recoveries) by loan and lease type:			
Commercial:			
Commercial and industrial	\$12,870	\$8,096	\$3,702
Commercial real estate:			
Construction	83	(3,137)	(377)
Commercial	(3,638)	895	(296)
Commercial real estate	(3,555)	(2,242)	(673)
Total commercial	9,315	5,854	3,029
Consumer:			
Automobile	8,318	12,407	4,320
Home equity	1,218	1,662	1,078
Residential mortgage	1,052	2,595	776
RV and marine finance	1,875	2,363	—
Other consumer	14,262	14,557	7,552
Total consumer	26,725	33,584	13,726
Total net charge-offs	\$36,040	\$39,438	\$16,755
	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
Net charge-offs (recoveries)—annualized percentages:			
Commercial:			
Commercial and industrial	0.18	% 0.12	% 0.07
Commercial real estate:			
Construction	0.03	(0.96)	(0.17)
Commercial	(0.24)	0.06	(0.03)
Commercial real estate	(0.20)	(0.12)	(0.05)
Total commercial	0.11	0.07	0.05
Consumer:			
Automobile	0.29	0.45	0.17
Home equity	0.05	0.07	0.05
Residential mortgage	0.05	0.13	0.05
RV and marine finance	0.37	0.50	—
Other consumer	5.81	6.33	4.93
Total consumer	0.33	0.42	0.22
Net charge-offs as a % of average loans	0.21	% 0.24	% 0.13

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In assessing NCO trends, it is helpful to understand the process of how commercial loans are treated as they deteriorate over time. The ALLL established is consistent with the level of risk associated with the original underwriting. As a part of our normal portfolio management process for commercial loans, the loan is periodically reviewed and the ALLL is increased or decreased based on the updated risk rating. In certain cases, the standard ALLL is determined to not be appropriate, and a specific reserve is established based on the projected cash flow or collateral value of the specific loan. Charge-offs, if necessary, are generally recognized in a period after the specific ALLL was established. If the previously established ALLL exceeds the estimated loss on the loan, a reduction in the overall level of the ALLL could be recognized. Consumer loans are treated in much the same manner as commercial loans, with increasing reserve factors applied based on the risk characteristics of the loan, although specific reserves are not identified for consumer loans. In summary, if loan quality deteriorates, the typical credit sequence would be periods of reserve building, followed by periods of higher NCOs as the previously established ALLL is utilized. Additionally, an increase in the ALLL either precedes or is in conjunction with increases in NALs. When a loan is classified as NAL, it is evaluated for specific ALLL or charge-off. As a result, an increase in NALs does not necessarily result in an increase in the ALLL or an expectation of higher future NCOs.

2017 Second Quarter versus 2017 First Quarter

NCOs were an annualized 0.21% of average loans and leases in the current quarter, a decrease from 0.24% in the 2017 first quarter, still below our long-term expectation of 0.35% - 0.55%. Commercial charge-offs were slightly higher for the quarter, but well within our expected performance range. Consumer charge-offs were lower for the quarter, driven by an improvement in the Automobile portfolio resulting from seasonality trends which were consistent with our expectations. Given the low level of C&I and CRE NCO's, we expect some volatility on a quarter-to-quarter comparison basis.

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The table below reflects NCO detail for the six-month periods ended June 30, 2017 and 2016:

Table 16 - Year to Date Net Charge-off Analysis

(dollar amounts in thousands)

	Six Months Ended June 30,	
	2017	2016
Net charge-offs by loan and lease type:		
Commercial:		
Commercial and industrial	\$20,966	\$10,216
Commercial real estate:		
Construction	(3,054)	(481)
Commercial	(2,743)	(17,668)
Commercial real estate	(5,797)	(18,149)
Total commercial	15,169	(7,933)
Consumer:		
Automobile	20,725	11,090
Home equity	2,880	4,759
Residential mortgage	3,647	2,423
RV and marine finance	4,238	—
Other consumer	28,819	14,968
Total consumer	60,309	33,240
Total net charge-offs	\$75,478	\$25,307

	Six Months Ended June 30,			
	2017		2016	
Net charge-offs - annualized percentages:				
Commercial:				
Commercial and industrial	0.15	%	0.10	%
Commercial real estate:				
Construction	(0.50)		(0.11)	
Commercial	(0.09)		(0.82)	
Commercial real estate	(0.16)		(0.70)	
Total commercial	0.09		(0.06)	
Consumer:				
Automobile	0.37		0.22	
Home equity	0.06		0.11	
Residential mortgage	0.09		0.08	
RV and marine finance	0.43		—	
Other consumer	5.93		5.04	
Total consumer	0.38		0.27	
Net charge-offs as a % of average loans	0.22	%	0.10	%

2017 First Six Months versus 2016 First Six Months

NCOs were \$75.5 million, a \$50 million increase from the same period in the prior year. The increase primarily relates to the FirstMerit acquisition as well as one large commercial recovery in the prior year period. Given the low level of C&I and CRE NCO's, there will continue to be some volatility on a period-to-period comparison basis.

Table of Contents**Market Risk**

(This section should be read in conjunction with the “Market Risk” section of our 2016 Form 10-K for our on-going market risk management processes.)

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices, including the correlation among these factors and their volatility. When the value of an instrument is tied to such external factors, the holder faces market risk. We are primarily exposed to interest rate risk as a result of offering a wide array of financial products to our customers and secondarily to price risk from trading securities, securities owned by our broker-dealer subsidiary, foreign exchange positions, equity investments, and investments in securities backed by mortgage loans.

Interest Rate Risk

Table 17 - Net Interest Income at Risk

Basis point change scenario	Net Interest Income at Risk (%)					
	-25	+100	+200			
Board policy limits	N/A	-2.0	%	-4.0	%	
June 30, 2017	-0.6	%	2.8	%	5.5	%
December 31, 2016	-1.0	%	2.7	%	5.6	%

The NII at Risk results included in the table above reflect the analysis used monthly by management. It models gradual -25, +100 and +200 basis point parallel shifts in market interest rates, implied by the forward yield curve over the next twelve months. Due to the current low level of short-term interest rates, the analysis reflects a declining interest rate scenario of 25 basis points, the point at which many assets and liabilities reach zero percent.

Our NII at Risk is within our board of director's policy limits for the +100 and +200 basis point scenarios. There is no policy limit for the -25 basis point scenario. The NII at Risk shows that the balance sheet is asset sensitive at both June 30, 2017, and December 31, 2016.

Table 18 - Economic Value of Equity at Risk

Basis point change scenario	Economic Value of Equity at Risk (%)					
	-25	+100	+200			
Board policy limits	N/A	-5.0	%	-12.0	%	
June 30, 2017	-1.2	%	3.2	%	4.7	%
December 31, 2016	-0.6	%	0.9	%	0.2	%

The EVE results included in the table above reflect the analysis used monthly by management. It models immediate -25, +100 and +200 basis point parallel shifts in market interest rates. Due to the current low level of short-term interest rates, the analysis reflects a declining interest rate scenario of 25 basis points, the point at which deposit costs reach zero percent.

We are within our board of director's policy limits for the +100 and +200 basis point scenarios. There is no policy limit for the -25 basis point scenario. The EVE depicts a moderate level of long-term interest rate risk, which indicates the balance sheet is positioned favorably for rising interest rates. The EVE increase at June 30, 2017 from December 31, 2016 is primarily the result of a change in the average life assumptions for certain loans, deposits and securities.

MSRs

(This section should be read in conjunction with Note 6 of Notes to Unaudited Condensed Consolidated Financial Statements.)

At June 30, 2017, we had a total of \$189 million of capitalized MSRs representing the right to service \$19.1 billion in mortgage loans. Of this \$189 million, \$13 million was recorded using the fair value method and \$176 million was recorded using the amortization method.

MSR fair values are sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be reduced by prepayments. Prepayments usually increase when mortgage interest rates decline and decrease when mortgage interest rates rise. We have

employed hedging strategies to reduce the risk of MSR fair value changes or impairment. However, volatile changes in interest rates can diminish

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the effectiveness of these economic hedges. We report MSR fair value adjustments net of hedge-related trading activity in the mortgage banking income category of noninterest income. Changes in fair value between reporting dates are recorded as an increase or a decrease in mortgage banking income.

MSRs recorded using the amortization method generally relate to loans originated with historically low interest rates, resulting in a lower probability of prepayments and, ultimately, impairment. MSR assets are included in servicing rights in the Unaudited Condensed Consolidated Financial Statements.

Price Risk

Price risk represents the risk of loss arising from adverse movements in the prices of financial instruments that are carried at fair value and are subject to fair value accounting. We have price risk from trading securities, securities owned by our broker-dealer subsidiary, foreign exchange positions, equity investments, and investments in securities backed by mortgage loans. We have established loss limits on the trading portfolio, on the amount of foreign exchange exposure that can be maintained, and on the amount of marketable equity securities that can be held.

Liquidity Risk

(This section should be read in conjunction with the “Liquidity Risk” section of our 2016 Form 10-K for our on-going liquidity risk management processes.)

Our primary source of liquidity is our core deposit base. Core deposits comprised approximately 95% of total deposits at June 30, 2017. We also have available unused wholesale sources of liquidity, including advances from the FHLB of Cincinnati, issuance through dealers in the capital markets, and access to certificates of deposit issued through brokers. Liquidity is further provided by unencumbered, or unpledged, investment securities that totaled \$14.7 billion as of June 30, 2017.

Bank Liquidity and Sources of Funding

Our primary sources of funding for the Bank are retail and commercial core deposits. At June 30, 2017, these core deposits funded 71% of total assets (105% of total loans). Other sources of liquidity include non-core deposits, FHLB advances, wholesale debt instruments, and securitizations. Demand deposit overdrafts that have been reclassified as loan balances were \$22 million and \$23 million at June 30, 2017 and December 31, 2016, respectively.

The following table reflects deposit composition detail for each of the last five quarters:

Table 19 - Deposit Composition

(dollar amounts in millions)

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
By Type:					
Demand deposits—noninterest-bearing	\$21,420 28 %	\$21,489 28 %	\$22,836 30 %	\$23,426 30 %	\$16,324 30 %
Demand deposits—interest-bearing	17,113 23	18,618 24	15,676 21	15,730 20	8,412 15
Money market deposits	19,423 26	18,664 24	18,407 24	18,604 24	19,480 34
Savings and other domestic deposits	11,758 15	12,043 16	11,975 16	12,418 16	5,341 10
Core certificates of deposit	2,088 3	2,188 3	2,535 3	2,724 4	1,866 4
Total core deposits:	71,802 95	73,002 95	71,429 94	72,902 94	51,423 93
Other domestic deposits of \$250,000 or more	441 1	524 1	394 1	391 1	380 1
Brokered deposits and negotiable CDs	3,690 4	3,897 4	3,785 5	3,972 5	3,017 6
Deposits in foreign offices	— —	— —	— —	140 —	223 —
Total deposits	\$75,933 100 %	\$77,423 100 %	\$75,608 100 %	\$77,405 100 %	\$55,043 100 %
Total core deposits:					
Commercial	\$32,201 45 %	\$32,963 45 %	\$31,887 45 %	\$32,936 45 %	\$24,308 47 %
Consumer	39,601 55	40,039 55	39,542 55	39,966 55	27,115 53
Total core deposits	\$71,802 100 %	\$73,002 100 %	\$71,429 100 %	\$72,902 100 %	\$51,423 100 %

The Bank maintains borrowing capacity at the FHLB and the Federal Reserve Bank Discount Window. The Bank does not consider borrowing capacity from the Federal Reserve Bank Discount Window as a primary source of

liquidity. Total loans and securities pledged to the Federal Reserve Discount Window and the FHLB are \$30.4 billion and \$19.7 billion at June 30, 2017 and December 31, 2016, respectively.

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At June 30, 2017, total wholesale funding was \$17.2 billion, an increase from \$16.2 billion at December 31, 2016. The increase from year-end primarily relates to an increase in short-term borrowings.

Liquidity Coverage Ratio

On September 3, 2014, the U.S. banking regulators adopted a final LCR for internationally active banking organizations, generally those with \$250 billion or more in total assets, and a Modified LCR rule for banking organizations, similar to Huntington, with \$50 billion or more in total assets that are not internationally active banking organizations. The LCR is designed to promote the short-term resilience of the liquidity risk profile of banks to which it applies. The Modified LCR requires Huntington to maintain HQLA to meet its net cash outflows over a prospective 30 calendar-day period, which takes into account the potential impact of idiosyncratic and market-wide shocks. The Modified LCR transition period began on January 1, 2016, with Huntington required to maintain HQLA equal to 90 percent of the stated requirement. The ratio increased to 100 percent on January 1, 2017. At June 30, 2017, Huntington was in compliance with the Modified LCR requirement.

Parent Company Liquidity

The parent company's funding requirements consist primarily of dividends to shareholders, debt service, income taxes, operating expenses, funding of nonbank subsidiaries, repurchases of our stock, and acquisitions. The parent company obtains funding to meet obligations from dividends and interest received from the Bank, interest and dividends received from direct subsidiaries, net taxes collected from subsidiaries included in the federal consolidated tax return, fees for services provided to subsidiaries, and the issuance of debt securities.

At June 30, 2017, the parent company had \$1.8 billion in cash and cash equivalents, up slightly from December 31, 2016.

On July 19, 2017, the board of directors declared a quarterly common stock cash dividend of \$0.08 per common share. The dividend is payable on October 2, 2017, to shareholders of record on September 18, 2017. Based on the current quarterly dividend of \$0.08 per common share, cash demands required for common stock dividends are estimated to be approximately \$87 million per quarter. On July 19, 2017, the board of directors declared a quarterly Series A, Series B, Series C, and Series D Preferred Stock dividend payable on October 16, 2017 to shareholders of record on October 1, 2017. Based on the current dividend, cash demands required for Series A, Series B, Series C, and Series D Preferred Stock are estimated to be approximately \$8 million, \$0.3 million, \$1.5 million, and \$9 million per quarter, respectively.

During the first six months of 2017, the Bank returned capital totaling \$331 million to the holding company. Additionally, the Bank paid a preferred dividend to the holding company of \$22 million during the first six months of 2017. To meet any additional liquidity needs, the parent company may issue debt or equity securities from time to time.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements. These arrangements include commitments to extend credit (See Note 14), interest rate swaps (See Note 12), financial guarantees contained in standby letters-of-credit issued by the Bank (See Note 14), and commitments by the Bank to sell mortgage loans (See Note 14).

Operational Risk

Operational risk is the risk of loss due to human error; inadequate or failed internal systems and controls, including the use of financial or other quantitative methodologies that may not adequately predict future results; violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards; and external influences such as market conditions, fraudulent activities, disasters, and security risks. We continuously strive to strengthen our system of internal controls to ensure compliance with laws, rules, and regulations, and to improve the oversight of our operational risk. We actively and continuously monitor cyber-attacks such as attempts related to online deception and loss of sensitive customer data. We evaluate internal systems, processes and controls to mitigate loss from cyber-attacks and, to date, have not experienced any material losses.

Our objective for managing cyber security risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate our systems. We work to achieve this objective by hardening networks and systems against attack, and by diligently managing visibility and monitoring controls within our data and communications environment to

recognize events and respond before the attacker has the opportunity to plan and execute on its own goals. To this end we employ a set of defense in-depth strategies, which include efforts to make us less attractive as a target and less vulnerable to threats, while investing in threat analytic capabilities for rapid detection and response. Potential concerns related to cyber security may be escalated to our board-level Technology Committee, as appropriate. As a complement to the overall cyber security risk management, we use a number of internal training methods, both formally through mandatory courses and informally through written communications and other updates. Internal policies and procedures have been implemented to encourage the reporting of potential phishing attacks or other security risks. We also use third-party services to test the effectiveness of our cyber

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security risk management framework, and any such third parties are required to comply with our policies regarding information security and confidentiality.

To mitigate operational risks, we have a senior management Operational Risk Committee and a senior management Legal, Regulatory, and Compliance Committee. The responsibilities of these committees, among other duties, include establishing and maintaining management information systems to monitor material risks and to identify potential concerns, risks, or trends that may have a significant impact and ensuring that recommendations are developed to address the identified issues. In addition, we have a senior management Model Risk Oversight Committee that is responsible for policies and procedures describing how model risk is evaluated and managed and the application of the governance process to implement these practices throughout the enterprise. These committees report any significant findings and recommendations to the Risk Management Committee. Potential concerns may be escalated to our ROC, as appropriate.

The FirstMerit integration was inherently large and complex. Our objective for managing execution risk was to minimize impacts to daily operations. We established an Integration Management Office led by senior management. Responsibilities included central management, reporting, and escalation of key integration deliverables. In addition, a board level Integration Governance Committee was established to assist in the oversight of the integration of people, systems, and processes of FirstMerit with Huntington. While the systems' conversion is now largely completed, continued oversight will occur until all converted systems are fully decommissioned.

The goal of this framework is to implement effective operational risk techniques and strategies, minimize operational fraud, and legal losses; minimize the impact of inadequately designed models and enhance our overall performance.

Compliance Risk

Financial institutions are subject to many laws, rules, and regulations at both the federal and state levels. These broad-based laws, rules, and regulations include, but are not limited to, expectations relating to anti-money laundering, lending limits, client privacy, fair lending, prohibitions against unfair, deceptive or abusive acts or practices, protections for military members as they enter active duty, and community reinvestment. Additionally, the volume and complexity of recent regulatory changes have increased our overall compliance risk. As such, we utilize various resources to help ensure expectations are met, including a team of compliance experts dedicated to ensuring our conformance with all applicable laws, rules, and regulations. Our colleagues receive training for several broad-based laws and regulations including, but not limited to, anti-money laundering and customer privacy. Additionally, colleagues engaged in lending activities receive training for laws and regulations related to flood disaster protection, equal credit opportunity, fair lending, and/or other courses related to the extension of credit. We set a high standard of expectation for adherence to compliance management and seek to continuously enhance our performance.

Capital

Both regulatory capital and shareholders' equity are managed at the Bank and on a consolidated basis. We have an active program for managing capital and maintain a comprehensive process for assessing the Company's overall capital adequacy. We believe our current levels of both regulatory capital and shareholders' equity are adequate.

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The following table presents certain regulatory capital data at both the consolidated and Bank levels for each of the past five quarters:

Table 20 - Regulatory Capital Data
(dollar amounts in millions)

		Basel III		
		June 30, 2017	March 31, 2017	December 31, 2016
Total risk-weighted assets	Consolidated	\$78,366	\$77,559	\$ 78,263
	Bank	78,489	77,534	78,242
Common equity tier I risk-based capital	Consolidated	7,740	7,551	7,486
	Bank	8,367	8,146	8,153
Tier 1 risk-based capital	Consolidated	8,809	8,619	8,547
	Bank	9,238	9,015	9,086
Tier 2 risk-based capital	Consolidated	1,640	1,663	1,668
	Bank	1,706	1,745	1,732
Total risk-based capital	Consolidated	10,449	10,282	10,215
	Bank	10,944	10,760	10,818
Tier 1 leverage ratio	Consolidated	8.98	% 8.76	% 8.70
	Bank	9.43	9.18	9.29
Common equity tier I risk-based capital ratio	Consolidated	9.88	9.74	9.56
	Bank	10.66	10.51	10.42
Tier 1 risk-based capital ratio	Consolidated	11.24	11.11	10.92
	Bank	11.77	11.63	11.61
Total risk-based capital ratio	Consolidated	13.33	13.26	13.05
	Bank	13.94	13.88	13.83

At June 30, 2017, we maintained Basel III transitional capital ratios in excess of the well-capitalized standards established by the FRB.

Shareholders' Equity

We generate shareholders' equity primarily through the retention of earnings, net of dividends and share repurchases. Other potential sources of shareholders' equity include issuances of common and preferred stock. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, to meet both regulatory and market expectations, and to provide the flexibility needed for future growth and business opportunities. Shareholders' equity totaled \$10.7 billion at June 30, 2017, an increase of \$0.3 billion when compared with December 31, 2016.

On June 28, 2017, Huntington was notified by the Federal Reserve that it had no objection to Huntington's proposed capital actions included in Huntington's capital plan submitted in the 2017 Comprehensive Capital Analysis and Review ("CCAR"). These actions included a 38% increase in the quarterly dividend per common share to \$0.11, starting in the fourth quarter of 2017, the repurchase of up to \$308 million of common stock over the next four quarters (July 1, 2017 through June 30, 2018), subject to authorization by the Board of Directors, and maintaining dividends on the outstanding classes of preferred stock and trust preferred securities.

On July 19, 2017, the Board authorized the repurchase of up to \$308 million of common shares over the four quarters through the 2018 second quarter. Purchases of common stock under the authorization may include open market purchases, privately negotiated transactions, and accelerated repurchase programs.

Dividends

We consider disciplined capital management as a key objective, with dividends representing one component. Our strong capital ratios and expectations for continued earnings growth positions us to continue to actively explore additional capital management opportunities.

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Fair Value

At the end of each quarter, we assess the valuation hierarchy for each asset or liability measured. As necessary, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs at the measurement date. The fair values measured at each level of the fair value hierarchy, additional discussion regarding fair value measurements, and a brief description of how fair value is determined for categories that have unobservable inputs, can be found in Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements.

BUSINESS SEGMENT DISCUSSION

Overview

Our business segments are based on our internally-aligned segment leadership structure, which is how we monitor results and assess performance. We have four major business segments: Consumer and Business Banking, Commercial Banking, Commercial Real Estate and Vehicle Finance (CREVF), and Regional Banking and The Huntington Private Client Group (RBHPCG). A Treasury / Other function includes technology and operations, other unallocated assets, liabilities, revenue, and expense.

Business segment results are determined based upon our management accounting practices, which assigns balance sheet and income statement items to each of the business segments. The process is designed around our organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions.

We announced a change within our executive leadership team, which became effective during the 2017 second quarter. As a result, the previously reported Home Lending segment is now included as an operating unit within the Consumer and Business Banking segment. Additionally, the Insurance operating unit previously included in Commercial Banking was realigned to RBHPCG during the quarter. Prior period results have been reclassified to conform to the current period presentation.

Revenue Sharing

Revenue is recorded in the business segment responsible for the related product or service. Fee sharing is recorded to allocate portions of such revenue to other business segments involved in selling to, or providing service to customers. Results of operations for the business segments reflect these fee sharing allocations.

Expense Allocation

The management accounting process that develops the business segment reporting utilizes various estimates and allocation methodologies to measure the performance of the business segments. Expenses are allocated to business segments using a two-phase approach. The first phase consists of measuring and assigning unit costs (activity-based costs) to activities related to product origination and servicing. These activity-based costs are then extended, based on volumes, with the resulting amount allocated to business segments that own the related products. The second phase consists of the allocation of overhead costs to all four business segments from Treasury / Other. We utilize a full-allocation methodology, where all Treasury / Other expenses, except reported Significant Items, and a small amount of other residual unallocated expenses, are allocated to the four business segments.

Funds Transfer Pricing (FTP)

We use an active and centralized FTP methodology to attribute appropriate income to the business segments. The intent of the FTP methodology is to transfer interest rate risk from the business segments by providing matched duration funding of assets and liabilities. The result is to centralize the financial impact, management, and reporting of interest rate risk in the Treasury / Other function where it can be centrally monitored and managed. The Treasury / Other function charges (credits) an internal cost of funds for assets held in (or pays for funding provided by) each business segment. The FTP rate is based on prevailing market interest rates for comparable duration assets (or liabilities).

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Net Income by Business Segment

The segregation of net income by business segment for the six-month periods ending June 30, 2017 and June 30, 2016 is presented in the following table:

Table 21 - Net Income (Loss) by Business Segment
(dollar amounts in thousands)

	Six Months Ended	
	June 30,	
	2017	2016
Consumer and Business Banking	\$201,290	\$129,151
Commercial Banking	160,991	77,513
CREVF	106,919	87,848
RBHPCG	42,678	27,240
Treasury / Other	(32,043)	24,102
Net income	\$479,835	\$345,854

Treasury / Other

The Treasury / Other function includes revenue and expense related to assets, liabilities, and equity not directly assigned or allocated to one of the four business segments. Other assets include investment securities and bank owned life insurance. The financial impact associated with our FTP methodology, as described above, is also included.

Net interest income includes the impact of administering our investment securities portfolios and the net impact of derivatives used to hedge interest rate sensitivity. Noninterest income includes miscellaneous fee income not allocated to other business segments, such as bank owned life insurance income and any investment security and trading asset gains or losses. Noninterest expense includes \$124 million of FirstMerit acquisition-related expense in 2017 first six-month period, certain corporate administrative, and other miscellaneous expenses not allocated to other business segments. The provision for income taxes for the business segments is calculated at a statutory 35% tax rate, though our overall effective tax rate is lower. As a result, Treasury / Other reflects a credit for income taxes representing the difference between the lower actual effective tax rate and the statutory tax rate used to allocate income taxes to the business segments.

Consumer and Business Banking

Table 22 - Key Performance Indicators for Consumer and Business Banking
(dollar amounts in thousands unless otherwise noted)

	Six Months Ended June		Change	
	2017	2016	Amount	Percent
Net interest income	\$828,936	\$562,423	\$266,513	47 %
Provision for credit losses	50,181	30,750	19,431	63
Noninterest income	354,970	284,002	70,968	25
Noninterest expense	824,048	616,981	207,067	34
Provision for income taxes	108,387	69,543	38,844	56
Net income	\$201,290	\$129,151	\$72,139	56 %
Number of employees (average full-time equivalent)	8,737	6,543	2,194	34 %
Total average assets (in millions)	\$25,283	\$18,951	\$6,332	33
Total average loans/leases (in millions)	20,479	16,227	4,252	26
Total average deposits (in millions)	45,461	31,428	14,033	45
Net interest margin	3.78 %	3.68 %	0.10 %	3
NCOs	\$48,576	\$28,948	\$19,628	68
NCOs as a % of average loans and leases	0.47 %	0.35 %	0.12 %	34

2017 First Six Months vs. 2016 First Six Months

Consumer and Business Banking, including Home Lending, reported net income of \$201 million in the first six-month period of 2017, an increase of \$72 million, or 56%, compared to the year-ago period. Results were predominately impacted by the FirstMerit acquisition. Segment net interest income increased \$267 million, or 47%, primarily due to an increase in total average loans and deposits. The provision for credit losses increased \$19 million, or 63%, driven by an increase in the

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allowance as well as increased NCOs. Noninterest income increased \$71 million, or 25%, due to an increase in net mortgage servicing revenue, card and payment processing income and service charges on deposit accounts, which were driven by higher debit card-related transaction volumes and an increase in the number of households. In addition, SBA loan sales gains contributed to improved noninterest income. Noninterest expense increased \$207 million, or 34%, due to an increase in personnel and occupancy expense related to the addition of FirstMerit branches and colleagues. Higher allocated expenses also contributed to the increase in noninterest expense.

Home Lending, an operating unit of Consumer and Business Banking, reflects the result of the origination and servicing of mortgage loans less referral fees and net interest income for mortgage banking products distributed by the retail branch network and other business segments. Home Lending reported net income of \$4 million in the first six-month period of 2017, a decrease of \$5 million, or 55%, compared to the year-ago period. Results were impacted by the FirstMerit acquisition. Net interest income increased \$4 million, or 16%, which primarily reflects higher residential mortgage balances and lower FTP funding costs. The provision for credit losses increased \$4 million, primarily due to an increase in the allowance in for the residential mortgage portfolio held by Home Lending. Noninterest income increased by \$10 million, or 31%, primarily due to favorable net MSR hedge-related activities and net servicing income. Income from higher origination volumes was predominately offset by lower spreads on origination volume. Noninterest expense increased \$18 million, or 36%, primarily due to higher personnel costs related to the FirstMerit acquisition and higher origination volume.

Commercial Banking

Table 23 - Key Performance Indicators for Commercial Banking
(dollar amounts in thousands unless otherwise noted)

	Six Months Ended June 30,		Change	
	2017	2016	Amount	Percent
Net interest income	\$343,285	\$212,240	\$131,045	62 %
Provision for credit losses	11,798	29,423	(17,625)	(60)
Noninterest income	117,573	95,484	22,089	23
Noninterest expense	201,382	159,050	42,332	27
Provision for income taxes	86,687	41,738	44,949	108
Net income	\$160,991	\$77,513	\$83,478	108 %
Number of employees (average full-time equivalent)	1,087	833	254	30 %
Total average assets (in millions)	\$24,000	\$17,553	\$6,447	37
Total average loans/leases (in millions)	19,075	13,804	5,271	38
Total average deposits (in millions)	18,725	14,072	4,653	33
Net interest margin	3.35 %	2.88 %	0.47 %	16 %
NCOs	\$6,416	\$16,261	\$(9,845)	(61)
NCOs as a % of average loans and leases	0.07 %	0.23 %	(0.16)%	(70)

2017 First Six Months vs. 2016 First Six Months

Commercial Banking reported net income of \$161 million in the first six-month period of 2017, an increase of \$83 million, or 108%, compared to the year-ago period. Results were predominately impacted by the FirstMerit acquisition. Segment net interest income increased \$131 million, or 62%, primarily due to an increase in both average loans and deposits combined with a 47 basis point increase in net interest margin. The provision for credit losses decreased \$18 million, or 60%, driven by a reduction in NCOs and improvement in energy related credits. Noninterest income increased \$22 million, or 23%, largely driven by an increase in loan commitment and other fees, deposit service charges and capital markets related revenues. Noninterest expense increased \$42 million, or 27%, primarily due to an increase in personnel expense, allocated expenses, and amortization of intangibles, partially offset by a decrease in operating lease expense.

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Commercial Real Estate and Vehicle Finance

Table 24 - Commercial Real Estate and Vehicle Finance
(dollar amounts in thousands unless otherwise noted)

	Six Months Ended June 30,		Change	
	2017	2016	Amount	Percent
Net interest income	\$279,700	\$191,214	\$88,486	46 %
Provision (reduction in allowance) for credit losses	30,342	(6,909)	37,251	N.R.
Noninterest income	23,768	17,950	5,818	32
Noninterest expense	108,635	80,922	27,713	34
Provision for income taxes	57,572	47,303	10,269	22
Net income	\$106,919	\$87,848	\$19,071	22 %
Number of employees (average full-time equivalent)	402	310	92	30 %
Total average assets (in millions)	\$23,903	\$18,329	\$5,574	30
Total average loans/leases (in millions)	22,811	17,288	5,523	32
Total average deposits (in millions)	1,825	1,649	176	11
Net interest margin	2.45 %	2.18 %	0.27 %	12
NCOs	\$19,500	\$(16,888)	\$36,388	N.R.
NCOs as a % of average loans and leases	0.17 %	(0.19)%	0.36 %	N.R.

N.R. - Not relevant.

2017 First Six Months vs. 2016 First Six Months

CREVF reported net income of \$107 million in the first six-month period of 2017, an increase of \$19 million, or 22%, compared to the year-ago period. Results were positively impacted by the FirstMerit acquisition, offset in part by a higher provision for credit losses reflecting significant commercial real estate recoveries in the year ago period. Segment net interest income increased \$88 million or 46%, due to both higher loan balances and a 27 basis point increase in the net interest margin primarily reflecting the purchase accounting impact of the acquired loan portfolios. Noninterest income increased \$6 million, or 32%, primarily due to a \$3 million increase in gains on various equity investments associated with mezzanine lending related activities. Noninterest expense increased \$28 million, or 34%, primarily due to an increase in personnel costs and other allocated costs attributed to higher production and portfolio balance levels.

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Regional Banking and The Huntington Private Client Group

Table 25 - Key Performance Indicators for Regional Banking and The Huntington Private Client Group

(dollar amounts in thousands unless otherwise noted)

	Six Months Ended		Change	
	June 30, 2017	2016	Amount	Percent
Net interest income	\$95,492	\$70,503	\$24,989	35 %
Provision (reduction in allowance) for credit losses	295	(1,173)	1,468	N.R.
Noninterest income	94,395	79,403	14,992	19
Noninterest expense	123,934	109,172	14,762	14
Provision for income taxes	22,980	14,667	8,313	57
Net income	\$42,678	\$27,240	\$15,438	57 %
Number of employees (average full-time equivalent)	1,034	930	104	11 %
Total average assets (in millions)	\$5,401	\$4,265	\$1,136	27
Total average loans/leases (in millions)	4,699	3,861	838	22
Total average deposits (in millions)	5,927	4,819	1,108	23
Net interest margin	3.33 %	2.95 %	0.38 %	13
NCOs	\$987	\$(3,013)	\$4,000	N.R.
NCOs as a % of average loans and leases	0.04 %	(0.16)%	0.20 %	N.R.
Total assets under management (in billions)—eop (1)	\$17.6	\$16.8	\$0.8	5
Total trust assets (in billions)—eop (1)	101.6	93.3	8.3	9

N.R. - Not relevant.

eop - End of Period.

(1) Includes assets associated with FirstMerit.

2017 First Six Months vs. 2016 First Six Months

RBHPCG reported net income of \$43 million in the first six-month period of 2017, an increase of \$15 million, or 57%, compared to the year-ago period. Results were predominately impacted by the FirstMerit acquisition. Net interest income increased \$25 million, or 35%, due to an increase in average total deposits and loans combined with a 38 basis point increase in net interest margin. The increase in average total loans was primarily due to strong growth in commercial and portfolio mortgage loans combined with balance growth from the FirstMerit acquisition, while the increase in average total deposits was mainly due to the acquisition combined with growth in interest checking balances from the Private Client Account. The provision for credit losses increased \$1 million, due to lower recoveries in the current period. Noninterest income increased \$15 million, or 19%, primarily due to increased trust and investment management revenue related to the increase in trust assets and assets under management that resulted primarily from the FirstMerit acquisition. Noninterest expense increased \$15 million, or 14%, as a result of increased personnel expenses and amortization of intangibles resulting from the FirstMerit acquisition.

ADDITIONAL DISCLOSURES

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including, but not limited to, certain plans, expectations, goals, projections, and statements, which are not historical facts and are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as expect,

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anticipate, believe, intend, estimate, plan, target, goal, or similar expressions, or future or conditional verbs such as will, may, might, should, would, could, or similar variations. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995.

While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: changes in general economic, political, or industry conditions; uncertainty in U.S. fiscal and monetary policy, including the interest rate policies of the Federal Reserve Board; volatility and disruptions in global capital and credit markets; movements in interest rates; competitive pressures on product pricing and services; success, impact, and timing of our business strategies, including market acceptance of any new products or services implementing our “Fair Play” banking philosophy; the nature, extent, timing, and results of governmental actions, examinations, reviews, reforms, regulations, and interpretations, including those related to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Basel III regulatory capital reforms, as well as those involving the OCC, Federal Reserve, FDIC, and CFPB; the possibility that the anticipated benefits of the merger with FirstMerit Corporation are not realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies or as a result of the strength of the economy and competitive factors in the areas where we do business; diversion of management’s attention from ongoing business operations and opportunities; potential adverse reactions or changes to business or employee relationships, including those resulting from the completion of the merger with FirstMerit Corporation; and other factors that may affect our future results. Additional factors that could cause results to differ materially from those described above can be found in our Annual Report on Form 10-K for the year ended December 31, 2016, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, which are on file with the Securities and Exchange Commission (the “SEC”) and available in the “Investor Relations” section of our website, <http://www.huntington.com>, under the heading “Publications and Filings” and in other documents we file with the SEC.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. We do not assume any obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

Non-GAAP Financial Measures

This document 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 herein where applicable.

Significant Items

From time-to-time, revenue, expenses, or taxes are impacted by items judged by us 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 us at that time to be infrequent 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, litigation actions, etc. In other cases, they may result from our decisions associated with significant corporate actions outside 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.

We believe the disclosure of Significant Items provides a better understanding of our performance and trends to ascertain which of such items, if any, to include or exclude from an analysis of our performance; i.e., within the context of determining how that performance differed from expectations, as well as how, if at all, to adjust estimates of future performance accordingly. To this end, we adopted a practice of listing Significant Items in our 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.

Fully-Taxable Equivalent Basis

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Interest income, yields, and ratios on a FTE basis are considered non-GAAP financial measures. Management believes net interest income on a FTE basis provides an insightful picture of the interest margin for comparison purposes. The FTE basis also allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The FTE basis assumes a federal statutory tax rate of 35 percent. We encourage readers to consider the consolidated financial statements and other financial information contained in this Form 10-Q in their entirety, and not to rely on any single financial measure.

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Non-Regulatory Capital Ratios

In addition to capital ratios defined by banking regulators, the Company considers various other measures when evaluating capital utilization and adequacy, including:

- Tangible common equity to tangible assets, and
- Tangible common equity to risk-weighted assets using Basel III definitions.

These non-regulatory capital ratios are viewed by management as useful additional methods of reflecting the level of capital available to withstand unexpected market conditions. Additionally, presentation of these ratios allows readers to compare the Company's capitalization to other financial services companies. These ratios differ from capital ratios defined by banking regulators principally in that the numerator excludes preferred securities, the nature and extent of which varies among different financial services companies. These ratios are not defined in Generally Accepted Accounting Principles ("GAAP") or federal banking regulations. As a result, these non-regulatory capital ratios disclosed by the Company are considered non-GAAP financial measures.

Because there are no standardized definitions for these non-regulatory capital ratios, the Company's calculation methods may differ from those used by other financial services companies. Also, there may be limits in the usefulness of these measures to investors. As a result, the Company encourages readers to consider the consolidated financial statements and other financial information contained in this Form 10-Q in their entirety, and not to rely on any single financial measure.

Risk Factors

Information on risk is discussed in the Risk Factors section included in Item 1A of our 2016 Form 10-K. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion of this report.

Critical Accounting Policies and Use of Significant Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to establish critical accounting policies and make accounting estimates, assumptions, and judgments that affect amounts recorded and reported in our financial statements. Note 1 of Notes to Consolidated Financial Statements included in our December 31, 2016 Form 10-K, as supplemented by this report, lists significant accounting policies we use in the development and presentation of our financial statements. This MD&A, the significant accounting policies, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors necessary for an understanding and evaluation of our company, financial position, results of operations, and cash flows.

An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements if a different amount within a range of estimates were used or if estimates changed from period to period. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce results that significantly differ from when those estimates were made.

Our most significant accounting estimates relate to our ACL, valuation of financial instruments, contingent liabilities, income taxes, and deferred tax assets. These significant accounting estimates and their related application are discussed in our December 31, 2016 Form 10-K.

Recent Accounting Pronouncements and Developments

Note 2 of the Notes to Unaudited Condensed Consolidated Financial Statements discusses new accounting pronouncements adopted during 2017 and the expected impact of accounting pronouncements recently issued but not yet required to be adopted. To the extent the adoption of new accounting standards materially affect financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section of this MD&A and the Notes to Unaudited Condensed Consolidated Financial Statements.

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Item 1: Financial Statements

Huntington Bancshares Incorporated
Condensed Consolidated Balance Sheets
(Unaudited)

(dollar amounts in thousands, except number of shares)

	June 30, 2017	December 31, 2016
Assets		
Cash and due from banks	\$1,515,476	\$1,384,770
Interest-bearing deposits in banks	77,148	58,267
Trading account securities	94,767	133,295
Loans held for sale (includes \$654,087 and \$438,224 respectively, measured at fair value)(1)	748,077	512,951
Available-for-sale and other securities	15,388,306	15,562,837
Held-to-maturity securities	8,279,577	7,806,939
Loans and leases (includes \$103,741 and \$82,319 respectively, measured at fair value)(1)	68,059,310	66,961,996
Allowance for loan and lease losses	(667,996) (638,413
Net loans and leases	67,391,314	66,323,583
Bank owned life insurance	2,448,913	2,432,086
Premises and equipment	855,347	815,508
Goodwill	1,992,849	1,992,849
Other intangible assets	373,861	402,458
Servicing rights	224,656	225,578
Accrued income and other assets	2,016,488	2,062,976
Total assets	\$101,406,779	\$99,714,097
Liabilities and shareholders' equity		
Liabilities		
Deposits	\$75,933,373	\$75,607,717
Short-term borrowings	4,552,877	3,692,654
Long-term debt	8,536,471	8,309,159
Accrued expenses and other liabilities	1,729,876	1,796,421
Total liabilities	90,752,597	89,405,951
Commitments and contingencies (Note 14)		
Shareholders' equity		
Preferred stock	1,071,286	1,071,227
Common stock	10,932	10,886
Capital surplus	9,920,052	9,881,277
Less treasury shares, at cost	(31,288) (27,384
Accumulated other comprehensive loss	(350,357) (401,016
Retained (deficit) earnings	33,557	(226,844
Total shareholders' equity	10,654,182	10,308,146
Total liabilities and shareholders' equity	\$101,406,779	\$99,714,097
Common shares authorized (par value of \$0.01)	1,500,000,000	1,500,000,000
Common shares issued	1,093,162,464	1,088,641,251
Common shares outstanding	1,090,016,469	1,085,688,538
Treasury shares outstanding	3,145,995	2,952,713
Preferred stock, authorized shares	6,617,808	6,617,808
Preferred shares issued	2,702,571	2,702,571
Preferred shares outstanding	1,098,006	1,098,006

(1) Amounts represent loans for which Huntington has elected the fair value option. See Note 11.
See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated
Condensed Consolidated Statements of Income
(Unaudited)
(dollar amounts in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Interest and fee income:				
Loans and leases	\$699,838	\$469,770	\$1,375,772	\$933,192
Available-for-sale and other securities				
Taxable	78,292	40,992	154,577	80,606
Tax-exempt	18,695	13,795	37,382	26,814
Held-to-maturity securities—taxable	44,276	35,420	89,471	72,209
Other	5,323	5,681	9,582	10,088
Total interest income	846,424	565,658	1,666,784	1,122,909
Interest expense:				
Deposits	42,287	22,324	77,077	45,342
Short-term borrowings	5,203	913	11,069	1,811
Federal Home Loan Bank advances	66	72	132	141
Subordinated notes and other long-term debt	54,356	36,468	104,019	66,668
Total interest expense	101,912	59,777	192,297	113,962
Net interest income	744,512	505,881	1,474,487	1,008,947
Provision for credit losses	24,978	24,509	92,616	52,091
Net interest income after provision for credit losses	719,534	481,372	1,381,871	956,856
Service charges on deposit accounts	87,582	75,613	171,002	145,875
Cards and payment processing income	52,485	39,184	99,654	75,631
Mortgage banking income	32,268	31,591	63,960	50,134
Trust and investment management services	32,232	22,497	66,101	45,335
Insurance income	15,843	15,947	31,107	32,172
Brokerage income	16,294	14,599	32,052	30,101
Capital markets fees	16,836	13,037	31,036	26,047
Bank owned life insurance income	15,322	12,536	32,864	26,049
Gain on sale of loans	12,002	9,265	24,824	14,660
Net gains on sales of securities	3,694	732	3,710	732
Impairment losses recognized in earnings on available-for-sale securities	(3,559)	(76)	(3,583)	(76)
Other noninterest income	44,219	36,187	84,954	66,319
Total noninterest income	325,218	271,112	637,681	512,979
Personnel costs	391,997	298,949	773,997	584,346
Outside data processing and other services	75,169	63,037	162,371	124,915
Equipment	42,924	31,805	89,624	64,381
Net occupancy	52,613	30,704	120,313	62,180
Professional services	18,190	21,488	36,485	35,026
Marketing	18,843	14,773	32,766	27,041
Deposit and other insurance expense	20,418	12,187	40,517	23,395
Amortization of intangibles	14,242	3,600	28,597	7,312
Other noninterest expense	59,968	47,118	117,116	86,145

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Total noninterest expense	694,364	523,661	1,401,786	1,014,741
Income before income taxes	350,388	228,823	617,766	455,094
Provision for income taxes	78,647	54,283	137,931	109,240
Net income	271,741	174,540	479,835	345,854
Dividends on preferred shares	18,889	19,874	37,767	27,872
Net income applicable to common shares	\$252,852	\$154,666	\$442,068	\$317,982

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	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
(dollar amounts in thousands, except per share amounts)	2017	2016	2017	2016
Average common shares—basic	1,088,934	798,167	1,087,654	796,961
Average common shares—diluted	1,108,527	810,371	1,108,572	809,360
Per common share:				
Net income—basic	\$0.23	\$ 0.19	\$0.41	\$0.40
Net income—diluted	0.23	0.19	0.40	0.39
Cash dividends declared	0.08	0.07	0.16	0.14
OTTI losses for the periods presented:				
Total OTTI losses	\$(3,563)	\$(76)	\$(3,589)	\$(3,809)
Noncredit-related portion of loss recognized in OCI	4	—	6	3,733
Impairment losses recognized in earnings on available-for-sale securities	\$(3,559)	\$(76)	\$(3,583)	\$(76)

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated
 Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(dollar amounts in thousands)				
Net income	\$271,741	\$174,540	\$479,835	\$345,854
Other comprehensive income, net of tax:				
Unrealized gains (losses) on available-for-sale and other securities:				
Non-credit-related impairment recoveries (losses) on debt securities not expected to be sold	1,602	667	2,126	(1,682)
Unrealized net gains (losses) on available-for-sale and other securities arising during the period, net of reclassification for net realized gains and losses	37,052	30,603	47,050	82,154
Total unrealized gains (losses) on available-for-sale and other securities	38,654	31,270	49,176	80,472
Unrealized gains (losses) on cash flow hedging derivatives, net of reclassifications to income	1,070	1,134	244	9,963
Change in accumulated unrealized losses for pension and other post-retirement obligations	779	840	1,239	1,681
Other comprehensive income (loss), net of tax	40,503	33,244	50,659	92,116
Comprehensive income	\$312,244	\$207,784	\$530,494	\$437,970
See Notes to Unaudited Condensed Consolidated Financial Statements				

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Huntington Bancshares Incorporated
 Condensed Consolidated Statements of Changes in Shareholders' Equity
 (Unaudited)

(dollar amounts in thousands, except per share amounts)	Preferred Stock	Common Stock		Capital Surplus	Treasury Stock		Accumulated Other Comprehensive Gain (Loss)	Retained Earnings (Deficit)	Total
	Amount	Shares	Amount		Shares	Amount			
Six Months Ended June 30, 2016									
Balance, beginning of period	\$386,291	796,970	\$7,970	\$7,038,502	(2,041)	\$(17,932)	\$(226,158)	\$(594,067)	\$6,594,606
Net income								345,854	345,854
Other comprehensive income (loss)							92,116		92,116
Net proceeds from issuance of Series D preferred stock	584,987								584,987
Cash dividends declared:									
Common (\$0.14 per share)								(111,735)	(111,735)
Preferred Series A (\$42.50 per share)								(15,407)	(15,407)
Preferred Series B (\$16.63 per share)								(590)	(590)
Preferred Series D (\$19.79 per share)								(11,875)	(11,875)
Recognition of the fair value of share-based compensation				27,799					27,799
Other share-based compensation activity		4,559	45	7,872				(3,004)	4,913
Other		—	—	76	(334)	(3,426)		(14)	(3,364)
	\$971,278	801,529	\$8,015	\$7,074,249	(2,375)	\$(21,358)	\$(134,042)	\$(390,838)	\$7,507,304

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Balance, end of
period

Six Months
Ended June 30,
2017

Balance, beginning of period	\$1,071,227	1,088,641	\$10,886	\$9,881,277	(2,953)	\$(27,384)	\$(401,016)	\$(226,844)	\$10,308,146
Net income								479,835	479,835
Other comprehensive income (loss)							50,659		50,659
Cash dividends declared:									
Common (\$0.16 per share)								(174,369)	(174,369)
Preferred Series A (\$42.50 per share)								(15,406)	(15,406)
Preferred Series B (\$18.95 per share)								(673)	(673)
Preferred Series C (\$29.38 per share)								(2,938)	(2,938)
Preferred Series D (\$31.25 per share)								(18,750)	(18,750)
Recognition of the fair value of share-based compensation				52,045					52,045
Other share-based compensation activity		4,514	45	(14,612)				(7,057)	(21,624)
Other	59	7	1	1,342	(193)	(3,904)		(241)	(2,743)
Balance, end of period	\$1,071,286	1,093,162	\$10,932	\$9,920,052	(3,146)	\$(31,288)	\$(350,357)	\$33,557	\$10,654,182

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(dollar amounts in thousands)	Six Months Ended	
	June 30, 2017	2016
Operating activities		
Net income	\$479,835	\$345,854
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	92,616	52,091
Depreciation and amortization	210,825	208,249
Share-based compensation expense	52,045	27,799
Net change in:		
Trading account securities	38,528	1,708
Loans held for sale	(220,674)	(307,880)
Accrued income and other assets	(57,635)	(97,334)
Deferred income taxes	11,725	(6,864)
Accrued expense and other liabilities	(60,182)	70,554
Other, net	11,661	(7,539)
Net cash provided by (used for) operating activities	558,744	286,638
Investing activities		
Change in interest bearing deposits in banks	19,474	6,942
Proceeds from:		
Maturities and calls of available-for-sale and other securities	715,893	467,633
Maturities of held-to-maturity securities	523,309	495,645
Sales of available-for-sale and other securities	411,763	170,986
Purchases of available-for-sale and other securities	(1,891,781)	(1,405,035)
Purchases of held-to-maturity securities	(8,616)	—
Net proceeds from sales of portfolio loans	259,165	234,608
Net loan and lease activity, excluding sales and purchases	(1,429,367)	(2,220,929)
Purchases of premises and equipment	(112,566)	(19,846)
Proceeds from sales of other real estate	17,802	13,290
Purchases of loans and leases	(93,560)	(341,985)
Other, net	8,343	2,698
Net cash provided by (used for) investing activities	(1,580,141)	(2,595,993)
Financing activities		
Increase (decrease) in deposits	325,656	(256,333)
Increase (decrease) in short-term borrowings	838,389	1,335,888
Net proceeds from issuance of long-term debt	1,060,697	1,051,794
Maturity/redemption of long-term debt	(843,019)	(255,750)
Dividends paid on preferred stock	(37,743)	(27,872)
Dividends paid on common stock	(174,168)	(112,087)
Proceeds from stock options exercised	6,884	3,887
Net proceeds from issuance of preferred stock	—	584,987
Payments related to tax-withholding for share based compensation awards	(24,593)	—
Other, net	—	4,865
Net cash provided by (used for) financing activities	1,152,103	2,329,379
Increase (decrease) in cash and cash equivalents	130,706	20,024
Cash and cash equivalents at beginning of period	1,384,770	847,156

Cash and cash equivalents at end of period

\$1,515,476 \$867,180

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(dollar amounts in thousands)	Six Months Ended	
	June 30,	
	2017	2016
Supplemental disclosures:		
Interest paid	\$ 185,107	\$ 107,428
Income taxes paid	54,434	3,099
Non-cash activities		
Loans transferred to held-for-sale from portfolio	298,331	266,527
Loans transferred to portfolio from held-for-sale	1,265	10,661
Transfer of loans to OREO	16,926	12,974
Transfer of securities to held to maturity from available for sale	992,760	—

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated

Notes to Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying Unaudited Condensed Consolidated Financial Statements of Huntington reflect all adjustments consisting of normal recurring accruals which are, in the opinion of Management, necessary for a fair statement of the consolidated financial position, the results of operations, and cash flows for the periods presented. The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. These Unaudited Condensed Consolidated Financial Statements have been prepared according to the rules and regulations of the SEC and, therefore, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. The Notes to Consolidated Financial Statements appearing in Huntington's 2016 Form 10-K, which include descriptions of significant accounting policies, as updated by the information contained in this report, should be read in conjunction with these interim financial statements.

For statement of cash flows purposes, cash and cash equivalents are defined as the sum of "Cash and due from banks" which includes amounts on deposit with the Federal Reserve and "Federal funds sold and securities purchased under resale agreements."

In conjunction with applicable accounting standards, all material subsequent events have been either recognized in the Unaudited Condensed Consolidated Financial Statements or disclosed in the Notes to Unaudited Condensed Consolidated Financial Statements.

Certain amounts reported in prior periods have been reclassified to conform to the current period presentation.

2. ACCOUNTING STANDARDS UPDATE

ASU 2014-09—Revenue from Contracts with Customers (Topic 606): The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The general principle of the amendments require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five step approach for revenue recognition. The amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Management intends to adopt the new guidance on January 1, 2018 using the modified retrospective approach and is well into its outlined implementation plan. In this regard, management has completed a preliminary analysis that includes (a) identification of all revenue streams included in the financial statements; (b) determination of scope exclusions to identify 'in-scope' revenue streams; (c) determination of size, timing, and amount of revenue recognition for in-scope items; (d) determination of sample size of contracts for further analysis; and (e) completion of limited analysis on selected contracts to evaluate the potential impact of the new guidance. The key revenue streams identified include service charges, credit card and payment processing fees, trust services fees, insurance income, brokerage services, and mortgage banking income. The new guidance is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

ASU 2016-01 - Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this Update make targeted improvements to GAAP including, but not limited to, requiring an entity to measure its equity investments with changes in the fair value recognized in the income statement; requiring an entity to present separately in OCI the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments (i.e., FVO liability); requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; assessing deferred tax assets related to a net unrealized loss on AFS securities in combination with the entity's other deferred tax assets; and eliminating some of the disclosures required by the existing GAAP while requiring entities to present and disclose some additional information. The new guidance is effective for the fiscal period beginning after December 15, 2017, including interim periods within those fiscal years. An entity should apply the amendments as a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendment is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

ASU 2016-02 - Leases. This Update sets forth a new lease accounting model for lessors and lessees. For lessees, virtually all leases will be required to be recognized on the balance sheet by recording a right-of-use asset and lease liability. Subsequent accounting for leases varies depending on whether the lease is an operating lease or a finance lease. The accounting applied by a lessor is largely unchanged from that applied under the existing guidance. The ASU requires additional qualitative and quantitative disclosures with the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Update is effective for the fiscal period beginning after December 15, 2018,

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with early application permitted. Management is currently assessing the impact of the new guidance on Huntington's Unaudited Consolidated Financial Statements. Huntington expects to recognize a right-of-use asset and a lease liability for its operating lease commitments.

ASU 2016-13 - Financial Instruments - Credit Losses. The amendments in this Update eliminate the probable recognition threshold for credit losses on financial assets measured at amortized cost. The Update requires those financial assets to be presented at the net amount expected to be collected (i.e., net of expected credit losses). The measurement of expected credit losses should be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The Update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018. The amendments should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Management currently intends to adopt the guidance on January 1, 2020 and is assessing the impact of this Update on Huntington's Unaudited Consolidated Financial Statements. Management has formed a working group comprised of teams from different disciplines including credit and finance. The working group is currently evaluating the requirements of the new standard and the impact it will have on our processes. The early stages of this evaluation include a review of existing credit models to identify areas where existing credit models used to comply with other regulatory requirements may be leveraged and areas where new impairment models may be required.

ASU 2016-15 - Classification of Certain Cash Receipts and Cash Payments. The amendments in this Update add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. Current guidance lacks consistent principles for evaluating the classification of cash payments and receipts in the statement of cash flows. This has led to diversity in practice and, in certain circumstances, financial statement restatements. Therefore, the FASB issued the ASU with the intent of reducing diversity in practice with respect to several types of cash flows. The amendments in this Update are effective using a retrospective transition approach for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. This Update is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

ASU 2017-04 - Simplifying the Test for Goodwill Impairment. The Update simplifies the goodwill impairment test. Under the new guidance, Step 2 of the goodwill impairment process that requires an entity to determine the implied fair value of its goodwill by assigning fair value to all its assets and liabilities, is eliminated. Instead, the entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The new guidance is effective for annual and interim goodwill tests performed in fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendment is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

ASU 2017-07 - Improving the Presentation of Net Periodic Pension Cost and Periodic Postretirement Benefit Cost. The amendments in this Update require that an employer report the service cost component of the pension cost and postretirement benefit cost in the same line items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of the net benefit cost should be presented in the income statement separately from the service cost component. The amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued or made available for issuance. This Update is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

ASU 2017-09 - Stock Compensation Modification Accounting. The Update reduces the current diversity in practice and provides explicit guidance pertaining to the provisions of modification accounting. The Update clarifies that an entity should account for effects of modification unless the fair value, vesting conditions and the classification of the modified award are the same as of the original awards immediately before the original award is modified. The Update

is effective prospectively for annual periods and interim periods within those annual periods, beginning after December 15, 2017. Earlier application is permitted. The Update is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

3. LOANS / LEASES AND ALLOWANCE FOR CREDIT LOSSES

Loans and leases for which Huntington has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified in the Unaudited Condensed Consolidated Balance Sheets as loans and leases. Except for loans which are accounted for at fair value, loans are carried at the principal amount outstanding, net of unamortized premiums and discounts

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and deferred loan fees and costs and purchase accounting adjustments, which resulted in a net premium of \$245 million and \$120 million at June 30, 2017 and December 31, 2016, respectively.

Loan and Lease Portfolio Composition

The following table provides a detailed listing of Huntington's loan and lease portfolio at June 30, 2017 and December 31, 2016:

(dollar amounts in thousands)	June 30, 2017	December 31, 2016
Loans and leases:		
Commercial and industrial	\$27,969,151	\$28,058,712
Commercial real estate	7,145,151	7,300,901
Automobile	11,555,137	10,968,782
Home equity	9,965,534	10,105,774
Residential mortgage	8,237,297	7,724,961
RV and marine finance	2,177,732	1,846,447
Other consumer	1,009,308	956,419
Loans and leases	68,059,310	66,961,996
Allowance for loan and lease losses (667,996)	(667,996)	(638,413)
Net loans and leases	\$67,391,314	\$66,323,583

Purchased Credit-Impaired Loans

The following table presents a rollforward of the accretible yield for purchased credit impaired loans for the three-month and six-month period ended June 30, 2017: and 2016:

(dollar amounts in thousands)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
FirstMerit		
Balance, beginning of period	\$37,372	\$36,669
Accretion	(4,788)	(9,490)
Reclassification (to) from nonaccretible difference	3,925	9,330
Balance, end of period	\$36,509	\$36,509

The following table reflects the ending and unpaid balances of the purchase credit impaired loans at June 30, 2017 and December 31, 2016:

(dollar amounts in thousands)	June 30, 2017			December 31, 2016		
	Ending Balance	Unpaid Balance	ALLL	Ending Balance	Unpaid Balance	ALLL
FirstMerit						
Commercial and industrial	\$54,942	\$81,934	\$ 970	\$68,338	\$100,031	\$ —
Commercial real estate	20,780	34,904	—	34,042	56,320	—
Total	\$75,722	\$116,838	\$ 970	\$102,380	\$156,351	\$ —

During the second quarter 2017, an allowance for loan losses was recorded on the Commercial and industrial purchased credit-impaired portfolio for \$1 million.

NALs and Past Due Loans

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. See Note 1 "Significant Accounting Policies" to the consolidated financial

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statements of the Annual Report on Form 10-K for the year ended December 31, 2016 for a description of the accounting policies related to the ACL.

The following table presents NALs by loan class at June 30, 2017 and December 31, 2016:

(dollar amounts in thousands)	June 30, 2017	December 31, 2016
Commercial and industrial	\$ 195,279	\$ 234,184
Commercial real estate	16,763	20,508
Automobile	3,825	5,766
Home equity	67,940	71,798
Residential mortgage	80,306	90,502
RV and marine finance	341	245
Other consumer	2	—
Total nonaccrual loans	\$ 364,456	\$ 423,003

The following table presents an aging analysis of loans and leases, including past due loans, by loan class at June 30, 2017 and December 31, 2016: (1)

(dollar amounts in thousands)	June 30, 2017				Current	Purchased for Credit Impaired	Loans Accounted for Under the Fair Value Option	Total Loans and Leases	90 or more days past due and accruing	
	30-59 Days	60-89 Days	90 or more days	Total						
Commercial and industrial	\$44,796	\$13,608	\$84,609	\$143,013	\$27,771,196	\$54,942	\$—	\$27,969,151	\$21,501	(2)
Commercial real estate	7,382	3,918	27,314	38,614	7,085,757	20,780	—	7,145,151	17,040	
Automobile	68,600	15,241	8,716	92,557	11,461,169	—	1,411	11,555,137	8,594	
Home equity	44,513	16,463	61,159	122,135	9,840,922	—	2,477	9,965,534	18,459	
Residential mortgage	117,779	40,327	110,842	268,948	7,869,927	—	98,422	8,237,297	65,159	(3)
RV and marine finance	8,072	2,443	2,666	13,181	2,163,346	—	1,205	2,177,732	2,464	
Other consumer	9,913	4,081	3,146	17,140	991,942	—	226	1,009,308	3,143	
Total loans and leases	\$301,055	\$96,081	\$298,452	\$695,588	\$67,184,259	\$75,722	\$103,741	\$68,059,310	\$136,360	

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(dollar amounts in thousands)	December 31, 2016				Current	Purchased Credit Impaired	Loans Accounted for Under the Fair Value Option	Total Loans and Leases	90 or more days past due and accruing	
	Past Due	30-59 Days	60-89 Days	90 or more days						
Commercial and industrial	42,052	20,136	74,174	136,362	27,854,012	68,338	—	28,058,712	18,148	(2)
Commercial real estate	21,187	3,202	29,659	54,048	7,212,811	34,042	—	7,300,901	17,215	
Automobile loans	76,283	17,188	10,442	103,913	10,862,715	—	2,154	10,968,782	10,182	
Home equity	38,899	23,903	53,002	115,804	9,986,697	—	3,273	10,105,774	11,508	
Residential mortgage	122,469	37,460	116,682	276,611	7,373,414	—	74,936	7,724,961	66,952	(3)
RV and marine finance	10,009	2,230	1,566	13,805	1,831,123	—	1,519	1,846,447	1,462	
Other consumer	9,442	4,324	3,894	17,660	938,322	—	437	956,419	3,895	
Total loans and leases	\$320,341	\$108,443	\$289,419	\$718,203	\$66,059,094	\$102,380	\$82,319	\$66,961,996	\$129,362	

(1) NALs are included in this aging analysis based on the loan's past due status.

(2) Amounts include Huntington Technology Finance administrative lease delinquencies.

(3) Amounts include loans guaranteed by government organizations.

Allowance for Credit Losses

Huntington maintains two reserves, both of which reflect management's judgment regarding the appropriate level necessary to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. The determination of the ACL requires significant estimates, including the timing and amounts of expected future cash flows on impaired loans and leases, consideration of current economic conditions, and historical loss experience pertaining to pools of homogeneous loans and leases, all of which may be susceptible to change. See Note 1 "Significant Accounting Policies" to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2016 for a description of the accounting policies related to the ACL.

The ACL is increased through a provision for credit losses that is charged to earnings, based on Management's quarterly evaluation and is reduced by charge-offs, net of recoveries, and the ACL associated with loans sold or transferred to held for sale.

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The following table presents ALLL and AULC activity by portfolio segment for the three-month and six-month periods ended June 30, 2017 and 2016:

(dollar amounts in thousands)

	Commercial	Consumer	Total
Three-month period ended June 30, 2017:			
ALLL balance, beginning of period	\$ 480,308	\$ 192,272	\$ 672,580
Loan charge-offs	(15,103)	(41,345)	(56,448)
Recoveries of loans previously charged-off	5,787	14,621	20,408
Provision for (reduction in allowance) loan and lease losses	3,585	27,872	31,457
Allowance for loans sold or transferred to loans held for sale	(1)	—	(1)
ALLL balance, end of period	\$ 474,576	\$ 193,420	\$ 667,996
AULC balance, beginning of period	\$ 88,899	\$ 2,939	\$ 91,838
Provision for (reduction in allowance) unfunded loan commitments and letters of credit	(6,072)	(407)	(6,479)
AULC balance, end of period	\$ 82,827	\$ 2,532	\$ 85,359
ACL balance, end of period	\$ 557,403	\$ 195,952	\$ 753,355
Six-month period ended June 30, 2017:			
ALLL balance, beginning of period	\$ 451,091	\$ 187,322	\$ 638,413
Loan charge-offs	(38,773)	(88,390)	(127,163)
Recoveries of loans previously charged-off	23,604	28,081	51,685
Provision for (reduction in allowance) loan and lease losses	38,729	66,407	105,136
Allowance for loans sold or transferred to loans held for sale	(75)	—	(75)
ALLL balance, end of period	\$ 474,576	\$ 193,420	\$ 667,996
AULC balance, beginning of period	\$ 86,543	\$ 11,336	\$ 97,879
Provision for (reduction in allowance) unfunded loan commitments and letters of credit	(3,716)	(8,804)	(12,520)
AULC balance, end of period	\$ 82,827	\$ 2,532	\$ 85,359
ACL balance, end of period	\$ 557,403	\$ 195,952	\$ 753,355

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(dollar amounts in thousands)	Commercial	Consumer	Total
Three-month period ended June 30, 2016:			
ALLL balance, beginning of period	\$ 422,441	\$ 191,278	\$ 613,719
Loan charge-offs	(16,933)	(26,612)	(43,545)
Recoveries of loans previously charged-off	13,904	12,886	26,790
Provision for (reduction in allowance) loan and lease losses	5,095	20,991	26,086
Allowance for loans sold or transferred to loans held for sale	—	14	14
ALLL balance, end of period	\$ 424,507	\$ 198,557	\$ 623,064
AULC balance, beginning of period	\$ 65,872	\$ 9,453	\$ 75,325
Provision for (reduction in allowance) unfunded loan commitments and letters of credit	(2,155)	578	(1,577)
AULC balance, end of period	\$ 63,717	\$ 10,031	\$ 73,748
ACL balance, end of period	\$ 488,224	\$ 208,588	\$ 696,812
Six-month period ended June 30, 2016:			
ALLL balance, beginning of period	\$ 398,753	\$ 199,090	\$ 597,843
Loan charge-offs	(45,882)	(57,355)	(103,237)
Recoveries of loans previously charged-off	53,815	24,115	77,930
Provision for (reduction in allowance) loan and lease losses	17,821	32,603	50,424
Allowance for loans sold or transferred to loans held for sale	—	104	104
ALLL balance, end of period	\$ 424,507	\$ 198,557	\$ 623,064
AULC balance, beginning of period	\$ 63,448	\$ 8,633	\$ 72,081
Provision for (reduction in allowance) unfunded loan commitments and letters of credit	269	1,398	1,667
AULC balance, end of period	\$ 63,717	\$ 10,031	\$ 73,748
ACL balance, end of period	\$ 488,224	\$ 208,588	\$ 696,812

Credit Quality Indicators

See Note 4 “Loans / Leases and Allowance for Credit Losses” to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2016 for a description of the credit quality indicators

Huntington utilizes for monitoring credit quality and for determining an appropriate ACL level.

The following table presents each loan and lease class by credit quality indicator at June 30, 2017 and December 31, 2016:

		June 30, 2017				
		Credit Risk Profile by UCS Classification				
(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total	
Commercial						
Commercial and industrial	\$26,006,917	\$798,643	\$1,138,508	\$25,083	\$27,969,151	
Commercial real estate	6,923,159	88,932	132,017	1,043	7,145,151	
		Credit Risk Profile by FICO Score (1), (2)				
	750+	650-749	<650	Other (3)	Total	
Consumer						
Automobile	\$5,728,416	\$4,202,063	\$1,350,925	\$272,322	\$11,553,726	
Home equity	6,296,801	3,013,152	619,661	33,443	9,963,057	
Residential mortgage	4,945,403	2,449,297	610,720	133,455	8,138,875	
RV and marine finance	1,287,480	774,873	85,844	28,330	2,176,527	
Other consumer	386,659	481,324	135,161	5,938	1,009,082	

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December 31, 2016

Credit Risk Profile by UCS Classification

(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total
Commercial					
Commercial and industrial	\$26,211,885	\$810,287	\$1,028,819	\$7,721	\$28,058,712
Commercial real estate	7,042,304	96,975	159,098	2,524	7,300,901

Credit Risk Profile by FICO Score (1), (2)

	750+	650-749	<650	Other (3)	Total
Consumer					
Automobile	\$5,369,085	\$4,043,611	\$1,298,460	\$255,472	\$10,966,628
Home equity	6,280,328	2,891,330	637,560	293,283	10,102,501
Residential mortgage	4,662,777	2,285,121	615,067	87,060	7,650,025
RV and marine finance	1,064,143	644,039	72,995	63,751	1,844,928
Other consumer	346,867	455,959	133,243	19,913	955,982

(1) Excludes loans accounted for under the fair value option.

(2) Reflects most recent customer credit scores.

(3) Reflects deferred fees and costs, loans in process, loans to legal entities, etc.

Impaired Loans

See Note 1 "Significant Accounting Policies" to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2016 for a description of accounting policies related to impaired loans.

The following tables present the balance of the ALLL attributable to loans by portfolio segment individually and collectively evaluated for impairment and the related loan and lease balance at June 30, 2017 and December 31, 2016:

(dollar amounts in thousands)	Commercial	Consumer	Total
ALLL at June 30, 2017:			
Portion of ALLL balance:			
Purchased credit-impaired loans	\$970	\$—	\$970
Attributable to loans individually evaluated for impairment	14,239	9,044	23,283
Attributable to loans collectively evaluated for impairment	459,367	184,376	643,743
Total ALLL balance	\$474,576	\$193,420	\$667,996
Loan and Lease Ending Balances at June 30, 2017: (1)			
Portion of loan and lease ending balance:			
Purchased credit-impaired loans	\$75,722	\$—	\$75,722
Individually evaluated for impairment	441,499	451,192	892,691
Collectively evaluated for impairment	34,597,081	32,390,075	66,987,156
Total loans and leases evaluated for impairment	\$35,114,302	\$32,841,267	\$67,955,569

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(dollar amounts in thousands)	Commercial	Consumer	Total
ALLL at December 31, 2016			
Portion of ALLL balance:			
Attributable to loans individually evaluated for impairment	\$10,525	\$11,021	\$21,546
Attributable to loans collectively evaluated for impairment	440,566	176,301	616,867
Total ALLL balance:	\$451,091	\$187,322	\$638,413
Loan and Lease Ending Balances at December 31, 2016 (1)			
Portion of loan and lease ending balances:			
Purchased credit-impaired loans	\$102,380	\$—	\$102,380
Individually evaluated for impairment	415,624	457,890	873,514
Collectively evaluated for impairment	34,841,609	31,062,174	65,903,783
Total loans and leases evaluated for impairment	\$35,359,613	\$31,520,064	\$66,879,677

(1) Excludes loans accounted for under the fair value option.

The following tables present by class the ending, unpaid principal balance, and the related ALLL, along with the average balance and interest income recognized only for impaired loans and leases and purchased credit-impaired loans: (1), (2)

(dollar amounts in thousands)	June 30, 2017		Related Allowance	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	Ending Balance	Unpaid Principal Balance (5)		Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
With no related allowance recorded:							
Commercial and industrial	\$261,285	\$270,571	\$—	—\$262,631	\$4,852	\$268,041	\$9,352
Commercial real estate	76,463	106,248	—	82,296	1,937	84,865	3,937
Automobile	—	—	—	—	—	—	—
Home equity	—	—	—	—	—	—	—
Residential mortgage	—	—	—	—	—	—	—
RV and marine finance	—	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—	—
With an allowance recorded:							
Commercial and industrial (3)	283,409	342,188	24,423	258,066	2,002	310,611	3,908
Commercial real estate (4)	34,270	41,695	2,340	38,753	453	58,563	920
Automobile	32,431	32,642	1,889	32,581	546	32,041	1,080
Home equity (6)	325,805	357,738	17,844	326,280	3,977	323,988	7,927
Residential mortgage (6)	329,050	363,277	11,578	339,289	2,903	335,444	6,013
RV and marine finance	1,331	1,355	134	1,009	23	672	34
Other consumer	4,126	4,126	253	4,186	55	4,090	111
Total							
Commercial and industrial	544,694	612,759	24,423	520,697	6,854	578,652	13,260
Commercial real estate	110,733	147,943	2,340	121,049	2,390	143,428	4,857
Automobile	32,431	32,642	1,889	32,581	546	32,041	1,080
Home equity	325,805	357,738	17,844	326,280	3,977	323,988	7,927
Residential mortgage	329,050	363,277	11,578	339,289	2,903	335,444	6,013
RV and marine finance	1,331	1,355	134	1,009	23	672	34
Other consumer	4,126	4,126	253	4,186	55	4,090	111

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(dollar amounts in thousands)	December 31, 2016			Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Ending Balance	Unpaid Principal Balance (5)	Related Allowance	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
With no related allowance recorded:							
Commercial and industrial	\$299,606	\$358,712	\$ —	—\$289,138	\$ 2,392	\$284,128	\$ 4,623
Commercial real estate	88,817	126,152	—	72,569	1,855	72,640	3,472
Automobile	—	—	—	—	—	—	—
Home equity	—	—	—	—	—	—	—
Residential mortgage	—	—	—	1,298	109	1,350	111
RV and marine finance	—	—	—	—	—	—	—
Other consumer	—	—	—	19	2	30	104
With an allowance recorded:							
Commercial and industrial (3)	406,243	448,121	22,259	291,761	1,739	269,518	3,829
Commercial real estate (4)	97,238	107,512	3,434	58,357	615	69,501	1,373
Automobile	30,961	31,298	1,850	32,032	524	31,789	1,102
Home equity (6)	319,404	352,722	15,032	248,056	2,962	248,317	5,930
Residential mortgage (6)	327,753	363,099	12,849	352,489	3,027	357,324	6,064
RV and marine finance	—	—	—	—	—	—	—
Other consumer	3,897	3,897	260	4,812	53	4,754	120
Total							
Commercial and industrial	705,849	806,833	22,259	580,899	4,131	553,646	8,452
Commercial real estate	186,055	233,664	3,434	130,926	2,470	142,141	4,845
Automobile	30,961	31,298	1,850	32,032	524	31,789	1,102
Home equity	319,404	352,722	15,032	248,056	2,962	248,317	5,930
Residential mortgage	327,753	363,099	12,849	353,787	3,136	358,674	6,175
RV and marine finance	—	—	—	—	—	—	—
Other consumer	3,897	3,897	260	4,831	55	4,784	224

(1) These tables do not include loans fully charged-off.

(2) All automobile, RV and marine finance and other consumer impaired loans included in these tables are considered impaired due to their status as a TDR.

(3) At June 30, 2017 and December 31, 2016, commercial and industrial loans of \$115 million and \$293 million, respectively, were considered impaired due to their status as a TDR.

(4) At June 30, 2017 and December 31, 2016, commercial real estate loans of \$23 million and \$81 million, respectively, were considered impaired due to their status as a TDR.

(5) The differences between the ending balance and unpaid principal balance amounts represent partial charge-offs.

(6) Includes home equity and residential mortgages considered to be collateral dependent as well as home equity and mortgage loans considered impaired due to their status as a TDR.

TDR Loans

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. Loan modifications are considered TDRs when the concessions provided are not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDRs. Acquired, non-purchased credit impaired loan are only considered for TDR reporting for modifications made subsequent to acquisition. See Note 4 “Loans / Leases and Allowance for Credit Losses” to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2016 for an additional discussion of TDRs.

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The following table presents by class and modification type, the number of contracts, post-modification outstanding balance, and the financial effects of the modification for the three-month and six-month periods ended June 30, 2017 and 2016:

(dollar amounts in thousands)	New Troubled Debt Restructurings During The Three-Month Period Ended (1)			June 30, 2016		
	Number of Contracts	Post-modification Outstanding Ending Balance	Financial effects of modification (2)	Number of Contracts	Post-modification Outstanding Ending Balance	Financial effects of modification (2)
Commercial and industrial:						
Interest rate reduction	1	\$ 18	\$ —	1	\$ 22	\$ —
Amortization or maturity date change	228	168,118	(6,856)	199	133,933	(3,490)
Other	1	220	—	2	232	—
Total Commercial and industrial	230	168,356	(6,856)	202	134,187	(3,490)
Commercial real estate:						
Interest rate reduction	—	—	—	1	84	—
Amortization or maturity date change	19	25,027	(427)	36	16,017	(723)
Other	—	—	—	2	52	—
Total commercial real estate:	19	25,027	(427)	39	16,153	(723)
Automobile:						
Interest rate reduction	5	58	1	3	64	5
Amortization or maturity date change	334	2,853	67	286	2,663	202