

HUNTINGTON BANCSHARES INC/MD

Form 10-K

February 16, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2017

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-34073

Huntington Bancshares Incorporated

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Maryland | 31-0724920 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

41 S. High Street, Columbus, Ohio 43287
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of class | Name of exchange on which registered |
|--|--------------------------------------|
| 8.50% Series A non-voting, perpetual convertible preferred stock | NASDAQ |
| 5.875% Series C Non-Cumulative, perpetual preferred stock | NASDAQ |
| 6.250% Series D Non-Cumulative, perpetual preferred stock | NASDAQ |
| Common Stock—Par Value \$0.01 per Share | NASDAQ |

Securities registered pursuant to Section 12(g) of the Act:

Title of class
Floating Rate Series B Non-Cumulative Perpetual Preferred Stock

Depository Shares (each representing a 1/40th interest in a share of Floating Rate Series B Non-Cumulative Perpetual Preferred Stock)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. ☐ Yes ☒ No

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 (or for such shorter period that the registrant was required to file such reports), 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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒ x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth 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 13(a) of the Exchange Act. ☐

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2017, determined by using a per share closing price of \$13.52, as quoted by NASDAQ on that date, was \$14,498,375,048. As of January 31, 2018, there were 1,072,026,681 shares of common stock with a par value of \$0.01 outstanding.

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for the 2018 Annual Shareholders' Meeting.

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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:

| | |
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| ABL | Asset Based Lending |
| 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 |
| AML | Anti-Money Laundering |
| ANPR | Advance Notice of Proposed Rulemaking |
| AOCI | Accumulated Other Comprehensive Income |
| ASC | Accounting Standards Codification |
| ATM | Automated Teller Machine |
| AULC | Allowance for Unfunded Loan Commitments |
| Bank Secrecy Act | Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970 |
| BHC | Bank Holding Company |
| BHC Act | Bank Holding Company Act of 1956 |
| C&I | Commercial and Industrial |
| CCAR | Comprehensive Capital Analysis and Review |
| CDO | Collateralized Debt Obligation |
| CDs | Certificates of Deposit |
| CET1 | Common equity tier 1 on a transitional Basel III basis |
| CFPB | Consumer Financial Protection Bureau |
| CISA | Cybersecurity Information Sharing Act |
| CMO | Collateralized Mortgage Obligations |
| CRA | Community Reinvestment Act |
| CRE | Commercial Real Estate |
| DIF | Deposit Insurance Fund |
| Dodd-Frank Act | Dodd-Frank Wall Street Reform and Consumer Protection Act |
| EPS | Earnings Per Share |
| EVE | Economic Value of Equity |
| FASB | Financial Accounting Standard Board |
| FCRA | Fair Credit Reporting Act |
| FDIA | Federal Deposit Insurance Act |
| FDIC | Federal Deposit Insurance Corporation |
| FHA | Federal Housing Administration |
| FHC | Financial Holding Company |
| FHLB | Federal Home Loan Bank |
| FICO | Fair Isaac Corporation |
| FinCEN | Financial Crimes Enforcement Network |
| FINRA | Financial Industry Regulatory Authority, Inc. |
| 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 |

| | |
|------|---------------------------------|
| GSE | Government Sponsored Enterprise |
| HMDA | Home Mortgage Disclosure Act |
| HTM | Held-to-Maturity |
| IRS | Internal Revenue Service |

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|-----------------|---|
| LCR | Liquidity Coverage Ratio |
| LGD | Loss Given Default |
| LIBOR | London Interbank Offered Rate |
| LIHTC | Low Income Housing Tax Credit |
| LTD | Long Term Debt |
| LTV | Loan to Value |
| 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 | Noninterest Income |
| NIM | Net Interest Margin |
| NPAs | Nonperforming Assets |
| OCC | Office of the Comptroller of the Currency |
| OCI | Other Comprehensive Income (Loss) |
| OCR | Optimal Customer Relationship |
| OFAC | Office of Foreign Assets Control |
| OLEM | Other Loans Especially Mentioned |
| OREO | Other Real Estate Owned |
| OTTI | Other-Than-Temporary Impairment |
| Patriot Act | Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 |
| PD | Probability Of Default |
| Plan | Huntington Bancshares Retirement Plan |
| Problem Loans | Includes nonaccrual loans and leases (Table 12), accruing loans and leases past due 90 days or more (Table 13), troubled debt restructured loans (Table 15), and criticized commercial loans (credit quality indicators section of Footnote 4). |
| RBHPCG | Regional Banking and The Huntington Private Client Group |
| REIT | Real Estate Investment Trust |
| Riegle-Neal Act | The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 |
| ROC | Risk Oversight Committee |
| RWA | Risk-Weighted Assets |
| SAB | Staff Accounting Bulletin |
| SAD | Special Assets Division |
| SBA | Small Business Administration |
| SEC | Securities and Exchange Commission |
| SERP | Supplemental Executive Retirement Plan |
| SRIP | Supplemental Retirement Income Plan |
| TCJA | H.R. 1, Originally known as the Tax Cuts and Jobs Act |
| TDR | Troubled Debt Restructured loan |
| U.S. Basel III | Refers to the final rule issued by the FRB and OCC and published in the Federal Register on October 11, 2013 |
| U.S. Treasury | U.S. Department of the Treasury |

| | |
|------|--|
| UCS | Uniform Classification System |
| UPB | Unpaid Principal Balance |
| USDA | U.S. Department of Agriculture |
| VA | U.S. Department of Veteran Affairs |
| VIE | Variable Interest Entity |
| XBRL | eXtensible Business Reporting Language |

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Huntington Bancshares Incorporated

PART I

When we refer to "Huntington", "we", "our", "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 1: Business

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. We have 15,770 average full-time equivalent employees. Through the Bank, we have over 150 years of serving the financial needs of our customers. Through our subsidiaries, we provide full-service commercial, small business, 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. The Bank, organized in 1866, is our only bank subsidiary. At December 31, 2017, the Bank had 10 private client group offices and 956 branches as follows:

- 458 branches in Ohio
- 37 branches in Illinois
- 303 branches in Michigan
- 31 branches in Wisconsin
- 50 branches in Pennsylvania
- 25 branches in West Virginia
- 42 branches in Indiana
- 10 branches in Kentucky

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.

Our business segments are based on our internally-aligned segment leadership structure, which is how we monitor results and assess performance. For each of our four business segments, we expect the combination of our business model and exceptional service to provide a competitive advantage that supports revenue and earnings growth. Our business model emphasizes the delivery of a complete set of banking products and services offered by larger banks, but distinguished by local delivery and customer service.

A key strategic emphasis has been for our business segments to operate in cooperation to provide products and services to our customers and to build stronger and more profitable relationships using our OCR sales and service process. The objectives of OCR are to:

- Use a consultative sales approach to provide solutions that are specific to each customer.
- Leverage each business segment in terms of its products and expertise to benefit customers.
- Develop prospects who may want to have multiple products and services as part of their relationship with us.

Following is a description of our four business segments and a Treasury / Other function:

Consumer and Business Banking: The Consumer and Business Banking segment provides a wide array of financial products and services to consumer and small business customers including but not limited to checking accounts, savings accounts, money market accounts, certificates of deposit, investments, consumer loans, credit cards and small business loans. Other financial services available to consumer and small business customers include mortgages, insurance, interest rate risk protection, foreign exchange, and treasury management. Huntington serves customers through our network of branches in Ohio, Illinois, Indiana, Kentucky, Michigan, Pennsylvania, West Virginia, and Wisconsin. In addition to our extensive branch network, customers can access Huntington through online banking, mobile banking, telephone banking and ATMs.

We have a "Fair Play" banking philosophy; providing differentiated products and services, built on a strong foundation of customer advocacy. Our brand resonates with consumers and businesses; earning us new customers and deeper relationships with current customers.

Business Banking is a dynamic part of our business and we are committed to being the bank of choice for businesses in our markets. Business Banking is defined as serving companies with revenues up to \$20 million. Huntington continues to develop products and services that are designed specifically to meet the needs of small business and look for ways to help companies find solutions to their financing needs.

Home Lending, an operating unit of Consumer and Business Banking, originates consumer loans and mortgages for customers who are generally located in our primary banking markets. Consumer and mortgage lending products are

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primarily distributed through the Consumer and Business Banking and Regional Banking and The Huntington Private Client Group segments, as well as through commissioned loan originators. Home Lending earns interest on portfolio loans and loans held-for-sale, earns fee income from the origination and servicing of mortgage loans, and recognizes gains or losses from the sale of mortgage loans. Home Lending supports the origination of mortgage loans across all segments.

Commercial Banking: Through a relationship banking model, this segment provides a wide array of products and services to the middle market, large corporate, real estate and government public sector customers located primarily within our geographic footprint. The segment is divided into six business units: Middle Market, Specialty Banking, Asset Finance, Capital Markets/ Institutional Corporate Banking, Commercial Real Estate and Treasury Management.

Middle Market primarily focuses on providing banking solutions to companies with annual revenues of \$20 million to \$500 million. Through a relationship management approach, various products, capabilities and solutions are seamlessly delivered in a client centric way.

Specialty Banking offers tailored products and services to select industries that have a foothold in the Midwest. Each team is comprised of industry experts with a dynamic understanding of the market and industry. Many of these industries are experiencing tremendous change, which creates opportunities for Huntington to leverage our expertise and help clients navigate, adapt, and succeed.

Asset Finance is a combination of our Huntington Equipment Finance, Huntington Public Capital®, Technology and Healthcare Equipment Leasing, and Lender Finance divisions that focus on providing financing solutions against these respective asset classes.

Capital Markets/Institutional Corporate Banking has three distinct product offerings: 1) corporate risk management services, 2) institutional sales, trading, and underwriting, 3) institutional corporate banking. The Capital Markets Group offers a full suite of risk management tools including commodities, foreign exchange, and interest rate hedging services. The Institutional Sales, Trading & Underwriting team provides access to capital and investment solutions for both municipal and corporate institutions. Institutional Corporate Banking works with larger, often more complex companies with revenues greater than \$500 million. These entities, many of which are publicly traded, require a different and customized approach to their banking needs.

The Commercial Real Estate team serves real estate developers, REITs, and other customers with lending needs that are secured by commercial properties. Most of these customers are located within our footprint. Within Commercial Real Estate, Huntington Community Development focuses on improving the quality of life for our communities and the residents of low-to moderate-income neighborhoods by developing and delivering innovative products and services to support affordable housing and neighborhood stabilization.

Treasury Management teams help businesses manage their working capital programs and reduce expenses. Our liquidity solutions help customers save and invest wisely, while our payables and receivables capabilities help them manage purchases and the receipt of payments for goods and services. All of this is provided while helping customers take a sophisticated approach to managing their overhead, inventory, equipment, and labor.

Vehicle Finance: Our products and services include providing financing to consumers for the purchase of automobiles, light-duty trucks, recreational vehicles and marine craft at franchised and other select dealerships, and providing financing to franchised dealerships for the acquisition of new and used inventory. Products and services are delivered through highly specialized relationship-focused bankers and product partners. Huntington creates well-defined relationship plans which identify needs where solutions are developed and customer commitments are obtained.

The Vehicle Finance team services automobile dealerships, its owners, and consumers buying automobiles through these franchised dealerships. Huntington has provided new and used automobile financing and dealer services throughout the Midwest since the early 1950s. This consistency in the market and our focus on working with strong dealerships has allowed us to expand into select markets outside of the Midwest and to actively deepen relationships while building a strong reputation. With the acquisition of FirstMerit, Huntington also provides financing for the purchase by consumers of recreational vehicles and marine craft on an indirect basis through a series of dealerships.

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Regional Banking and The Huntington Private Client Group: Regional Banking and The Huntington Private Client Group is closely aligned with our regional banking markets. A fundamental point of differentiation is our commitment to be actively engaged within our local markets - building connections with community and business leaders and offering a uniquely personal experience delivered by colleagues working within those markets.

The core business of The Huntington Private Client Group is The Huntington Private Bank, which consists of Private Banking, Wealth & Investment Management, and Retirement Plan Services. The Huntington Private Bank provides high net-worth customers with deposit, lending (including specialized lending options), and banking services. The Huntington Private Bank also delivers wealth management and legacy planning through investment and portfolio management, fiduciary administration, and trust services. This group also provides retirement plan services to corporate

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businesses. The Huntington Private Client Group also provides corporate trust services and institutional and mutual fund custody services.

The Treasury / Other function includes technology and operations, other unallocated assets, liabilities, revenue, and expense.

The financial results for each of these business segments are included in Note 24 of Notes to Consolidated Financial Statements and are discussed in the Business Segment Discussion of our MD&A.

Competition

We compete with other banks and financial services companies such as savings and loans, credit unions, and finance and trust companies, as well as mortgage banking companies, automobile and equipment financing companies (including captive automobile finance companies), insurance companies, mutual funds, investment advisors, and brokerage firms, both within and outside of our primary market areas. FinTech startups are also providing nontraditional, but increasingly strong, competition for our borrowers, depositors, and other customers.

We compete for loans primarily on the basis of a combination of value and service by building customer relationships as a result of addressing our customers' entire suite of banking needs, demonstrating expertise, and providing convenience to our customers. We also consider the competitive pricing pressures in each of our markets.

We compete for deposits similarly on a basis of a combination of value and service and by providing convenience through a banking network of branches and ATMs within our markets and our website at www.huntington.com. We also employ customer friendly practices, such as our 24-Hour Grace[®] account feature, which gives customers an additional business day to cover overdrafts to their consumer account without being charged overdraft fees.

The table below shows our competitive ranking and market share based on deposits of FDIC-insured institutions as of June 30, 2017, in the top 10 metropolitan statistical areas (MSA) in which we compete:

| MSA | Deposits | | Market Share | |
|------------------|----------|-----------|--------------|---|
| | Rank (in | millions) | | |
| Columbus, OH | 1 | \$ 22,332 | 34 | % |
| Cleveland, OH | 2 | 9,273 | 14 | |
| Detroit, MI | 5 | 7,358 | 6 | |
| Akron, OH | 1 | 3,864 | 29 | |
| Indianapolis, IN | 4 | 3,285 | 7 | |
| Cincinnati, OH | 4 | 2,623 | 2 | |
| Pittsburgh, PA | 9 | 2,978 | 2 | |
| Chicago, IL | 19 | 2,324 | 1 | |
| Toledo, OH | 1 | 2,535 | 24 | |
| Grand Rapids, MI | 2 | 2,367 | 11 | |

Source: FDIC.gov, based on June 30, 2017 survey.

Many of our nonfinancial institution competitors have fewer regulatory constraints, broader geographic service areas, greater capital, and, in some cases, lower cost structures. In addition, competition for quality customers has intensified as a result of changes in regulation, advances in technology and product delivery systems, consolidation among financial service providers, and bank failures.

Financial Technology Companies, or FinTechs, continue to emerge in key areas of banking. In response, we are monitoring activity in marketplace lending along with businesses engaged in money transfer, investment advice, and money management tools. Our strategy involves assessing the marketplace and determining our near term plan, while developing a longer term approach to effectively service our existing customers and attract new customers. This includes evaluating which products we develop in-house, as well as evaluating partnership options, where applicable.

Regulatory Matters**Regulatory Environment**

The banking industry is highly regulated. We are subject to supervision, regulation and examination by various federal and state regulators, including the Federal Reserve, OCC, SEC, CFPB, FDIC, FINRA, and various state regulatory agencies. The statutory and regulatory framework that governs us is generally intended to protect depositors and

customers, the DIF, the U.S. banking and financial system, and financial markets as a whole.

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Banking statutes, regulations and policies are continually under review by Congress, state legislatures and federal and state regulatory agencies. In addition to laws and regulations, state and federal bank regulatory agencies may issue policy statements, interpretive letters and similar written guidance applicable to Huntington and its subsidiaries. Any change in the statutes, regulations or regulatory policies applicable to us, including changes in their interpretation or implementation, could have a material effect on our business or organization.

Both the scope of the laws and regulations and the intensity of the supervision to which we are subject have increased in recent years in response to the financial crisis, as well as other factors such as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of the Dodd-Frank Act and its implementing regulations, most of which are now in place. President Trump has issued an executive order that sets forth principles for the reform of the federal financial regulatory framework, and the Republican majority in Congress has also suggested an agenda for financial regulatory change. It is too early to assess whether there will be any major changes in the regulatory environment or merely a rebalancing of the post financial crisis framework. The Company expects that its business will remain subject to extensive regulation and supervision.

We are also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC, as well as the rules of Nasdaq that apply to companies with securities listed on the Nasdaq Global Select Market.

The following discussion describes certain elements of the comprehensive regulatory framework applicable to us. This discussion is not intended to describe all laws and regulations applicable to Huntington, the Bank and Huntington's other subsidiaries.

Huntington as a Bank Holding Company

Huntington is registered as a BHC with the Federal Reserve under the BHC Act and qualifies for and has elected to become a FHC under the Gramm-Leach-Bliley Act of 1999. As a FHC, Huntington is permitted to engage in, and be affiliated with companies engaging in, a broader range of activities than those permitted for a BHC. BHCs are generally restricted to engaging in the business of banking, managing or controlling banks and certain other activities determined by the Federal Reserve to be closely related to banking. FHCs may also engage in activities that are considered to be financial in nature, as well as those incidental or complementary to financial activities, including underwriting, dealing and making markets in securities and making merchant banking investments in non-financial companies. Huntington and the Bank must each remain "well-capitalized" and "well managed" in order for Huntington to maintain its status as a FHC. In addition, the Bank must receive a CRA rating of at least "Satisfactory" at its most recent examination for Huntington to engage in the full range of activities permissible for FHCs.

Huntington is subject to primary supervision, regulation and examination by the Federal Reserve, which serves as the primary regulator of our consolidated organization. The primary regulators of our non-bank subsidiaries directly regulate the activities of those subsidiaries, with the Federal Reserve exercising a supervisory role. Such non-bank subsidiaries include, for example, broker-dealers registered with the SEC and investment advisers registered with the SEC with respect to their investment advisory activities.

The Bank as a National Bank

The Bank is a national banking association chartered under the laws of the United States. As a national bank, the activities of the Bank are limited to those specifically authorized under the National Bank Act and OCC regulations. The Bank is subject to comprehensive primary supervision, regulation and examination by the OCC. As a member of the DIF, the Bank is also subject to regulation and examination by the FDIC.

Supervision, Examination and Enforcement

A principal objective of the U.S. bank regulatory regime is to protect depositors and customers, the DIF, the U.S. banking and financial system, and financial markets as a whole by ensuring the financial safety and soundness of BHCs and banks, including Huntington and the Bank. Bank regulators regularly examine the operations of BHCs and banks. In addition, BHCs and banks are subject to periodic reporting and filing requirements.

The Federal Reserve, OCC and FDIC have broad supervisory and enforcement authority with regard to BHCs and banks, including the power to conduct examinations and investigations, impose nonpublic supervisory agreements, issue cease and desist orders, impose fines and other civil and criminal penalties, terminate deposit insurance and

appoint a conservator or receiver. In addition, Huntington, the Bank and other Huntington subsidiaries are subject to supervision, regulation and examination by the CFPB, which is the primary administrator of most federal consumer financial statutes and Huntington's primary consumer financial regulator. Supervision and examinations are confidential, and the outcomes of these actions may not be made public.

Bank regulators have various remedies available if they determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of a banking organization's operations are unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any law or

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regulation. The regulators have the power to, among other things, prohibit unsafe or unsound practices, require affirmative actions to correct any violation or practice, issue administrative orders that can be judicially enforced, direct increases in capital, direct the sale of subsidiaries or other assets, limit dividends and distributions, restrict growth, assess civil monetary penalties, remove officers and directors, and terminate deposit insurance. Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations and supervisory agreements could subject the Company, its subsidiaries and their respective officers, directors and institution-affiliated parties to the remedies described above and other sanctions. In addition, the FDIC may terminate a bank's depository insurance upon a finding that the bank's financial condition is unsafe or unsound or that the bank has engaged in unsafe or unsound practices or has violated an applicable rule, regulation, order or condition enacted or imposed by the bank's regulatory agency.

Bank Acquisitions by Huntington

BHCs, such as Huntington, must obtain prior approval of the Federal Reserve in connection with any acquisition that results in the BHC owning or controlling 5% or more of any class of voting securities of a bank or another BHC.

Acquisitions of Ownership of the Company

Acquisitions of Huntington's voting stock above certain thresholds are subject to prior regulatory notice or approval under federal banking laws, including the BHC Act and the Change in Bank Control Act of 1978. Under the Change in Bank Control Act, a person or entity generally must provide prior notice to the Federal Reserve before acquiring the power to vote 10% or more of our outstanding common stock. Investors should be aware of these requirements when acquiring shares in our stock.

Interstate Banking

Under the Riegle-Neal Act, a BHC may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the BHC not control, prior to or following the proposed acquisition, more than 10% of the total amount of deposits of insured depository institutions nationwide or, unless the acquisition is the BHC's initial entry into the state, more than 30% of such deposits in the state (or such lesser or greater amount set by the state). The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate branches. A national bank, such as the Bank, with the approval of the OCC may open a branch in any state if the law of that state would permit a state bank chartered in that state to establish the branch.

Regulatory Capital Requirements

Huntington and the Bank are subject to certain risk-based capital and leverage ratio requirements under the U.S. Basel III capital rules adopted by the Federal Reserve, for Huntington, and by the OCC, for the Bank. These rules implement the Basel III international regulatory capital standards in the United States, as well as certain provisions of the Dodd-Frank Act. These quantitative calculations are minimums, and the Federal Reserve and OCC may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner.

Under the U.S. Basel III capital rules, Huntington's and the Bank's assets, exposures and certain off-balance sheet items are subject to risk weights used to determine the institutions' risk-weighted assets. These risk-weighted assets are used to calculate the following minimum capital ratios for Huntington and the Bank:

• Tier 1 Leverage Ratio, equal to the ratio of Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets and certain other deductions).

• CET1 Risk-Based Capital Ratio, equal to the ratio of CET1 capital to risk-weighted assets. CET1 capital primarily includes common shareholders' equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets, certain deferred tax assets and AOCI. Certain of these adjustments and deductions were subject to phase-in periods that began on January 1, 2015 and ended on January 1, 2018. Together with the FDIC, the Federal Reserve and OCC have issued proposed rules that would simplify the capital treatment of certain capital deductions and adjustments, and the final phase-in period for these capital deductions and adjustments has been indefinitely delayed.

• Tier 1 Risk-Based Capital Ratio, equal to the ratio of Tier 1 capital to risk-weighted assets. Tier 1 capital is primarily comprised of CET1 capital, perpetual preferred stock and certain qualifying capital instruments.

Total Risk-Based Capital Ratio, equal to the ratio of total capital, including CET1 capital, Tier 1 capital and Tier 2 capital, to risk-weighted assets. Tier 2 capital primarily includes qualifying subordinated debt and qualifying ALLL. Tier 2 capital also includes, among other things, certain trust preferred securities.

The total minimum regulatory capital ratios and well-capitalized minimum ratios are reflected on the following page. The Federal Reserve has not yet revised the well-capitalized standard for BHCs to reflect the higher capital requirements imposed under the U.S. Basel III capital rules. For purposes of the Federal Reserve's Regulation Y, including determining whether a BHC meets the requirements to be an FHC, BHCs, such as Huntington, must maintain a Tier 1 Risk-Based Capital Ratio of 6.0% or greater and a Total Risk-Based Capital Ratio of 10.0% or greater. If the Federal Reserve were to apply the same or a very similar

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well-capitalized standard to BHCs as that applicable to the Bank, Huntington's capital ratios as of December 31, 2017 would exceed such revised well-capitalized standard. The Federal Reserve may require BHCs, including Huntington, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a BHC's particular condition, risk profile and growth plans.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on Huntington's or the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications.

In addition to meeting the minimum capital requirements, under the U.S. Basel III capital rules Huntington and the Bank must also maintain the required Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. The Capital Conservation Buffer is calculated as a ratio of CET1 capital to risk-weighted assets, and it effectively increases the required minimum risk-based capital ratios. The Capital Conservation Buffer requirement is being phased in over a three-year period that began on January 1, 2016. When the phase-in period is complete on January 1, 2019, the Capital Conservation Buffer will be 2.5%. Throughout 2017, the required Capital Conservation Buffer was 1.25%, and the required Capital Conservation Buffer throughout 2018 will be 1.875%. The Tier 1 Leverage Ratio is not impacted by the Capital Conservation Buffer, and a banking institution may be considered well-capitalized while remaining out of compliance with the Capital Conservation Buffer.

The table below summarizes the capital requirements that Huntington and the Bank must satisfy to avoid limitations on capital distributions and certain discretionary bonus payments (i.e., the required minimum capital ratios plus the Capital Conservation Buffer) during the remaining transition period for the Capital Conservation Buffer:

| | Minimum Basel III Regulatory Capital Ratio Plus Capital Conservation Buffer | | |
|---------------------------------|--|-----------------|-----------------|
| | January 1, 2017 | January 1, 2018 | January 1, 2019 |
| CET 1 risk-based capital ratio | 5.75 % | 6.375 % | 7.0 % |
| Tier 1 risk-based capital ratio | 7.25 | 7.875 | 8.5 |
| Total risk-based capital ratio | 9.25 | 9.875 | 10.5 |

The following table presents the minimum regulatory capital ratios, minimum ratio plus capital conservation buffer, and well capitalized minimums compared with Huntington's and the Bank's regulatory capital ratios as of December 31, 2017, calculated using the regulatory capital methodology applicable during 2017.

| (dollar amounts in billions) | | Minimum | | At December 31, 2017 | |
|---------------------------------|--------------|--------------------------------|--|----------------------------------|--------|
| | | Regulatory Capital Ratio | Ratio + Capital Conservation Buffer (1) | Well-Capitalized Minimums (2) | Actual |
| Ratios: | | | | | |
| Tier 1 leverage ratio | Consolidated | 4.00 | % N/A | N/A | 9.09 |
| | Bank | 4.00 | N/A | 5.00 | % 9.70 |
| CET 1 risk-based capital ratio | Consolidated | 4.50 | 5.75 | % N/A | 10.01 |
| | Bank | 4.50 | 5.75 | 6.50 | 11.02 |
| Tier 1 risk-based capital ratio | Consolidated | 6.00 | 7.25 | 6.00 | 11.34 |
| | Bank | 6.00 | 7.25 | 8.00 | 12.10 |
| Total risk-based capital ratio | Consolidated | 8.00 | 9.25 | 10.00 | 13.39 |
| | Bank | 8.00 | 9.25 | 10.00 | 14.33 |

(1)

Reflects the capital conservation buffer of 1.25% applicable during 2017. Huntington and the Bank already meet the Capital Conservation Buffer at the fully phased-in level of 2.5%

- (2) Reflects the well-capitalized standard applicable to Huntington and the well-capitalized standard applicable to the Bank under Federal Reserve Regulation Y.

Huntington has the ability to provide additional capital to the Bank to maintain the Bank's risk-based capital ratios at levels which would be considered well-capitalized.

As of December 31, 2017, Huntington's and the Bank's regulatory capital ratios were above the well-capitalized standards and met the then-applicable Capital Conservation Buffer and the Capital Conservation Buffer on a fully phased-in basis. Based on current estimates, we believe that Huntington and the Bank will continue to exceed all applicable well-capitalized regulatory capital requirements and the Capital Conservation Buffer, on a fully phased-in basis.

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Liquidity Requirements

BHCs with total consolidated assets of \$250 billion or more are subject to a minimum LCR, and BHCs with at least \$50 billion but less than \$250 billion in total consolidated assets, including Huntington, are subject to a less stringent modified version of the LCR. The LCR requires Huntington to meet certain liquidity measures by holding an adequate amount of unencumbered high-quality liquid assets, such as Treasury securities and other sovereign debt, to cover its projected net cash outflows over a 30 calendar-day stress scenario window. Because the LCR assigns less severe outflow assumptions to certain types of customer deposits, banks' demand for and the cost of these deposits may increase. Additionally, the LCR has increased the demand for direct U.S. government and U.S.

government-guaranteed debt that, while high quality, generally carry lower yields than other securities BHCs hold in their investment portfolios. Congress is considering a bill that would require the U.S. federal bank regulatory agencies to amend the LCR to treat certain investment grade municipal securities as high-quality liquid assets. It is too early to tell whether this bill will become law.

In addition, in May 2016, the federal bank regulatory agencies proposed a Net Stable Funding Ratio rule, which would require large financial firms to meet certain net stable funding measures by funding themselves with adequate amounts of medium- and long-term funding. If finalized as proposed, Huntington would be subject to a less stringent modified version of the Net Stable Funding Ratio.

Enhanced Prudential Standards

Under the Dodd-Frank Act, BHCs with consolidated assets of more than \$50 billion, such as Huntington, are subject to certain enhanced prudential standards. As a result, Huntington is subject to more stringent standards, including liquidity and capital requirements, leverage limits, stress testing, resolution planning and risk management standards, than those applicable to smaller institutions. Rules to implement two other enhanced prudential standards—single-counterparty credit limits and early remediation requirements—are still under consideration by the Federal Reserve. Congress is considering a bill that, following an 18-month period, would exempt BHCs with consolidated assets between \$100 billion and \$250 billion, such as Huntington, from most enhanced prudential standards and would allow the Federal Reserve either to determine that some or all of these standards should be applied to some or all such BHCs or to subject such BHCs to less stringent versions of these standards. It is too early to tell whether this bill will become law and, if so, whether and how the Federal Reserve would exercise its authority.

Capital Planning

Huntington is required to submit a capital plan annually to the Federal Reserve for supervisory review in connection with its annual CCAR process. Huntington is required to include within its capital plan an assessment of the expected uses and sources of capital and a description of all planned capital actions over the nine-quarter planning horizon, a detailed description of the process for assessing capital adequacy, its capital policy, and a discussion of any expected changes to its business plan that are likely to have a material impact on its capital adequacy.

The Federal Reserve expects BHCs subject to CCAR, such as Huntington, to have sufficient capital to withstand a highly adverse operating environment and to be able to continue operations, maintain ready access to funding, meet obligations to creditors and counterparties, and serve as credit intermediaries. In addition, the Federal Reserve evaluates the planned capital actions of these BHCs, including planned capital distributions such as dividend payments or stock repurchases. This involves a quantitative assessment of capital based on supervisory-run stress tests that assess the ability to maintain capital levels above certain minimum ratios, after taking all capital actions included in a BHC's capital plan, under baseline and stressful conditions throughout the nine-quarter planning horizon. As part of CCAR, the Federal Reserve evaluates whether BHCs have sufficient capital to continue operations throughout times of economic and financial market stress and whether they have robust, forward-looking capital planning processes that account for their unique risks. We generally may pay dividends and repurchase stock only in accordance with a capital plan that has been reviewed by the Federal Reserve and as to which the Federal Reserve has not objected. In addition, we are generally prohibited from making a capital distribution unless, after giving effect to the distribution, we will meet all minimum regulatory capital ratios.

Under revised CCAR rules that became effective on March 6, 2017, the Federal Reserve is no longer allowed to object to the capital plan of a large and non-complex BHC, such as Huntington, on a qualitative, as opposed to quantitative, basis. Instead, the Federal Reserve may evaluate the strength of Huntington's qualitative capital planning process

through the regular supervisory process and targeted horizontal reviews of particular aspects of capital planning. Huntington submitted its 2017 capital plan to the Federal Reserve in April 2017. The Federal Reserve did not object to Huntington's 2017 capital plan. Huntington is required and intends to submit to the Federal Reserve its capital plan for 2018 by no later than April 5, 2018. There can be no assurance that the Federal Reserve will respond favorably to Huntington's 2018 capital plan, capital actions or stress test results.

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Stress Testing

Huntington is subject to annual supervisory stress tests. These supervisory stress tests are forward-looking quantitative evaluations of the impact of stressful economic and financial market conditions on Huntington's capital. Huntington also must conduct semi-annual company-run stress tests, the results of which are filed with the Federal Reserve and publicly disclosed. The Bank is also required to conduct annual company-run stress tests. The objective of the annual company-run stress test is to ensure that covered institutions have robust, forward-looking capital planning processes that account for their unique risks and to help ensure that covered institutions have sufficient capital to continue operations throughout times of economic and financial stress. The results of these annual stress tests must be publicly disclosed.

Congress is considering a bill that would exempt BHCs with consolidated assets between \$100 billion and \$250 billion, such as Huntington, from company-run stress testing requirements as part of the exemption from enhanced prudential standards described above and allow the federal bank regulatory agencies to decrease the number of stress scenarios involved in the supervisory and company-run stress tests and to decrease the frequency of these stress tests. It is too early to tell whether this bill will become law and, if so, whether and how the federal bank regulatory agencies would exercise their authority in amending the stress test requirements.

Restrictions on Dividends

Huntington is a legal entity separate and distinct from its banking and non-banking subsidiaries. Since our consolidated net income consists largely of net income of Huntington's subsidiaries, our ability to pay dividends and repurchase shares depends upon our receipt of dividends from these subsidiaries. Under federal law, there are various limitations on the extent to which the Bank can declare and pay dividends to Huntington, including those related to regulatory capital requirements, general regulatory oversight to prevent unsafe or unsound practices and federal banking law requirements concerning the payment of dividends out of net profits, surplus and available earnings. Certain contractual restrictions also may limit the ability of the Bank to pay dividends to Huntington. No assurances can be given that the Bank will, in any circumstances, pay dividends to Huntington.

Huntington's ability to declare and pay dividends to our shareholders is similarly limited by federal banking law and Federal Reserve regulations and policy. As discussed in the Capital Planning section above, a BHC may pay dividends and repurchase stock only in accordance with a capital plan that has been reviewed by the Federal Reserve and as to which the Federal Reserve has not objected.

Huntington and the Bank must maintain the applicable CET1 Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions, including dividends. When fully phased in on January 1, 2019, the Capital Conservation Buffer will be 2.5%. For more information on the Capital Conservation Buffer, see the Regulatory Capital Requirements section above.

Federal Reserve policy provides that a BHC should not pay dividends unless (1) the BHC's net income over the last four quarters (net of dividends paid) is sufficient to fully fund the dividends, (2) the prospective rate of earnings retention appears consistent with the capital needs, asset quality and overall financial condition of the BHC and its subsidiaries and (3) the BHC will continue to meet minimum required capital adequacy ratios. Accordingly, a BHC should not pay cash dividends that can only be funded in ways that weaken the BHC's financial health, such as by borrowing. The policy also provides that a BHC should inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the BHC's capital structure. BHCs also are required to consult with the Federal Reserve before increasing dividends or redeeming or repurchasing capital instruments. Additionally, the Federal Reserve could prohibit or limit the payment of dividends by a BHC if it determines that payment of the dividend would constitute an unsafe or unsound practice.

Volcker Rule

Under the Volcker Rule, we are prohibited from (1) engaging in short-term proprietary trading for our own account and (2) having certain ownership interest in and relationships with hedge funds or private equity funds (covered funds). The Volcker Rule regulations contain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations and also permit certain ownership interests in certain types of covered funds to be retained. They also permit the offering and sponsoring of covered funds under certain conditions. The Volcker Rule

regulations impose significant compliance and reporting obligations on banking entities, such as us. We have put in place the compliance programs required by the Volcker Rule and have either divested or received extensions for any holdings in illiquid covered funds.

The five federal agencies implementing the Volcker Rule regulations have approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities if certain qualifications are met. In addition, the agencies released a non-exclusive list of issuers that meet the requirements of the interim final rule. As of December 31, 2017, we had investments in two different pools of trust preferred securities. Both of our pools are included in the list of non-exclusive issuers. We have analyzed the pools and believe that we will continue to be able to own these investments under the final Volcker Rule regulations as well.

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Recovery and Resolution Planning

As a BHC with assets of \$50 billion or more, Huntington is required to submit annually to the Federal Reserve and the FDIC a resolution plan for the orderly resolution of Huntington and its significant legal entities under the U.S. Bankruptcy Code or other applicable insolvency laws in a rapid and orderly fashion in the event of future material financial distress or failure. If the Federal Reserve and the FDIC jointly determine that the resolution plan is not credible and the deficiencies are not cured in a timely manner, they may jointly impose on us more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations. If we were to fail to address the deficiencies in our resolution plan when required, we could eventually be required to divest certain assets or operations. Huntington submitted its resolution plan to the Federal Reserve and the FDIC on December 21, 2017. In addition, the Bank is required to periodically to file a separate resolution plan with the FDIC. The public versions of the resolution plans previously submitted by Huntington and the Bank are available on the FDIC's website and, in the case of Huntington's resolution plans, also on the Federal Reserve's website.

Under OCC guidelines that establish enforceable standards for recovery planning for insured national banks with average total consolidated assets of \$50 billion or more, the Bank must develop and maintain a recovery plan that is appropriate for its individual size, risk profile, activities, and complexity, including the complexity of its organizational and legal entity structure. OCC examiners will assess the appropriateness and adequacy of a covered bank's ongoing recovery planning process as part of the agency's regular supervisory activities. The Bank is required to comply with this recovery planning requirement by July 1, 2018.

Source of Strength

Huntington is required to serve as a source of financial and managerial strength to the Bank and, under appropriate conditions, to commit resources to support the Bank. This support may be required by the Federal Reserve at times when we might otherwise determine not to provide it or when doing so is not otherwise in the interests of Huntington or our shareholders or creditors. The Federal Reserve may require a BHC to make capital injections into a troubled subsidiary bank and may charge the BHC with engaging in unsafe and unsound practices if the BHC fails to commit resources to such a subsidiary bank or if it undertakes actions that the Federal Reserve believes might jeopardize the BHC's ability to commit resources to such subsidiary bank.

Under these requirements, Huntington may in the future be required to provide financial assistance to the Bank should it experience financial distress. Capital loans by Huntington to the Bank would be subordinate in right of payment to deposits and certain other debts of the Bank. In the event of Huntington's bankruptcy, any commitment by Huntington to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee and entitled to a priority of payment.

FDIC as Receiver or Conservator of Huntington

Upon the insolvency of an insured depository institution, such as the Bank, the FDIC may be appointed as the conservator or receiver of the institution. Under the Orderly Liquidation Authority, upon the insolvency of a BHC, such as Huntington, the FDIC may be appointed as conservator or receiver of the BHC, if certain findings are made by the FDIC, the Federal Reserve and the Secretary of the Treasury, in consultation with the President. Acting as a conservator or receiver, the FDIC would have broad powers to transfer any assets or liabilities of the institution without the approval of the institution's creditors.

Depositor Preference

The FDIA provides that, in the event of the liquidation or other resolution of an insured depository institution, including the Bank, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver would have priority over other general unsecured claims against the institution. If the Bank were to fail, insured and uninsured depositors, along with the FDIC, would have priority in payment ahead of unsecured, non-deposit creditors, including Huntington, with respect to any extensions of credit they have made to such insured depository institution.

Transactions between a Bank and its Affiliates

Federal banking laws and regulations impose qualitative standards and quantitative limitations upon certain transactions between a bank and its affiliates, including between a bank and its holding company and companies that the BHC may be deemed to control for these purposes. Transactions covered by these provisions must be on

arm's-length terms, and cannot exceed certain amounts which are determined with reference to the bank's regulatory capital. Moreover, if the transaction is a loan or other extension of credit, it must be secured by collateral in an amount and quality expressly prescribed by statute, and if the affiliate is unable to pledge sufficient collateral, the BHC may be required to provide it. The Dodd-Frank Act expanded the coverage and scope of these regulations, including by applying them to the credit exposure arising under derivative transactions, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. Federal banking laws also place similar restrictions on loans and other extensions of credit by FDIC-insured banks, such as the Bank, and their subsidiaries to their directors, executive officers and principal shareholders.

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Lending Standards and Guidance

The federal bank regulatory agencies have adopted uniform regulations prescribing standards for extensions of credit that are secured by liens or interests in real estate or made for the purpose of financing permanent improvements to real estate. Under these regulations, all insured depository institutions, such as the Bank, must adopt and maintain written policies establishing appropriate limits and standards for extensions of credit that are secured by liens or interests in real estate or are made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. The real estate lending policies must reflect consideration of the federal bank regulatory agencies' Interagency Guidelines for Real Estate Lending Policies.

Heightened Governance and Risk Management Standards

The OCC has published guidelines to update expectations for the governance and risk management practices of certain large financial institutions, including the Bank. The guidelines require covered institutions to establish and adhere to a written governance framework in order to manage and control their risk-taking activities. In addition, the guidelines provide standards for the institutions' boards of directors to oversee the risk governance framework. As discussed in the Risk Management and Capital section of the MDA, the Bank currently has a written governance framework and associated controls.

Anti-Money Laundering

The Bank Secrecy Act and the Patriot Act contain anti-money laundering and financial transparency provisions intended to detect, and prevent the use of the U.S. financial system for, money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the Patriot Act, requires depository institutions and their holding companies to undertake activities including maintaining an AML program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. The Bank is subject to the Bank Secrecy Act and, therefore, is required to provide its employees with AML training, designate an AML compliance officer and undergo an annual, independent audit to assess the effectiveness of its AML program. The Bank has implemented policies, procedures and internal controls that are designed to comply with these AML requirements. In May 2016, FinCEN, which is a unit of the Treasury Department that drafts regulations implementing the Patriot Act and other AML legislation, issued final rules governing enhanced customer due diligence. The rules impose several new obligations on covered financial institutions with respect to their "legal entity customers," including corporations, limited liability companies and other similar entities. For each such customer that opens an account (including an existing customer opening a new account), the covered financial institution must identify and verify the customer's "beneficial owners," who are specifically defined in the rules. The rules contain an exemption for insurance premium financing transactions, but cash refunds issued in connection with such transactions are not exempt, thus requiring verification of beneficial ownership before cash refunds may be issued to borrowers. Bank regulators are focusing their examinations on AML compliance, and we will continue to monitor and augment, where necessary, our AML compliance programs. The federal banking agencies are required, when reviewing bank and BHC acquisition or merger applications, to take into account the effectiveness of the AML activities of the applicant.

OFAC Regulation

OFAC is responsible for administering economic sanctions that affect transactions with designated foreign countries, nationals and others, as defined by various Executive Orders and in various legislation. OFAC-administered sanctions take many different forms. For example, sanctions may include: (1) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (2) a blocking of assets in which the government or "specially designated nationals" of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction, including property in the possession or control of U.S. persons. OFAC also publishes lists of persons, organizations, and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Blocked assets, for example property and bank deposits, cannot

be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Data Privacy

Federal and state law contains extensive consumer privacy protection provisions. The Gramm-Leach-Bliley Act requires financial institutions to periodically disclose their privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. Other federal and state laws and regulations impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The Gramm-Leach-Bliley Act also requires financial institutions to implement a comprehensive information security program that includes administrative, technical and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy

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policies and procedures for the protection of personal and confidential information are in effect across all businesses and geographic locations. Federal law also makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

Like other lenders, the Bank and other of our subsidiaries use credit bureau data in their underwriting activities. Use of such data is regulated under the FCRA, and the FCRA also regulates reporting information to credit bureaus, prescreening individuals for credit offers, sharing of information between affiliates, and using affiliate data for marketing purposes. Similar state laws may impose additional requirements on us and our subsidiaries.

FDIC Insurance

The DIF provides insurance coverage for certain deposits, up to a standard maximum deposit insurance amount of \$250,000 per depositor and is funded through assessments on insured depository institutions, based on the risk each institution poses to the DIF. The Bank accepts customer deposits that are insured by the DIF and therefore must pay insurance premiums. The FDIC may increase the Bank's insurance premiums based on various factors, including the FDIC's assessment of its risk profile. Currently, banks with \$10 billion or more in total assets, such as the Bank, must pay an assessment surcharge. These banks will be required to pay this surcharge until the earlier of the quarter in which the FDIC's reserve ratio reaches or exceeds 1.35% or December 31, 2018. Additionally, on December 22, 2017, the TCJA was enacted, which among other things, disallows the deduction of FDIC insurance premiums for tax purposes effective January 1, 2018, where previously FDIC insurance premiums were fully deductible for tax purposes.

The FDIC recently issued a rule that requires large insured depository institutions, including the Bank, to enhance their deposit account recordkeeping and related information technology system capabilities to facilitate prompt payment of insured deposits if such an institution were to fail. We must comply with these new requirements by April 1, 2020.

Compensation

Our compensation practices are subject to oversight by the Federal Reserve and, with respect to some of our subsidiaries and employees, by other financial regulatory bodies. The scope and content of compensation regulation in the financial industry are continuing to develop, and we expect that these regulations and resulting market practices will continue to evolve over a number of years.

The federal bank regulatory agencies have issued joint guidance on executive compensation designed to ensure that the incentive compensation policies of banking organizations, such as Huntington and the Bank, do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the Dodd-Frank Act requires the federal bank regulatory agencies and the SEC to issue regulations or guidelines requiring covered financial institutions, including Huntington and the Bank, to prohibit incentive-based payment arrangements that encourage inappropriate risks by providing compensation that is excessive or that could lead to material financial loss to the institution. A proposed rule was issued in 2016. Also pursuant to the Dodd-Frank Act, in 2015, the SEC proposed rules that would direct stock exchanges to require listed companies to implement clawback policies to recover incentive-based compensation from current or former executive officers in the event of certain financial restatements and would also require companies to disclose their clawback policies and their actions under those policies. Huntington continues to evaluate the proposed rules, both of which are subject to further rulemaking procedures.

Cybersecurity

The CISA is intended to improve cybersecurity in the United States by enhanced sharing of information about security threats among the U.S. government and private sector entities, including financial institutions. The CISA also authorizes companies to monitor their own systems notwithstanding any other provision of law, and allows companies to carry out defensive measures on their own systems from cyber-attacks. The law includes liability protections for companies that share cyber threat information with third parties so long as such sharing activity is conducted in accordance with CISA.

In October 2016, the federal bank regulatory agencies issued an ANPR regarding enhanced cyber risk management standards which would apply to a wide range of large financial institutions and their third-party service providers, including us and the Bank. The proposed standards would expand existing cybersecurity regulations and guidance to

focus on cyber risk governance and management; management of internal and external dependencies; and incident response, cyber resilience and situational awareness. In addition, the proposal contemplates more stringent standards for institutions with systems that are critical to the financial sector.

Community Reinvestment Act

The CRA is intended to encourage banks to help meet the credit needs of their service areas, including low- and moderate-income neighborhoods, consistent with safe and soundness practices. The relevant federal bank regulatory agency, the OCC in the

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Bank's case, examines each bank and assigns it a public CRA rating. A bank's record of fair lending compliance is part of the resulting CRA examination report.

The CRA requires the relevant federal bank regulatory agency to consider a bank's CRA assessment when considering the bank's application to conduct certain mergers or acquisitions or to open or relocate a branch office. The Federal Reserve also must consider the CRA record of each subsidiary bank of a BHC in connection with any acquisition or merger application filed by the BHC. An unsatisfactory CRA record could substantially delay or result in the denial of an approval or application by Huntington or the Bank.

The Bank received a CRA rating of "Outstanding" at its most recent examination.

Transaction Account Reserves

Federal Reserve rules require depository institutions to maintain reserves against their transaction accounts, primarily negotiable order of withdrawal (NOW) and regular checking accounts. For 2017, the first \$16 million of covered balances are exempt from the reserve requirement, aggregate balances between \$16 million and \$122.3 million are subject to a 3% reserve requirement and aggregate balances above \$122.3 million are subject to a 10% reserve requirement. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Bank is in compliance with these requirements.

Debit Interchange Fees

We are subject to a statutory requirement that interchange fees for electronic debit transactions that are paid to or charged by payment card issuers, including the Bank, be reasonable and proportional to the cost incurred by the issuer. Interchange fees for electronic debit transactions are limited to 21 cents plus .05% of the transaction, plus an additional one cent per transaction fraud adjustment. These fees impose requirements regarding routing and exclusivity of electronic debit transactions, and generally require that debit cards be usable in at least two unaffiliated networks.

Consumer Protection Regulation and Supervision

We are subject to supervision and regulation by the CFPB with respect to federal consumer protection laws. We are also subject to certain state consumer protection laws, and under the Dodd-Frank Act, state attorneys general and other state officials are empowered to enforce certain federal consumer protection laws and regulations. State authorities have recently increased their focus on and enforcement of consumer protection rules. These federal and state consumer protection laws apply to a broad range of our activities and to various aspects of our business and include laws relating to interest rates, fair lending, disclosures of credit terms and estimated transaction costs to consumer borrowers, debt collection practices, the use of and the provision of information to consumer reporting agencies, and the prohibition of unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products and services.

The CFPB has promulgated many mortgage-related final rules since it was established under the Dodd-Frank Act, including rules related to the ability to repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, HMDA requirements and appraisal and escrow standards for higher priced mortgages. Most of the provisions of these mortgage-related final rules are currently effective. In addition, several proposed revisions to mortgage-related rules are pending finalization. The mortgage-related final rules issued by the CFPB have materially restructured the origination, servicing and securitization of residential mortgages in the United States. These rules have impacted, and will continue to impact, the business practices of mortgage lenders, including the Company. For example, under the CFPB's Ability to Repay and Qualified Mortgage rule, before making a mortgage loan, a lender must establish that a borrower has the ability to repay the mortgage. "Qualified mortgages", as defined in the rule, are presumed to comply with this requirement and, as a result, present less litigation risk to lenders. For a loan to qualify as a qualified mortgage, the loan must satisfy certain limits on terms and conditions, pricing and a maximum debt-to-income ratio. Loans eligible for purchase, guarantee or insurance by a government agency or government-sponsored enterprise are exempt from some of these requirements. Satisfying the qualified mortgage standards, ensuring correct calculations are made for individual loans, recordkeeping and monitoring, as well as understanding the effect of the qualified mortgage standards on CRA obligations, impose significant new compliance obligations on, and involve compliance costs for, mortgage lenders, including the Company.

Federal regulators have promulgated a number of other rules governing the provision of credit to consumer borrowers. For example, the CFPB has issued guidance under the Equal Credit Opportunity Act for indirect automobile lenders that have a policy that permits dealers who originate automobile loans to increase the interest rate charged to a consumer and that compensates the dealer with a share of the increased interest revenue. These and other CFPB regulations involve compliance costs for automobile lenders, including the Company.

Federal regulators also have issued regulations that make it more difficult for financial institutions to collect debts owed to them. For example, in 2015, the Federal Communications Commission issued an order interpreting the Telephone Consumer Protection Act that affected the ability to financial institutions like the Company to place telephone calls to borrowers using automated dialing devices, which has increased both the cost of collection and the potential exposure of the Company to lawsuits

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for non-compliance with the Act. The CFPB also has indicated an interest in issuing other regulations that would restrict debt collection activities.

Available Information

We are subject to the informational requirements of the Exchange Act and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements, and other information with the SEC. This information may be read and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet web site that contains reports, proxy statements, and other information about issuers, like us, who file electronically with the SEC. The address of the site is <http://www.sec.gov>. The reports and other information, including any related amendments, filed by us with, or furnished by us to, the SEC are also available free of charge at our Internet web site as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The address of the site is <http://www.huntington.com>. Except as specifically incorporated by reference into this Annual Report on Form 10-K, information on those web sites is not part of this report. You also should be able to inspect reports, proxy statements, and other information about us at the offices of the Nasdaq National Market at 33 Whitehall Street, New York, New York 10004.

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Item 1A: Risk Factors

We, like other financial companies, are subject to a number of risks that may adversely affect our financial condition or results of operations, many of which are outside of our direct control. Among these risks are:

Credit risk, which is the risk of loss due to loan and lease customers or other counterparties not being able to meet their financial obligations under agreed upon terms;

Market risk, which occurs when fluctuations in interest rates impact earnings and capital. Financial impacts are realized through changes in the interest rates of balance sheet assets and liabilities (net interest margin) or directly through valuation changes of capitalized MSR and/or trading assets (noninterest income);

Liquidity risk, which is the risk to current or anticipated earnings or capital arising from an inability to meet obligations when they come due. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels. Liquidity risk also results from the failure to recognize or address changes in market conditions that affect our ability to liquidate assets quickly and with minimal loss in value;

Operational and Legal risk, which is the risk of loss arising from inadequate or failed internal processes or systems, human errors or misconduct, or adverse external events. Operational losses result from internal fraud; external fraud, inadequate or inappropriate employment practices and workplace safety, failure to meet professional obligations involving customers, products, and business practices, damage to physical assets, business disruption and systems failures, and failures in execution, delivery, and process management. Legal risk includes, but is not limited to, exposure to orders, fines, penalties, or punitive damages resulting from litigation, as well as regulatory actions;

Compliance risk, which exposes us to money penalties, enforcement actions or other sanctions as a result of non-conformance with laws, rules, and regulations that apply to the financial services industry;

Strategic risk, which is defined as risk to current or anticipated earnings, capital, or enterprise value arising from adverse business decisions, improper implementation of business decisions or lack of responsiveness to industry / market changes; and

Reputation risk, which is the risk that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions.

In addition to the other information included or incorporated by reference into this report, readers should carefully consider that the following important factors, among others, could negatively impact our business, future results of operations, and future cash flows materially.

Credit Risks:

Our ACL level may prove to not be adequate or be negatively affected by credit risk exposures which could adversely affect our net income and capital.

Our business depends on the creditworthiness of our customers. Our ACL of \$778 million at December 31, 2017, represented Management's estimate of probable losses inherent in our loan and lease portfolio (ALLL) as well as our unfunded loan commitments and letters of credit (AULC). We regularly review our ACL for appropriateness. In doing so, we consider economic conditions and trends, collateral values, and credit quality indicators, such as past charge-off experience, levels of past due loans, and NPAs. There is no certainty that our ACL will be appropriate over time to cover losses in the portfolio because of unanticipated adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries, or markets. If the credit quality of our customer base materially decreases, if the risk profile of a market, industry, or group of customers changes materially, or if the ACL is not appropriate, our net income and capital could be materially adversely affected, which could have a material adverse effect on our financial condition and results of operations.

In addition, regulatory review of risk ratings and loan and lease losses may impact the level of the ACL and could have a material adverse effect on our financial condition and results of operations.

Weakness in economic conditions could adversely affect our business.

Our performance could be negatively affected to the extent there is deterioration in business and economic conditions which have direct or indirect material adverse impacts on us, our customers, and our counterparties. These conditions could result in one or more of the following:

- A decrease in the demand for loans and other products and services offered by us;

• A decrease in customer savings generally and in the demand for savings and investment products offered by us; and
• An increase in the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws, or default on their loans or other obligations to us.

An increase in the number of delinquencies, bankruptcies, or defaults could result in a higher level of NPAs, NCOs, provision for credit losses, and valuation adjustments on loans held for sale. The markets we serve are dependent on industrial and manufacturing businesses and, thus, are particularly vulnerable to adverse changes in economic conditions affecting these sectors.

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Market Risks:

Changes in interest rates could reduce our net interest income, reduce transactional income, and negatively impact the value of our loans, securities, and other assets. This could have an adverse impact on our cash flows, financial condition, results of operations, and capital.

Our results of operations depend substantially on net interest income, which is the difference between interest earned on interest earning assets (such as investments and loans) and interest paid on interest bearing liabilities (such as deposits and borrowings). Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Conditions such as inflation, deflation, recession, unemployment, money supply, and other factors beyond our control may also affect interest rates. In addition, the Federal Reserve has stated its intention to end its quantitative easing program and has begun to reduce the size of its balance sheet by selling securities, which might also affect interest rates. If our interest earning assets mature or reprice faster than interest bearing liabilities in a declining interest rate environment, net interest income could be materially adversely impacted. Likewise, if interest bearing liabilities mature or reprice more quickly than interest earning assets in a rising interest rate environment, net interest income could be adversely impacted.

Changes in interest rates can affect the value of loans, securities, assets under management, and other assets, including mortgage and nonmortgage servicing rights. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans and leases may lead to an increase in NPAs and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. When we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. However, we continue to incur interest expense as a cost of funding NALs without any corresponding interest income. In addition, transactional income, including trust income, brokerage income, and gain on sales of loans can vary significantly from period-to-period based on a number of factors, including the interest rate environment. A decline in interest rates along with a flattening yield curve limits our ability to reprice deposits given the current historically low level of interest rates and could result in declining net interest margins if longer duration assets reprice faster than deposits.

Rising interest rates reduce the value of our fixed-rate securities. Any unrealized loss from these portfolios impacts OCI, shareholders' equity, and the Tangible Common Equity ratio. Any realized loss from these portfolios impacts regulatory capital ratios. In a rising interest rate environment, pension and other post-retirement obligations somewhat mitigate negative OCI impacts from securities and financial instruments. For more information, refer to "Market Risk" of the MD&A.

Certain investment securities, notably mortgage-backed securities, are very sensitive to rising and falling rates. Generally, when rates rise, prepayments of principal and interest will decrease and the duration of mortgage-backed securities will increase. Conversely, when rates fall, prepayments of principal and interest will increase and the duration of mortgage-backed securities will decrease. In either case, interest rates have a significant impact on the value of mortgage-backed securities.

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.

In addition to volatility associated with interest rates, the Company also has exposure to equity markets related to the investments within the benefit plans and other income from client based transactions.

Industry competition may have an adverse effect on our success.

Our profitability depends on our ability to compete successfully. We operate in a highly competitive environment, and we expect competition to intensify. Certain of our competitors are larger and have more resources than we do, enabling them to be more aggressive than us in competing for loans and deposits. In our market areas, we face competition from other banks and financial service companies that offer similar services. Some of our non-bank competitors are not subject to the same extensive regulations we are and, therefore, may have greater flexibility in competing for business. Technological advances have made it possible for our non-bank competitors to offer products and services that traditionally were banking products and for financial institutions and other companies to provide electronic and internet-based financial solutions, including online deposit accounts, electronic payment processing and

marketplace lending, without having a physical presence where their customers are located. Our ability to compete successfully depends on a number of factors, including customer convenience, quality of service by investing in new products and services, electronic platforms, personal contacts, pricing, and range of products. If we are unable to successfully compete for new customers and retain our current customers, our business, financial condition, or results of operations may be adversely affected. In particular, if we experience an outflow of deposits as a result of our customers seeking investments with higher yields or greater financial stability, or a desire to do business with our competitors, we may be forced to rely more heavily on borrowings and other sources of funding to operate our business and meet withdrawal demands, thereby adversely affecting our net interest margin. For more information, refer to “Competition” section of Item 1: Business.

Uncertainty about the future of LIBOR may adversely affect our business.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after

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2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans, including Huntington's Series B preferred stock, certain of Huntington's junior subordinated debentures, certain of the Bank's senior notes, or other securities or financial arrangements, given LIBOR's role in determining market interest rates globally. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and other interest rates. In the event that a published LIBOR rate is unavailable after 2021, the dividend rate on Huntington's Series B preferred stock and the interest rate on Huntington's and the Bank's debentures and notes, which are currently based on the LIBOR rate, will be determined as set forth in the offering documents, and the value of such securities may be adversely affected. Currently, the manner and impact of this transition and related developments, as well as the effect of these developments on our funding costs, investment and trading securities portfolios and business, is uncertain.

Liquidity Risks:

Changes in either Huntington's financial condition or in the general banking industry could result in a loss of depositor confidence.

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The Bank uses its liquidity to extend credit and to repay liabilities as they become due or as demanded by customers. The board of directors establishes liquidity policies, including contingency funding plans, and limits and management establishes operating guidelines for liquidity.

Our primary source of liquidity is our large supply of deposits from consumer and commercial customers. The continued availability of this supply depends on customer willingness to maintain deposit balances with banks in general and us in particular. The availability of deposits can also be impacted by regulatory changes (e.g. changes in FDIC insurance, the LCR, etc.), changes in the financial condition of Huntington, other banks or the banking industry in general, and other events which can impact the perceived safety or economic benefits of bank deposits. While we make significant efforts to consider and plan for hypothetical disruptions in our deposit funding, market related, geopolitical, or other events could impact the liquidity derived from deposits.

We are a holding company and depend on dividends by our subsidiaries for most of our funds.

Huntington is an entity separate and distinct from the Bank. The Bank conducts most of our operations and Huntington depends upon dividends from the Bank to service Huntington's debt and to pay dividends to Huntington's shareholders. The availability of dividends from the Bank is limited by various statutes and regulations. It is possible, depending upon the financial condition including liquidity and capital adequacy of the Bank and other factors, that the OCC could limit the payment of dividends or other payments to Huntington by the Bank. In addition, the payment of dividends by our other subsidiaries is also subject to the laws of the subsidiary's state of incorporation, and regulatory capital and liquidity requirements applicable to such subsidiaries. In the event that the Bank was unable to pay dividends to us, we in turn would likely have to reduce or stop paying dividends on our Preferred and Common Stock. Our failure to pay dividends on our Preferred and Common Stock could have a material adverse effect on the market price of our Common Stock. Additional information regarding dividend restrictions is provided in Item 1. Regulatory Matters.

If we lose access to capital markets, we may not be able to meet the cash flow requirements of our depositors, creditors, and borrowers, or have the operating cash needed to fund corporate expansion and other corporate activities. Wholesale funding sources include securitization, federal funds purchased, securities sold under repurchase agreements, non-core deposits, and long-term debt. The Bank is also a member of the Federal Home Loan Bank of Cincinnati, which provides members access to funding through advances collateralized with mortgage-related assets. We maintain a portfolio of highly-rated, marketable securities that is available as a source of liquidity. Capital markets disruptions can directly impact the liquidity of Huntington and the Bank. The inability to access capital markets funding sources as needed could adversely impact our financial condition, results of operations, cash flows, and level of regulatory-qualifying capital. We may, from time-to-time, consider using our existing liquidity

position to opportunistically retire outstanding securities in privately negotiated or open market transactions.

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A reduction in our credit rating could adversely affect our ability to raise funds including capital, and/or the holders of our securities.

The credit rating agencies regularly evaluate Huntington and the Bank, and credit ratings are based on a number of factors, including our financial strength and ability to generate earnings, as well as factors not entirely within our control, including conditions affecting the financial services industry, the economy, and changes in rating methodologies. There can be no assurance that we will maintain our current credit ratings. A downgrade of the credit ratings of Huntington or the Bank could adversely affect our access to liquidity and capital, and could significantly increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing to lend to us or purchase our securities. This could affect our growth, profitability and financial condition, including liquidity.

Operational and Legal Risks:

Our operational or security systems or infrastructure, or those of third parties, could fail or be breached, which could disrupt our business and adversely impact our results of operations, liquidity and financial condition, as well as cause legal or reputational harm.

The potential for operational risk exposure exists throughout our business and, as a result of our interactions with, and reliance on, third parties, is not limited to our own internal operational functions. Our operational and security systems and infrastructure, including our computer systems, data management, and internal processes, as well as those of third parties, are integral to our performance. We rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error, misconduct, malfeasance or failure, or breach of our or of third-party systems or infrastructure, expose us to risk. For example, our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact or upon whom we rely. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with respect to our own systems. Our financial, accounting, data processing, backup or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, which could adversely affect our ability to process transactions or provide services. Such events may include sudden increases in customer transaction volume; electrical, telecommunications or other major physical infrastructure outages; natural disasters such as earthquakes, tornadoes, hurricanes and floods; disease pandemics; cyber-attacks; and events arising from local or larger scale political or social matters, including wars and terrorist acts. In addition, we may need to take our systems offline if they become infected with malware or a computer virus or as a result of another form of cyber-attack. In the event that backup systems are utilized, they may not process data as quickly as our primary systems and some data might not have been saved to backup systems, potentially resulting in a temporary or permanent loss of such data. We frequently update our systems to support our operations and growth and to remain compliant with all applicable laws, rules and regulations. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones, including business interruptions. Implementation and testing of controls related to our computer systems, security monitoring and retaining and training personnel required to operate our systems also entail significant costs. Operational risk exposures could adversely impact our operations, liquidity and financial condition, as well as cause reputational harm. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption.

We face security risks, including denial of service attacks, hacking, social engineering attacks targeting our colleagues and customers, malware intrusion or data corruption attempts, and identity theft that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure.

Our computer systems and network infrastructure and those of third parties, on which we are highly dependent, are subject to security risks and could be susceptible to cyber-attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. Our business relies on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are

outside of our network environment and are subject to their own cybersecurity risks.

We, our customers, regulators and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to, and are likely to continue to be the target of, cyber-attacks. These cyber-attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, ransomware, improper access by employees or vendors, attacks on personal email of employees, ransom demands to not expose security vulnerabilities in our systems or the systems of third parties or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of ours, our employees, our customers or of third parties, damage our systems or otherwise materially disrupt our or our customers' or other third parties' network access or business operations. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents. Despite efforts to ensure the integrity of our systems and implement controls, processes, policies and other protective measures, we may not be able to anticipate all security breaches, nor may we be able to implement guaranteed preventive measures against such security breaches. Cyber threats

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are rapidly evolving and we may not be able to anticipate or prevent all such attacks and could be held liable for any security breach or loss.

Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as we continue to increase our mobile-payment and other internet-based product offerings and expand our internal usage of web-based products and applications. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organized crime affiliates, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks and "spear phishing" attacks are becoming more sophisticated and are extremely difficult to prevent. In such an attack, an attacker will attempt to fraudulently induce colleagues, customers or other users of our systems to disclose sensitive information in order to gain access to its data or that of its clients. Persistent attackers may succeed in penetrating defenses given enough resources, time, and motive. The techniques used by cyber criminals change frequently, may not be recognized until launched and may not be recognized until well after a breach has occurred. The risk of a security breach caused by a cyber-attack at a vendor or by unauthorized vendor access has also increased in recent years. Additionally, the existence of cyber-attacks or security breaches at third-party vendors with access to our data may not be disclosed to us in a timely manner.

We also face indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including, for example, financial counterparties, regulators and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us. This consolidation, interconnectivity and complexity increases the risk of operational failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third-party technology failure, cyber-attack or other information or security breach, termination or constraint could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our business.

Cyber-attacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on our systems has been successful, whether or not this perception is correct, may damage our reputation with customers and third parties with whom we do business. Hacking of personal information and identity theft risks, in particular, could cause serious reputational harm. A successful penetration or circumvention of system security could cause us serious negative consequences, including our loss of customers and business opportunities, costs associated with maintaining business relationships after an attack or breach; significant business disruption to our operations and business, misappropriation, exposure, or destruction of our confidential information, intellectual property, funds, and/or those of our customers; or damage to our or our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact our results of operations, liquidity and financial condition. In addition, we may not have adequate insurance coverage to compensate for losses from a cybersecurity event.

The resolution of significant pending litigation, if unfavorable, could have an adverse effect on our results of operations for a particular period.

We face legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. It is possible that the ultimate resolution of these matters, if unfavorable, may be material to the results of operations for a particular reporting period.

Note 21 of the Notes to Consolidated Financial Statements updates the status of certain litigation.

We face significant operational risks which could lead to financial loss, expensive litigation, and loss of confidence by our customers, regulators, and capital markets.

We are exposed to many types of operational risks, including the risk of fraud or theft by colleagues or outsiders, unauthorized transactions by colleagues or outsiders, operational errors by colleagues, business disruption, and system failures. Huntington executes against a significant number of controls, a large percent of which are manual and dependent on adequate execution by colleagues and third-party service providers. There is inherent risk that unknown single points of failure through the execution chain could give rise to material loss through inadvertent errors or malicious attack. These operational risks could lead to financial loss, expensive litigation, and loss of confidence by our customers, regulators, and the capital markets.

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Moreover, negative public opinion can result from our actual or alleged conduct in any number of activities, including clients, products and business practices; corporate governance; acquisitions; and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and retain customers and can also expose us to litigation and regulatory action.

Relative to acquisitions, we incur risks and challenges associated with the integration of employees, accounting systems, and technology platforms from acquired businesses and institutions in a timely and efficient manner, and we cannot guarantee that we will be successful in retaining existing customer relationships or achieving anticipated operating efficiencies expected from such acquisitions. Acquisitions may be subject to the receipt of approvals from certain governmental authorities, including the Federal Reserve, the OCC, and the United States Department of Justice, as well as the approval of our shareholders and the shareholders of companies that we seek to acquire. These approvals for acquisitions may not be received, may take longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the acquisitions.

Subject to requisite regulatory approvals, future business acquisitions may result in the issuance and payment of additional shares of stock, which would dilute current shareholders' ownership interests. Additionally, acquisitions may involve the payment of a premium over book and market values. Therefore, dilution of our tangible book value and net income per common share could occur in connection with any future transaction.

Failure to maintain effective internal controls over financial reporting could impair our ability to accurately and timely report our financial results or prevent fraud, resulting in loss of investor confidence and adversely affecting our business and our stock price.

Effective internal controls over financial reporting are necessary to provide reliable financial reports and prevent fraud. We are subject to regulation that focuses on effective internal controls and procedures. Such controls and procedures are modified, supplemented, and changed from time-to-time as necessitated by our growth and in reaction to external events and developments. Any failure to maintain an effective internal control environment could impact our ability to report our financial results on an accurate and timely basis, which could result in regulatory actions, loss of investor confidence, and an adverse impact on our business and our stock price.

We rely on quantitative models to measure risks and to estimate certain financial values.

Quantitative models may be used to help manage certain aspects of our business and to assist with certain business decisions, including estimating probable loan losses, measuring the fair value of financial instruments when reliable market prices are unavailable, estimating the effects of changing interest rates and other market measures on our financial condition and results of operations, managing risk, and for capital planning purposes (including during the CCAR capital planning and capital adequacy process). Our measurement methodologies rely on many assumptions, historical analyses, and correlations. These assumptions may not capture or fully incorporate conditions leading to losses, particularly in times of market distress, and the historical correlations on which we rely may no longer be relevant. Additionally, as businesses and markets evolve, our measurements may not accurately reflect this evolution. Even if the underlying assumptions and historical correlations used in our models are adequate, our models may be deficient due to errors in computer code, inaccurate data, misuse of data, or the use of a model for a purpose outside the scope of the model's design.

All models have certain limitations. Reliance on models presents the risk that our business decisions based on information incorporated from models will be adversely affected due to incorrect, missing, or misleading information. In addition, our models may not capture or fully express the risks we face, may suggest that we have sufficient capitalization when we do not, or may lead us to misjudge the business and economic environment in which we will operate. If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management, capital planning, or other business or financial decisions. Strategies that we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable. Also, information that we provide to the public or regulators based on poorly designed models could be inaccurate or misleading.

Banking regulators continue to focus on the models used by banks and bank holding companies in their businesses. Some of our decisions that the regulators evaluate, including distributions to our shareholders, could be affected adversely due to their perception that the quality of the models used to generate the relevant information is insufficient.

We rely on third parties to provide key components of our business infrastructure.

We rely on third-party service providers to leverage subject matter expertise and industry best practice, provide enhanced products and services, and reduce costs. Although there are benefits in entering into third-party relationships with vendors and others, there are risks associated with such activities. When entering a third-party relationship, the risks associated with that activity are not passed to the third-party but remain our responsibility. The Technology Committee of the board of directors provides oversight related to the overall risk management process associated with third-party relationships. Management is accountable for the review and evaluation of all new and existing third-party relationships. Management is responsible for ensuring that adequate controls are in place to protect us and our customers from the risks associated with vendor relationships.

Increased risk could occur based on poor planning, oversight, control, and inferior performance or service on the part of the third-party, and may result in legal costs or loss of business. While we have implemented a vendor management program to actively

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manage the risks associated with the use of third-party service providers, any problems caused by third-party service providers could adversely affect our ability to deliver products and services to our customers and to conduct our business. Replacing a third-party service provider could also take a long period of time and result in increased expenses.

Changes in accounting policies, standards, and interpretations could affect how we report our financial condition and results of operations.

The FASB, regulatory agencies, and other bodies that establish accounting standards periodically change the financial accounting and reporting standards governing the preparation of our financial statements. Additionally, those bodies that establish and interpret the accounting standards (such as the FASB, SEC, and banking regulators) may change prior interpretations or positions on how these standards should be applied. In June 2016, the FASB issued a new current expected credit loss rule, which will require banks to record, at the time of origination, credit losses expected throughout the life of the asset portfolio on loans and held-to-maturity securities, as opposed to the current practice of recording losses when it is probable that a loss event has occurred. Changes in accounting policies, standards and interpretations can be difficult to predict and can materially affect how we record and report our financial condition and results of operations.

For further discussion, see Note 2 of the Notes to Consolidated Financial Statements.

Impairment of goodwill could require charges to earnings, which could result in a negative impact on our results of operations.

Our goodwill could become impaired in the future. If goodwill were to become impaired, it could limit the ability of the Bank to pay dividends to Huntington, adversely impacting Huntington liquidity and ability to pay dividends or repay debt. The most significant assumptions affecting our goodwill impairment evaluation are variables including the market price of our Common Stock, projections of earnings, the discount rates used in the income approach to fair value, and the control premium above our current stock price that an acquirer would pay to obtain control of us. We are required to test goodwill for impairment at least annually or when impairment indicators are present. If an impairment determination is made in a future reporting period, our earnings and book value of goodwill will be reduced by the amount of the impairment. If an impairment loss is recorded, it will have little or no impact on the tangible book value of our Common Stock, or our regulatory capital levels, but such an impairment loss could significantly reduce the Bank's earnings and thereby restrict the Bank's ability to make dividend payments to us without prior regulatory approval, because Federal Reserve policy states the bank holding company dividends should be paid from current earnings. At December 31, 2017, the book value of our goodwill was \$2.0 billion, substantially all of which was recorded at the Bank. Any such write down of goodwill or other acquisition related intangibles will reduce Huntington's earnings, as well.

Negative publicity could damage our reputation and could significantly harm our business.

Our ability to attract and retain customers, clients, investors, and highly-skilled management and employees is affected by our reputation. Public perception of the financial services industry in general was damaged as a result of the credit crisis that started in 2008. We face increased public and regulatory scrutiny resulting from the credit crisis and economic downturn. Significant harm to our reputation can also arise from other sources, including employee misconduct, actual or perceived unethical behavior, conflicts of interest, litigation, GSE or regulatory actions, failing to deliver minimum or required standards of service and quality, failing to address customer and agency complaints, compliance failures, unauthorized release of confidential information due to cyber-attacks or otherwise, and the activities of our clients, customers and counterparties, including vendors. Actions by the financial service industry generally or by institutions or individuals in the industry can adversely affect our reputation, indirectly by association. All of these could adversely affect our growth, results of operation and financial condition.

We depend on our executive officers and key personnel to continue the implementation of our long-term business strategy and could be harmed by the loss of their services.

We believe that our continued growth and future success will depend in large part on the skills of our management team and our ability to motivate and retain these individuals and other key personnel. The loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our long-term business strategy, our business could suffer and the value of our stock could be materially adversely affected.

Leadership changes will occur from time to time and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. We believe our management team possesses valuable knowledge about the banking industry and that their knowledge and relationships would be very difficult to replicate. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively impact our banking operations. The loss of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition or operating results.

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Compliance Risks:

We operate in a highly regulated industry and the laws and regulations that govern our operations, corporate governance, executive compensation and financial accounting, or reporting, including changes in them, or our failure to comply with them, may adversely affect us.

The banking industry is highly regulated. We are subject to supervision, regulation and examination by various federal and state regulators, including the Federal Reserve, OCC, SEC, CFPB, FDIC, FINRA, and various state regulatory agencies. The statutory and regulatory framework that governs us is generally intended to protect depositors and customers, the DIF, the U.S. banking and financial system, and financial markets as a whole-not to protect shareholders. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on our business activities (including foreclosure and collection practices), limit the dividend or distributions that we can pay, restrict the ability of institutions to guarantee our debt and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than accounting principles generally accepted in the United States. Compliance with laws and regulations can be difficult and costly and changes to laws and regulations often impose additional compliance costs. Both the scope of the laws and regulations and the intensity of the supervision to which we are subject have increased in recent years in response to the financial crisis, as well as other factors such as technological and market changes. Such regulation and supervision may increase our costs and limit our ability to pursue business opportunities. Further, our failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business and financial condition.

Bank regulations regarding capital and liquidity, including the annual CCAR assessment process and the U.S. Basel III capital and liquidity standards, could require higher levels of capital and liquidity. Among other things, these regulations could impact our ability to pay common stock dividends, repurchase common stock, attract cost-effective sources of deposits, or require the retention of higher amounts of low yielding securities.

The Federal Reserve administers CCAR, an annual forward-looking quantitative assessment of Huntington's capital adequacy and planned capital distributions and a review of the strength of Huntington's practices to assess capital needs. We generally may pay dividends and repurchase stock only in accordance with a capital plan that has been reviewed by the Federal Reserve and as to which the Federal Reserve has not objected. The Federal Reserve also makes a quantitative assessment of capital based on supervisory-run stress tests that assess the ability to maintain capital levels above each minimum regulatory capital ratio after making all capital actions included in Huntington's capital plan, under baseline and stressful conditions throughout a nine-quarter planning horizon. The Bank also must submit a capital plan to the OCC. There can be no assurance that the Federal Reserve or OCC will respond favorably to our capital plans, planned capital actions or stress test results, and the Federal Reserve, OCC, or other regulatory capital requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases.

We are also required to maintain minimum capital ratios and the Federal Reserve and OCC may determine that Huntington and/or the Bank, based on size, complexity or risk profile, must maintain capital ratios above these minimums in order to operate in a safe and sound manner. In the event we are required to raise capital to maintain required minimum capital and leverage ratios or ratios above the required applicable minimums, we may be forced to do so in when market conditions are undesirable or on terms that are less favorable to us than we would otherwise require. Furthermore, in order to prevent becoming subject to restrictions on our ability to distribute capital or make certain discretionary bonus payments to management, we must maintain a Capital Conservation Buffer (of 1.875% in 2018), which is in addition to our required minimum capital ratios.

We are also subject to a modified LCR requirement that requires Huntington to maintain an adequate amount of unencumbered high-quality liquid assets, such as Treasury securities and other sovereign debt, to cover projected net cash outflows over a 30 calendar-day stress scenario window. Because the LCR assigns less severe outflow assumptions to certain types of customer deposits, banks' demand for and the cost of these deposits may increase.

Additionally, the LCR has increased the demand for direct U.S. government and U.S. government-guaranteed debt that, while high quality, generally carry lower yields than other securities BHCs hold in their investment portfolios. For more information regarding CCAR, stress testing and capital and liquidity requirements, refer to Item 1.

Regulatory Matters.

If our regulators deem it appropriate, they can take regulatory actions that could result in a material adverse impact on our financial results, ability to compete for new business, or preclude mergers or acquisitions. In addition, regulatory actions could constrain our ability to fund our liquidity needs or pay dividends. Any of these actions could increase the cost of our services.

We are subject to the supervision and regulation of various state and federal regulators, including the OCC, Federal Reserve, FDIC, SEC, CFPB, FINRA, and various state regulatory agencies. As such, we are subject to a wide variety of laws and regulations, many of which are discussed in Item 1. Regulatory Matters. As part of their supervisory process, which includes periodic examinations and continuous monitoring, the regulators have the authority to impose restrictions or conditions on our activities and the manner in which we manage the organization. Such actions could negatively impact us in a variety of ways, including charging monetary fines,

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impacting our ability to pay dividends, precluding mergers or acquisitions, limiting our ability to offer certain products or services, or imposing additional capital requirements.

Under the supervision of the CFPB, our Consumer and Business Banking products and services are subject to heightened regulatory oversight and scrutiny with respect to compliance under consumer laws and regulations. We may face a greater number or wider scope of investigations, enforcement actions, and litigation in the future related to consumer practices, thereby increasing costs associated with responding to or defending such actions. Also, federal and state regulators have been increasingly focused on sales practices of branch personnel, including taking regulatory action against other financial institutions. In addition, increased regulatory inquiries and investigations, as well as any additional legislative or regulatory developments affecting our consumer businesses, and any required changes to our business operations resulting from these developments, could result in significant loss of revenue, require remuneration to our customers, trigger fines or penalties, limit the products or services we offer, require us to increase our prices and, therefore, reduce demand for our products, impose additional compliance costs on us, increase the cost of collection, cause harm to our reputation, or otherwise adversely affect our consumer businesses.

In addition, we are allowed to conduct certain activities that are financial in nature by virtue of Huntington's status as an FHC, as discussed in more detail in Item 1. Regulatory Matters. If Huntington or the Bank cease to meet the requirements necessary for Huntington to continue to qualify as an FHC, the Federal Reserve may impose upon us corrective capital and managerial requirements, and may place limitations on our ability to conduct all of the business activities that we conduct as a FHC. If the failure to meet these standards persists, we could be required to divest our Bank, or cease all activities other than those activities that may be conducted by a BHC but not an FHC.

Legislative and regulatory actions taken now or in the future that impact the financial industry may materially adversely affect us by increasing our costs, adding complexity in doing business, impeding the efficiency of our internal business processes, negatively impacting the recoverability of certain of our recorded assets, requiring us to increase our regulatory capital, limiting our ability to pursue business opportunities, and otherwise resulting in a material adverse impact on our financial condition, results of operation, liquidity, or stock price.

Both the scope of the laws and regulations and the intensity of the supervision to which we are subject have increased in recent years, in response to the financial crisis as well as other factors such as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Compliance with these laws and regulations have resulted in and will continue to result in additional costs, which could be significant, and may have a material and adverse effect on our results of operations. In addition, if we do not appropriately comply with current or future legislation and regulations, especially those that apply to our consumer operations, which has been an area of heightened focus, we may be subject to fines, penalties or judgments, or material regulatory restrictions on our businesses, which could adversely affect operations and, in turn, financial results.

We may become subject to more stringent regulatory requirements and activity restrictions if the Federal Reserve and FDIC determine that our resolution plan is not credible.

Huntington is required to submit annually to the Federal Reserve and the FDIC a resolution plan for its orderly resolution under the U.S. Bankruptcy Code. If the Federal Reserve and the FDIC jointly determine that our resolution plan is not credible, we could become subjected to more stringent capital, leverage or liquidity requirements or restrictions, or restrictions on our growth, activities or operations. If we were to fail to address deficiencies in our resolution plan when required, we could eventually be required to divest certain assets or operations in ways that could negatively impact its operations and strategy.

For more information regarding resolution planning requirements, refer to Item 1: Business - Regulatory Matters. Noncompliance with the Bank Secrecy Act and other anti-money laundering statutes and regulations could cause us material financial loss.

The Bank Secrecy Act and the Patriot Act contain anti-money laundering and financial transparency provisions intended to detect, and prevent the use of the U.S. financial system for, money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the Patriot Act, requires depository institutions and their holding companies to undertake activities including maintaining an anti-money laundering program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified

thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. FinCEN, a unit of the Treasury Department that administers the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the federal bank regulatory agencies, as well as the United States Department of Justice, Drug Enforcement Administration and IRS.

There is also increased scrutiny of compliance with the rules enforced by the OFAC. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain planned business activities, including acquisition plans, which would negatively impact our business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

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For more information regarding the Bank Secrecy Act, Patriot Act, anti-money laundering requirements and OFAC-administered sanctions, refer to Item 1: Business - Regulatory Matters.

Cybersecurity and data privacy are areas of heightened legislative and regulatory focus.

As cybersecurity and data privacy risks for banking organizations and the broader financial system have significantly increased in recent years, cybersecurity and data privacy issues have become the subject of increasing legislative and regulatory focus. The federal bank regulatory agencies have proposed enhanced cyber risk management standards, which would apply to a wide range of large financial institutions and their third-party service providers, including us and the Bank, and would focus on cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience and situational awareness. Several states have also proposed or adopted cybersecurity legislation and regulations, which require, among other things, notification to affected individuals when there has been a security breach of their personal data.

We receive, maintain and store non-public personal information of our customers and counterparties, including, but not limited to, personally identifiable information and personal financial information. The sharing, use, disclosure and protection of this information are governed by federal and state law. Both personally identifiable information and personal financial information is increasingly subject to legislation and regulation, the intent of which is to protect the privacy of personal information that is collected and handled.

We may become subject to new legislation or regulation concerning cybersecurity or the privacy of personally identifiable information and personal financial information or of any other information we may store or maintain. We could be adversely affected if new legislation or regulations are adopted or if existing legislation or regulations are modified such that we are required to alter our systems or require changes to our business practices or privacy policies. If cybersecurity, data privacy, data protection, data transfer or data retention laws are implemented, interpreted or applied in a manner inconsistent with our current practices, we may be subject to fines, litigation or regulatory enforcement actions or ordered to change our business practices, policies or systems in a manner that adversely impacts our operating results.

Item 1B: Unresolved Staff Comments

None.

Item 2: Properties

Our headquarters, as well as the Bank's, is located in the Huntington Center, a thirty seven story office building located in Columbus, Ohio. Of the building's total office space available, we lease approximately 22%. The lease term expires in 2030, with six five-year renewal options for up to 30 years but with no purchase option. The Bank has an indirect minority equity interest of 18.4% in the building.

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Our other major properties consist of the following:

| Description | Location | Own | Lease |
|---|---------------------------|-----|-------|
| 13 story office building, located adjacent to the Huntington Center | Columbus, Ohio | ü | |
| 12 story office building, located adjacent to the Huntington Center | Columbus, Ohio | ü | |
| A portion of 200 Public Square Building | Cleveland, Ohio | | ü |
| 12 story office building | Youngstown, Ohio | ü | |
| 10 story office building | Warren, Ohio | | ü |
| 10 story office building | Toledo, Ohio | ü | |
| A portion of the Grant Building | Pittsburgh, Pennsylvania | | ü |
| 18 story office building | Charleston, West Virginia | | ü |
| 3 story office building | Holland, Michigan | | ü |
| 2 building office complex | Troy, Michigan | | ü |
| Data processing and operations center (Easton) | Columbus, Ohio | ü | |
| Data processing and operations center (Parma) | Cleveland, Ohio | | ü |
| 8 story office building | Indianapolis, Indiana | ü | |
| A portion of Huntington Center at 525 Vine | Cincinnati, OH | | ü |
| A portion of 222 LaSalle St. | Chicago, IL | | ü |
| A portion of Two Towne Square | Southfield, MI | | ü |
| 7 story office building (ground lease / own building) | Akron, OH | ü | |
| 27 story office building | Akron, OH | ü | |
| Operations Center | Akron, OH | | ü |
| 12 story office building | Saginaw, MI | | ü |
| 2 building office complex (ground lease / own building) | Flint, MI | ü | |
| 4 story office building | Melrose Park, IL | | ü |
| Gateway Center building - operations center | Columbus, OH | ü | |

Item 3: Legal Proceedings

Information required by this item is set forth in Note 21 of the Notes to Consolidated Financial Statements under the caption "Litigation" and is incorporated into this Item by reference.

Item 4: Mine Safety Disclosures

Not applicable.

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PART II

Item 5: Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The common stock of Huntington Bancshares Incorporated is traded on the NASDAQ Stock Market under the symbol "HBAN". The stock is listed as "HuntgBcshr" or "HuntBanc" in most newspapers. As of January 31, 2018, we had 30,059 shareholders of record.

Information regarding the high and low sale prices of our common stock and cash dividends declared on such shares, as required by this Item, is set forth in Tables 37 and 39 Selected Quarterly Income Statement Data and is incorporated into this Item by reference. Information regarding restrictions on dividends, as required by this Item, is set forth in Item 1: Business - Regulatory Matters and in Note 22 of the Notes to Consolidated Financial Statements and incorporated into this Item by reference.

The following graph shows the changes, over the five-year period, in the value of \$100 invested in (i) shares of Huntington's Common Stock; (ii) the Standard & Poor's 500 Stock Index (the S&P 500 Index) and (iii) Keefe, Bruyette & Woods Bank Index, for the period December 31, 2012, through December 31, 2017. The KBW Bank Index is a market capitalization-weighted bank stock index published by Keefe, Bruyette & Woods. The index is composed of the largest banking companies and includes all money center banks and regional banks, including Huntington. An investment of \$100 on December 31, 2012, and the reinvestment of all dividends, are assumed. The plotted points represent the cumulative total return on the last trading day of the fiscal year indicated.

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------|-------|-------|-------|-------|-------|-------|
| HBAN | \$100 | \$155 | \$172 | \$185 | \$227 | \$257 |
| S&P 500 | \$100 | \$132 | \$150 | \$153 | \$171 | \$208 |
| KBW Bank Index | \$100 | \$138 | \$151 | \$151 | \$195 | \$231 |

For information regarding securities authorized for issuance under Huntington's equity compensation plans, see Part III, Item 12.

The following table provides information regarding Huntington's purchases of its Common Stock during the three-month period ended December 31, 2017.

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs |
|---------------------------------------|----------------------------------|------------------------------|--|
| October 1, 2017 to October 31, 2017 | 702,100 | \$ 13.88 | \$175,036,965 |
| November 1, 2017 to November 30, 2017 | 5,349,756 | 13.58 | 102,298,891 |
| December 1, 2017 to December 31, 2017 | 3,732,985 | 14.62 | 47,659,625 |
| Total | 9,784,841 | \$ 14.00 | \$47,659,625 |

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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 CCAR. These actions included a 38% increase in 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.

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Item 6: Selected Financial Data

Table 1 - Selected Annual Income Statement Data (1)

| (dollar amounts in millions, except per share amounts) | Year Ended December 31, | | | | | | | |
|---|-------------------------|----------|----------|----------|----------|---|--|--|
| | 2017 | 2016 | 2015 | 2014 | 2013 | | | |
| Interest income | \$3,433 | \$2,632 | \$2,115 | \$1,976 | \$1,861 | | | |
| Interest expense | 431 | 263 | 164 | 139 | 156 | | | |
| Net interest income | 3,002 | 2,369 | 1,951 | 1,837 | 1,705 | | | |
| Provision for credit losses | 201 | 191 | 100 | 81 | 90 | | | |
| Net interest income after provision for credit losses | 2,801 | 2,178 | 1,851 | 1,756 | 1,615 | | | |
| Noninterest income | 1,307 | 1,150 | 1,039 | 979 | 1,012 | | | |
| Noninterest expense | 2,714 | 2,408 | 1,976 | 1,882 | 1,758 | | | |
| Income before income taxes | 1,394 | 920 | 914 | 853 | 869 | | | |
| Provision for income taxes | 208 | 208 | 221 | 221 | 227 | | | |
| Net income | 1,186 | 712 | 693 | 632 | 642 | | | |
| Dividends on preferred shares | 76 | 65 | 32 | 32 | 32 | | | |
| Net income applicable to common shares | \$1,110 | \$647 | \$661 | \$600 | \$610 | | | |
| Net income per common share—basic | \$1.02 | \$0.72 | \$0.82 | \$0.73 | \$0.73 | | | |
| Net income per common share—diluted | 1.00 | 0.70 | 0.81 | 0.72 | 0.72 | | | |
| Cash dividends declared per common share | 0.35 | 0.29 | 0.25 | 0.21 | 0.19 | | | |
| Balance sheet highlights | | | | | | | | |
| Total assets (period end) | \$104,185 | \$99,714 | \$71,018 | \$66,283 | \$59,454 | | | |
| Total long-term debt (period end) | 9,206 | 8,309 | 7,042 | 4,321 | 2,445 | | | |
| Total shareholders' equity (period end) | 10,814 | 10,308 | 6,595 | 6,328 | 6,090 | | | |
| Average total assets | 101,021 | 83,054 | 68,560 | 62,483 | 56,289 | | | |
| Average total long-term debt | 8,862 | 8,048 | 5,585 | 3,479 | 1,661 | | | |
| Average total shareholders' equity | 10,611 | 8,391 | 6,536 | 6,270 | 5,915 | | | |
| Key ratios and statistics | | | | | | | | |
| Margin analysis—as a % of average earnings assets | | | | | | | | |
| Interest income(2) | 3.77 | % 3.50 | % 3.41 | % 3.47 | % 3.66 | % | | |
| Interest expense | 0.47 | 0.34 | 0.26 | 0.24 | 0.30 | | | |
| Net interest margin(2) | 3.30 | % 3.16 | % 3.15 | % 3.23 | % 3.36 | % | | |
| Return on average total assets | 1.17 | % 0.86 | % 1.01 | % 1.01 | % 1.14 | % | | |
| Return on average common shareholders' equity | 11.6 | 8.6 | 10.7 | 10.2 | 11.0 | | | |
| Return on average tangible common shareholders' equity(3), (7) | 15.7 | 10.7 | 12.4 | 11.8 | 12.7 | | | |
| Efficiency ratio(4) | 60.9 | 66.8 | 64.5 | 65.1 | 62.6 | | | |
| Dividend payout ratio | 34.3 | 40.3 | 30.5 | 28.8 | 26.0 | | | |
| Average shareholders' equity to average assets | 10.50 | 10.10 | 9.53 | 10.03 | 10.51 | | | |
| Effective tax rate | 14.9 | 22.6 | 24.2 | 25.9 | 26.2 | | | |
| Non-regulatory capital | | | | | | | | |
| Tangible common equity to tangible assets (period end) (5), (7) | 7.34 | 7.16 | 7.82 | 8.17 | 8.82 | | | |
| Tangible equity to tangible assets (period end)(6), (7) | 8.39 | 8.26 | 8.37 | 8.76 | 9.48 | | | |
| Tier 1 common risk-based capital ratio (period end)(7), (8) | N.A. | N.A. | N.A. | 10.23 | 10.90 | | | |
| Tier 1 leverage ratio (period end)(8) | N.A. | N.A. | N.A. | 9.74 | 10.67 | | | |
| Tier 1 risk-based capital ratio (period end)(8) | N.A. | N.A. | N.A. | 11.50 | 12.28 | | | |
| Total risk-based capital ratio (period end)(8) | N.A. | N.A. | N.A. | 13.56 | 14.57 | | | |

Capital under current regulatory standards (Basel III)

| | | | | | | | | |
|--|--------|---|--------|---|--------|---|--------|--------|
| CET 1 risk-based capital ratio | 10.01 | % | 9.56 | % | 9.79 | % | N.A. | N.A. |
| Tier 1 leverage ratio (period end) | 9.09 | | 8.70 | | 8.79 | | N.A. | N.A. |
| Tier 1 risk-based capital ratio (period end) | 11.34 | | 10.92 | | 10.53 | | N.A. | N.A. |
| Total risk-based capital ratio (period end) | 13.39 | | 13.05 | | 12.64 | | N.A. | N.A. |
| Other data | | | | | | | | |
| Full-time equivalent employees (average) | 15,770 | | 13,858 | | 12,243 | | 11,873 | 11,964 |
| Domestic banking offices (period end) | 966 | | 1,115 | | 777 | | 729 | 711 |

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- (1) Comparisons for presented periods are impacted by a number of factors. Refer to the "Significant Items" in the Discussion of Results of Operations for additional discussion regarding these key factors.
- (2) On an FTE basis assuming a 35% tax rate.
Net income applicable to common shares excluding expense for amortization of intangibles for the period divided by average tangible shareholders' equity. Average tangible shareholders' equity equals average total shareholders' equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax.
- (3) Noninterest expense less amortization of intangibles divided by the sum of FTE net interest income and noninterest income excluding securities gains. (Non-GAAP)
- (4) Tangible common equity (total common equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax. (Non-GAAP)
- (5) Tangible equity (total equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax.
- (6) Tier 1 common equity, tangible equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.
- (7) In accordance with applicable regulatory reporting guidance, we are not required to retrospectively update historical filings for newly adopted accounting principles. Therefore, regulatory capital data, tier 1 capital, tier 1 common equity, and risk-weighted assets have not been updated for the adoption of ASU 2014-01.
- (8) N.A. On January 1, 2015, we became subject to the Basel III capital requirements and the standardized approach for calculating risk-weighted assets in accordance with subpart D of the final capital rule.

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Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

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 should be read in conjunction with the Consolidated Financial Statements, Notes to Consolidated Financial Statements, and other information contained in this report. The forward-looking statements in this section and other parts of this report involve assumptions, risks, uncertainties, and other factors, including statements regarding our plans, objectives, goals, strategies, and financial performance. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors set forth under the caption "Forward-Looking Statements" and those set forth in Item 1A.

EXECUTIVE OVERVIEW

2017 Financial Performance Review

In 2017, we reported net income of \$1.2 billion, a 67% increase from the prior year. Earnings per common share on a diluted basis for the year was \$1.00, up 43% from the prior year. Reported net income was impacted by the FirstMerit acquisition with related expenses totaling \$152 million pre-tax, or \$0.09 per common share and federal tax reform-related tax benefit totaling \$123 million, or \$0.11 per common share.

Fully-taxable equivalent net interest income was \$3.1 billion, up \$0.6 billion, or 27%. This reflected the impact of 21% average earning asset growth, 24% average interest-bearing liability growth, and a 14 basis point increase in the NIM to 3.30%. The average earning asset growth included a \$10.4 billion, or 18%, increase in average loans and leases and a \$6.1 billion, or 34%, increase in average securities, both of which were affected by the full year impact of the FirstMerit acquisition. The net interest margin expansion reflected a 27 basis point positive impact from the mix and yield on earning assets and a 3 basis point increase in the benefit from noninterest-bearing funding, partially offset by a 16 basis point increase in funding costs.

The provision for credit losses was \$201 million, up \$10 million, or 5%. The increase in provision expense over the prior year was primarily the result of loan growth.

Noninterest income was \$1.3 billion, up \$157 million, or 14%, from the prior year reflecting the full year impact of the First Merit acquisition. Card and payment processing income increased \$37 million, or 22%, due to higher credit and debit card related income and underlying customer growth. Trust and investment management services increased \$33 million, or 27%, and service charges on deposit accounts increased \$29 million, or 9%, reflecting the benefit of continued new customer acquisition. Other income increased \$28 million, or 18%, primarily reflecting increases in servicing income, mezzanine lending, loan syndication fees and commitment fees. Capital markets fees increased \$16 million, or 27%, reflecting our ongoing strategic focus on expanding the business. Bank owned life insurance increased \$9 million, or 16%. Gain on sale of loans increased \$9 million, or 19%, as a result of continued expansion of our SBA lending business during 2017 which more than offset gains in the prior year from our balance sheet optimization strategy and the auto securitization completed in the 2016 fourth quarter. These increases were partially offset by a \$4 million decline in net securities gains and a \$3 million decline in insurance income.

Noninterest expense was \$2.7 billion, up \$306 million, or 13%. Reported noninterest expense was impacted by FirstMerit acquisition-related expenses totaling \$154 million. Personnel costs increased \$175 million, or 13%, primarily reflecting the full year impact of the addition of colleagues from FirstMerit. Net occupancy expense increased \$59 million, or 39%, primarily reflecting \$52 million of acquisition-related expense. Other expense increased \$47 million, or 26%, reflecting the full impact of the FirstMerit acquisition. Amortization of intangibles increased \$26 million, or 87%, reflecting the full year impact of FirstMerit related intangibles. Deposit and other insurance expense increased \$24 million, or 44%, reflecting the larger assessment base. Partially offsetting these increases, professional services decreased \$36 million, or 34% reflecting a reduction in legal and consultation fees partially attributable to acquisition-related expense.

On December 22, 2017, the TCJA was enacted, which among other things, reduced the federal income tax rate for C Corporations from 35% to 21% effective January 1, 2018. A \$123 million tax benefit related to the TCJA was recorded in the 2017 fourth quarter and full-year results, which was primarily attributable to the revaluation of net deferred tax liabilities at the lower statutory federal income tax rate. The provision for income taxes was \$208 million

and remained unchanged from the prior year. The effective tax rates for 2017 and 2016 were 14.9% and 22.6%, respectively. The 2017 full-year results for income taxes and effective tax rate reflect the tax benefit associated with the TCJA. In addition, 2017 and 2016 include 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. (This section should be read in conjunction with Note 1 and Note 17 of the Notes to Consolidated Financial Statements.)

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The tangible common equity to tangible assets ratio was 7.34%, up 18 basis points. The regulatory Common Equity Tier 1 (CET1) risk-based capital ratio was 10.01%, up 45 basis points. The regulatory Tier 1 risk-based capital ratio was 11.34%, up 42 basis points. All capital ratios were impacted by positive earnings including the one-time tax benefit (see Significant Items) which resulted in a favorable impact to the ratios, partially offset by loan growth and the repurchase of \$260 million of common stock at an average cost of \$13.38 per share during 2017, including \$137 million of common stock at an average cost of \$14.00 per share during the 2017 fourth quarter. There were 19.4 million common shares repurchased during 2017.

Business Overview

General

Our general business objectives are: (1) grow net interest income and fee income, (2) deliver positive operating leverage, (3) increase primary 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 enter 2018 with optimism, fueled by both the improving macroeconomic environment and the continued execution of our core strategies to drive organic growth. The operating environment appears poised for further improvement given strong labor markets, the enactment of federal tax reform, and outlook for additional interest rate hikes by the Federal Reserve. Sentiment remains healthy among both our consumer and business customers. Commercial loan growth was particularly encouraging during the final few weeks of the year, and our commercial pipelines remain good as we start the new year. Consumer loan growth remained steady all year.

Legislative and Regulatory

A comprehensive discussion of legislative and regulatory matters affecting us can be found in the Regulatory Matters section included in Item 1 of this Form 10-K.

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Table 2 - Selected Annual Income Statements (1)

(dollar amounts in millions, except per share amounts)

| | Year Ended December 31, | | | | | | | |
|---|-------------------------|---------------------|---------|---|---------|---------------------|---------|-----------|
| | | Change from 2016 | | | | Change from 2015 | | |
| | 2017 | Amount | Percent | | 2016 | Amount | Percent | 2015 |
| Interest income | \$3,433 | \$801 | 30 | % | \$2,632 | \$517 | 24 | % \$2,115 |
| Interest expense | 431 | 168 | 64 | | 263 | 99 | 60 | 164 |
| Net interest income | 3,002 | 633 | 27 | | 2,369 | 418 | 21 | 1,951 |
| Provision for credit losses | 201 | 10 | 5 | | 191 | 91 | 91 | 100 |
| Net interest income after provision for credit losses | 2,801 | 623 | 29 | | 2,178 | 327 | 18 | 1,851 |
| Service charges on deposit accounts | 353 | 29 | 9 | | 324 | 44 | 16 | 280 |
| Cards and payment processing income | 206 | 37 | 22 | | 169 | 26 | 18 | 143 |
| Trust and investment management services | 156 | 33 | 27 | | 123 | 7 | 6 | 116 |
| Mortgage banking income | 131 | 3 | 2 | | 128 | 16 | 14 | 112 |
| Insurance income | 81 | (3 |) (4 |) | 84 | 3 | 4 | 81 |
| Capital markets fees | 76 | 16 | 27 | | 60 | 6 | 11 | 54 |
| Bank owned life insurance income | 67 | 9 | 16 | | 58 | 6 | 12 | 52 |
| Gain on sale of loans | 56 | 9 | 19 | | 47 | 14 | 42 | 33 |
| Securities gains (losses) | (4 |) (4 |) (100) | | — | (1 |) (100) | 1 |
| Other income | 185 | 28 | 18 | | 157 | (10 |) (6 |) 167 |
| Total noninterest income | 1,307 | 157 | 14 | | 1,150 | 111 | 11 | 1,039 |
| Personnel costs | 1,524 | 175 | 13 | | 1,349 | 227 | 20 | 1,122 |
| Outside data processing and other services | 313 | 8 | 3 | | 305 | 74 | 32 | 231 |
| Net occupancy | 212 | 59 | 39 | | 153 | 31 | 25 | 122 |
| Equipment | 171 | 6 | 4 | | 165 | 40 | 32 | 125 |
| Deposit and other insurance expense | 78 | 24 | 44 | | 54 | 9 | 20 | 45 |
| Professional services | 69 | (36 |) (34 |) | 105 | 55 | 110 | 50 |
| Marketing | 60 | (3 |) (5 |) | 63 | 11 | 21 | 52 |
| Amortization of intangibles | 56 | 26 | 87 | | 30 | 2 | 7 | 28 |
| Other expense | 231 | 47 | 26 | | 184 | (17 |) (8 |) 201 |
| Total noninterest expense | 2,714 | 306 | 13 | | 2,408 | 432 | 22 | 1,976 |
| Income before income taxes | 1,394 | 474 | 52 | | 920 | 6 | 1 | 914 |
| Provision for income taxes | 208 | — | — | | 208 | (13 |) (6 |) 221 |
| Net income | 1,186 | 474 | 67 | | 712 | 19 | 3 | 693 |
| Dividends on preferred shares | 76 | 11 | 17 | | 65 | 33 | 103 | 32 |
| Net income applicable to common shares | \$1,110 | \$463 | 72 | % | \$647 | \$(14 |) (2 |)% \$661 |
| Average common shares—basic (000) | 1,084,686 | 80,248 | 20 | % | 904,438 | 101,026 | 13 | % 803,412 |
| Average common shares—diluted | 1,136,186 | 17,396 | 24 | | 918,790 | 101,661 | 12 | 817,129 |
| Per common share: | | | | | | | | |
| Net income—basic | \$1.02 | \$0.30 | 42 | % | \$0.72 | \$(0.10) | (12 |)% \$0.82 |
| Net income—diluted | 1.00 | 0.30 | 43 | | 0.70 | (0.11 |) (14 |) 0.81 |
| Cash dividends declared | 0.35 | 0.06 | 21 | | 0.29 | 0.04 | 16 | 0.25 |
| Revenue—FTE | | | | | | | | |
| Net interest income | \$3,002 | \$633 | 27 | % | \$2,369 | \$418 | 21 | % \$1,951 |
| FTE adjustment | 50 | 7 | 16 | | 43 | 11 | 34 | 32 |
| Net interest income ⁽²⁾ | 3,052 | 640 | 27 | | 2,412 | 429 | 22 | 1,983 |
| Noninterest income | 1,307 | 157 | 14 | | 1,150 | 111 | 11 | 1,039 |

| | | | | | | | | | |
|------------------------------|---------|-------|----|---|---------|-------|----|---|---------|
| Total revenue ⁽²⁾ | \$4,359 | \$797 | 22 | % | \$3,562 | \$540 | 18 | % | \$3,022 |
|------------------------------|---------|-------|----|---|---------|-------|----|---|---------|

(1) Comparisons for presented periods are impacted by a number of factors. Refer to “Significant Items” in the Discussion of Results of Operations.

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

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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 consolidated balance sheet and income statement 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.”

Significant Items

Earnings comparisons among the three years ended December 31, 2017, 2016, and 2015 were impacted by a number of Significant Items summarized below.

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

During 2017, \$154 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 \$0.09 per common share in 2017.

During 2016, \$282 million of noninterest expense and \$1 million of noninterest income was recorded related to the acquisition of FirstMerit. This resulted in a negative impact of \$0.20 per common share in 2016.

During 2015, \$9 million of noninterest expense was recorded related to the acquisition of Macquarie Equipment Finance, Inc., which was rebranded Huntington Technology Finance. Also during 2015, \$4 million of noninterest expense and \$3 million of noninterest income was recorded related to the sale of Huntington Asset Advisors, Inc., Huntington Asset Services, Inc., and Unified Financial Services, Inc. This resulted in a net negative impact of \$0.01 per common share in 2015.

2. Federal tax reform-related tax benefit. Significant events relating to federal tax reform-related tax benefits, and the impacts of those events on our reported results, were as follows:

During 2017, \$123 million of federal tax reform-related tax benefit was recorded as provision for income taxes. This resulted in a positive impact of \$0.11 per common share in 2017.

3. Litigation Reserve. Significant events relating to our litigation reserve, and the impacts of those events on our reported results, were as follows:

During 2016, a \$42 million reduction to litigation reserves was recorded as other noninterest expense. This resulted in a positive impact of \$0.03 per common share in 2016.

During 2015, \$38 million of net additions to litigation reserves were recorded as other noninterest expense. This resulted in a negative impact of \$0.03 per common share in 2015.

4. Franchise Repositioning Related Expense. Significant events relating to franchise repositioning, and the impacts of those events on our reported results, were as follows:

During 2015, \$8 million of franchise repositioning related expense was recorded as non-interest expense. This resulted in a negative impact of \$0.01 per common share in 2015.

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The following table reflects the earnings impact of the above-mentioned Significant Items for periods affected by this Results of Operations discussion:

Table 3 - Significant Items Influencing Earnings Performance Comparison

| (dollar amounts in millions, except per share amounts) | 2017 Amount | 2017 EPS (1) | 2016 Amount | 2016 EPS (1) | 2015 Amount | 2015 EPS (1) |
|--|----------------|-----------------|----------------|-----------------|----------------|-----------------|
| Net income | \$1,186 | | \$712 | | \$693 | |
| Earnings per share, after-tax | | \$1.00 | | \$0.70 | | \$0.81 |
| Significant items—favorable (unfavorable) impact: | Earnings EPS | | Earnings EPS | | Earnings EPS | |
| Federal tax reform-related tax benefit | \$— | | \$— | | \$— | |
| Tax impact | 123 | | — | | — | |
| Federal tax reform-related tax benefit, after-tax | \$123 | \$0.11 | \$— | \$— | \$— | \$— |
| Mergers and acquisitions, net expenses | \$(152) | | \$(282) | | \$(9) | |
| Tax impact | 53 | | 95 | | 3 | |
| Mergers and acquisitions, after-tax | \$(99) | \$(0.09) | \$(187) | \$(0.20) | \$(6) | \$(0.01) |
| Litigation reserves | \$— | | \$42 | | \$(38) | |
| Tax impact | — | | (15) | | 13 | |
| Litigation reserves, after-tax | \$— | \$— | \$27 | \$0.03 | \$(25) | \$(0.03) |
| Franchise repositioning related expense | \$— | | \$— | | \$(8) | |
| Tax impact | — | | — | | 3 | |
| Franchise repositioning related expense, after-tax | \$— | \$— | \$— | \$— | \$(5) | \$(0.01) |

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

Net Interest Income / Average Balance Sheet

Our primary source of revenue is net interest income, which is the difference between interest income from earning assets (primarily loans, securities, and direct financing leases), and interest expense of funding sources (primarily interest-bearing deposits and borrowings). Earning asset balances and related funding sources, as well as changes in the levels of interest rates, impact net interest income. The difference between the average yield on earning assets and the average rate paid for interest-bearing liabilities is the net interest spread. Noninterest-bearing sources of funds, such as demand deposits and shareholders' equity, also support earning assets. The impact of the noninterest-bearing sources of funds, often referred to as "free" funds, is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. Both the net interest margin and net interest spread are presented on a fully-taxable equivalent basis, which means that tax-free interest income has been adjusted to a pretax equivalent income, assuming a 35% tax rate.

The following table shows changes in fully-taxable equivalent interest income, interest expense, and net interest income due to volume and rate variances for major categories of earning assets and interest-bearing liabilities:

Table 4 - Change in Net Interest Income Due to Changes in Average Volume and Interest Rates (1)

| (dollar amounts in millions) | 2017 Increase (Decrease) From Previous Year Due To | 2016 Increase (Decrease) From Previous Year Due To |
|------------------------------------|--|--|
| Fully-taxable equivalent basis (2) | Volume Yield/ Rate Total | Volume Yield/ Rate Total |

| | | | | | | |
|--|-------|--------|-------|-------|-------|-------|
| Loans and leases | \$423 | \$ 234 | \$657 | \$332 | \$ 88 | \$420 |
| Investment securities | 157 | 6 | 163 | 105 | (8) | 97 |
| Other earning assets | (14) | 2 | (12) | 12 | (1) | 11 |
| Total interest income from earning assets | 566 | 242 | 808 | 449 | 79 | 528 |
| Deposits | 29 | 49 | 78 | 16 | 5 | 21 |
| Short-term borrowings | 7 | 13 | 20 | — | 3 | 3 |
| Long-term debt | 17 | 53 | 70 | 42 | 33 | 75 |
| Total interest expense of interest-bearing liabilities | 53 | 115 | 168 | 58 | 41 | 99 |
| Net interest income | \$513 | \$ 127 | \$640 | \$391 | \$ 38 | \$429 |

(1) The change in interest rates due to both rate and volume has been allocated between the factors in proportion to the relationship of the absolute dollar amounts of the change in each.

(2) Calculated assuming a 35% tax rate.

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Table 5 - Consolidated Average Balance Sheet and Net Interest Margin Analysis

(dollar amounts in millions)

| (dollar amounts in millions) | Average Balances | | | | | | | | |
|---|------------------|---------------------|---------|------------|----------|---------------------|------------|--------|-------|
| | | Change from 2016 | | | | Change from 2015 | | | |
| Fully-taxable equivalent basis (1) | 2017 | Amount | Percent | 2016 | Amount | Percent | 2015 | | |
| Assets | | | | | | | | | |
| Interest-bearing deposits in banks | \$99 | \$(1 |) (1 |)% | \$100 | \$10 | 11 % | \$90 | |
| Securities: | | | | | | | | | |
| Trading account securities | 102 | 35 | 52 | 67 | 21 | 46 | 46 | | |
| Available-for-sale and other securities: | | | | | | | | | |
| Taxable | 12,487 | 3,209 | 35 | 9,278 | 1,279 | 16 | 7,999 | | |
| Tax-exempt | 3,181 | 465 | 17 | 2,716 | 641 | 31 | 2,075 | | |
| Total available-for-sale and other securities | 15,668 | 3,674 | 31 | 11,994 | 1,920 | 19 | 10,074 | | |
| Held-to-maturity securities—taxable | 8,108 | 2,415 | 42 | 5,693 | 2,180 | 62 | 3,513 | | |
| Total securities | 23,878 | 6,124 | 34 | 17,754 | 4,121 | 30 | 13,633 | | |
| Loans held for sale | 555 | (499 |) (47 |) | 1,054 | 400 | 61 | 654 | |
| Loans and leases: (2) | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Commercial and industrial | 27,749 | 4,065 | 17 | 23,684 | 3,950 | 20 | 19,734 | | |
| Commercial real estate: | | | | | | | | | |
| Construction | 1,198 | 110 | 10 | 1,088 | 71 | 7 | 1,017 | | |
| Commercial | 6,010 | 1,091 | 22 | 4,919 | 709 | 17 | 4,210 | | |
| Commercial real estate | 7,208 | 1,201 | 20 | 6,007 | 780 | 15 | 5,227 | | |
| Total commercial | 34,957 | 5,266 | 18 | 29,691 | 4,730 | 19 | 24,961 | | |
| Consumer: | | | | | | | | | |
| Automobile loans and leases | 11,519 | 979 | 9 | 10,540 | 1,780 | 20 | 8,760 | | |
| Home equity | 9,994 | 936 | 10 | 9,058 | 564 | 7 | 8,494 | | |
| Residential mortgage | 8,245 | 1,515 | 23 | 6,730 | 780 | 13 | 5,950 | | |
| RV and marine finance | 2,155 | 1,462 | 211 | 693 | 693 | 100 | — | | |
| Other consumer | 1,021 | 279 | 38 | 742 | 261 | 54 | 481 | | |
| Total consumer | 32,934 | 5,171 | 19 | 27,763 | 4,078 | 17 | 23,685 | | |
| Total loans and leases | 67,891 | 10,437 | 18 | 57,454 | 8,808 | 18 | 48,646 | | |
| Allowance for loan and lease losses | (667 |) (53 |) 9 | (614 |) (8 |) 1 | (606 |) | |
| Net loans and leases | 67,224 | 10,384 | 18 | 56,840 | 8,800 | 18 | 48,040 | | |
| Total earning assets | 92,423 | 16,061 | 21 | 76,362 | 13,339 | 21 | 63,023 | | |
| Cash and due from banks | 1,453 | 233 | 19 | 1,220 | (3 |) — | 1,223 | | |
| Intangible assets | 2,366 | 1,007 | 74 | 1,359 | 656 | 93 | 703 | | |
| All other assets | 5,446 | 719 | 15 | 4,727 | 510 | 12 | 4,217 | | |
| Total assets | \$101,021 | \$17,967 | 22 | % \$83,054 | \$14,494 | 21 | % \$68,560 | | |
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Demand deposits—noninterest-bearing | \$21,699 | \$2,654 | 14 | % \$19,045 | \$2,703 | 17 | % \$16,342 | | |
| Demand deposits—interest-bearing | 17,580 | 6,595 | 60 | 10,985 | 4,412 | 67 | 6,573 | | |
| Total demand deposits | 39,279 | 9,249 | 31 | 30,030 | 7,115 | 31 | 22,915 | | |
| Money market deposits | 19,735 | 666 | 3 | 19,069 | (314 |) (2 |) | 19,383 | |
| Savings and other domestic deposits | 11,697 | 3,716 | 47 | 7,981 | 2,761 | 53 | 5,220 | | |
| Core certificates of deposit | 2,119 | (181 |) (8 |) | 2,300 | (303 |) (12 |) | 2,603 |
| Total core deposits | 72,830 | 13,450 | 23 | 59,380 | 9,259 | 18 | 50,121 | | |
| | 445 | 37 | 9 | 408 | 152 | 59 | 256 | | |

Other domestic time deposits of \$250,000 or more

| | | | | | | | |
|--|------------|-----------|---------|-----------|-----------|---------|-----------|
| Brokered time deposits and negotiable CDs | 3,675 | 176 | 5 | 3,499 | 746 | 27 | 2,753 |
| Deposits in foreign offices | — | (204 |) (100) | 204 | (298 |) (59) | 502 |
| Total deposits | 76,950 | 13,459 | 21 | 63,491 | 9,859 | 18 | 53,632 |
| Short-term borrowings | 2,923 | 1,393 | 91 | 1,530 | 184 | 14 | 1,346 |
| Long-term debt | 8,862 | 814 | 10 | 8,048 | 2,463 | 44 | 5,585 |
| Total interest-bearing liabilities | 67,036 | 13,012 | 24 | 54,024 | 9,803 | 22 | 44,221 |
| All other liabilities | 1,675 | 81 | 5 | 1,594 | 133 | 9 | 1,461 |
| Shareholders' equity | 10,611 | 2,220 | 26 | 8,391 | 1,855 | 28 | 6,536 |
| Total liabilities and shareholders' equity | \$ 101,021 | \$ 17,967 | 22 % | \$ 83,054 | \$ 14,494 | 21 % | \$ 68,560 |

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

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

(3) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

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Table 5 - Consolidated Average Balance Sheet and Net Interest Margin Analysis (Continued)
(dollar amounts in millions)

| | Interest Income / Expense | | | Average Rate (2) | | | |
|---|------------------------------|---------|---------|------------------|--------|--------|--|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | |
| Fully-taxable equivalent basis (1) | | | | | | | |
| Assets | | | | | | | |
| Interest-bearing deposits in banks | \$2 | \$— | \$— | 1.56 % | 0.44 % | 0.10 % | |
| Securities: | | | | | | | |
| Trading account securities | — | — | — | 0.18 | 0.42 | 1.06 | |
| Available-for-sale and other securities: | | | | | | | |
| Taxable | 303 | 222 | 202 | 2.43 | 2.39 | 2.53 | |
| Tax-exempt | 118 | 91 | 65 | 3.71 | 3.35 | 3.11 | |
| Total available-for-sale and other securities | 421 | 313 | 267 | 2.69 | 2.61 | 2.65 | |
| Held-to-maturity securities—taxable | 193 | 138 | 87 | 2.38 | 2.43 | 2.47 | |
| Total securities | 614 | 451 | 354 | 2.57 | 2.54 | 2.60 | |
| Loans held for sale | 21 | 35 | 24 | 3.75 | 3.27 | 3.64 | |
| Loans and leases: (2) | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | 1,142 | 879 | 700 | 4.12 | 3.71 | 3.55 | |
| Commercial real estate: | | | | | | | |
| Construction | 52 | 40 | 37 | 4.36 | 3.72 | 3.63 | |
| Commercial | 240 | 176 | 147 | 4.00 | 3.57 | 3.48 | |
| Commercial real estate | 292 | 216 | 184 | 4.06 | 3.60 | 3.51 | |
| Total commercial | 1,434 | 1,095 | 884 | 4.11 | 3.69 | 3.54 | |
| Consumer: | | | | | | | |
| Automobile loans and leases | 412 | 351 | 282 | 3.58 | 3.32 | 3.22 | |
| Home equity | 463 | 381 | 340 | 4.63 | 4.21 | 4.01 | |
| Residential mortgage | 301 | 244 | 221 | 3.65 | 3.63 | 3.71 | |
| RV and marine finance | 118 | 39 | — | 5.46 | 5.67 | — | |
| Other consumer | 118 | 79 | 42 | 11.53 | 10.62 | 8.71 | |
| Total consumer | 1,412 | 1,094 | 885 | 4.28 | 3.94 | 3.74 | |
| Total loans and leases | 2,846 | 2,189 | 1,769 | 4.19 | 3.81 | 3.64 | |
| Total earning assets | \$3,483 | \$2,675 | \$2,147 | 3.77 % | 3.50 % | 3.41 % | |
| Liabilities and Shareholders' Equity | | | | | | | |
| Deposits: | | | | | | | |
| Demand deposits—noninterest-bearing | \$— | \$— | \$— | — % | — % | — % | |
| Demand deposits—interest-bearing | 38 | 11 | 4 | 0.21 | 0.10 | 0.07 | |
| Total demand deposits | 38 | 11 | 4 | 0.10 | 0.04 | 0.02 | |
| Money market deposits | 66 | 46 | 43 | 0.33 | 0.24 | 0.22 | |
| Savings and other domestic deposits | 24 | 15 | 7 | 0.21 | 0.19 | 0.14 | |
| Core certificates of deposit | 13 | 13 | 21 | 0.60 | 0.56 | 0.79 | |
| Total core deposits | 141 | 85 | 75 | 0.27 | 0.21 | 0.22 | |
| Other domestic time deposits of \$250,000 or more | 2 | 2 | 1 | 0.52 | 0.40 | 0.42 | |
| Brokered time deposits and negotiable CDs | 37 | 15 | 5 | 1.00 | 0.43 | 0.17 | |
| Deposits in foreign offices | — | — | 1 | — | 0.13 | 0.13 | |
| Total deposits | 180 | 102 | 82 | 0.33 | 0.23 | 0.22 | |
| Short-term borrowings | 25 | 5 | 2 | 0.86 | 0.34 | 0.12 | |
| Long-term debt | 226 | 156 | 80 | 2.56 | 1.93 | 1.43 | |

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| | | | | | | |
|---|---------|---------|---------|------|--------|---------|
| Total interest-bearing liabilities | 431 | 263 | 164 | 0.64 | 0.48 | 0.37 |
| Net interest income | \$3,052 | \$2,412 | \$1,983 | | | |
| Net interest rate spread | | | | 3.13 | 3.02 | 3.04 |
| Impact of noninterest-bearing funds on margin | | | | 0.17 | 0.14 | 0.11 |
| Net interest margin | | | | 3.30 | % 3.16 | % 3.15% |

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

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

(3) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

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2017 versus 2016

Fully-taxable equivalent (FTE) net interest income for 2017 increased \$640 million, or 27%, from 2016. This reflected the impact of 21% average earning asset growth, a 14 basis point increase in the NIM to 3.30%, partially offset by 24% average interest-bearing liability growth. Average earning asset growth included a \$10.4 billion, or 18%, increase in average loans and leases and a \$6.1 billion, or 34%, increase in average securities. The NIM expansion reflected a 27 basis point positive impact from the mix and yield on earning assets and a 3 basis point increase in the benefit from noninterest-bearing funding, partially offset by a 16 basis point increase in funding costs.

Average earning assets for 2017 increased \$16.1 billion, or 21%, from the prior year, primarily reflecting the full year impact of the FirstMerit acquisition. Average loans and leases increased \$10.4 billion, or 18%, including a \$4.1 billion, or 17%, increase in average C&I loans and leases primarily driven by an increase in commercial middle market and specialty banking, a \$1.5 billion, or 23%, increase in residential mortgage loans reflecting the benefit of the ongoing expansion of the home lending business, a \$1.5 billion or 211%, increase in RV and marine finance loans reflecting the success of the well-managed expansion of the acquired business into 17 new states over the past year and a \$1.0 billion, or 9%, increase in automobile loans reflecting continued strength in new and used automobile originations across our 23-state auto finance lending footprint. Average securities increased \$6.1 billion, or 34%, which included \$2.9 billion of direct purchase municipal instruments in our commercial banking segment, up from \$2.1 billion in the year-ago period.

Average total deposits for 2017 increased \$13.5 billion, or 21%, from the prior year, while average total core deposits increased \$13.5 billion, or 23%, including a \$9.2 billion, or 31%, increase in average demand deposits and a \$3.7 billion, or 47%, increase in average savings and other domestic deposits. Average total interest-bearing liabilities increased \$13.0 billion, or 24%, from the prior year. These increases primarily reflect the full year impact of the FirstMerit acquisition. Average long-term borrowings increased \$0.8 billion, or 10%, reflecting the issuance of \$1.7 billion and maturity of \$0.8 billion of senior debt during 2017.

2016 versus 2015

Fully-taxable equivalent net interest income for 2016 increased \$429 million, or 22%, from 2015. This reflected the impact of 21% earning asset growth, a 1 basis point increase in the NIM to 3.16%, partially offset by 22% interest-bearing liability growth. Average earning asset growth included \$4.1 billion, or 30%, increase in average securities, a \$4.0 billion, or 20% increase in average C&I loans and leases, and a \$1.8 billion, or 20% increase in average automobile loans. The NIM expansion reflected a 9 basis point positive impact from the mix and yield on earning assets and a 3 basis point increase in the benefit from noninterest-bearing funding, partially offset by an 11 basis point increase in funding costs.

Average earning assets for 2016 increased \$13.3 billion, or 21%, from the prior year, primarily reflecting the impact of the FirstMerit acquisition, as well as the reinvestment of cash flows and additional investment in LCR Level 1 qualifying securities. Average securities increased \$4.1 billion, or 30%, which included \$2.1 billion of direct purchase municipal instruments in our commercial banking segment, up from \$1.7 billion in the year-ago period. Average C&I loans and leases increased \$4.0 billion, or 20%, which reflected organic growth in equipment finance leases, automobile dealer floorplan lending, and corporate banking. Average automobile loans increased \$1.8 billion, or 20% reflecting continued strength in new and used automobile originations, while maintaining our underwriting consistency and discipline. The increase was partially offset by the \$1.5 billion auto loan securitization during the 2016 fourth quarter.

Average noninterest-bearing demand deposits increased \$2.7 billion, or 17%, from the prior year, while average total interest-bearing liabilities increased \$9.8 billion, or 22%. Average interest-bearing demand deposits increased \$4.4 billion, or 67%. Savings and other domestic deposits increased \$2.8 billion, or 53%, reflecting continued banker focus across all segments on obtaining our customers' full deposit relationship. Average long-term debt increased \$2.4 billion, or 44%, reflecting the issuance of \$2.0 billion of senior debt during 2016, as well as \$0.5 billion of subordinate debt assumed during the FirstMerit acquisition.

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 inherent in the loan and lease portfolio and the portfolio of unfunded loan commitments and letters-of-credit.

The provision for credit losses in 2017 was \$201 million, up \$10 million, or 5%, from 2016. The increase in provision expense over the prior year was primarily the result of loan growth.

The provision for credit losses in 2016 was \$191 million, up \$91 million, or 91%, from 2015. The higher provision expense was due to several factors, including the migration of the acquired loan portfolio to the originated portfolio, which requires a reserve build, portfolio growth and continued transitioning of the FirstMerit portfolio to our reserve methodology. NCOs represented 19 basis points of average loans and leases, consistent with 2015, and below our long-term target of 35 to 55 basis points.

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Noninterest Income

The following table reflects noninterest income for the past three years:

Table 6 - Noninterest Income

| | Year Ended December 31, | | | | | | | | |
|--|-------------------------|---------------------|---------|---------|--------|---------------------|---------|--|--|
| (dollar amounts in millions) | | Change from 2016 | | | | Change from 2015 | | | |
| | 2017 | Amount | Percent | 2016 | Amount | Percent | 2015 | | |
| Service charges on deposit accounts | \$353 | \$29 | 9 % | \$324 | \$44 | 16 % | \$280 | | |
| Cards and payment processing income | 206 | 37 | 22 | 169 | 26 | 18 | 143 | | |
| Trust and investment management services | 156 | 33 | 27 | 123 | 7 | 6 | 116 | | |
| Mortgage banking income | 131 | 3 | 2 | 128 | 16 | 14 | 112 | | |
| Insurance income | 81 | (3) | (4) | 84 | 3 | 4 | 81 | | |
| Capital markets fees | 76 | 16 | 27 | 60 | 6 | 11 | 54 | | |
| Bank owned life insurance income | 67 | 9 | 16 | 58 | 6 | 12 | 52 | | |
| Gain on sale of loans | 56 | 9 | 19 | 47 | 14 | 42 | 33 | | |
| Securities gains (losses) | (4) | (4) | (100) | — | (1) | (100) | 1 | | |
| Other income | 185 | 28 | 18 | 157 | (10) | (6) | 167 | | |
| Total noninterest income | \$1,307 | \$157 | 14 % | \$1,150 | \$111 | 11 % | \$1,039 | | |

2017 versus 2016

Noninterest income for 2017 increased \$157 million, or 14%, from the prior year, reflecting the full year impact of the FirstMerit acquisition. Card and payment processing income increased \$37 million, or 22%, due to higher credit and debit card related income and underlying customer growth. Trust and investment management services increased \$33 million, or 27%, and service charges on deposit accounts increased \$29 million, or 9%, reflecting market growth and ongoing customer acquisition. Other income increased \$28 million, or 18%, primarily reflecting increases in servicing income, mezzanine lending, loan syndication fees and commitment fees. Capital markets fees increased \$16 million, or 27%, reflecting our ongoing strategic focus on expanding the business. Bank owned life insurance increased \$9 million, or 16%. Gain on sale of loans increased \$9 million, or 19%, as a result of continued expansion of our SBA lending business during 2017 which more than offset gains in the prior year from our balance sheet optimization strategy and the auto securitization completed in the 2016 fourth quarter. These increases were partially offset by a \$4 million decline in securities gains and a \$3 million decline in insurance income.

2016 versus 2015

Noninterest income for 2016 increased \$111 million, or 11%, from the prior year, reflecting the impact of the FirstMerit acquisition. Service charges on deposit accounts increased \$44 million, or 16%, reflecting the benefit of continued new customer acquisition. Card and payment processing income increased \$26 million, or 18%, due to higher credit and debit card related income and underlying customer growth. Mortgage banking income increased \$16 million, or 15%, reflecting a 24% increase in mortgage origination volume. Gain on sale of loans increased \$14 million, or 43%, reflecting an increase of \$6 million in SBA loan sales gains. In addition, there was a \$7 million gain on non-relationship C&I and CRE loan sales, which was related to the balance sheet optimization strategy completed in the 2016 fourth quarter.

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Noninterest Expense

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

The following table reflects noninterest expense for the past three years:

Table 7 - Noninterest Expense

| (dollar amounts in millions) | Year Ended December 31, | | | | Change from | | | | Change from | | | |
|--|-------------------------|--------|---------|---|-------------|--------|---------|---|-------------|--------|---------|--|
| | 2016 | | | | 2015 | | | | 2015 | | | |
| | 2017 | Amount | Percent | | 2016 | Amount | Percent | | 2015 | Amount | Percent | |
| Personnel costs | \$1,524 | \$175 | 13 | % | \$1,349 | \$227 | 20 | % | \$1,122 | | | |
| Outside data processing and other services | 313 | 8 | 3 | | 305 | 74 | 32 | | 231 | | | |
| Net occupancy | 212 | 59 | 39 | | 153 | 31 | 25 | | 122 | | | |
| Equipment | 171 | 6 | 4 | | 165 | 40 | 32 | | 125 | | | |
| Deposit and other insurance expense | 78 | 24 | 44 | | 54 | 9 | 20 | | 45 | | | |
| Professional services | 69 | (36) | (34) | | 105 | 55 | 110 | | 50 | | | |
| Marketing | 60 | (3) | (5) | | 63 | 11 | 21 | | 52 | | | |
| Amortization of intangibles | 56 | 26 | 87 | | 30 | 2 | 7 | | 28 | | | |
| Other expense | 231 | 47 | 26 | | 184 | (17) | (8) | | 201 | | | |
| Total noninterest expense | \$2,714 | \$306 | 13 | % | \$2,408 | \$432 | 22 | % | \$1,976 | | | |
| Number of employees (average full-time equivalent) | 15,770 | 1,912 | 14 | % | 13,858 | 1,615 | 13 | % | 12,243 | | | |

Impact of Significant Items:

| (dollar amounts in millions) | Year Ended December 31, | | |
|--|-------------------------|--------|-------|
| | 2017 | 2016 | 2015 |
| Personnel costs | \$ 42 | \$ 76 | \$ 5 |
| Outside data processing and other services | 24 | 46 | 4 |
| Net occupancy | 52 | 15 | 5 |
| Equipment | 16 | 25 | — |
| Professional services | 10 | 58 | 5 |
| Marketing | 1 | 5 | — |
| Other expense | 9 | 14 | 39 |
| Total impact of significant items on noninterest expense | \$ 154 | \$ 239 | \$ 58 |

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

| (dollar amounts in millions) | Year Ended December 31, | | | | Change from | | | | Change from | | | |
|---|-------------------------|--------|---------|---|-------------|--------|---------|---|-------------|--------|---------|--|
| | 2016 | | | | 2015 | | | | 2015 | | | |
| | 2017 | Amount | Percent | | 2016 | Amount | Percent | | 2015 | Amount | Percent | |
| Personnel costs | \$1,482 | \$209 | 16 | % | \$1,273 | \$156 | 14 | % | \$1,117 | | | |
| Outside data processing and other services | 289 | 30 | 12 | | 259 | 32 | 14 | | 227 | | | |
| Net occupancy | 160 | 22 | 16 | | 138 | 21 | 18 | | 117 | | | |
| Equipment | 155 | 15 | 11 | | 140 | 15 | 12 | | 125 | | | |
| Deposit and other insurance expense | 78 | 24 | 44 | | 54 | 9 | 20 | | 45 | | | |
| Professional services | 59 | 12 | 26 | | 47 | 2 | 4 | | 45 | | | |
| Marketing | 59 | 1 | 2 | | 58 | 6 | 12 | | 52 | | | |
| Amortization of intangibles | 56 | 26 | 87 | | 30 | 2 | 7 | | 28 | | | |
| Other expense | 222 | 52 | 31 | | 170 | 8 | 5 | | 162 | | | |
| Total adjusted noninterest expense (Non-GAAP) | \$2,560 | \$391 | 18 | % | \$2,169 | \$251 | 13 | % | \$1,918 | | | |

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2017 versus 2016

Reported noninterest expense for 2017 increased \$306 million, or 13%, from the prior year, reflecting the full year impact of the First Merit acquisition. Personnel costs increased \$175 million, or 13%, primarily reflecting the full year impact of the addition of colleagues from FirstMerit. Net occupancy expense increased \$59 million, or 39%, primarily reflecting \$52 million of acquisition-related expense. Other expense increased \$47 million, or 26%, reflecting the full impact of FirstMerit. Amortization of intangibles increased \$26 million, or 87%, reflecting the full year impact of amortizing FirstMerit related intangibles. Deposit and other insurance expense increased \$24 million, or 44%, reflecting the increase in the assessment base. Partially offsetting these increases, professional services decreased \$36 million, or 34% reflecting a reduction in legal and consultation fees partially attributable to acquisition-related expense.

2016 versus 2015

Reported noninterest expense for 2016 increased \$432 million, or 22%, from the prior year. Personnel costs increased \$227 million, or 20%, reflecting an increase in the number of average full-time equivalent employees largely related to the in-store branch expansion and the addition of colleagues from FirstMerit. Outside data processing and other services increased \$74 million, or 32%, reflecting \$46 million of acquisition-related expense and ongoing technology investments. Professional services increased \$55 million, or 110%, reflecting \$58 million of acquisition-related expense. Equipment expense increased \$40 million, or 32%, reflecting \$25 million of acquisition-related expense. Net occupancy expense increased \$31 million, or 25%, reflecting \$15 million of acquisition-related expense. Partially offsetting these increases, other expense decreased \$17 million, or 8% reflecting a \$42 million reduction to litigation reserves which was predominately offset by a \$40 million contribution in the 2016 fourth quarter to achieve the philanthropic plans related to FirstMerit.

Provision for Income Taxes

(This section should be read in conjunction with Note 1 and Note 17 of the Notes to Consolidated Financial Statements.)

2017 versus 2016

The provision for income taxes was \$208 million for 2017 and 2016. Both years 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. 2017 also includes a \$123 million tax benefit related to the federal tax reform enacted on December 22, 2017, which is primarily attributed to the revaluation of net deferred tax liabilities at the lower statutory federal income tax rate. As of December 31, 2017 and 2016 there was no valuation allowance on federal deferred taxes. In 2017 and 2016 there was essentially no change recorded in the provision for state income taxes, net of federal, for the portion of state deferred tax assets and state net operating loss carryforwards that are more likely than not to be realized. At December 31, 2017, we had a net federal deferred tax liability of \$57 million and a net state deferred tax asset of \$25 million.

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. While the statute of limitations remains open for tax years 2012 through 2016, the IRS has advised that tax years 2012 through 2014 will not be audited, and plans to begin the examination of the 2015 federal income tax return during the 2018 first quarter. Various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, Wisconsin and Illinois.

2016 versus 2015

The provision for income taxes was \$208 million for 2016 compared with a provision for income taxes of \$221 million in 2015. Both years included the benefits from tax-exempt income, tax-advantaged investments, general business credits, investments in qualified affordable housing projects, and capital losses. As of December 31, 2016, there was no valuation allowance on federal deferred taxes. In 2015, a \$69 million reduction in the 2015 provision for federal income taxes was recorded for the portion of federal capital loss carryforward deferred tax assets that are more likely than not to be realized. In 2016 and 2015, there was essentially no change recorded in the provision for state income taxes, net of federal taxes, for the portion of state deferred tax assets and state net operating loss carryforwards that are more likely than not to be realized.

RISK MANAGEMENT AND CAPITAL

Risk Governance

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. This does not preclude engagement in select higher risk activities. Rather, the definition is intended to represent an aggregate view of where we want our overall risk to be managed.

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Three board committees primarily oversee implementation of this desired risk appetite and monitoring of our risk profile:

The Audit Committee oversees the integrity of the consolidated financial statements, including policies, procedures, and practices regarding the preparation of financial statements, the financial reporting process, disclosures, and internal control over financial reporting. The Audit Committee also provides assistance to the board in overseeing the internal audit division and the independent registered public accounting firm's qualifications and independence; compliance with our Financial Code of Ethics for the chief executive officer and senior financial officers; and compliance with corporate securities trading policies.

The Risk Oversight Committee (ROC) assists the board of directors in overseeing management of material risks, the approval and monitoring of the Company's capital position and plan supporting our overall aggregate moderate-to-low risk profile, the risk governance structure, compliance with applicable laws and regulations, and determining adherence to the board's stated risk appetite. The committee has oversight responsibility with respect to the full range of inherent risks: market, credit, liquidity, legal, compliance/regulatory, operational, strategic, and reputational. This committee also oversees our capital management and planning process, ensures that the amount and quality of capital are adequate in relation to expected and unexpected risks, and that our capital levels exceed "well-capitalized" requirements.

The Technology Committee assists the board of directors in fulfilling its oversight responsibilities with respect to all technology, cyber security, and third-party risk management strategies and plans. The committee is charged with evaluating Huntington's capability to properly perform all technology functions necessary for its business plan, including projected growth, technology capacity, planning, operational execution, product development, and management capacity. The committee provides oversight of technology investments and plans to drive efficiency as well as to meet defined standards for risk, information security, and redundancy. The Committee oversees the allocation of technology costs and ensures that they are understood by the board of directors. The Technology Committee monitors and evaluates innovation and technology trends that may affect the Company's strategic plans, including monitoring of overall industry trends. The Technology Committee reviews and provides oversight of the Company's continuity and disaster recovery planning and preparedness.

The Audit and Risk Oversight Committees routinely hold executive sessions with our key officers engaged in accounting and risk management. On a periodic basis, the two committees meet in joint session to cover matters relevant to both, such as the construct and appropriateness of the ACL, which is reviewed quarterly. All directors have access to information provided to each committee and all scheduled meetings are open to all directors.

Further, through its Compensation Committee, the board of directors seeks to ensure its system of rewards is risk-sensitive and aligns the interests of management, creditors, and shareholders. We utilize a variety of compensation-related tools to induce appropriate behavior, including common stock ownership thresholds for the chief executive officer and certain members of senior management, a requirement to hold until retirement or exit from the Company, a portion of net shares received upon exercise of stock options or release of restricted stock awards (50% for executive officers and 25% for other award recipients), equity deferrals, recoupment provisions, and the right to terminate compensation plans at any time.

Management has implemented an Enterprise Risk Management and Risk Appetite Framework. Critically important is our self-assessment process, in which each business segment produces an analysis of its risks and the strength of its risk controls. The segment analyses are combined with assessments by our risk management organization of major risk sectors (e.g., credit, market, liquidity, operational, legal, compliance, reputational, and strategic) to produce an overall enterprise risk assessment. Outcomes of the process include a determination of the quality of the overall control process, the direction of risk, and our position compared to the defined risk appetite.

Management also utilizes a wide series of metrics (key risk indicators) to monitor risk positions throughout the Company. In general, a range for each metric is established, which allows the Company, in aggregate, to operate within an aggregate moderate-to-low risk profile. Deviations from the range will indicate if the risk being measured exceeds desired tolerance, which may then necessitate corrective action.

We also have four executive level committees to manage risk: ALCO, Credit Policy and Strategy, Risk Management, and Capital Management. Each committee focuses on specific categories of risk and is supported by a series of

subcommittees that are tactical in nature. We believe this structure helps ensure appropriate escalation of issues and overall communication of strategies.

Huntington utilizes three lines of defense with regard to risk management: (1) business segments, (2) corporate risk management, and (3) internal audit and credit review. To induce greater ownership of risk within its business segments, segment risk officers have been embedded in the business to identify and monitor risk, elevate and remediate issues, establish controls, perform self-testing, and oversee the self-assessment process. Corporate Risk Management establishes policies, sets operating limits, reviews new or modified products/processes, ensures consistency and quality assurance within the segments, and produces the enterprise risk assessment. The Chief Risk Officer has significant input into the design and outcome of incentive compensation plans as they apply to risk. Internal Audit and Credit Review provide additional assurance that risk-related functions are operating as intended. A comprehensive discussion of risk management and capital matters affecting us can be found in the Risk Governance section included in Item 1A and the Regulatory Matters section of Item 1 of this Form 10-K.

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Some of the more significant processes used to manage and control credit, market, liquidity, operational, and compliance risks are described in the following sections.

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 5 and Note 6 of the Notes to 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. (see Note 1 of the Notes to Consolidated Financial Statements)

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.

The maximum level of credit exposure to individual credit borrowers is limited by policy guidelines based on the perceived risk of each borrower or related group of borrowers. All authority to grant commitments is delegated through the independent credit administration function and is closely monitored and regularly updated. Concentration risk is managed through limits on loan type, geography, industry, and loan quality factors. We focus predominantly on extending credit to retail and commercial customers with existing or expandable relationships within our primary banking markets, although we will consider lending opportunities outside our primary markets if we believe the associated risks are acceptable and aligned with strategic initiatives. Although we offer a broad set of products, we continue to develop new lending products and opportunities. Each of these new products and opportunities goes through a rigorous development and approval process prior to implementation to ensure our overall objective of maintaining an aggregate moderate-to-low risk portfolio profile.

The checks and balances in the credit process and the separation of the credit administration and risk management functions are designed to appropriately assess and sanction the level of credit risk being accepted, facilitate the early recognition of credit problems when they occur, and provide for effective problem asset management and resolution. For example, we do not extend additional credit to delinquent borrowers except in certain circumstances that substantially improve our overall repayment or collateral coverage position.

Loan and Lease Credit Exposure Mix

At December 31, 2017, our loans and leases totaled \$70.1 billion, representing a \$3.2 billion, or 5%, increase compared to \$67.0 billion at December 31, 2016.

Total commercial loans and leases were \$35.3 billion at December 31, 2017, and represented 51% of our total loan and lease credit exposure. Our commercial loan portfolio is diversified by product type, customer size, and geography within our footprint, and is comprised of the following (see Commercial Credit discussion):

C&I – C&I loans and leases are made to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business within our geographic regions. C&I loans and leases are generally underwritten individually and secured with the assets of the company and/or the personal guarantee of the business owners. The financing of owner occupied facilities is considered a C&I loan even though there is improved real estate as collateral. This treatment is a result of the credit decision process, which focuses on cash flow from operations of the business to repay the debt. The operation, sale, rental, or refinancing of the real estate is not considered the primary repayment source for these types of loans. As we have expanded our C&I portfolio, we have developed a series of “vertical specialties” to ensure that new products or lending types are embedded within a structured, centralized Commercial Lending area with designated, experienced credit officers. These specialties are comprised of either targeted industries (for example, Healthcare, Food & Agribusiness, Energy, etc.) and/or lending disciplines (Equipment Finance, ABL, etc.), all of which requires a high degree of expertise and oversight to effectively mitigate and monitor risk. As such, we have dedicated colleagues

and teams focused on bringing value added expertise to these specialty clients.

CRE – CRE loans consist of loans to developers and REITs supporting income-producing or for-sale commercial real estate properties. We mitigate our risk on these loans by requiring collateral values that exceed the loan amount and underwriting the loan with projected cash flow in excess of the debt service requirement. These loans are made to finance properties such as apartment buildings, office and industrial buildings, and retail shopping centers, and are repaid through cash flows related to the operation, sale, or refinance of the property. For loans secured by real estate, appropriate appraisals are obtained at origination and updated on an as needed basis in compliance with regulatory requirements.

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Construction CRE – Construction CRE loans are loans to developers, companies, or individuals used for the construction of a commercial or residential property for which repayment will be generated by the sale or permanent financing of the property. Our construction CRE portfolio primarily consists of retail, multi family, office, and warehouse project types. Generally, these loans are for construction projects that have been presold or preleased, or have secured permanent financing, as well as loans to real estate companies with significant equity invested in each project. These loans are underwritten and managed by a specialized real estate lending group that actively monitors the construction phase and manages the loan disbursements according to the predetermined construction schedule. Total consumer loans and leases were \$34.8 billion at December 31, 2017, and represented 49% of our total loan and lease credit exposure. The consumer portfolio is comprised primarily of automobile loans, home equity lines-of-credit, and residential mortgages (see Consumer Credit discussion).

Automobile – Automobile loans are comprised primarily of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. The exposure outside of our primary banking markets represents 20% of the total exposure, with no individual state representing more than 5%. Applications are underwritten using an automated underwriting system that applies consistent policies and processes across the portfolio.

Home equity – Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first-lien or junior-lien on the borrower's residence, allows customers to borrow against the equity in their home or refinance existing mortgage debt. Products include closed-end loans which are generally fixed-rate with principal and interest payments, and variable-rate, interest-only lines-of-credit which do not require payment of principal during the 10-year revolving period. The home equity line of credit converts to a 20-year amortizing structure at the end of the revolving period. Applications are underwritten centrally in conjunction with an automated underwriting system. The home equity underwriting criteria is based on minimum credit scores, debt-to-income ratios, and LTV ratios, with current collateral valuations. The underwriting for the floating rate lines of credit also incorporates a stress analysis for a rising interest rate.

Residential mortgage – Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15-year to 30-year term, and in most cases, are extended to borrowers to finance their primary residence. Applications are underwritten centrally using consistent credit policies and processes. All residential mortgage loan decisions utilize a full appraisal for collateral valuation. Huntington has not originated or acquired residential mortgages that allow negative amortization or allow the borrower multiple payment options.

RV and marine finance – RV and marine finance loans are loans provided to consumers for the purpose of financing recreational vehicles and boats. Loans are originated on an indirect basis through a series of dealerships across 34 states. The loans are underwritten centrally using an application and decisioning system similar to automobile loans. The current portfolio includes 60% of the balances within our core footprint states.

Other consumer – Other consumer loans primarily consists of consumer loans not secured by real estate, including credit cards, personal unsecured loans, and overdraft balances. We originate these products within our established set of credit policies and guidelines.

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

Table 8 - Loan and Lease Portfolio Composition

| | At December 31, | | | | | | | | | |
|------------------------------|-----------------|------|----------|------|----------|------|----------|------|----------|------|
| (dollar amounts in millions) | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
| Commercial: | | | | | | | | | | |
| Commercial and industrial | \$28,107 | 40 % | \$28,059 | 42 % | \$20,560 | 41 % | \$19,033 | 40 % | \$17,594 | 41 % |
| Commercial real estate: | | | | | | | | | | |
| Construction | 1,217 | 2 | 1,446 | 2 | 1,031 | 2 | 875 | 2 | 557 | 1 |
| Commercial | 6,008 | 9 | 5,855 | 9 | 4,237 | 8 | 4,322 | 9 | 4,293 | 10 |
| Commercial real estate | 7,225 | 11 | 7,301 | 11 | 5,268 | 10 | 5,197 | 11 | 4,850 | 11 |
| Total commercial | 35,332 | 51 | 35,360 | 53 | 25,828 | 51 | 24,230 | 51 | 22,444 | 52 |
| Consumer: | | | | | | | | | | |

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| | | | | | | | | | | |
|------------------------|----------|------|----------|------|----------|------|----------|------|----------|------|
| Automobile | 12,100 | 17 | 10,969 | 16 | 9,481 | 19 | 8,690 | 18 | 6,639 | 15 |
| Home equity | 10,099 | 14 | 10,106 | 15 | 8,471 | 17 | 8,491 | 18 | 8,336 | 19 |
| Residential mortgage | 9,026 | 13 | 7,725 | 12 | 5,998 | 12 | 5,831 | 12 | 5,321 | 12 |
| RV and marine finance | 2,438 | 3 | 1,846 | 3 | — | — | — | — | — | — |
| Other consumer | 1,122 | 2 | 956 | 1 | 563 | 1 | 414 | 1 | 380 | 2 |
| Total consumer | 34,785 | 49 | 31,602 | 47 | 24,513 | 49 | 23,426 | 49 | 20,676 | 48 |
| Total loans and leases | \$70,117 | 100% | \$66,962 | 100% | \$50,341 | 100% | \$47,656 | 100% | \$43,120 | 100% |

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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 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.

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

Table 9 - Loan and Lease Portfolio by Industry Type

| (dollar amounts in millions) | December 31, 2017 | | | December 31, 2016 | | |
|--|----------------------|-----|---|----------------------|-----|---|
| Commercial loans and leases: | | | | | | |
| Real estate and rental and leasing | \$7,378 | 11 | % | \$7,545 | 11 | % |
| Retail trade (1) | 4,886 | 7 | | 4,758 | 7 | |
| Manufacturing | 4,791 | 7 | | 4,937 | 7 | |
| Finance and insurance | 3,044 | 4 | | 2,010 | 3 | |
| Health care and social assistance | 2,664 | 4 | | 2,729 | 4 | |
| Wholesale trade | 2,291 | 3 | | 2,071 | 3 | |
| Accommodation and food services | 1,617 | 2 | | 1,678 | 3 | |
| Other services | 1,296 | 2 | | 1,223 | 2 | |
| Professional, scientific, and technical services | 1,257 | 2 | | 1,264 | 2 | |
| Transportation and warehousing | 1,243 | 2 | | 1,366 | 2 | |
| Construction | 976 | 1 | | 875 | 1 | |
| Mining, quarrying, and oil and gas extraction | 694 | 1 | | 668 | 1 | |
| Arts, entertainment, and recreation | 593 | 1 | | 556 | 1 | |
| Admin./Support/Waste Mgmt. and Remediation Services | 561 | 1 | | 429 | 1 | |
| Educational services | 504 | 1 | | 501 | 1 | |
| Information | 467 | 1 | | 473 | 1 | |
| Utilities | 389 | 1 | | 470 | 1 | |
| Public administration | 255 | — | | 272 | — | |
| Agriculture, forestry, fishing and hunting | 172 | — | | 151 | — | |
| Unclassified/Other | 163 | — | | 1,288 | 2 | |
| Management of companies and enterprises | 91 | — | | 96 | — | |
| Total commercial loans and leases by industry category | 35,332 | 51 | % | 35,360 | 53 | % |
| Automobile | 12,100 | 17 | | 10,969 | 16 | |
| Home Equity | 10,099 | 14 | | 10,106 | 15 | |
| Residential mortgage | 9,026 | 13 | | 7,725 | 12 | |
| RV and marine finance | 2,438 | 3 | | 1,846 | 3 | |
| Other consumer loans | 1,122 | 2 | | 956 | 1 | |
| Total loans and leases | \$70,117 | 100 | % | \$66,962 | 100 | % |

(1) Amounts include \$3.2 billion of auto dealer services loans at both December 31, 2017 and December 31, 2016.

Commercial Credit

The primary factors considered in commercial credit approvals are the financial strength of the borrower, assessment of the borrower's management capabilities, cash flows from operations, industry sector trends, type and sufficiency of

collateral, type of exposure, transaction structure, and the general economic outlook. While these are the primary factors considered, there are a number of other factors that may be considered in the decision process. We utilize centralized review and loan approval committees, led by our credit officers. The risk rating (see next paragraph), size, and complexity of the credit determines the threshold for approval. For loans not requiring loan committee approval, with the exception of small business loans, credit officers who understand each local region and are experienced in the industries and loan structures of the requested credit exposure are involved in all loan decisions and

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have the primary credit authority. For small business loans, we utilize a centralized loan approval process for standard products and structures. In this centralized decision environment, certain individuals who understand each local region may make credit-extension decisions to preserve our commitment to the communities in which we operate. In addition to disciplined and consistent judgmental factors, a sophisticated credit scoring process is used as a primary evaluation tool in the determination of approving a loan within the centralized loan approval process.

In commercial lending, on-going credit management is dependent on the type and nature of the loan. We monitor all significant exposures on an on-going basis. All commercial credit extensions are assigned internal risk ratings reflecting the borrower's PD and LGD. This two-dimensional rating methodology provides granularity in the portfolio management process. The PD is rated and applied at the borrower level. The LGD is rated and applied based on the specific type of credit extension and the quality and lien position associated with the underlying collateral. The internal risk ratings are assessed at origination and updated at each periodic monitoring event. There is also extensive macro portfolio management analysis on an on-going basis. We continually review and adjust our risk-rating criteria based on actual experience, which provides us with the current risk level in the portfolio and is the basis for determining an appropriate allowance for credit losses (ACL) amount for the commercial portfolio. A centralized portfolio management team monitors and reports on the performance of the entire commercial portfolio, including small business loans, to provide consistent oversight.

In addition to the initial credit analysis conducted during the approval process, our Credit Review group performs testing to provide an independent review and assessment of the quality and risk of new loan originations. This group is part of our Risk Management area and conducts portfolio reviews on a risk-based cycle to evaluate individual loans, validate risk ratings, and test the consistency of credit processes.

Our standardized loan grading system considers many components that directly correlate to loan quality and likelihood of repayment, one of which is guarantor support. On an annual basis, or more frequently if warranted, we consider, among other things, the guarantor's reputation and creditworthiness, along with various key financial metrics such as liquidity and net worth, assuming such information is available. Our assessment of the guarantor's credit strength, or lack thereof, is reflected in our risk ratings for such loans, which is directly tied to, and an integral component of, our ACL methodology. When a loan goes to impaired status, viable guarantor support is considered in the determination of a credit loss.

If our assessment of the guarantor's credit strength yields an inherent capacity to perform, we will seek repayment from the guarantor as part of the collection process and have done so successfully.

Substantially all loans categorized as Classified (see Note 4 of Notes to Consolidated Financial Statements) are managed by SAD. SAD is a specialized group of credit professionals that handle the day-to-day management of workouts, commercial recoveries, and problem loan sales. Its responsibilities include developing and implementing action plans, assessing risk ratings, and determining the appropriateness of the allowance, the accrual status, and the ultimate collectability of the Classified loan portfolio.

C&I PORTFOLIO

We manage the risks inherent in the C&I portfolio through origination policies, a defined loan concentration policy with established limits, on-going loan level reviews and portfolio level reviews, recourse requirements, and continuous portfolio risk management activities. Our origination policies for the C&I portfolio include loan product-type specific policies such as LTV and debt service coverage ratios, as applicable.

The C&I portfolio continues to have solid origination activity while we maintain a focus on high quality originations. Problem loans had trended downward over the last several years, reflecting a combination of proactive risk identification and effective workout strategies implemented by the SAD department. We continue to maintain a proactive approach to identifying borrowers that may be facing financial difficulty in order to maximize the potential solutions. Subsequent to the origination of the loan, the Credit Review group provides an independent review and assessment of the quality of the underwriting and risk of new loan originations.

CRE PORTFOLIO

We manage the risks inherent in this portfolio specific to CRE lending, focusing on the quality of the developer and the specifics associated with each project. Generally, we: (1) limit our loans to 80% of the appraised value of the commercial real estate at origination, (2) require net operating cash flows to be 125% of required interest and principal

payments, and (3) if the commercial real estate is non-owner occupied, require that at least 50% of the space of the project be pre-leased. We actively monitor both geographic and project-type concentrations and performance metrics of all CRE loan types, with a focus on loans identified as higher risk based on the risk rating methodology. Both macro-level and loan-level stress-test scenarios based on existing and forecast market conditions are part of the on-going portfolio management process for the CRE portfolio.

Dedicated real estate professionals originate and manage the portfolio. The portfolio is diversified by project type and loan size, and this diversification represents a significant portion of the credit risk management strategies employed for this portfolio. Subsequent to the origination of the loan, the Credit Review group provides an independent review and assessment of the quality of the underwriting and risk of new loan originations.

Appraisal values are obtained in conjunction with all originations and renewals, and on an as needed basis, in compliance with regulatory requirements and to ensure appropriate decisions regarding the on-going management of the portfolio reflect the changing

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market conditions. Appraisals are obtained from approved vendors and are reviewed by an internal appraisal review group comprised of certified appraisers to ensure the quality of the valuation used in the underwriting process. We continue to perform on-going portfolio level reviews within the CRE portfolio. These reviews generate action plans based on occupancy levels or sales volume associated with the projects being reviewed. This highly individualized process requires working closely with all of our borrowers, as well as an in-depth knowledge of CRE project lending and the market environment.

Consumer Credit

Consumer credit approvals are based on, among other factors, the financial strength and payment history of the borrower, type of exposure, and transaction structure. Consumer credit decisions are generally made in a centralized environment utilizing decision models. Importantly, certain individuals who understand each local region have the authority to make credit extension decisions to preserve our focus on the local communities in which we operate. Each credit extension is assigned a specific PD and LGD. The PD is generally based on the borrower's most recent credit bureau score (FICO), which we update quarterly, providing an ongoing view of the borrowers PD. The LGD is related to the type of collateral associated with the credit extension, which typically does not change over the course of the loan term. This allows Huntington to maintain a current view of the customer for credit risk management and ACL purposes.

In consumer lending, credit risk is managed from a segment (i.e., loan type, collateral position, geography, etc.) and vintage performance analysis. All portfolio segments are continuously monitored for changes in delinquency trends and other asset quality indicators. We make extensive use of portfolio assessment models to continuously monitor the quality of the portfolio, which may result in changes to future origination strategies. The ongoing analysis and review process results in a determination of an appropriate ALLL amount for our consumer loan portfolio. The independent risk management group has a consumer process review component to ensure the effectiveness and efficiency of the consumer credit processes.

Collection actions by our customer assistance team are initiated as needed through a centrally managed collection and recovery function. We employ a series of collection methodologies designed to maintain a high level of effectiveness, while maximizing efficiency. In addition to the consumer loan portfolio, the customer assistance team is responsible for collection activity on all sold and securitized consumer loans and leases. Collection practices include a single contact point for the majority of the residential real estate secured portfolios.

AUTOMOBILE PORTFOLIO

Our strategy in the automobile portfolio continues to focus on high quality borrowers as measured by both FICO and internal custom scores, combined with appropriate LTVs, terms, and profitability. Our strategy and operational capabilities allow us to appropriately manage the origination quality across the entire portfolio, including our newer markets. Although increased origination volume and entering new markets can be associated with increased risk levels, we believe our disciplined strategy and operational processes significantly mitigate these risks.

We have continued to consistently execute our value proposition and take advantage of available market opportunities. Importantly, we have maintained our high credit quality standards while expanding the portfolio.

RESIDENTIAL REAL ESTATE SECURED PORTFOLIOS

The properties securing our residential mortgage and home equity portfolios are primarily located within our geographic footprint. Huntington continues to support our local markets with consistent underwriting across all residential secured products. The residential-secured portfolio originations continue to be of high quality, with the majority of the negative credit impact coming from loans originated in 2006 and earlier. Our portfolio management strategies associated with our Home Savers group allow us to focus on effectively helping our customers with appropriate solutions for their specific circumstances.

Huntington underwrites all residential mortgage applications centrally, with a focus on higher quality borrowers. We do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options and have incorporated regulatory requirements and guidance into our underwriting process. Residential mortgages are originated based on a completed full appraisal during the credit underwriting process. We update values in compliance with applicable regulations to facilitate our portfolio management, as well as our workout and loss mitigation functions.

We are subject to repurchase risk associated with residential mortgage loans sold in the secondary market. An appropriate level of reserve for representations and warranties related to residential mortgage loans sold has been established to address this repurchase risk inherent in the portfolio.

RV AND MARINE FINANCE PORTFOLIO

Our strategy in the RV and Marine portfolio focuses on high quality borrowers, combined with appropriate LTVs, terms, and profitability. Although entering new markets can be associated with increased risk levels, we believe our disciplined strategy and operational processes significantly mitigate these risks.

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Credit Quality

(This section should be read in conjunction with Note 4 of the Notes to 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 2017 reflected continued overall positive results with stable levels of delinquencies and a 19% decline in NPAs from the prior year. Total NCOs were \$159 million or 0.23% of average total loans and leases, an increase from \$109 million or 0.19% in the prior year. This was driven by an increase in losses in the Consumer portfolio, as expected based on portfolio growth. The ALLL to total loans and leases ratio increased by 4 basis points to 0.99% while the ACL to total loans and leases ratio increased by 1 basis point to 1.11%, reflecting the impact of the FirstMerit acquisition as acquired loans are recorded at fair value with no associated ALLL on the date of acquisition.

NPAs and NALs

NPAs consist of (1) NALs, which represent loans and leases no longer accruing interest, (2) OREO properties, and (3) other NPAs. Any loan in our portfolio may be placed on nonaccrual status prior to the policies described below when collection of principal or interest is in doubt. Also, when a borrower with discharged non-reaffirmed debt in a Chapter 7 bankruptcy is identified and the loan is determined to be collateral dependent, the loan is placed on nonaccrual status.

C&I and CRE loans (except for purchased credit impaired loans) are placed on nonaccrual status at 90-days past due, or earlier if repayment of principal and interest is in doubt. Of the \$190 million of CRE and C&I-related NALs at December 31, 2017, \$108 million, or 57%, 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 finance and other consumer loans are charged-off at 120-days past due. When loans are placed on nonaccrual, accrued interest income is reversed with current year accruals charged to interest income and prior year amounts generally charged-off as a credit loss. When, in our judgment, the borrower's ability to make required interest and principal payments has resumed and collectability is no longer in doubt, the loan or lease could be returned to accrual status.

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

Table 10 - Nonaccrual Loans and Leases and Nonperforming Assets

| | December 31, | | | | |
|-------------------------------------|--------------|-------|-------|-------|-------|
| (dollar amounts in millions) | 2017 | 2016 | 2015 | 2014 | 2013 |
| Nonaccrual loans and leases (NALs): | | | | | |
| Commercial and industrial | \$161 | \$234 | \$175 | \$72 | \$57 |
| Commercial real estate | 29 | 20 | 29 | 48 | 73 |
| Automobile | 6 | 6 | 7 | 5 | 6 |
| Residential mortgage | 84 | 91 | 95 | 96 | 120 |
| RV and marine finance | 1 | — | — | — | — |
| Home equity | 68 | 72 | 66 | 79 | 66 |
| Other consumer | — | — | — | — | — |
| Total nonaccrual loans and leases | 349 | 423 | 372 | 300 | 322 |
| Other real estate, net: | | | | | |
| Residential | 24 | 31 | 24 | 29 | 23 |
| Commercial | 9 | 20 | 3 | 6 | 4 |
| Total other real estate, net | 33 | 51 | 27 | 35 | 27 |
| Other NPAs (1) | 7 | 7 | — | 3 | 3 |
| Total nonperforming assets | \$389 | \$481 | \$399 | \$338 | \$352 |

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Nonaccrual loans and leases as a % of total loans and leases | 0.50 % | 0.63 % | 0.74 % | 0.63 % | 0.75 % |
| NPA ratio (2) | 0.55 | 0.72 | 0.79 | 0.71 | 0.82 |

(1) Other nonperforming assets represent an investment security backed by a municipal bond for all periods presented.

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

2017 versus 2016

Total NPAs decreased by \$92 million, or 19%, compared with December 31, 2016 primarily as a result of a \$73 million, or 31%, decline in C&I NALs and a \$18 million, or 35%, decline in OREO. The C&I decline was a result of payoffs and return to accrual of

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large relationships that were identified as NAL in the fourth quarter of 2016. The OREO decline was a result of reductions in both Commercial and Residential OREO properties.

The following table reflects period-end accruing loans and leases 90 days or more past due for each of the last five years:

Table 11 - Accruing Past Due Loans and Leases

| (dollar amounts in millions) | December 31, | | | | |
|---|--------------|--------|--------|--------|--------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Accruing loans and leases past due 90 days or more: | | | | | |
| Commercial and industrial (1) | \$9 | \$18 | \$9 | \$5 | \$15 |
| Commercial real estate (2) | 3 | 17 | 10 | 19 | 39 |
| Automobile | 7 | 10 | 7 | 5 | 5 |
| Residential mortgage (excluding loans guaranteed by the U.S. Government) | 21 | 15 | 14 | 33 | 2 |
| RV and marine finance | 1 | 1 | — | — | — |
| Home equity | 18 | 12 | 9 | 12 | 14 |
| Other consumer | 5 | 4 | 1 | 1 | 1 |
| Total, excl. loans guaranteed by the U.S. Government | 64 | 77 | 50 | 75 | 76 |
| Add: loans guaranteed by U.S. Government | 51 | 52 | 56 | 55 | 88 |
| Total accruing loans and leases past due 90 days or more, including loans guaranteed by the U.S. Government | \$115 | \$129 | \$106 | \$130 | \$164 |
| Ratios: | | | | | |
| Excluding loans guaranteed by the U.S. Government, as a percent of total loans and leases | 0.09 % | 0.12 % | 0.10 % | 0.16 % | 0.18 % |
| Guaranteed by U.S. Government, as a percent of total loans and leases | 0.07 | 0.08 | 0.11 | 0.12 | 0.20 |
| Including loans guaranteed by the U.S. Government, as a percent of total loans and leases | 0.16 | 0.19 | 0.21 | 0.27 | 0.38 |

(1) Amounts include Huntington Technology Finance administrative lease delinquencies and accruing purchase impaired loans related to acquisitions.

(2) Amounts include accruing purchase impaired loans related to acquisitions.

TDR Loans

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. TDRs can be classified as either accruing or nonaccruing loans. Nonaccruing TDRs are included in NALs whereas accruing TDRs are excluded from NALs, as it is probable that all contractual principal and interest due under the restructured terms will be collected. TDRs primarily reflect our loss mitigation efforts to proactively work with borrowers in financial difficulty or to comply with regulations regarding the treatment of certain bankruptcy filing and discharge situations. Acquired, non-purchased credit impaired loans are only considered for TDR reporting for modifications made subsequent to acquisition. Over the past five quarters, the accruing component of the total TDR balance has been between 80% and 84% indicating there is no identified credit loss and the borrowers continue to make their monthly payments. In fact, over 75% of the \$489 million of accruing TDRs secured by residential real estate (Residential mortgage and Home equity in Table 12) are current on their required payments. 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 following table presents our accruing and nonaccruing TDRs at period-end for each of the past five years:

Table 12 - Accruing and Nonaccruing Troubled Debt

Restructured Loans

(dollar amounts in millions) December 31,

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------|---------|---------|-------|-------|-------|
| TDRs—accruing: | | | | | |
| Commercial and industrial | \$300 | \$210 | \$236 | \$117 | \$ 84 |
| Commercial real estate | 78 | 77 | 115 | 177 | 205 |
| Automobile | 30 | 26 | 25 | 26 | 31 |
| Home equity | 265 | 270 | 199 | 252 | 188 |
| Residential mortgage | 224 | 243 | 265 | 265 | 305 |
| RV and marine finance | 1 | — | — | — | — |
| Other consumer | 8 | 4 | 4 | 4 | 1 |
| Total TDRs—accruing | 906 | 830 | 844 | 841 | 814 |
| TDRs—nonaccruing: | | | | | |
| Commercial and industrial | 82 | 107 | 57 | 21 | 7 |
| Commercial real estate | 15 | 5 | 17 | 25 | 24 |
| Automobile | 4 | 5 | 6 | 5 | 6 |
| Home equity | 28 | 28 | 21 | 27 | 21 |
| Residential mortgage | 55 | 59 | 72 | 69 | 83 |
| RV and marine finance | — | — | — | — | — |
| Other consumer | — | — | — | — | — |
| Total TDRs—nonaccruing | 184 | 204 | 173 | 147 | 141 |
| Total TDRs | \$1,090 | \$1,034 | | | |