

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2019**



Huntington Bancshares Incorporated

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

1-34073
(Commission
File Number)

31-0724920
(I.R.S. Employer
Identification No.)

Registrant's address: 41 South High Street, Columbus, Ohio 43287

Registrant's telephone number, including area code: (614) 480-2265

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

Title of class	Trading Symbol(s)	Name of exchange on which registered
5.875% Series C Non-Cumulative, perpetual preferred stock	HBANN	NASDAQ
6.250% Series D Non-Cumulative, perpetual preferred stock	HBANO	NASDAQ
Common Stock—Par Value \$0.01 per Share	HBAN	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

There were 1,032,755,207 shares of the Registrant's common stock (\$0.01 par value) outstanding on September 30, 2019.

HUNTINGTON BANCSHARES INCORPORATED
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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:

ACL	Allowance for Credit Losses
AFS	Available-for-Sale
ALLL	Allowance for Loan and Lease Losses
AOCI	Accumulated Other Comprehensive Income
ASC	Accounting Standards Codification
AULC	Allowance for Unfunded Loan Commitments
Basel III	Refers to the final rule issued by the FRB and OCC and published in the Federal Register on October 11, 2013
C&I	Commercial and Industrial
CCAR	Comprehensive Capital Analysis and Review
CDs	Certificates of Deposit
CECL	Current Expected Credit Loss
CET1	Common equity tier 1 on a transitional Basel III basis
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CRE	Commercial Real Estate
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank of Cincinnati
FICO	Fair Isaac Corporation
FRB	Federal Reserve Bank
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
FVO	Fair Value Option
GAAP	Generally Accepted Accounting Principles in the United States of America
HTM	Held-to-Maturity
IRS	Internal Revenue Service
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered Rate
LIHTC	Low Income Housing Tax Credit
MBS	Mortgage-Backed Securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MSR	Mortgage Servicing Right
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)
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PCD	Purchased-Credit-Deteriorated

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RBHPCG	Regional Banking and The Huntington Private Client Group
ROC	Risk Oversight Committee
SEC	Securities and Exchange Commission
TDR	Troubled Debt Restructuring
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
VIE	Variable Interest Entity
XBRL	eXtensible Business Reporting Language

PART I. FINANCIAL INFORMATION

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

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

INTRODUCTION

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have over 150 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, recreational vehicle and marine financing, equipment financing, investment management, trust services, brokerage services, insurance products and services, and other financial products and services. Our 868 full-service branches and private client group offices are located in Ohio, Illinois, Indiana, Kentucky, Michigan, Pennsylvania, and West Virginia. Select financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio. Our foreign banking activities, in total or with any individual country, are not significant.

This MD&A provides information we believe necessary for understanding our financial condition, changes in financial condition, results of operations, and cash flows. The MD&A included in our 2018 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2018 Form 10-K. This MD&A should also be read in conjunction with the Unaudited Condensed Consolidated Financial Statements, Notes to Unaudited Condensed Consolidated Financial Statements, and other information contained in this report.

EXECUTIVE OVERVIEW

Summary of 2019 Third Quarter Results Compared to 2018 Third Quarter

For the quarter, we reported net income of \$372 million, or \$0.34 per common share, compared with \$378 million, or \$0.33 per common share, in the year-ago quarter (see Table I).

Fully-taxable equivalent net interest income was \$805 million, down \$5 million, or 1%. This reflected a 12 basis point decrease in the FTE net interest margin to 3.20%, partially offset by the benefit from the \$2.9 billion, or 3%, increase in average earning assets.

The provision for credit losses increased \$29 million year-over-year to \$82 million in the 2019 third quarter. Net charge-offs increased \$44 million to \$73 million. The increase was centered in two specific energy credit relationships, which made up nearly three-fourths of the total commercial net charge-offs. Consumer charge-offs have remained consistent over the past year. NCOs represented an annualized 0.39% of average loans and leases in the current quarter, up from 0.16% in the year-ago quarter.

Non-interest income was \$389 million, up \$47 million, or 14%, from the year ago quarter. Mortgage banking income increased \$23 million, or 74%, primarily reflecting higher overall salable spreads, and \$8 million of income from net MSR risk management-related activities. Capital markets fees increased \$10 million, or 38%, driven by increased underwriting activity primarily associated with the Hutchinson, Shockey, Erley & Co. acquisition. Card and payment processing income increased \$7 million, or 12%, and service charges on deposit accounts increased \$5 million, or 5%, both reflecting increased account activity.

Non-interest expense was \$667 million, up \$16 million, or 2%, from the year-ago quarter. Personnel costs increased \$18 million, or 5%, primarily reflecting a shift to colleagues supporting our core strategies and the implementation of annual merit increases in the 2019 second quarter. Outside data processing and other services increased \$18 million, or 26%, primarily driven by higher technology investment costs. Deposit and other insurance expense decreased \$10 million, or 56%, due to the discontinuation of the FDIC surcharge in the 2018 fourth quarter. Other expense decreased \$9 million, or 16%, primarily as a result of operational losses in the third quarter 2018.

Common Equity Tier 1 risk-based capital ratio was 10.02%, up from 9.89% a year ago. The regulatory Tier 1 risk-based capital ratio was 11.41% compared to 11.33% at September 30, 2018. All capital ratios were impacted by the repurchase of 33.4 million common shares over the last four quarters.

Business Overview

General

Our general business objectives are:

- Consistent organic revenue and balance sheet growth.
- Invest in our businesses, particularly technology and risk management.
- Deliver positive operating leverage.
- Maintain aggregate moderate-to-low risk appetite.
- Disciplined capital management.

Economy

Consumer confidence remains at a high level, and consumers continue to perform well. We experienced strong origination activity in our home lending and auto finance businesses, while maintaining our underwriting discipline. Consistent with recent economic data pointing toward slowing growth, compounded by uncertainty related to trade and tariffs, we have seen a shift in tone from some of our manufacturing customers, which has impacted certain of their investments and expansions. While our commercial loan pipeline remains consistent with a year ago, providing us near-term confidence, we have a more measured outlook for commercial loan growth over the medium term.

As we have stated the past few quarters, we do not foresee a recession in the near term. Our core earnings power, strong capital, aggregate moderate-to-low risk appetite, and long-term strategic alignment position us to withstand economic headwinds should they emerge.

DISCUSSION OF RESULTS OF OPERATIONS

This section provides a review of financial performance from a consolidated perspective. Key Unaudited Condensed Consolidated Balance Sheet and Unaudited Condensed Statement of Income trends are discussed. All earnings per share data are reported on a diluted basis. For additional insight on financial performance, please read this section in conjunction with the "[Business Segment Discussion](#)".

Table 1 - Selected Quarterly Income Statement Data

	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
<i>(dollar amounts in millions, share amounts in thousands)</i>					
Interest income	\$ 1,052	\$ 1,068	\$ 1,070	\$ 1,056	\$ 1,007
Interest expense	253	256	248	223	205
Net interest income	799	812	822	833	802
Provision for credit losses	82	59	67	60	53
Net interest income after provision for credit losses	717	753	755	773	749
Service charges on deposit accounts	98	92	87	94	93
Card and payment processing income	64	63	56	58	57
Trust and investment management services	44	43	44	42	43
Mortgage banking income	54	34	21	23	31
Capital markets fees	36	34	22	34	26
Insurance income	20	23	21	21	19
Bank owned life insurance income	18	15	16	16	19
Gain on sale of loans and leases	13	13	13	16	16
Securities gains (losses)	—	(2)	—	(19)	(2)
Other income	42	59	39	44	40
Total noninterest income	389	374	319	329	342
Personnel costs	406	428	394	399	388
Outside data processing and other services	87	89	81	83	69
Net occupancy	38	38	42	70	38
Equipment	41	40	40	48	38
Deposit and other insurance expense	8	8	8	9	18
Professional services	16	12	12	17	17
Marketing	10	11	7	15	12
Amortization of intangibles	12	12	13	13	13
Other expense	49	62	56	57	58
Total noninterest expense	667	700	653	711	651
Income before income taxes	439	427	421	391	440
Provision for income taxes	67	63	63	57	62
Net income	372	364	358	334	378
Dividends on preferred shares	18	18	19	19	18
Net income applicable to common shares	\$ 354	\$ 346	\$ 339	\$ 315	\$ 360
Average common shares—basic	1,034,940	1,044,802	1,046,995	1,054,460	1,084,536
Average common shares—diluted	1,051,273	1,060,280	1,065,638	1,073,055	1,103,740
Net income per common share—basic	\$ 0.34	\$ 0.33	\$ 0.32	\$ 0.30	\$ 0.33
Net income per common share—diluted	0.34	0.33	0.32	0.29	0.33
Return on average total assets	1.37%	1.36%	1.35%	1.25%	1.42%
Return on average common shareholders' equity	13.4	13.5	13.8	12.9	14.3
Return on average tangible common shareholders' equity (1)	17.3	17.7	18.3	17.3	19.0
Net interest margin (2)	3.20	3.31	3.39	3.41	3.32
Efficiency ratio (3)	54.7	57.6	55.8	58.7	55.3
Effective tax rate	15.4	14.6	15.0	14.6	14.1
<i>Revenue—FTE</i>					
Net interest income	\$ 799	\$ 812	\$ 822	\$ 833	\$ 802
FTE adjustment	6	7	7	8	8
Net interest income (2)	805	819	829	841	810
Noninterest income	389	374	319	329	342
Total revenue (2)	\$ 1,194	\$ 1,193	\$ 1,148	\$ 1,170	\$ 1,152

Table 2 - Selected Year to Date Income Statements

	Nine Months Ended September 30,		Change	
	2019	2018	Amount	Percent
<i>(dollar amounts in millions, except per share amounts)</i>				
Interest income	\$ 3,190	\$ 2,893	\$ 297	10 %
Interest expense	757	537	220	41
Net interest income	2,433	2,356	77	3
Provision for credit losses	208	175	33	19
Net interest income after provision for credit losses	2,225	2,181	44	2
Service charges on deposit accounts	277	270	7	3
Card and payment processing income	183	166	17	10
Trust and investment management services	131	129	2	2
Mortgage banking income	109	85	24	28
Capital markets fees	92	74	18	24
Insurance income	64	61	3	5
Bank owned life insurance income	49	51	(2)	(4)
Gain on sale of loans and leases	39	39	—	—
Securities gains (losses)	(2)	(2)	—	—
Other income	140	119	21	18
Total noninterest income	1,082	992	90	9
Personnel costs	1,228	1,160	68	6
Outside data processing and other services	257	211	46	22
Equipment	121	116	5	4
Net occupancy	118	114	4	4
Professional services	40	43	(3)	(7)
Marketing	28	38	(10)	(26)
Deposit and other insurance expense	24	54	(30)	(56)
Amortization of intangibles	37	40	(3)	(8)
Other expense	167	160	7	4
Total noninterest expense	2,020	1,936	84	4
Income before income taxes	1,287	1,237	50	4
Provision for income taxes	193	178	15	8
Net income	1,094	1,059	35	3
Dividends declared on preferred shares	55	51	4	8
Net income applicable to common shares	\$ 1,039	\$ 1,008	\$ 31	3 %
Average common shares—basic	1,042,246	1,090,570	(48,324)	(4)%
Average common shares—diluted	1,059,064	1,116,978	(57,914)	(5)
Net income per common share—basic	\$ 1.00	\$ 0.92	\$ 0.08	9
Net income per common share—diluted	0.98	0.90	0.08	9
Revenue—FTE				
Net interest income	\$ 2,433	\$ 2,356	\$ 77	3 %
FTE adjustment	20	22	(2)	(9)
Net interest income (2)	2,453	2,378	75	3
Noninterest income	1,082	992	90	9
Total revenue (2)	\$ 3,535	\$ 3,370	\$ 165	5 %

- (1) Net income excluding expense for amortization of intangibles for the period divided by average tangible common shareholders' equity. Average tangible common shareholders' equity equals average total common shareholders' equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax liability, and calculated assuming a 21% tax rate.
- (2) On an FTE basis assuming a 21% tax rate.
- (3) Noninterest expense less amortization of intangibles and goodwill impairment divided by the sum of FTE net interest income and noninterest income excluding securities gains.

Net Interest Income / Average Balance Sheet

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

Table 3 - Consolidated Average Balance Sheet and Net Interest Margin Analysis

<i>(dollar amounts in millions)</i>	Average Balances Three Months Ended					Change 3Q19 vs. 3Q18	
	September 30,	June 30,	March 31,	December 31,	September 30,	Amount	Percent
	2019	2019	2019	2018	2018		
Assets:							
Interest-bearing deposits in Federal Reserve Bank (2)	\$ 514	\$ 518	\$ 501	\$ 483	\$ —	\$ 514	100 %
Interest-bearing deposits in banks	149	135	109	97	83	66	80
Securities:							
Trading account securities	137	161	138	131	82	55	67
Available-for-sale securities:							
Taxable	11,096	10,501	10,752	10,351	10,469	627	6
Tax-exempt	2,820	2,970	3,048	3,176	3,496	(676)	(19)
Total available-for-sale securities	13,916	13,471	13,800	13,527	13,965	(49)	—
Held-to-maturity securities—taxable	8,566	8,771	8,653	8,433	8,560	6	—
Other securities	437	466	536	565	567	(130)	(23)
Total securities	23,056	22,869	23,127	22,656	23,174	(118)	(1)
Loans held for sale	877	734	700	694	745	132	18
Loans and leases: (4)							
Commercial:							
Commercial and industrial	30,632	30,644	30,546	29,557	28,870	1,762	6
Commercial real estate:							
Construction	1,165	1,168	1,174	1,138	1,132	33	3
Commercial	5,762	5,732	5,686	5,806	6,019	(257)	(4)
Commercial real estate	6,927	6,900	6,860	6,944	7,151	(224)	(3)
Total commercial	37,559	37,544	37,406	36,501	36,021	1,538	4
Consumer:							
Automobile	12,181	12,219	12,361	12,423	12,368	(187)	(2)
Home equity	9,353	9,482	9,641	9,817	9,873	(520)	(5)
Residential mortgage	11,214	11,010	10,787	10,574	10,236	978	10
RV and marine	3,528	3,413	3,296	3,216	3,016	512	17
Other consumer	1,261	1,264	1,284	1,291	1,237	24	2
Total consumer	37,537	37,388	37,369	37,321	36,730	807	2
Total loans and leases	75,096	74,932	74,775	73,822	72,751	2,345	3
Allowance for loan and lease losses	(799)	(778)	(780)	(777)	(759)	(40)	(5)
Net loans and leases	74,297	74,154	73,995	73,045	71,992	2,305	3
Total earning assets	99,692	99,188	99,212	97,752	96,753	2,939	3
Cash and due from banks	817	835	853	909	1,330	(513)	(39)
Intangible assets	2,240	2,252	2,265	2,288	2,305	(65)	(3)
All other assets	6,216	5,982	5,961	5,705	5,726	490	9
Total assets	\$ 108,166	\$ 107,479	\$ 107,511	\$ 105,877	\$ 105,355	\$ 2,811	3 %
Liabilities and Shareholders' Equity:							
Interest-bearing deposits:							
Demand deposits—interest-bearing	\$ 19,796	\$ 19,693	19,770	\$ 19,860	\$ 19,553	\$ 243	1 %
Money market deposits	24,266	23,305	22,935	22,595	21,547	2,719	13
Savings and other domestic deposits	9,681	10,105	10,338	10,534	11,434	(1,753)	(15)
Core certificates of deposit (5)	5,666	5,860	6,052	5,705	4,916	750	15
Other domestic time deposits of \$250,000 or more	315	310	335	346	285	30	11
Brokered deposits and negotiable CDs	2,599	2,685	3,404	3,507	3,533	(934)	(26)
Total interest-bearing deposits	62,323	61,958	62,834	62,547	61,268	1,055	2
Short-term borrowings	2,331	3,166	2,320	1,006	1,732	599	35
Long-term debt	9,536	8,914	8,979	8,871	8,915	621	7
Total interest-bearing liabilities	74,190	74,038	74,133	72,424	71,915	2,275	3
Demand deposits—noninterest-bearing	19,926	19,760	19,938	20,384	20,230	(304)	(2)
All other liabilities	2,336	2,206	2,284	2,180	2,054	282	14
Shareholders' equity	11,714	11,475	11,156	10,889	11,156	558	5
Total liabilities and shareholders' equity	\$ 108,166	\$ 107,479	\$ 107,511	\$ 105,877	\$ 105,355	\$ 2,811	3 %

Table 3 - Consolidated Average Balance Sheet and Net Interest Margin Analysis (Continued)

	Average Yield Rates (3)				
	Three Months Ended				
	September 30,	June 30,	March 31,	December 31,	September 30,
Fully-taxable equivalent basis (1)	2019	2019	2019	2018	2018
Assets:					
Interest-bearing deposits in Federal Reserve Bank (2)	2.19%	2.38%	2.40%	2.33%	—%
Interest-bearing deposits in banks	2.38	2.08	1.75	1.97	1.95
Securities:					
Trading account securities	2.36	1.92	2.03	1.94	0.26
Available-for-sale securities:					
Taxable	2.67	2.73	2.82	2.71	2.61
Tax-exempt	3.63	3.66	3.69	4.12	3.53
Total available-for-sale securities	2.87	2.94	3.01	3.04	2.84
Held-to-maturity securities—taxable	2.51	2.54	2.52	2.45	2.43
Other securities	3.15	3.44	4.51	4.24	4.58
Total securities	2.74	2.79	2.86	2.84	2.73
Loans held for sale	3.69	4.00	4.07	4.04	4.45
Loans and leases: (4)					
Commercial:					
Commercial and industrial	4.57	4.82	4.91	4.81	4.64
Commercial real estate:					
Construction	5.50	5.59	5.58	5.47	5.31
Commercial	4.67	4.88	5.00	4.99	4.63
Commercial real estate	4.81	5.00	5.10	5.07	4.74
Total commercial	4.61	4.85	4.94	4.86	4.66
Consumer:					
Automobile	4.09	4.02	3.95	3.88	3.75
Home equity	5.38	5.56	5.61	5.45	5.21
Residential mortgage	3.80	3.84	3.86	3.82	3.78
RV and marine	4.96	4.94	4.96	5.10	5.06
Other consumer	13.34	13.29	13.07	12.35	12.16
Total consumer	4.72	4.76	4.75	4.67	4.54
Total loans and leases	4.67	4.80	4.85	4.76	4.60
Total earning assets	4.21	4.35	4.40	4.32	4.16
Liabilities:					
Interest-bearing deposits:					
Demand deposits—interest-bearing	0.57	0.58	0.56	0.48	0.45
Money market deposits	1.20	1.15	1.04	0.91	0.77
Savings and other domestic deposits	0.22	0.23	0.23	0.23	0.24
Core certificates of deposit (5)	2.17	2.15	2.11	2.00	1.82
Other domestic time deposits of \$250,000 or more	1.85	1.92	1.82	1.67	1.40
Brokered deposits and negotiable CDs	2.21	2.39	2.38	2.22	1.98
Total interest-bearing deposits	0.98	0.97	0.94	0.84	0.73
Short-term borrowings	2.28	2.41	2.41	2.49	1.98
Long-term debt	3.59	3.91	3.98	3.82	3.78
Total interest-bearing liabilities	1.36	1.39	1.35	1.23	1.13
Demand deposits—noninterest-bearing	—	—	—	—	—
Net interest rate spread	2.85	2.96	3.05	3.09	3.03
Impact of noninterest-bearing funds on margin	0.35	0.35	0.34	0.32	0.29
Net interest margin	3.20%	3.31%	3.39%	3.41%	3.32%

- (1) FTE yields are calculated assuming a 21% tax rate.
- (2) Deposits in Federal Reserve Bank were treated as non-earning assets prior to 4Q 2018.
- (3) Loan and lease and deposit average yield rates include impact of applicable derivatives, non-deferrable fees, and amortized fees.
- (4) For purposes of this analysis, NALs are reflected in the average balances of loans.
- (5) Includes consumer certificates of deposit of \$250,000 or more.

2019 Third Quarter versus 2018 Third Quarter

FTE net interest income for the 2019 third quarter decreased \$5 million, or 1%, from the 2018 third quarter. This reflected a 12 basis point decrease in the NIM to 3.20%, partially offset by the benefit from the \$2.9 billion, or 3%, increase in average earning assets. The NIM compression reflected a 23 basis point increase in average interest-bearing liability costs, partially offset by a 5 basis point year-over-year increase in average earning asset yields and a 6 basis point increase in the benefit from noninterest-bearing funds. The increase in average interest-bearing liability costs primarily reflects higher interest bearing deposit costs (up 25 basis points). The increase in earning asset yields was primarily driven by higher consumer loan yields as securities yields were relatively flat (up 1 basis point) and commercial loans decreased modestly (down 5 basis points). Embedded within these yields and costs, FTE net interest income during the 2019 third quarter included \$11 million, or approximately 4 basis points, of purchase accounting impact compared to \$17 million, or approximately 7 basis points, in the year-ago quarter.

Average earning assets for the 2019 third quarter increased \$2.9 billion, or 3%, from the year-ago quarter, primarily reflecting a \$2.3 billion, or 3%, increase in average loans and leases. Average C&I loans increased \$1.8 billion, or 6%, reflecting growth in corporate banking, asset finance, and dealer floorplan. Average residential mortgage loans increased \$1.0 billion, or 10%, driven by the successful expansion of our home lending business within our existing markets and the lower rate environment. Average RV and marine loans increased \$0.5 billion, or 17%, reflecting market share increases across our markets, while maintaining our commitment to super prime originations. Held-for-sale and other earning assets increased \$0.7 billion, or 86%, primarily due to the inclusion of deposits in Federal Reserve Bank balances. These balances were treated as non-earning assets prior to the fourth quarter 2018. Partially offsetting these increases, average home equity loans and lines of credit decreased \$0.5 billion, or 5%, reflecting a shift in consumer preferences.

Average total interest-bearing liabilities for the 2019 third quarter increased \$2.3 billion, or 3%, from the year-ago quarter. Average total deposits increased \$0.8 billion, or 1%, from the year-ago quarter, while average total core deposits increased \$1.7 billion, or 2%. Average money market deposits increased \$2.7 billion, or 13%, reflecting the shift in promotional pricing to consumer money market accounts in mid-2018. Average core certificates of deposit increased \$0.8 billion, or 15%, reflecting consumer deposit growth initiatives in the third quarter of 2018. Savings and other domestic deposits decreased \$1.8 billion, or 15%, primarily reflecting a continued shift in consumer product mix. Average brokered deposits and negotiable CDs decreased \$0.9 billion, or 26%, as growth in core deposits reduced reliance on wholesale funding.

2019 Third Quarter versus 2019 Second Quarter

Compared to the 2019 second quarter, FTE net interest income decreased \$13 million, or 2%, primarily reflecting the NIM compression of 11 basis points, partially offset by a 1% increase in average earning assets. The NIM contraction reflected a 14 basis point decrease in average earning asset yields and a 3 basis point decrease in average interest-bearing liability costs. The decrease in earning asset yields was primarily driven by the impact of lower LIBOR rates in the quarter on commercial loan yields. The decrease in average interest-bearing liability costs primarily reflects lower short-term borrowing costs. The purchase accounting impact on the NIM was approximately 4 basis points in the 2019 third quarter, down 1 basis point from the prior quarter.

Average earning assets increased \$0.5 billion, or 1%, from 2019 second quarter. Average consumer loans were relatively unchanged, as modest increases in residential mortgage and RV and marine loans were largely offset by a decline in home equity loans.

Average total interest-bearing liabilities increased \$0.2 billion, or less than 1%. Average total deposits increased \$0.5 billion, or 1%, as the \$1.0 billion, or 4%, increase in money market accounts more than offset the \$0.4 billion, or 4%, decrease in savings deposits, primarily reflecting promotional money market pricing and a continued shift in consumer product mix. Reflecting changes in the wholesale funding mix, average long-term debt increased \$0.6 billion, or 7%, due to the \$0.8 billion senior note issuance in August, while average short-term borrowings decreased \$0.8 billion, or 26%.

Table 4 - Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis

(dollar amounts in millions)

Fully-taxable equivalent basis (1)	YTD Average Balances				YTD Average Rates (3)	
	Nine Months Ended September 30,		Change		Nine Months Ended September 30,	
	2019	2018	Amount	Percent	2019	2018
Assets:						
Interest-bearing deposits in Federal Reserve Bank (2)	\$ 511	\$ —	\$ 511	100 %	2.32%	—%
Interest-bearing deposits in banks	131	86	45	52	2.10	1.95
Securities:						
Trading account securities	146	84	62	74	2.10	0.21
Available-for-sale securities:						
Taxable	10,784	10,817	(33)	—	2.74	2.58
Tax-exempt	2,945	3,561	(616)	(17)	3.66	3.35
Total available-for-sale securities	13,729	14,378	(649)	(5)	2.94	2.77
Held-to-maturity securities—taxable	8,663	8,713	(50)	(1)	2.52	2.43
Other securities	479	590	(111)	(19)	3.75	4.38
Total securities	23,017	23,765	(748)	(3)	2.79	2.69
Loans held for sale	771	615	156	25	3.90	4.19
Loans and leases: (4)						
Commercial:						
Commercial and industrial	30,608	28,661	1,947	7	4.77	4.48
Commercial real estate:						
Construction	1,169	1,149	20	2	5.56	5.09
Commercial	5,727	6,131	(404)	(7)	4.85	4.49
Commercial real estate	6,896	7,280	(384)	(5)	4.97	4.58
Total commercial	37,504	35,941	1,563	4	4.80	4.50
Consumer:						
Automobile	12,253	12,247	6	—	4.02	3.65
Home equity	9,491	9,948	(457)	(5)	5.51	5.07
Residential mortgage	11,005	9,682	1,323	14	3.83	3.71
RV and marine	3,413	2,723	690	25	4.95	5.09
Other consumer	1,270	1,175	95	8	13.29	11.91
Total consumer	37,432	35,775	1,657	5	4.74	4.44
Total loans and leases	74,936	71,716	3,220	4	4.77	4.47
Allowance for loan and lease losses	(786)	(737)	(49)	(7)		
Net loans and leases	74,150	70,979	3,171	4		
Total earning assets	99,366	96,182	3,184	3	4.32%	4.05%
Cash and due from banks	835	1,277	(442)	(35)		
Intangible assets	2,252	2,318	(66)	(3)		
All other assets	6,054	5,640	414	7		
Total assets	\$ 107,721	\$ 104,680	\$ 3,041	3 %		
Liabilities and Shareholders' Equity:						
Interest-bearing deposits:						
Demand deposits—interest-bearing	\$ 19,763	\$ 19,105	\$ 658	3 %	0.57%	0.37%
Money market deposits	23,507	21,059	2,448	12	1.13	0.61
Savings and other domestic deposits	10,039	11,267	(1,228)	(11)	0.23	0.22
Core certificates of deposit (5)	5,858	3,677	2,181	59	2.14	1.57
Other domestic time deposits of \$250,000 or more	320	259	61	24	1.86	1.05
Brokered deposits and negotiable CDs	2,893	3,501	(608)	(17)	2.33	1.76
Total interest-bearing deposits	62,380	58,868	3,512	6	0.96	0.59
Short-term borrowings	2,605	3,335	(730)	(22)	2.37	1.67
Long-term debt	9,145	9,033	112	1	3.82	3.48
Total interest-bearing liabilities	74,130	71,236	2,894	4	1.36	1.01
Demand deposits—noninterest-bearing	\$ 19,864	\$ 20,393	(529)	(3)	—	—
All other liabilities	2,277	1,935	342	18		
Shareholders' equity	11,450	11,116	334	3		
Total liabilities and shareholders' equity	\$ 107,721	\$ 104,680	\$ 3,041	3 %		
Net interest rate spread					2.96	3.05
Impact of noninterest-bearing funds on margin					0.34	0.26
Net interest margin					3.30%	3.31%

(1) FTE yields are calculated assuming a 21% tax rate.

(2) Deposits in Federal Reserve Bank were treated as non-earning assets prior to 4Q 2018

- (3) Loan and lease and deposit average rates include impact of applicable derivatives, non-deferrable fees, and amortized fees.
- (4) For purposes of this analysis, NALs are reflected in the average balances of loans.
- (5) Includes consumer certificates of deposit of \$250,000 or more.

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2019 First Nine Months versus 2018 First Nine Months

FTE net interest income for the first nine-month period of 2019 increased \$75 million, or 3%. This reflected the benefit of a \$3.2 billion, or 3%, increase in average total earning assets and a 1 basis point decrease in the FTE NIM to 3.30%. Average loans and leases increased \$3.2 billion, or 4%, primarily reflecting an increase in C&I, residential mortgage and RV and marine lending. Average earning asset yields increased 27 basis points sequentially, driven by a 30 basis point increase in loan yields. Average funding costs increased 35 basis points, primarily driven by higher cost of interest-bearing deposits (up 37 basis points) and long-term debt (up 34 basis points). Average short-term borrowing costs increased 70 basis points, while the benefit from noninterest-bearing funding improved 8 basis points.

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 for the 2019 third quarter was \$82 million, which increased \$29 million, or 55%, compared to the third quarter 2018. On a year-to-date basis, provision for credit losses for the first nine-month period of 2019 was \$208 million, an increase of \$33 million, or 19%, compared to the year-ago period. The increase from the 2018 third quarter and prior year-to-date provision for credit losses is attributed to higher commercial losses.

Noninterest Income

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

Table 5 - Noninterest Income

	Three Months Ended			3Q19 vs. 3Q18		3Q19 vs. 2Q19	
	September 30,	June 30,	September 30,	Change		Change	
	2019	2019	2018	Amount	Percent	Amount	Percent
<i>(dollar amounts in millions)</i>							
Service charges on deposit accounts	\$ 98	\$ 92	\$ 93	\$ 5	5 %	\$ 6	7 %
Card and payment processing income	64	63	57	7	12	1	2
Trust and investment management services	44	43	43	1	2	1	2
Mortgage banking income	54	34	31	23	74	20	59
Capital markets fees	36	34	26	10	38	2	6
Insurance income	20	23	19	1	5	(3)	(13)
Bank owned life insurance income	18	15	19	(1)	(5)	3	20
Gain on sale of loans and leases	13	13	16	(3)	(19)	—	—
Securities gains (losses)	—	(2)	(2)	2	100	2	100
Other income	42	59	40	2	5	(17)	(29)
Total noninterest income	\$ 389	\$ 374	\$ 342	\$ 47	14 %	\$ 15	4 %

2019 Third Quarter versus 2018 Third Quarter

Total noninterest income for the 2019 third quarter increased \$47 million, or 14%, from the year-ago quarter. Mortgage banking income increased \$23 million, or 74%, primarily reflecting higher overall salable spreads and \$8 million from net MSR risk management. Capital markets fees increased \$10 million, or 38%, driven by increased underwriting activity associated with the Hutchinson, Shockey, Erley & Co. acquisition. Card and payment processing income increased \$7 million, or 12%, and service charges on deposit accounts increased \$5 million, or 5%, both primarily reflecting increased account activity.

2019 Third Quarter versus 2019 Second Quarter

Compared to the 2019 second quarter, total noninterest income increased \$15 million, or 4%. Mortgage banking income increased \$20 million, or 59%, primarily reflecting higher overall salable spreads and a \$10 million increase in net MSR risk management. Service charges on deposit accounts increased \$6 million, or 7%, primarily reflecting seasonality. Partially offsetting these increases, other income decreased \$17 million, or 29%, primarily reflecting the \$15 million gain on the sale of the Wisconsin retail branches and a \$5 million mark-to-market adjustment on economic hedges in the 2019 second quarter, whereas the 2019 third quarter included a \$6 million increase in mezzanine gains.

Table 6 - Noninterest Income—2019 First Nine Months Ended vs. 2018 First Nine Months Ended

	Nine Months Ended September 30,		Change	
	2019	2018	Amount	Percent
<i>(dollar amounts in millions)</i>				
Service charges on deposit accounts	\$ 277	\$ 270	\$ 7	3 %
Card and payment processing income	183	166	17	10
Trust and investment management services	131	129	2	2
Mortgage banking income	109	85	24	28
Capital markets fees	92	74	18	24
Insurance income	64	61	3	5
Bank owned life insurance income	49	51	(2)	(4)
Gain on sale of loans and leases	39	39	—	—
Securities gains (losses)	(2)	(2)	—	—
Other income	140	119	21	18
Total noninterest income	\$ 1,082	\$ 992	\$ 90	9 %

Noninterest income for the first nine-month period of 2019 increased \$90 million, or 9%, from the year-ago period. Mortgage banking income increased \$24 million or 28%, driven by higher salable spreads. Other income increased \$21 million, or 18%, as a result of the gain on the sale of the Wisconsin retail branches and the impact of the new lease accounting standard with regard to the presentation of income for personal property tax on leased assets. Capital market fees increased \$18 million, or 24%, driven by increased underwriting activity primarily associated with the Hutchinson, Shockey, Erley & Co. acquisition. Cards and payment processing income increased \$17 million, or 10%, primarily reflecting increased account activity.

Noninterest Expense

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

Table 7 - Noninterest Expense

	Three Months Ended			3Q19 vs. 3Q18		3Q19 vs. 2Q19	
	September 30,	June 30,	September 30,	Change		Change	
	2019	2019	2018	Amount	Percent	Amount	Percent
<i>(dollar amounts in millions)</i>							
Personnel costs	\$ 406	\$ 428	\$ 388	\$ 18	5 %	\$ (22)	(5)%
Outside data processing and other services	87	89	69	18	26	(2)	(2)
Net occupancy	38	38	38	—	—	—	—
Equipment	41	40	38	3	8	1	3
Deposit and other insurance expense	8	8	18	(10)	(56)	—	—
Professional services	16	12	17	(1)	(6)	4	33
Marketing	10	11	12	(2)	(17)	(1)	(9)
Amortization of intangibles	12	12	13	(1)	(8)	—	—
Other expense	49	62	58	(9)	(16)	(13)	(21)
Total noninterest expense	\$ 667	\$ 700	\$ 651	\$ 16	2 %	\$ (33)	(5)%
Number of employees (average full-time equivalent)	15,659	15,780	15,772	(113)	(1)%	(121)	(1)%

[Table of Contents](#)**2019 Third Quarter versus 2018 Third Quarter**

Total noninterest expense for the 2019 third quarter increased \$16 million, or 2%, from the year-ago quarter. Personnel costs increased \$18 million, or 5%, primarily reflecting the shift toward colleagues supporting our core strategies and the implementation of annual merit increases in the 2019 second quarter. Outside data processing and other services increased \$18 million, or 26%, primarily driven by higher technology investment costs. Deposit and other insurance expense decreased \$10 million, or 56%, due to the discontinuation of the FDIC surcharge in the 2018 fourth quarter. Other expense decreased \$9 million, or 16%, primarily as a result of operational losses in the third quarter 2018 and reduced OREO and other credit-related expense.

2019 Third Quarter versus 2019 Second Quarter

Total noninterest expense decreased \$33 million, or 5%, from the 2019 second quarter. Personnel costs decreased \$22 million, or 5%, primarily reflecting the timing of equity compensation expense in the second quarter and lower benefits expense. Other expense decreased \$13 million, or 21%, primarily as a result of a \$5 million Columbus Foundation donation and other discretionary spend in the 2019 second quarter.

Table 8 - Noninterest Expense—2019 First Nine Months Ended vs. 2018 First Nine Months Ended

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,		Change	
	2019	2018	Amount	Percent
Personnel costs	\$ 1,228	\$ 1,160	\$ 68	6 %
Outside data processing and other services	257	211	46	22
Net occupancy	118	114	4	4
Equipment	121	116	5	4
Deposit and other insurance expense	24	54	(30)	(56)
Professional services	40	43	(3)	(7)
Marketing	28	38	(10)	(26)
Amortization of intangibles	37	40	(3)	(8)
Other expense	167	160	7	4
Total noninterest expense	\$ 2,020	\$ 1,936	\$ 84	4 %

Noninterest expense increased \$84 million, or 4%, from the year-ago period. Personnel costs increased \$68 million, or 6%, primarily reflecting the shift toward colleagues supporting our core strategies, and annual merit increases. Outside data processing and other services increased \$46 million, or 22%, primarily driven by higher technology investment costs. Other expense increased \$7 million, or 4%, primarily as a result of a Columbus Foundation donation in the 2019 second quarter and the impact of the new lease accounting standard on personal property tax expense and increased operational losses. Offsetting these increases, deposit and other insurance expense decreased \$30 million, or 56%, due to the discontinuation of the FDIC surcharge in the 2018 fourth quarter and marketing expense decreased \$10 million, or 26%, reflecting the number and timing of marketing campaigns and deposit promotions.

Provision for Income Taxes

The provision for income taxes in the 2019 third quarter was \$67 million. This compared with a provision for income taxes of \$62 million in the 2018 third quarter and \$63 million in the 2019 second quarter. The provision for income taxes for the nine-month periods ended September 30, 2019 and September 30, 2018 was \$193 million and \$178 million, respectively. All periods included the benefits from tax-exempt income, tax-advantaged investments, general business credits, investments in qualified affordable housing projects, stock-based compensation, and capital losses. The effective tax rates for the 2019 third quarter, 2018 third quarter, and 2019 second quarter were 15.4%, 14.1%, and 14.6%, respectively. The effective tax rates for the nine-month periods ended September 30, 2019 and September 30, 2018 were 15.0% and 14.4%, respectively. The variance between the 2019 third quarter compared to the 2018 third quarter, and the nine month period ended September 30, 2019 compared to the nine month period ended September 30, 2018 in the provision for income taxes and effective tax rates relates primarily to activity in stock-based compensation. The net federal deferred tax liability was \$213 million and the net state deferred tax asset was \$34 million at September 30, 2019.

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. Certain proposed adjustments resulting from the IRS examination of our 2010 through 2011 tax returns have been settled, subject to final approval by the Joint Committee on Taxation of the U.S. Congress. While the statute of limitations remains open for tax years 2012 through 2017, the IRS has advised that tax years 2012 through 2014 will not be audited, and is currently examining the 2015 and 2016 federal income tax returns. Various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, Wisconsin, and Illinois.

RISK MANAGEMENT AND CAPITAL

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

We believe that our primary risk exposures are credit, market, liquidity, operational and compliance. More information on risk can be found in the Risk Factors section included in Item 1A of our 2018 Form 10-K and subsequent filings with the SEC. The MD&A included in our 2018 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the Form 10-K. This MD&A should also be read in conjunction with the [Unaudited Condensed Consolidated Financial Statements](#), [Notes to Unaudited Condensed Consolidated Financial Statements](#), and other information contained in this report. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented in the 2018 Form 10-K.

Credit Risk

Credit risk is the risk of financial loss if a counterparty is not able to meet the agreed upon terms of the financial obligation. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. We also have credit risk associated with our investment securities portfolios (see Note 4 "[Investment Securities and Other Securities](#)" of the Notes to the Unaudited Condensed Consolidated Financial Statements). We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking, and trading activities. A variety of derivative financial instruments, principally interest rate swaps, caps, floors, and collars, are used in asset and liability management activities to protect against the risk of adverse price or interest rate movements. Huntington also uses derivatives, principally loan sale commitments, in hedging its mortgage loan interest rate lock commitments and its mortgage loans held for sale. While there is credit risk associated with derivative activity, we believe this exposure is minimal.

We continue to focus on the identification, monitoring, and management 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.

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Loan and Lease Credit Exposure Mix

Refer to the “*Loan and Lease Credit Exposure Mix*” section of our 2018 Form 10-K for a brief description of each portfolio segment.

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

Table 9 - Loan and Lease Portfolio Composition

<i>(dollar amounts in millions)</i>	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018		September 30, 2018	
Commercial:										
Commercial and industrial	\$ 30,394	41%	\$ 30,608	41%	\$ 30,972	41%	\$ 30,605	41%	\$ 29,196	40%
Commercial real estate:										
Construction	1,157	2	1,146	1	1,152	2	1,185	2	1,111	2
Commercial	5,698	8	5,742	8	5,643	8	5,657	8	5,962	8
Commercial real estate	6,855	10	6,888	9	6,795	10	6,842	10	7,073	10
Total commercial	37,249	51	37,496	50	37,767	51	37,447	51	36,269	50
Consumer:										
Automobile	12,292	15	12,173	16	12,272	16	12,429	16	12,375	17
Home equity	9,300	12	9,419	12	9,551	13	9,722	13	9,850	13
Residential mortgage	11,247	15	11,182	15	10,885	14	10,728	14	10,459	14
RV and marine	3,553	5	3,492	5	3,344	4	3,254	4	3,152	4
Other consumer	1,251	2	1,271	2	1,260	2	1,320	2	1,265	2
Total consumer	37,643	49	37,537	50	37,312	49	37,453	49	37,101	50
Total loans and leases	\$ 74,892	100%	\$ 75,033	100%	\$ 75,079	100%	\$ 74,900	100%	\$ 73,370	100%

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 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, large dollar exposures, 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 of Directors 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.

Commercial Credit

Refer to the “*Commercial Credit*” section of our 2018 Form 10-K for our commercial credit underwriting and on-going credit management processes.

Consumer Credit

Refer to the “*Consumer Credit*” section of our 2018 Form 10-K for our consumer credit underwriting and on-going credit management processes.

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The table below provides our total loan and lease portfolio segregated by industry type. The changes in the industry composition from December 31, 2018 are consistent with the portfolio growth metrics.

Table 10 - Loan and Lease Portfolio by Industry Type

<i>(dollar amounts in millions)</i>	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018		September 30, 2018	
Commercial loans and leases:										
Real estate and rental and leasing	\$ 6,826	9%	\$ 6,983	9%	\$ 6,955	9%	\$ 6,964	9%	\$ 7,187	10%
Manufacturing	5,141	7	5,329	7	5,338	7	5,140	7	4,817	7
Retail trade (1)	5,031	7	5,161	7	5,266	7	5,337	7	4,987	7
Finance and insurance	3,308	4	3,473	5	3,457	5	3,377	5	3,345	5
Health care and social assistance	2,604	3	2,497	3	2,575	3	2,533	3	2,582	4
Wholesale trade	2,449	3	2,604	3	2,725	4	2,830	4	2,609	4
Accommodation and food services	2,008	3	1,868	2	1,782	2	1,709	2	1,636	2
Mining, quarrying, and oil and gas extraction	1,375	2	1,310	2	1,306	2	1,286	2	1,045	1
Professional, scientific, and technical services	1,347	2	1,336	2	1,401	2	1,344	2	1,269	2
Other services	1,324	2	1,360	2	1,243	2	1,290	2	1,312	2
Transportation and warehousing	1,242	2	1,240	2	1,323	2	1,320	2	1,176	2
Construction	973	1	892	1	973	1	924	1	986	1
Admin./Support/Waste Mgmt. and Remediation Services	687	1	681	1	690	1	737	1	664	1
Arts, entertainment, and recreation	654	1	617	1	585	1	599	1	585	1
Information	619	1	527	1	522	1	441	1	346	—
Educational services	467	1	481	1	478	1	473	1	482	1
Utilities	419	1	445	1	428	1	454	1	459	—
Unclassified/Other	254	—	168	—	187	—	174	—	266	—
Public administration	237	1	247	—	249	—	253	—	253	—
Agriculture, forestry, fishing and hunting	172	—	174	—	171	—	174	—	178	—
Management of companies and enterprises	112	—	103	—	113	—	88	—	85	—
Total commercial loans and leases by industry category	37,249	51	37,496	50	37,767	51	37,447	51	36,269	50
Automobile	12,292	16	12,173	16	12,272	16	12,429	16	12,375	17
Home equity	9,300	12	9,419	12	9,551	13	9,722	13	9,850	13
Residential mortgage	11,247	15	11,182	15	10,885	14	10,728	14	10,459	14
RV and marine	3,553	5	3,492	5	3,344	4	3,254	4	3,152	4
Other consumer loans	1,251	1	1,271	2	1,260	2	1,320	2	1,265	2
Total loans and leases	74,892	100%	\$ 75,033	100%	\$ 75,079	100%	\$ 74,900	100%	\$ 73,370	100%

(1) Amounts include \$3.5 billion, \$3.6 billion, \$3.6 billion, \$3.6 billion and \$3.3 billion of auto dealer services loans at September 30, 2019, June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018, respectively.

Credit Quality

(This section should be read in conjunction with Note 3 "Loans / Leases and Allowance for Credit Losses" of the Notes to Unaudited Condensed Consolidated Financial Statements.)

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

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Credit quality performance in the 2019 third quarter reflected total NCOs as a percent of average loans, annualized, of 0.39%, an increase from 0.16% in the prior year quarter, resulting from higher commercial net charge-offs. Consumer NCOs have remained consistent with the prior year quarter. Total NCOs were \$73 million. On a linked quarter basis, NCOs increased \$25 million from the prior quarter, with \$20 million of the increase within the commercial portfolio. NPAs increased from the prior quarter by \$22 million due to few high dollar credits. NPAs to total loans and leases remains low at 0.64%. The ALLL to total loans and leases ratio increased 2 basis points to 1.05%.

NPAs, NALs, AND TDRs

(This section should be read in conjunction with Note 3 "Loans / Leases and Allowance for Credit Losses" of the Notes to Unaudited Condensed Consolidated Financial Statements and "Credit Quality" section of our 2018 Form 10-K.)

NPAs and NALs

Commercial loans are placed on nonaccrual status at 90-days past due, or earlier if repayment of principal and interest is in doubt. Of the \$303 million of commercial related NALs at September 30, 2019, \$221 million, or 73%, represented loans that were less than 30-days past due, demonstrating our continued commitment to proactive credit risk management. With the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, first-lien loans secured by residential mortgage collateral are placed on nonaccrual status at 150-days past due. Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile, RV and marine, and other consumer loans are generally fully 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 following table reflects period-end NALs and NPAs detail for each of the last five quarters:

Table 11 - Nonaccrual Loans and Leases and Nonperforming Assets

<i>(dollar amounts in millions)</i>	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Nonaccrual loans and leases (NALs):					
Commercial and industrial	\$ 291	\$ 281	\$ 271	\$ 188	\$ 211
Commercial real estate	12	17	9	15	19
Automobile	5	4	4	5	5
Home equity	60	60	64	62	67
Residential mortgage	69	62	68	69	67
RV and marine	1	1	1	1	1
Other consumer	—	—	—	—	—
Total nonaccrual loans and leases	438	425	417	340	370
Other real estate, net:					
Residential	10	10	14	19	22
Commercial	2	4	4	4	5
Total other real estate, net	12	14	18	23	27
Other NPAs (1)	32	21	26	24	6
Total nonperforming assets	\$ 482	\$ 460	\$ 461	\$ 387	\$ 403
Nonaccrual loans and leases as a % of total loans and leases	0.58%	0.57%	0.56%	0.45%	0.50%
NPA ratio (2)	0.64	0.61	0.61	0.52	0.55

(1) Other nonperforming assets include certain impaired investment securities and/or nonaccrual loans held-for-sale.

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

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2019 Third Quarter versus 2018 Fourth Quarter.

Total NPAs increased by \$95 million, or 25%, compared with December 31, 2018, driven by an increase in the commercial portfolio, predominately C&I.

TDR Loans

(This section should be read in conjunction with Note 3 "[Loans / Leases and Allowance for Credit Losses](#)" of the Notes to Unaudited Condensed Consolidated Financial Statements and TDR Loans section of our 2018 Form 10-K.)

Over the past five quarters, the accruing component of the total TDR balance has been consistently over 80%, indicating there is no identified credit loss and the borrowers continue to make their monthly payments. As of September 30, 2019, over 79% of the \$454 million of accruing TDRs secured by residential real estate (residential mortgage and home equity in Table 12) are current on their required payments, with over 63% of the accruing pool having had no delinquency in the past 12 months. There is limited migration from the accruing to non-accruing components, and virtually all of the charge-offs come from the non-accruing TDR balances.

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

Table 12 - Accruing and Nonaccruing Troubled Debt Restructured Loans

<i>(dollar amounts in millions)</i>	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
TDRs—accruing:					
Commercial and industrial	\$ 225	\$ 245	\$ 270	\$ 269	\$ 308
Commercial real estate	40	48	60	54	60
Automobile	39	37	37	35	34
Home equity	233	241	247	252	257
Residential mortgage	221	221	219	218	219
RV and marine	3	2	2	2	2
Other consumer	10	10	9	9	10
Total TDRs—accruing	771	804	844	839	890
TDRs—nonaccruing:					
Commercial and industrial	84	88	86	97	100
Commercial real estate	6	6	6	6	8
Automobile	3	3	3	3	3
Home equity	26	26	28	28	28
Residential mortgage	44	43	43	44	46
RV and marine	1	1	1	—	1
Other consumer	—	—	—	—	—
Total TDRs—nonaccruing	164	167	167	178	186
Total TDRs	\$ 935	\$ 971	\$ 1,011	\$ 1,017	\$ 1,076

Overall TDRs decreased slightly in the quarter. Huntington continues to proactively work with our borrowing relationships that require assistance. The resulting loan structures enable our borrowers to meet their commitments and Huntington to retain earning assets. The accruing TDRs meet the well secured definition and have demonstrated a period of satisfactory payment performance.

ACL

(This section should be read in conjunction with Note 3 "[Loans / Leases and Allowance for Credit Losses](#)" of the Notes to Unaudited Condensed Consolidated Financial Statements.)

Our total credit reserve is comprised of two different components, both of which in our judgment are appropriate to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. Our ACL methodology committee is responsible for developing the methodology, assumptions and estimates used in the calculation, as well as determining the appropriateness of the ACL. The ALLL represents the estimate of incurred losses in the loan portfolio at the reported date. Additions to the ALLL result from recording provision expense for loan losses or increased risk levels resulting from loan risk-rating downgrades or qualitative adjustments, while reductions reflect charge-offs (net of recoveries), decreased risk levels resulting from loan risk-rating upgrades, or the sale of loans. The AULC is determined by applying the same quantitative reserve determination process to the unfunded portion of the loan exposures adjusted by an applicable funding expectation.

Our ACL evaluation process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. While the total ACL balance increased year over year, all of the relevant benchmarks remain strong.

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

Table 13 - Allocation of Allowance for Credit Losses (1)

<i>(dollar amounts in millions)</i>	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018		September 30, 2018	
ALLL										
Commercial										
Commercial and industrial	\$ 441	41%	\$ 455	41%	\$ 437	41%	\$ 422	41%	\$ 419	40%
Commercial real estate	120	10	105	9	108	10	120	10	124	10
Total commercial	561	51	560	50	545	51	542	51	543	50
Consumer										
Automobile	54	15	53	16	53	16	56	16	52	17
Home equity	47	12	47	12	53	13	55	13	54	13
Residential mortgage	22	15	22	15	23	14	25	14	24	14
RV and marine	20	5	18	5	20	4	20	4	18	4
Other consumer	79	2	74	2	70	2	74	2	70	2
Total consumer	222	49	214	50	219	49	230	49	218	50
Total ALLL	783	100%	774	100%	764	100%	772	100%	761	100%
AULC	101		101		100		96		97	
Total ACL	\$ 884		\$ 875		\$ 864		\$ 868		\$ 858	
Total ALLL as a % of										
Total loans and leases		1.05%		1.03%		1.02%		1.03%		1.04%
Nonaccrual loans and leases		179		182		183		228		206
NPAs		163		168		166		200		189

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

2019 Third Quarter versus 2018 Fourth Quarter

At September 30, 2019, the ALLL was \$783 million, compared to \$772 million at December 31, 2018. The \$11 million increase in the ALLL relates to the growth in the commercial ALLL levels since the prior year end, partially offset by reductions in consumer ALLL. The ALLL to total loans ratio was 1.05% at September 30, 2019 and 1.03% at December 31, 2018. We believe the ratio is appropriate given the overall moderate-to-low risk profile of our loan portfolio and the coverage levels reflect the quality of our portfolio and the current operating environment. We continue to focus on early identification of loans with changes in credit metrics and have proactive action plans for these loans.

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NCOs

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

Commercial loans are either charged-off or written down to net realizable value by 90-days past due with the exception of administrative small ticket lease delinquencies. Automobile loans, RV and marine, and other consumer loans are generally fully charged-off at 120-days past due. First-lien and junior-lien home equity loans are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due and 120-days past due, respectively. Residential mortgages are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due. The remaining balance is in delinquent status until a modification can be completed, or the loan goes through the foreclosure process.

Table 14 - Quarterly Net Charge-off Analysis

	Three Months Ended		
	September 30, 2019	June 30, 2019	September 30, 2018
<i>(dollar amounts in millions)</i>			
Net charge-offs (recoveries) by loan and lease type:			
Commercial:			
Commercial and industrial	\$ 40	\$ 21	\$ (1)
Commercial real estate:			
Construction	(1)	(1)	—
Commercial	(1)	(2)	(3)
Commercial real estate	(2)	(3)	(3)
Total commercial	38	18	(4)
Consumer:			
Automobile	8	5	8
Home equity	2	2	1
Residential mortgage	1	1	2
RV and marine	2	2	2
Other consumer	22	20	20
Total consumer	35	30	33
Total net charge-offs	\$ 73	\$ 48	\$ 29
Net charge-offs (recoveries) - annualized percentages:			
Commercial:			
Commercial and industrial	0.52 %	0.27 %	(0.01)%
Commercial real estate:			
Construction	(0.40)	(0.08)	(0.01)
Commercial	(0.09)	(0.12)	(0.18)
Commercial real estate	(0.14)	(0.12)	(0.15)
Total commercial	0.40	0.20	(0.04)
Consumer:			
Automobile	0.26	0.17	0.26
Home equity	0.11	0.07	0.06
Residential mortgage	0.03	0.05	0.07
RV and marine	0.23	0.25	0.25
Other consumer	7.07	6.02	6.32
Total consumer	0.38	0.31	0.36
Net charge-offs as a % of average loans	0.39 %	0.25 %	0.16 %

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

2019 Third Quarter versus 2019 Second Quarter

NCOs were an annualized 0.39% of average loans and leases in the current quarter, increasing from 0.25% in the 2019 second quarter, and within our average through-the-cycle target range of 0.35% - 0.55%. Annualized NCOs for the commercial portfolios were 0.40% in the current quarter compared to 0.20% in 2019 second quarter. The increase in commercial NCOs was centered in our energy portfolio. Consumer charge-offs were slightly higher for the quarter, primarily driven by seasonality trends across the consumer portfolio, consistent with our expectations. Given the relatively low level of NCOs we have experienced on an overall portfolio basis, we would expect to see some continued volatility on a quarter-to-quarter basis, largely driven by the performance of the commercial portfolios.

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The table below reflects NCO detail for the nine-month periods ended September 30, 2019 and 2018:

Table 15 - Year to Date Net Charge-off Analysis

	Nine Months Ended September 30,	
	2019	2018
<i>(dollar amounts in millions)</i>		
Net charge-offs (recoveries) by loan and lease type:		
Commercial:		
Commercial and industrial	\$ 92	\$ 19
Commercial real estate:		
Construction	(2)	(1)
Commercial	(1)	(17)
Commercial real estate	(3)	(18)
Total commercial	89	1
Consumer:		
Automobile	23	25
Home equity	7	4
Residential mortgage	5	4
RV and marine	7	7
Other consumer	61	54
Total consumer	103	94
Total net charge-offs	\$ 192	\$ 95
Net charge-offs (recoveries) - annualized percentages:		
Commercial:		
Commercial and industrial	0.40 %	0.09 %
Commercial real estate:		
Construction	(0.19)	(0.14)
Commercial	(0.03)	(0.34)
Commercial real estate	(0.06)	(0.31)
Total commercial	0.32	0.01
Consumer:		
Automobile	0.25	0.27
Home equity	0.10	0.06
Residential mortgage	0.06	0.05
RV and marine	0.29	0.33
Other consumer	6.41	6.12
Total consumer	0.37	0.35
Net charge-offs as a % of average loans	0.34 %	0.18 %

2019 First Nine Months versus 2018 First Nine Months

NCOs increased \$97 million in the first nine-month period of 2019 to \$192 million. The increase from the year-ago period was primarily centered in the commercial portfolio. The 2018 commercial NCOs of \$1 million included substantial recovery activity whereas, 2019 commercial NCOs were largely driven by a few energy credits. The results in the consumer portfolio were consistent with expectations across all segments. Given the low level of C&I and CRE NCOs, there will continue to be some volatility on a period-to-period comparison basis.

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Market Risk

(This section should be read in conjunction with the "Market Risk" section of our 2018 Form 10-K for our on-going market risk management processes.)

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

Table 16 - Net Interest Income at Risk

Basis point change scenario	Net Interest Income at Risk (%)		
	-100	+100	+200
Board policy limits (1)	-2.0 %	-2.0 %	-4.0 %
September 30, 2019	-1.4 %	0.8 %	2.0 %
December 31, 2018	-2.9 %	2.7 %	5.8 %

(1) The policy limit for the -100 basis point scenario changed from -4.0%, which was in effect at December 31, 2018, to -2.0% as of September 30, 2019.

The NII at Risk results included in the table above reflect the analysis used monthly by management. It models gradual -100, +100 and +200 basis point parallel shifts in market interest rates, implied by the forward yield curve over the next twelve months. The decrease in sensitivity was driven by the purchase of interest rate floors as well as additional interest rate swaps, changes to the actual and forecasted portfolio composition, and the change in forecasted rates from an expectation of rising rates to declining rates.

Our NII at Risk is within our Board of Directors' policy limits for the -100, +100 and +200 basis point scenarios. The NII at Risk shows that our balance sheet is asset sensitive at both September 30, 2019, and December 31, 2018.

Table 17 - Economic Value of Equity at Risk

Basis point change scenario	Economic Value of Equity at Risk (%)		
	-100	+100	+200
Board policy limits	-6.0 %	-6.0 %	-12.0 %
September 30, 2019	-6.0 %	1.4 %	— %
December 31, 2018	-5.8 %	2.3 %	3.1 %

The EVE results included in the table above reflect the analysis used monthly by management. It models immediate -100, +100 and +200 basis point parallel shifts in market interest rates.

We are within our Board of Directors' policy limits for the -100, +100 and +200 basis point scenarios. The EVE depicts a slightly asset sensitive balance sheet profile with additional convexity in the +200 basis point scenario. The decline in asset sensitivity was driven by slower security prepayments, deposit composition changes, and the addition of interest rate swaps and floors mentioned above.

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MSRs

(This section should be read in conjunction with Note 5 "Mortgage Loan Sales and Servicing Rights" of Notes to the Unaudited Condensed Consolidated Financial Statements.)

At September 30, 2019, we had a total of \$180 million of capitalized MSRs representing the right to service \$22 billion in mortgage loans. Of this \$180 million, \$8 million was recorded using the fair value method and \$172 million was recorded using the amortization method.

MSR fair values are sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be reduced by prepayments. Prepayments usually increase when mortgage interest rates decline and decrease when mortgage interest rates rise. We also employ hedging strategies to reduce the risk of MSR fair value changes or impairment. However, volatile changes in interest rates can diminish the effectiveness of these economic hedges. We report changes in the MSR value net of hedge-related trading activity in the mortgage banking income category of noninterest income. Decreases in fair value of the MSR, below amortized costs, would be recognized as a decrease in mortgage banking income. Any increase in the fair value, to the extent of prior impairment, would be recognized as an increase in mortgage banking income.

MSR assets are included in servicing rights and other intangible assets in the Unaudited Condensed Consolidated Financial Statements.

Price Risk

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

Liquidity Risk

(This section should be read in conjunction with the "Liquidity Risk" section of our 2018 Form 10-K for our on-going liquidity risk management processes.)

Our primary source of liquidity is our core deposit base. Core deposits comprised approximately 97% of total deposits at September 30, 2019. We also have available unused wholesale sources of liquidity, including advances from the FHLB of Cincinnati, issuance through dealers in the capital markets, and access to certificates of deposit issued through brokers. Liquidity is further provided by unencumbered, or unpledged, investment securities that totaled \$19.0 billion as of September 30, 2019.

Bank Liquidity and Sources of Funding

Our primary sources of funding for the Bank are retail and commercial core deposits. At September 30, 2019, these core deposits funded 73% of total assets (106% of total loans). Other sources of liquidity include non-core deposits, FHLB advances, wholesale debt instruments, and securitizations. Demand deposit overdrafts that have been reclassified as loan balances were \$22 million and \$23 million at September 30, 2019 and December 31, 2018, respectively.

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

Table 18 - Deposit Composition

<i>(dollar amounts in millions)</i>	September 30, 2019		June 30, 2019		March 31, 2019 (1)		December 31, 2018 (2)		September 30, 2018	
By Type:										
Demand deposits—noninterest-bearing	\$ 20,553	25%	\$ 19,383	24%	\$ 20,036	24%	\$ 21,783	26%	\$ 19,863	24%
Demand deposits—interest-bearing	19,976	24	19,085	24	19,906	24	20,042	24	19,615	24
Money market deposits	23,977	29	23,952	30	22,931	28	22,721	27	21,411	26
Savings and other domestic deposits	9,566	12	9,803	12	10,277	13	10,451	12	11,604	14
Core certificates of deposit (3)	5,443	7	5,703	7	6,007	7	5,924	7	5,358	7
Total core deposits:	<u>79,515</u>	<u>97</u>	<u>77,926</u>	<u>97</u>	<u>79,157</u>	<u>96</u>	<u>80,921</u>	<u>96</u>	<u>77,851</u>	<u>95</u>
Other domestic deposits of \$250,000 or more	326	—	316	—	313	1	337	—	318	1
Brokered deposits and negotiable CDs	2,554	3	2,640	3	2,685	3	3,516	4	3,520	4
Total deposits	<u>\$ 82,395</u>	<u>100%</u>	<u>\$ 80,882</u>	<u>100%</u>	<u>\$ 82,155</u>	<u>100%</u>	<u>\$ 84,774</u>	<u>100%</u>	<u>\$ 81,689</u>	<u>100%</u>
Total core deposits:										
Commercial	\$ 35,247	44%	\$ 33,371	43%	\$ 33,546	42%	\$ 37,268	46%	\$ 35,455	46%
Consumer	44,268	56	44,555	57	45,611	58	43,653	54	42,396	54
Total core deposits	<u>\$ 79,515</u>	<u>100%</u>	<u>\$ 77,926</u>	<u>100%</u>	<u>\$ 79,157</u>	<u>100%</u>	<u>\$ 80,921</u>	<u>100%</u>	<u>\$ 77,851</u>	<u>100%</u>

(1) March 31, 2019 includes \$845 million of deposits classified as held-for-sale.

(2) December 31, 2018 includes \$872 million of deposits classified as held-for-sale.

(3) Includes consumer certificates of deposit of \$250,000 or more.

The Bank maintains borrowing capacity at the FHLB and the Federal Reserve Bank Discount Window. The Bank does not consider borrowing capacity from the Federal Reserve Bank Discount Window as a primary source of liquidity. Total loans and securities pledged to the Federal Reserve Discount Window and the FHLB are \$38.2 billion and \$46.5 billion at September 30, 2019 and December 31, 2018, respectively.

To the extent we are unable to obtain sufficient liquidity through core deposits, we may meet our liquidity needs through sources of wholesale funding, asset securitization or sale. Sources of wholesale funding include other domestic deposits of \$250,000 or more, brokered deposits and negotiable CDs, short-term borrowings, and long-term debt. At September 30, 2019, total wholesale funding was \$14.9 billion, an increase from \$14.5 billion at December 31, 2018. The increase from year-end primarily relates to an increase in short-term borrowings and issuance of long-term debt, partially offset by a decrease in brokered deposits and negotiable CDs.

Liquidity Coverage Ratio

At September 30, 2019, the Bank is in compliance with the LCR requirements and we believe the Bank has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Parent Company Liquidity

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

At September 30, 2019 and December 31, 2018, the parent company had \$3.6 billion and \$2.4 billion, respectively, in cash and cash equivalents.

On October 23, 2019, the Board of Directors declared a quarterly common stock cash dividend of \$0.15 per common share. The dividend is payable on January 2, 2020, to shareholders of record on December 18, 2019. Based on the current quarterly dividend of \$0.15 per common share, cash demands required for common stock dividends are estimated to be approximately \$155 million per quarter. On October 23, 2019, the Board of Directors declared a quarterly Series B, Series C, Series D, and Series E Preferred Stock dividend payable on January 15, 2020 to shareholders of record on January 1, 2020. Cash demands required for Series B are expected to be less than \$1 million per quarter. Cash demands required for Series C, Series D and Series E are expected to be approximately \$2 million, \$9 million and \$7 million per quarter, respectively.

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During the first nine months of 2019, the Bank paid a preferred and common dividends of \$34 million and \$430 million, respectively. During the first nine months of 2019, the Bank also repaid subordinate debt of \$683 million to the holding company. To meet any additional liquidity needs, the parent company may issue debt or equity securities from time to time.

Off-Balance Sheet Arrangements

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

Operational Risk

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

Our objective for managing cyber security risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate our systems. We work to achieve this objective by hardening networks and systems against attack, and by diligently managing visibility and monitoring controls within our data and communications environment to recognize events and respond before the attacker has the opportunity to plan and execute on its own goals. To this end we employ a set of defense in-depth strategies, which include efforts to make us less attractive as a target and less vulnerable to threats, while investing in threat analytic capabilities for rapid detection and response. Potential concerns related to cyber security may be escalated to our board-level Technology Committee, as appropriate. As a complement to the overall cyber security risk management, we use a number of internal training methods, both formally through mandatory courses and informally through written communications and other updates. Internal policies and procedures have been implemented to encourage the reporting of potential phishing attacks or other security risks. We also use third-party services to test the effectiveness of our cyber security risk management framework, and any such third parties are required to comply with our policies regarding information security and confidentiality.

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

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

Compliance Risk

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

Capital

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

The following table presents certain regulatory capital data at both the consolidated and Bank levels for each of the periods presented:

Table 19 - Regulatory Capital Data

		Basel III		
		September 30, 2019	June 30, 2019	September 30, 2018
<i>(dollar amounts in millions)</i>				
Total risk-weighted assets	Consolidated	\$ 86,719	\$ 86,332	\$ 83,580
	Bank	86,831	86,410	83,847
CET I risk-based capital	Consolidated	8,685	8,530	8,263
	Bank	9,590	9,583	8,601
Tier 1 risk-based capital	Consolidated	9,893	9,737	9,470
	Bank	10,466	10,460	9,480
Tier 2 risk-based capital	Consolidated	1,634	1,602	1,697
	Bank	1,255	1,296	1,895
Total risk-based capital	Consolidated	11,527	11,339	11,167
	Bank	11,721	11,756	11,375
CET I risk-based capital ratio	Consolidated	10.02%	9.88%	9.89%
	Bank	11.05	11.09	10.26
Tier 1 risk-based capital ratio	Consolidated	11.41	11.28	11.33
	Bank	12.05	12.11	11.31
Total risk-based capital ratio	Consolidated	13.29	13.13	13.36
	Bank	13.50	13.60	13.57
Tier 1 leverage ratio	Consolidated	9.34	9.24	9.14
	Bank	9.88	9.93	9.15

At September 30, 2019, we maintained Basel III capital ratios in excess of the well-capitalized standards established by the FRB. All capital ratios were impacted by the repurchase of 33.4 million common shares over the last four quarters.

Shareholders' Equity

We generate shareholders' equity primarily through the retention of earnings, net of dividends and share repurchases. Other potential sources of shareholders' equity include issuances of common and preferred stock. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, to meet both regulatory and market expectations, and to provide the flexibility needed for future growth and business opportunities.

Shareholders' equity totaled \$11.9 billion at September 30, 2019, an increase of \$0.8 billion when compared with December 31, 2018.

On June 27, 2019, Huntington announced proposed capital actions included in Huntington's 2019 capital plan. These actions include a 7% increase in the quarterly dividend per common share to \$0.15, starting in the third quarter of 2019, the repurchase of up to \$513 million of common stock over the next four quarters (July 1, 2019 through June 30, 2020), and maintaining dividends on the outstanding classes of preferred stock and trust preferred securities. Any capital actions, including those contemplated above, are subject to approval by Huntington's Board of Directors.

On July 17, 2019, the Board of Directors authorized the repurchase of up to \$513 million of common shares over the four quarters through the 2020 second quarter. Purchases of common stock under the authorization may include open market purchases, privately negotiated transactions, and accelerated repurchase programs.

Dividends

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

Share Repurchases

From time to time the Board of Directors authorizes the Company to repurchase shares of our common stock. Although we announce when the Board of Directors authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward transactions, and similar transactions. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations. During the 2019 third quarter, Huntington repurchased a total of 5.2 million shares at a weighted average share price of \$13.02

BUSINESS SEGMENT DISCUSSION

Overview

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

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

Revenue Sharing

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

Expense Allocation

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

Funds Transfer Pricing (FTP)

We use an active and centralized FTP methodology to attribute appropriate net interest income to the business segments. The intent of the FTP methodology is to transfer interest rate risk from the business segments by providing matched duration funding of assets and liabilities. The result is to centralize the financial impact, management, and reporting of interest rate risk in the Treasury / Other function where it can be centrally monitored and managed. The Treasury / Other function charges (credits) an internal cost of funds for assets held in (or pays for funding provided by) each business segment. The FTP rate is based on prevailing market interest rates for comparable duration assets (or liabilities). During 2019, the Company updated and refined its FTP methodology primarily related to the allocation of deposit funding costs. Prior period amounts presented below have been restated to reflect the new methodology.

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Net Income by Business Segment

Net income by business segment for the nine-month periods ending September 30, 2019 and September 30, 2018 is presented in the following table:

Table 20 - Net Income by Business Segment

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,	
	2019	2018
Consumer and Business Banking	\$ 505	\$ 355
Commercial Banking	421	453
Vehicle Finance	128	127
RBHPCG	87	90
Treasury / Other	(47)	34
Net income	<u>\$ 1,094</u>	<u>\$ 1,059</u>

Treasury / Other

The Treasury / Other function includes revenue and expense related to assets, liabilities, and equity not directly assigned or allocated to one of the four business segments. Assets include investment securities and bank owned life insurance.

Net interest income includes the impact of administering our investment securities portfolios, the net impact of derivatives used to hedge interest rate sensitivity as well as the financial impact associated with our FTP methodology, as described above. Noninterest income includes miscellaneous fee income not allocated to other business segments, such as bank owned life insurance income and securities and trading asset gains or losses. Noninterest expense includes certain corporate administrative, and other miscellaneous expenses not allocated to other business segments. The provision for income taxes for the business segments is calculated at a statutory 21% tax rate, although our overall effective tax rate is lower. As a result, Treasury / Other reflects a credit for income taxes representing the difference between the lower effective tax rate and the statutory tax rate used at the time to allocate income taxes to the business segments.

Consumer and Business Banking

Table 21 - Key Performance Indicators for Consumer and Business Banking

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,		Change	
	2019	2018	Amount	Percent
Net interest income	\$ 1,371	\$ 1,254	\$ 117	9 %
Provision for credit losses	81	98	(17)	(17)
Noninterest income	596	557	39	7
Noninterest expense	1,247	1,263	(16)	(1)
Provision for income taxes	134	95	39	41
Net income	<u>\$ 505</u>	<u>\$ 355</u>	<u>\$ 150</u>	<u>42 %</u>
Number of employees (average full-time equivalent)	8,015	8,374	(359)	(4)%
Total average assets	\$ 25,486	\$ 24,995	\$ 491	2
Total average loans/leases	22,226	21,892	334	2
Total average deposits	51,505	47,032	4,473	10
Net interest margin	3.51 %	3.52 %	(0.01)%	—
NCOs	\$ 97	\$ 75	\$ 22	29
NCOs as a % of average loans and leases	0.58 %	0.46 %	0.12 %	26

2019 First Nine Months versus 2018 First Nine Months

Consumer and Business Banking, including Home Lending, reported net income of \$505 million in the first nine-month period of 2019, an increase of \$150 million, or 42%, compared to the year-ago period. Segment net interest income increased \$117 million, or 9%, driven by the higher value of deposits, along with a 10% increase in average deposits. The provision for credit losses decreased \$17 million, or 17%. Noninterest income increased \$39 million, or 7%, primarily due to increased mortgage banking income, card interchange income from higher transaction volumes, along with increased service charge income on deposit accounts. Noninterest expense decreased \$16 million, or 1%, due to decreased personnel, occupancy, and equipment expense as a result of branch consolidations and divestitures, along with reduced FDIC insurance expense.

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Home Lending, an operating unit of Consumer and Business Banking, reflects the result of the origination, sale, and servicing of mortgage loans less referral fees and net interest income for mortgage banking products distributed by the retail branch network and other business segments. Home Lending reported a gain of \$9 million in the first nine-month period of 2019, compared with a net loss of \$3 million in the year-ago period. Noninterest income increased \$26 million, or 43%, driven primarily by higher salable spreads partially offset by lower net servicing revenue. Noninterest expense increased \$13 million, or 11%, as a result of higher allocated indirect costs partially offset by lower personnel expense.

Commercial Banking

Table 22 - Key Performance Indicators for Commercial Banking

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,		Change	
	2019	2018	Amount	Percent
Net interest income	\$ 798	\$ 744	\$ 54	7 %
Provision for credit losses	103	41	62	151
Noninterest income	266	234	32	14
Noninterest expense	427	364	63	17
Provision for income taxes	113	120	(7)	(6)
Net income	\$ 421	\$ 453	\$ (32)	(7)%
Number of employees (average full-time equivalent)	1,323	1,240	83	7 %
Total average assets	\$ 33,678	\$ 30,954	\$ 2,724	9
Total average loans/leases	27,204	26,094	1,110	4
Total average deposits	21,105	22,041	(936)	(4)
Net interest margin	3.58 %	3.47 %	0.11 %	3
NCOs (Recoveries)	\$ 65	\$ (12)	\$ 77	642
NCOs as a % of average loans and leases	0.32 %	(0.06)%	0.38 %	633

2019 First Nine Months versus 2018 First Nine Months

Commercial Banking reported net income of \$421 million in the first nine-month period of 2019, a decrease of \$32 million, or 7%, compared to the year-ago period. Provision for credit losses increased \$62 million, or 151%, primarily due to net charge offs of \$65 million compared to a net recovery of \$12 million in the prior year. Segment net interest income increased \$54 million, or 7%, primarily due to an 11 basis point increase in net interest margin driven by a higher value of deposits and a 4% growth in average loans, partially offset by a decrease in loan spread. Noninterest income increased \$32 million, or 14%, largely driven by higher capital markets related revenue due to increased underwriting activity, customer interest rate derivatives, and foreign exchange revenue. Noninterest expense increased \$63 million, or 17%, primarily due to allocated overhead and personnel expense, which was driven by the acquisition of Hutchinson, Shockey, and Erly & Co. in the 2018 third quarter, and other taxes related to the adoption of the new lease accounting standard, partially offset by lower FDIC insurance expense.

Vehicle Finance
Table 23 - Key Performance Indicators for Vehicle Finance

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,		Change	
	2019	2018	Amount	Percent
Net interest income	\$ 291	\$ 294	\$ (3)	(1)%
Provision for credit losses	27	36	(9)	(25)
Noninterest income	9	9	—	—
Noninterest expense	112	106	6	6
Provision for income taxes	33	34	(1)	(3)
Net income	\$ 128	\$ 127	\$ 1	1 %
Number of employees (average full-time equivalent)	266	263	3	1 %
Total average assets	\$ 19,264	\$ 18,200	\$ 1,064	6
Total average loans/leases	19,336	18,250	1,086	6
Total average deposits	329	339	(10)	(3)
Net interest margin	2.01 %	2.15 %	(0.14)%	(7)
NCOs	\$ 30	\$ 31	\$ (1)	(3)
NCOs as a % of average loans and leases	0.21 %	0.23 %	(0.02)%	(9)

2019 First Nine Months versus 2018 First Nine Months

Vehicle Finance reported net income of \$128 million in the first nine-month period of 2019, an increase of \$1 million, or 1%, compared to the year-ago period. Segment net interest income decreased \$3 million or 1%, due to a 14 basis point decrease in the net interest margin, which continues to primarily reflect the run off of the higher yielding acquired loan portfolios, the related purchase accounting impact, and higher funding costs. This decrease was offset in part by a \$1.1 billion, or 6%, increase in average loan balances primarily reflecting the success of the geographic expansion of RV and marine loans over the past two years as well as growth of floor plan and other commercial balances. Noninterest income was unchanged, while noninterest expense increased \$6 million, or 6%, primarily reflecting higher allocated costs attributed to the increases in loan balances and associated portfolio management and servicing activities.

Regional Banking and The Huntington Private Client Group
Table 24 - Key Performance Indicators for Regional Banking and The Huntington Private Client Group

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,		Change	
	2019	2018	Amount	Percent
Net interest income	\$ 153	\$ 148	\$ 5	3 %
Provision for credit losses	(3)	—	(3)	(100)
Noninterest income	147	146	1	1
Noninterest expense	193	180	13	7
Provision for income taxes	23	24	(1)	(4)
Net income	\$ 87	\$ 90	\$ (3)	(3)%
Number of employees (average full-time equivalent)	1,059	1,022	37	4 %
Total average assets	\$ 6,377	\$ 5,703	\$ 674	12
Total average loans/leases	6,071	5,386	685	13
Total average deposits	5,939	5,908	31	1
Net interest margin	3.31 %	3.25 %	0.06 %	2
NCOs	\$ —	\$ —	\$ —	—
NCOs as a % of average loans and leases	—%	0.01 %	(0.01)%	(100)
Total assets under management (in billions)—eop	\$ 16.8	\$ 17.2	\$ (0.4)	(2)
Total trust assets (in billions)—eop	117.6	114.3	3.3	3

eop - End of Period.

2019 First Nine Months versus 2018 First Nine Months

RBHPCG reported net income of \$87 million in the first nine-month period of 2019, a decrease of \$3 million, or 3%, compared to the year-ago period. Segment net interest income increased \$5 million, or 3%, due to a 6 basis point increase in net interest margin, reflecting higher deposit spreads, partially offset by a decrease in loan spreads. Average loans increased \$0.7 billion, or 13%, primarily due to residential real estate mortgage loans, while average deposits remained relatively flat. Noninterest income increased \$1 million, or 1%, due to increased insurance income resulting from life insurance agency sales. Noninterest expense increased \$13 million, or 7%, primarily due to strategic hires and increased product allocation costs.

ADDITIONAL DISCLOSURES

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including, but not limited to, certain plans, expectations, goals, projections, and statements, which are not historical facts and are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as expect, anticipate, believe, intend, estimate, plan, target, goal, or similar expressions, or future or conditional verbs such as will, may, might, should, would, could, or similar variations. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995.

While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: changes in general economic, political, or industry conditions; uncertainty in U.S. fiscal and monetary policy, including the interest rate policies of the Federal Reserve Board; volatility and disruptions in global capital and credit markets; movements in interest rates; reform of LIBOR; competitive pressures on product pricing and services; success, impact, and timing of our business strategies, including market acceptance of any new products or services implementing our “Fair Play” banking philosophy; the nature, extent, timing, and results of governmental actions, examinations, reviews, reforms, regulations, and interpretations, including those related to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Basel III regulatory capital reforms, as well as those involving the OCC, Federal Reserve, FDIC, and CFPB; and other factors that may affect our future results.

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

Non-GAAP Financial Measures

This document contains GAAP financial measures and non-GAAP financial measures where management believes it to be helpful in understanding our results of operations or financial position. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found herein.

Fully-Taxable Equivalent Basis

Interest income, yields, and ratios on a FTE basis are considered non-GAAP financial measures. Management believes net interest income on a FTE basis provides an insightful picture of the interest margin for comparison purposes. The FTE basis also allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The FTE basis assumes a federal statutory tax rate of 21 percent. We encourage readers to consider the Unaudited Condensed Consolidated Financial Statements and other financial information contained in this Form 10-Q in their entirety, and not to rely on any single financial measure.

Non-Regulatory Capital Ratios

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

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

These non-regulatory capital ratios are viewed by management as useful additional methods of reflecting the level of capital available to withstand unexpected market conditions. Additionally, presentation of these ratios allows readers to

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compare our capitalization to other financial services companies. These ratios differ from capital ratios defined by banking regulators principally in that the numerator excludes goodwill and other intangible assets, the nature and extent of which varies among different financial services companies. These ratios are not defined in GAAP or federal banking regulations. As a result, these non-regulatory capital ratios disclosed by the Company are considered non-GAAP financial measures.

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

Risk Factors

More information on risk is discussed in the Risk Factors section included in Item 1A of our 2018 Form 10-K. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion of this report.

Critical Accounting Policies and Use of Significant Estimates

Our Consolidated Financial Statements are prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to establish accounting policies and make estimates that affect amounts reported in our Consolidated Financial Statements. Note 1 of the Notes to Consolidated Financial Statements included in our December 31, 2018 Form 10-K, as supplemented by this report including this MD&A, describes the significant accounting policies we used in our Consolidated Financial Statements.

An accounting estimate requires assumptions and judgments about uncertain matters that could have a material effect on the Consolidated Financial Statements. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce results substantially different from those estimates. Our most significant accounting estimates relate to our ACL, valuation of financial instruments, contingent liabilities, income taxes, and deferred tax assets/liabilities. These significant accounting estimates and their related application are discussed in our December 31, 2018 Form 10-K.

Recent Accounting Pronouncements and Developments

Note 2 "[Accounting Standards Update](#)" of the Notes to Unaudited Condensed Consolidated Financial Statements discusses new accounting pronouncements adopted during 2019 and the expected impact of accounting pronouncements recently issued but not yet required to be adopted. To the extent the adoption of new accounting standards materially affects financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section of this MD&A and the Notes to Unaudited Condensed Consolidated Financial Statements.

Fair Value

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

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Item 1: Financial Statements
Huntington Bancshares Incorporated
Condensed Consolidated Balance Sheets
(Unaudited)

<i>(dollar amounts in millions)</i>	September 30, 2019	December 31, 2018
Assets		
Cash and due from banks	\$ 1,018	\$ 1,108
Interest-bearing deposits at Federal Reserve Bank	618	1,564
Interest-bearing deposits in banks	122	53
Trading account securities	118	105
Available-for-sale securities	14,286	13,780
Held-to-maturity securities	8,430	8,565
Other securities	455	565
Loans held for sale (includes \$963 and \$613 respectively, measured at fair value)(1)	1,064	804
Loans and leases (includes \$80 and \$79 respectively, measured at fair value)(1)	74,892	74,900
Allowance for loan and lease losses	(783)	(772)
Net loans and leases	74,109	74,128
Bank owned life insurance	2,532	2,507
Premises and equipment	775	790
Goodwill	1,990	1,989
Servicing rights and other intangible assets	455	535
Other assets	2,763	2,288
Total assets	\$ 108,735	\$ 108,781
Liabilities and shareholders' equity		
Liabilities		
Deposits (includes \$0 and \$872 respectively, classified as held-for-sale)	\$ 82,395	\$ 84,774
Short-term borrowings	2,173	2,017
Long-term debt	9,874	8,625
Other liabilities	2,384	2,263
Total liabilities	96,826	97,679
Commitments and contingencies (Note 14)		
Shareholders' equity		
Preferred stock	1,203	1,203
Common stock	10	11
Capital surplus	8,980	9,181
Less treasury shares, at cost	(55)	(45)
Accumulated other comprehensive loss	(175)	(609)
Retained earnings	1,946	1,361
Total shareholders' equity	11,909	11,102
Total liabilities and shareholders' equity	\$ 108,735	\$ 108,781
Common shares authorized (par value of \$0.01)	1,500,000,000	1,500,000,000
Common shares outstanding	1,032,755,207	1,046,767,252
Treasury shares outstanding	4,548,310	3,817,385
Preferred stock, authorized shares	6,617,808	6,617,808
Preferred shares outstanding	740,500	740,500

(1) Amounts represent loans for which Huntington has elected the fair value option. See Note 11 "[Fair Values of Assets and Liabilities](#)".

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated
Condensed Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(dollar amounts in millions, share amounts in thousands)</i>				
Interest and fee income:				
Loans and leases	\$ 889	\$ 848	\$ 2,692	\$ 2,414
Available-for-sale securities				
Taxable	74	68	222	209
Tax-exempt	20	24	64	71
Held-to-maturity securities—taxable	54	52	164	159
Other securities—taxable	3	6	13	19
Other	12	9	35	21
Total interest income	1,052	1,007	3,190	2,893
Interest expense:				
Deposits	154	112	449	259
Short-term borrowings	13	9	46	42
Subordinated notes and other long-term debt	86	84	262	236
Total interest expense	253	205	757	537
Net interest income	799	802	2,433	2,356
Provision for credit losses	82	53	208	175
Net interest income after provision for credit losses	717	749	2,225	2,181
Service charges on deposit accounts	98	93	277	270
Cards and payment processing income	64	57	183	166
Trust and investment management services	44	43	131	129
Mortgage banking income	54	31	109	85
Capital markets fees	36	26	92	74
Insurance income	20	19	64	61
Bank owned life insurance income	18	19	49	51
Gain on sale of loans and leases	13	16	39	39
Net (losses) gains on sales of securities	—	(2)	(2)	(2)
Other noninterest income	42	40	140	119
Total noninterest income	389	342	1,082	992
Personnel costs	406	388	1,228	1,160
Outside data processing and other services	87	69	257	211
Net occupancy	38	38	118	114
Equipment	41	38	121	116
Deposit and other insurance expense	8	18	24	54
Professional services	16	17	40	43
Marketing	10	12	28	38
Amortization of intangibles	12	13	37	40
Other noninterest expense	49	58	167	160
Total noninterest expense	667	651	2,020	1,936
Income before income taxes	439	440	1,287	1,237
Provision for income taxes	67	62	193	178
Net income	372	378	1,094	1,059
Dividends on preferred shares	18	18	55	51
Net income applicable to common shares	\$ 354	\$ 360	\$ 1,039	\$ 1,008
Average common shares—basic	1,034,940	1,084,536	1,042,246	1,090,570
Average common shares—diluted	1,051,273	1,103,740	1,059,064	1,116,978
Per common share:				
Net income—basic	\$ 0.34	\$ 0.33	\$ 1.00	\$ 0.92
Net income—diluted	0.34	0.33	0.98	0.90

See Notes to Unaudited Condensed Consolidated Financial Statements

[Table of Contents](#)**Huntington Bancshares Incorporated**
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(dollar amounts in millions)</i>				
Net income	\$ 372	\$ 378	\$ 1,094	\$ 1,059
Other comprehensive income, net of tax:				
Unrealized gains (losses) on available-for-sale securities:				
Unrealized net gains (losses) on available-for-sale securities arising during the period, net of reclassification for net realized gains and losses	69	(62)	349	(264)
Total unrealized gains (losses) on available-for-sale securities	69	(62)	349	(264)
Change in fair value related to cash flow hedges	28	—	82	—
Change in accumulated unrealized losses for pension and other post-retirement obligations	1	1	3	3
Other comprehensive income (loss), net of tax	98	(61)	434	(261)
Comprehensive income	\$ 470	\$ 317	\$ 1,528	\$ 798

See Notes to Unaudited Condensed Consolidated Financial Statements

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

(dollar amounts in millions, share amounts in thousands)

	Preferred Stock		Common Stock		Capital Surplus	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Amount	Shares	Amount	Shares		Amount	Shares			
Three Months Ended September 30, 2019										
Balance, beginning of period	\$ 1,203	1,042,140	\$ 10		\$ 9,030	(4,299)	\$ (52)	\$ (273)	\$ 1,750	\$ 11,668
Net income									372	372
Other comprehensive income (loss), net of tax								98		98
Repurchases of common stock		(5,213)	—		(68)					(68)
Cash dividends declared:										
Common (\$0.15 per share)									(158)	(158)
Preferred Series B (\$12.51 per share)									—	—
Preferred Series C (\$14.69 per share)									(1)	(1)
Preferred Series D (\$15.63 per share)									(10)	(10)
Preferred Series E (\$1,425.00 per share)									(7)	(7)
Recognition of the fair value of share-based compensation					16					16
Other share-based compensation activity		376	—		2					2
Other						(249)	(3)			(3)
Balance, end of period	\$ 1,203	1,037,303	\$ 10		\$ 8,980	(4,548)	\$ (55)	\$ (175)	\$ 1,946	\$ 11,909
Three Months Ended September 30, 2018										
Balance, beginning of period	\$ 1,203	1,107,817	\$ 11		\$ 10,038	(3,268)	\$ (40)	\$ (730)	\$ 990	\$ 11,472
Net income									378	378
Other comprehensive income (loss), net of tax								(61)		(61)
Repurchase of common stock		(43,670)	—		(691)					(691)
Cash dividends declared:										
Common (\$0.14 per share)									(150)	(150)
Preferred Series B (\$12.84 per share)									(1)	(1)
Preferred Series C (\$14.69 per share)									(1)	(1)
Preferred Series D (\$15.63 per share)									(9)	(9)
Preferred Series E (\$1,425.00 per share)									(7)	(7)
Recognition of the fair value of share-based compensation					15					15
Other share-based compensation activity		1,104	—		(4)				(4)	(8)
Other						(454)	(4)	1		(3)
Balance, end of period	\$ 1,203	1,065,251	\$ 11		\$ 9,358	(3,722)	\$ (44)	\$ (790)	\$ 1,196	\$ 10,934

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<i>(dollar amounts in millions, share amounts in thousands)</i>	Preferred Stock		Common Stock		Capital Surplus	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Amount	Shares	Amount	Shares		Amount	Shares			
Nine Months Ended September 30, 2019										
Balance, beginning of period	\$ 1,203	1,050,584	\$ 11		\$ 9,181	(3,817)	\$ (45)	\$ (609)	\$ 1,361	\$ 11,102
Net income									1,094	1,094
Other comprehensive income (loss), net of tax								434		434
Repurchases of common stock		(18,390)	(1)		(244)					(245)
Cash dividends declared:										
Common (\$0.43 per share)									(455)	(455)
Preferred Series B (\$39.47 per share)									(1)	(1)
Preferred Series C (\$44.07 per share)									(4)	(4)
Preferred Series D (\$46.88 per share)									(29)	(29)
Preferred Series E (\$4,275.00 per share)									(21)	(21)
Recognition of the fair value of share-based compensation					64					64
Other share-based compensation activity		5,109	—		(21)					(21)
Other					—	(731)	(10)		1	(9)
Balance, end of period	\$ 1,203	1,037,303	\$ 10		\$ 8,980	(4,548)	\$ (55)	\$ (175)	\$ 1,946	\$ 11,909
Nine Months Ended September 30, 2018										
Balance, beginning of period	\$ 1,071	1,075,295	\$ 11		\$ 9,707	(3,268)	\$ (35)	\$ (528)	\$ 588	\$ 10,814
Cumulative-effect adjustment (ASU 2016-01)								(1)	1	—
Net income									1,059	1,059
Other comprehensive income (loss), net of tax								(261)		(261)
Net proceeds from issuance of Preferred Series E Stock	495									495
Repurchases of common stock		(46,677)	—		(739)					(739)
Cash dividends declared:										
Common (\$0.36 per share)									(393)	(393)
Preferred Series B (\$36.51 per share)									(2)	(2)
Preferred Series C (\$44.07 per share)									(4)	(4)
Preferred Series D (\$46.88 per share)									(28)	(28)
Preferred Series E (\$3,467.50 per share)									(17)	(17)
Conversion of Preferred Series A Stock to Common Stock	(363)	30,330			363					—
Recognition of the fair value of share-based compensation					59					59
Other share-based compensation activity		6,303	—		(32)				(8)	(40)
Other					—	(454)	(9)			(9)
Balance, end of period	\$ 1,203	1,065,251	\$ 11		\$ 9,358	(3,722)	\$ (44)	\$ (790)	\$ 1,196	\$ 10,934

See Notes to Unaudited Condensed Consolidated Financial Statements

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

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net income	\$ 1,094	\$ 1,059
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	208	175
Depreciation and amortization	308	350
Share-based compensation expense	64	59
Deferred income tax expense	(6)	125
Net change in:		
Trading account securities	(51)	3
Loans held for sale	(356)	(384)
Other assets	(662)	(325)
Other liabilities	297	215
Other, net	2	(133)
Net cash provided by (used in) operating activities	898	1,144
Investing activities		
Change in interest bearing deposits in banks	(121)	62
Proceeds from:		
Maturities and calls of available-for-sale securities	1,338	1,539
Maturities and calls of held-to-maturity securities	656	573
Maturities and calls of other securities	153	40
Sales of available-for-sale securities	1,746	381
Purchases of available-for-sale securities	(3,174)	(1,044)
Purchases of held-to-maturity securities	(516)	(71)
Purchases of other securities	(5)	(5)
Net proceeds from sales of portfolio loans	670	461
Principal payments received under direct finance and sales-type leases	544	—
Net loan and lease activity, excluding sales and purchases	(1,162)	(3,583)
Purchases of premises and equipment	(82)	(62)
Purchases of loans and leases	(311)	(318)
Net cash paid for branch disposition	(548)	—
Other, net	49	50
Net cash provided by (used in) investing activities	(763)	(1,977)
Financing activities		
Increase (decrease) in deposits	(1,654)	4,648
Increase (decrease) in short-term borrowings	196	(3,613)
Net proceeds from issuance of long-term debt	1,737	2,171
Maturity/redemption of long-term debt	(684)	(1,915)
Dividends paid on preferred stock	(55)	(51)
Dividends paid on common stock	(442)	(362)
Repurchases of common stock	(245)	(739)
Net proceeds from issuance of preferred stock	—	495
Payments related to tax-withholding for share based compensation awards	(26)	(27)
Other, net	2	5
Net cash provided by (used for) financing activities	(1,171)	612
Increase (decrease) in cash and cash equivalents	(1,036)	(221)
Cash and cash equivalents at beginning of period	2,672	1,520
Cash and cash equivalents at end of period	\$ 1,636	\$ 1,299

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<i>(dollar amounts in millions)</i>	Nine Months Ended September 30,	
	2019	2018
Supplemental disclosures:		
Interest paid	\$ 758	\$ 527
Income taxes paid (refunded)	54	(112)
Non-cash activities		
Loans transferred to held-for-sale from portfolio	744	470
Loans transferred to portfolio from held-for-sale	14	49
Transfer of loans to OREO	16	15
Transfer of securities from held-to-maturity to available-for-sale	—	2,833
Transfer of securities from available-for-sale to held-to-maturity	—	2,707

See Notes to Unaudited Condensed Consolidated Financial Statements

Huntington Bancshares Incorporated
Notes to Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying Unaudited Condensed Consolidated Financial Statements of Huntington reflect all adjustments consisting of normal recurring accruals which are, in the opinion of Management, necessary for a fair statement of the consolidated financial position, the results of operations, and cash flows for the periods presented. These Unaudited Condensed Consolidated Financial Statements have been prepared according to the rules and regulations of the SEC and, therefore, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. The Notes to Consolidated Financial Statements appearing in Huntington's 2018 Form 10-K, which include descriptions of significant accounting policies, as updated by the information contained in this report, should be read in conjunction with these interim financial statements.

For statement of cash flow purposes, cash and cash equivalents are defined as the sum of Cash and due from banks and Interest-bearing deposits at Federal Reserve Bank.

In conjunction with applicable accounting standards, all material subsequent events have been either recognized in the Unaudited Condensed Consolidated Financial Statements or disclosed in the Notes to Unaudited Condensed Consolidated Financial Statements. No subsequent events were disclosed for the current period.

Certain amounts reported in prior periods have been reclassified to conform to the current period presentation. During the first quarter of 2019, Huntington reclassified loan syndication fees into capital markets fees from other noninterest income. There was no material effect on capital market fees or other noninterest income and no effect on net income as a result of this reclassification.

2. ACCOUNTING STANDARDS UPDATE

Accounting standards adopted in current period

Standard	Summary of guidance	Effects on financial statements
<p>ASU 2016-02 - Leases. Issued February 2016</p>	<ul style="list-style-type: none"> - New lease accounting model for lessees and lessors. For lessees, virtually all leases will be required to be recognized on the balance sheet by recording a right-of-use asset and lease liability. Subsequent accounting for leases varies depending on whether the lease is classified as an operating lease or a finance lease. - Accounting applied by a lessor is largely unchanged from that applied under previous guidance. - Requires additional qualitative and quantitative disclosures with the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. 	<ul style="list-style-type: none"> - Management adopted the guidance on January 1, 2019, and elected certain practical expedients offered by the FASB, including foregoing the restatement of comparative periods upon adoption. Management also excluded short-term leases from the recognition of right-of-use asset and lease liabilities. Additionally, Huntington elected the transition relief allowed by FASB in foregoing reassessment of the following: whether any existing contracts were or contained leases, the classification of existing leases, and the determination of initial direct costs for existing leases. - Huntington recognized right-of-use assets of approximately \$200 million offset by lease liabilities of approximately \$250 million upon adoption, representing substantially all of its operating lease commitments, with the difference attributable to transition adjustments required by ASC Topic 842 relating to previously recognized amounts for deferred rent and lease exit costs (recorded pursuant to ASC Topic 420). Right-of-use assets and lease liabilities were based, primarily, on the present value of unpaid future minimum lease payments. Additionally, the amounts were impacted by assumptions around renewals and/or extensions, and the interest rate used to discount those future lease obligations. Impact to the income statement was not material in the period of adoption. - Existing sale and leaseback guidance, including the detailed guidance applicable to sale-leasebacks of real estate, was replaced with a new model applicable to all assets, which will apply equally to both lessees and lessors. Under the new standard, if the transaction meets sale criteria, the seller-lessee will recognize the sale based on the new revenue recognition standard (when control transfers to the buyer-lessor), derecognizing the asset sold and replacing it with a right-of-use asset and lease liability for the leaseback. If the transaction is at fair value, the seller-lessee shall recognize a gain or loss on sale at that time. - Costs related to exiting an operating lease before the end of its contractual term have been historically accounted for pursuant to ASC Topic 420, with the recognition of a liability measured at the present value of remaining lease payments reduced by any expected sublease income upon the exit of that space. ASC Topic 842 changes the accounting for such costs, with entities evaluating the impairment of right-of-use assets using the guidance in ASC Topic 360. Such an impairment analysis would occur once the entity commits to a plan to abandon the space, which may accelerate the timing of these costs. - The new standard defines initial direct costs as those that would not have been incurred if the lease had not been obtained. Certain incremental costs previously eligible for capitalization, such as internal overhead, will now be expensed.

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Standard	Summary of guidance	Effects on financial statements
ASU 2019-01 - Leases (ASC Topic 842): Codification Improvements Issued: March 2019	<ul style="list-style-type: none">- Notes that lessors that are not manufacturers or dealers will apply the fair value exception in a manner similar to what they did prior to the implementation of ASC Topic 842.- Clarifies that lessors in the scope of ASC Topic 942 (Financial Services - Depository & Lending) must classify principal payments received from sales-type and direct financing leases in investing activities in the statement of cash flows.- Eliminates certain interim transition disclosure requirements related to the effect of an accounting change on certain interim period financial information.	<ul style="list-style-type: none">- The amendments relating to lessor accounting are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.- Huntington adopted the guidance concurrent with the adoption of ASU 2016-02 on January 1, 2019. The amendment did not have a material impact on Huntington's Unaudited Condensed Consolidated Financial Statements.

Accounting standards yet to be adopted

Standard	Summary of guidance	Effects on financial statements
<p>ASU 2016-13 - Financial Instruments - Credit Losses. Issued June 2016</p>	<ul style="list-style-type: none"> - Eliminates the probable recognition threshold for credit losses on financial assets measured at amortized cost, replacing the current incurred loss model with an expected credit loss model. - Requires those financial assets subject to the new standard to be presented at the net amount expected to be collected (i.e., net of expected credit losses). - Measurement of expected credit losses should be based on relevant information including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. - The standard will require additional quantitative and qualitative disclosures related to the credit risk inherent in Huntington's portfolio and how management monitors the portfolio's credit quality. 	<ul style="list-style-type: none"> - Effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. - Adoption will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. - Management will adopt the guidance on January 1, 2020 and formed a working group in 2017 comprised of teams from different disciplines including credit, finance, and risk management that has evaluated the requirements of the new standard and the impact it will have on our processes, systems and controls. This group is in the later stages of implementing those identified process, system and control changes. - Huntington has completed the process of developing credit models with model implementation and validation substantially completed during the third quarter of 2019. In addition, management is in the later stages of implementing the accounting, reporting, and governance processes to comply with the new standard. - Based on the portfolio composition as of September 30, 2019, management estimates the adoption of CECL on January 1, 2020 could result in an overall allowance increase of 40% to 50% compared to current ACL levels. The estimated increase in the allowance is largely attributable to the consumer portfolio, given the longer asset duration associated with many of these products. It is important to note that this is still an estimated impact range. The final adoption impact will be heavily dependent on management's view of existing and forecasted economic conditions and also the composition of the portfolio at the date of adoption. - The standard eliminates the current accounting model for purchased-credit-impaired loans, but requires an allowance to be recognized for purchased-credit-deteriorated (PCD) assets (those that have experienced more-than-insignificant deterioration in credit quality since origination). Huntington does not expect a material impact from PCD assets upon adoption. - Upon adoption, Huntington does not expect to record a material allowance with respect to HTM and AFS securities as the portfolios consist primarily of agency-backed securities that inherently have minimal nonpayment risk.
<p>ASU 2017-04 - Simplifying the Test for Goodwill Impairment. Issued January 2017</p>	<ul style="list-style-type: none"> - Simplifies the goodwill impairment test by eliminating Step 2 of the goodwill impairment process, which requires an entity to determine the implied fair value of its goodwill by assigning fair value to all its assets and liabilities. - Entities will instead recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. - Entities will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. 	<ul style="list-style-type: none"> - Effective for annual and interim goodwill tests performed in fiscal years beginning after December 15, 2019. Early adoption is permitted. - The amendment is not expected to have a material impact on Huntington's Unaudited Condensed Consolidated Financial Statements.

Standard	Summary of guidance	Effects on financial statements
<p>ASU 2019-04 - Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments Issued: April 2019</p>	<ul style="list-style-type: none"> - Clarifies various implementation issues related to Recognition and Measurement of Financial Instruments (ASC Topic 825), Current Expected Credit Losses (ASC Topic 326) and Derivatives and Hedging (ASC Topic 815). - Provides additional implementation guidance on CECL issues that include, among others, (a) measurement of credit allowance on accrued interest; (b) treatment of credit allowance upon transfers between classifications or categories for loans and debt securities; (c) inclusion of recoveries in determining credit allowance amounts; (d) using projections of rate change for variable rate instruments; (e) vintage disclosures for lines-of-credit; (f) contractual extensions and renewals; (g) consideration of prepayments in calculating effective interest rate; and (h) consideration of costs to sell if the entity intends to sell the collateral when foreclosure is probable. - Clarifies for Topic 815, among others, that (a) only interest rate risk may be hedged in a partial-term fair value hedge; (b) amortization of fair value basis adjustment may begin before the fair value hedge is discontinued; (c) hedged AFS securities should be disclosed at amortized cost for disclosures related to hedged assets; and (d) contractually specified interest rate should be considered when applying hypothetical derivative method while assessing hedge effectiveness. - Clarifies for Topic 326, among others, that (a) using observable price under measurement alternative provided by ASC Topic 820 is a non-recurring fair value measurement and entities should adhere to non-recurring fair value disclosure requirements; and (b) equity securities without readily determinable fair value accounted for under measurement alternative should be remeasured using historical exchange rates. 	<ul style="list-style-type: none"> - Effective dates and transition requirements for amendments related to CECL (ASC Topic 326) are the same as effective dates and transition requirements for ASU 2016-13. - Amendments related to Derivatives and Hedging (ASC Topic 815) are effective as of the beginning of first annual period after the issuance date of the Update (ASU 2019-04). Earlier adoption is permitted, including adoption on any date on or after the issuance of the Update. - Amendment related to Recognition and Measurement of Financial Instruments (ASC Topic 825) should be applied on a modified-retrospective basis effective for fiscal years, including interim period within those fiscal years, beginning after December 15, 2019. Earlier adoption is permitted. - Amendments in the Update are not expected to have a material impact on Huntington's Unaudited Condensed Consolidated Financial Statements.
<p>ASU 2019-05 - Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief Issued: May 2019</p>	<ul style="list-style-type: none"> - Provides entities that have certain instruments within the scope of ASC Subtopic 326-20 with an option to irrevocably elect fair value option, applied on instrument-by-instrument basis. The fair value option does not apply to held-to-maturity debt securities. 	<ul style="list-style-type: none"> - Effective dates for the amendment is the same as effective dates in ASU 2016-13. The amendment will be applied on a modified-retrospective basis. - The amendment is not expected to have a material impact on Huntington's Unaudited Condensed Consolidated Financial Statements.

3. LOANS / LEASES AND ALLOWANCE FOR CREDIT LOSSES

Loans and leases which Huntington has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified in the Unaudited Condensed Consolidated Balance Sheets as loans and leases. The total balance of unamortized premiums, discounts, fees, and costs, recognized as part of loans and leases, was a net premium of \$490 million and \$428 million at September 30, 2019 and December 31, 2018, respectively.

Loan and Lease Portfolio Composition

The following table provides a detailed listing of Huntington's loan and lease portfolio at September 30, 2019 and December 31, 2018.

<i>(dollar amounts in millions)</i>	September 30, 2019	December 31, 2018
Loans and leases:		
Commercial and industrial	\$ 30,394	\$ 30,605
Commercial real estate	6,855	6,842
Automobile	12,292	12,429
Home equity	9,300	9,722
Residential mortgage	11,247	10,728
RV and marine	3,553	3,254
Other consumer	1,251	1,320
Loans and leases	\$ 74,892	\$ 74,900
Allowance for loan and lease losses	(783)	(772)
Net loans and leases	\$ 74,109	\$ 74,128

Equipment Leases

Huntington leases equipment to customers, and substantially all such arrangements are classified as either sales-type or direct financing leases, which are included in C&I loans. These leases are reported at the aggregate of lease payments receivable and estimated residual values, net of unearned and deferred income, and any initial direct costs incurred to originate these leases. Renewal options for leases are at the option of the lessee, and are not included in the measurement of lease receivables as they are not considered reasonably certain of exercise. Purchase options are typically at fair value, and as such those options are not considered in the measurement of lease receivables or in lease classification.

For leased equipment, the residual component of a direct financing lease represents the estimated fair value of the leased equipment at the end of the lease term. Huntington uses industry data, historical experience, and independent appraisals to establish these residual value estimates. Additional information regarding product life cycle, product upgrades, as well as insight into competing products are obtained through relationships with industry contacts and are factored into residual value estimates where applicable. Upon expiration of a lease, residual assets are remarketed, resulting in an extension of the lease by the lessee, a lease to a new customer, or purchase of the residual asset by the lessee or another party. Huntington also purchases insurance guaranteeing the value of certain residual assets.

Impairment of the residual values of direct financing leases is evaluated quarterly, with impairment arising if the expected fair value is less than the carrying amount. Effective January 1, 2019, as a result of the implementation of ASU 2016-02, Huntington assesses net investments in leases (including residual values) for impairment and recognizes any impairment losses in accordance with the impairment guidance for financial instruments. As such, net investments in leases may be reduced by an allowance for credit losses, with changes recognized as provision expense.

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The following table presents net investments in lease financing receivables by category at September 30, 2019 and December 31, 2018.

<i>(dollar amounts in millions)</i>	September 30, 2019	December 31, 2018
Commercial and industrial:		
Lease payments receivable	\$ 1,743	\$ 1,747
Estimated residual value of leased assets	701	726
Gross investment in commercial and industrial lease financing receivables	2,444	2,473
Deferred origination costs	18	20
Deferred fees	(245)	(250)
Total net investment in commercial and industrial lease financing receivables	<u>\$ 2,217</u>	<u>\$ 2,243</u>

The carrying value of residual values guaranteed was \$91 million as of September 30, 2019. The future lease rental payments due from customers on sales-type and direct financing leases at September 30, 2019, totaled \$1.7 billion and were due as follows: \$0.6 billion in 2020, \$0.5 billion in 2021, \$0.3 billion in 2022, \$0.1 billion in 2023, \$0.1 billion in 2024, and less than \$0.1 billion thereafter. Interest income recognized for these types of leases was \$28 million and \$81 million for the three-month and nine-month periods ended September 30, 2019, respectively.

Nonaccrual and Past Due Loans

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. See Note 1 "Significant Accounting Policies" to the Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2018 for a description of the accounting policies related to the NALs.

The following table presents NALs by loan class at September 30, 2019 and December 31, 2018.

<i>(dollar amounts in millions)</i>	September 30, 2019	December 31, 2018
Commercial and industrial	\$ 291	\$ 188
Commercial real estate	12	15
Automobile	5	5
Home equity	60	62
Residential mortgage	69	69
RV and marine	1	1
Other consumer	—	—
Total nonaccrual loans	<u>\$ 438</u>	<u>\$ 340</u>

The following table presents an aging analysis of loans and leases, including past due loans and leases, by loan class at September 30, 2019 and December 31, 2018:

<i>(dollar amounts in millions)</i>	September 30, 2019							
	Past Due (1)				Current	Loans Accounted for Under FVO	Total Loans and Leases	90 or more days past due and accruing
	30-59 Days	60-89 Days	90 or more days	Total				
Commercial and industrial	\$ 69	\$ 30	\$ 70	\$ 169	\$ 30,225	\$ —	\$ 30,394	\$ 9 (2)
Commercial real estate	9	—	7	16	6,839	—	6,855	—
Automobile	79	18	10	107	12,185	—	12,292	8
Home equity	49	16	50	115	9,184	1	9,300	13
Residential mortgage	119	44	164	327	10,841	79	11,247	125 (3)
RV and marine	11	3	2	16	3,537	—	3,553	1
Other consumer	13	6	7	26	1,225	—	1,251	7
Total loans and leases	<u>\$ 349</u>	<u>\$ 117</u>	<u>\$ 310</u>	<u>\$ 776</u>	<u>\$ 74,036</u>	<u>\$ 80</u>	<u>\$ 74,892</u>	<u>\$ 163</u>

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December 31, 2018

<i>(dollar amounts in millions)</i>	Past Due (1)				Current	Loans Accounted for Under FVO	Total Loans and Leases	90 or more days past due and accruing
	30-59 Days	60-89 Days	90 or more days	Total				
Commercial and industrial	\$ 72	\$ 17	\$ 51	\$ 140	\$ 30,465	\$ —	\$ 30,605	\$ 7 (2)
Commercial real estate	10	—	5	15	6,827	—	6,842	—
Automobile	95	19	10	124	12,305	—	12,429	8
Home equity	51	21	56	128	9,593	1	9,722	17
Residential mortgage	108	47	168	323	10,327	78	10,728	131 (3)
RV and marine	12	3	2	17	3,237	—	3,254	1
Other consumer	14	7	6	27	1,293	—	1,320	6
Total loans and leases	\$ 362	\$ 114	\$ 298	\$ 774	\$ 74,047	\$ 79	\$ 74,900	\$ 170

- (1) NALs are included in this aging analysis based on the loan's past due status.
- (2) Amounts include Huntington Technology Finance administrative lease delinquencies.
- (3) Amounts include mortgage loans insured by U.S. government agencies.

Allowance for Credit Losses

Huntington maintains two reserves, both of which reflect Management's judgment regarding the appropriate level necessary to absorb probable and estimable credit losses inherent in our loan and lease portfolio as of the balance sheet date: the ALLL and the AULC. Combined, these reserves comprise the total ACL. The determination of the ACL requires significant estimates, including the timing and amounts of expected future cash flows on impaired loans and leases, consideration of current economic conditions, and historical loss experience pertaining to pools of homogeneous loans and leases, all of which may be susceptible to change. See Note 1 "Significant Accounting Policies" to the Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2018 for a description of the accounting policies related to the ACL.

The ALLL is increased through a provision for credit losses that is charged to earnings, based on Management's quarterly evaluation and is reduced by charge-offs, net of recoveries.

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The following table presents ALLL and AULC activity by portfolio segment for the three-month and nine-month periods ended September 30, 2019 and 2018.

<i>(dollar amounts in millions)</i>	Commercial	Consumer	Total
Three-month period ended September 30, 2019:			
ALLL balance, beginning of period	\$ 560	\$ 214	\$ 774
Loan charge-offs	(53)	(49)	(102)
Recoveries of loans previously charged-off	15	14	29
Provision for loan and lease losses	39	43	82
ALLL balance, end of period	\$ 561	\$ 222	\$ 783
AULC balance, beginning of period	\$ 99	\$ 2	\$ 101
Provision (reduction in allowance) for unfunded loan commitments and letters of credit	—	—	—
AULC balance, end of period	\$ 99	\$ 2	\$ 101
ACL balance, end of period	\$ 660	\$ 224	\$ 884
Nine-month period ended September 30, 2019:			
ALLL balance, beginning of period	\$ 542	\$ 230	\$ 772
Loan charge-offs	(124)	(145)	(269)
Recoveries of loans previously charged-off	35	42	77
Provision for loan and lease losses	108	95	203
ALLL balance, end of period	\$ 561	\$ 222	\$ 783
AULC balance, beginning of period	\$ 94	\$ 2	\$ 96
Provision (reduction in allowance) for unfunded loan commitments and letters of credit	5	—	5
AULC balance, end of period	\$ 99	\$ 2	\$ 101
ACL balance, end of period	\$ 660	\$ 224	\$ 884
Three-month period ended September 30, 2018:			
ALLL balance, beginning of period	\$ 531	\$ 210	\$ 741
Loan charge-offs	(11)	(47)	(58)
Recoveries of loans previously charged-off	15	14	29
Provision for loan and lease losses	8	41	49
ALLL balance, end of period	\$ 543	\$ 218	\$ 761
AULC balance, beginning of period	\$ 90	\$ 3	\$ 93
Provision (reduction in allowance) for unfunded loan commitments and letters of credit	5	(1)	4
AULC balance, end of period	\$ 95	\$ 2	\$ 97
ACL balance, end of period	\$ 638	\$ 220	\$ 858
Nine-month period ended September 30, 2018:			
ALLL balance, beginning of period	\$ 482	\$ 209	\$ 691
Loan charge-offs	(46)	(138)	(184)
Recoveries of loans previously charged-off	45	44	89
Provision for loan and lease losses	62	103	165
ALLL balance, end of period	\$ 543	\$ 218	\$ 761
AULC balance, beginning of period	\$ 84	\$ 3	\$ 87
Provision (reduction in allowance) for unfunded loan commitments and letters of credit	11	(1)	10
AULC balance, end of period	\$ 95	\$ 2	\$ 97
ACL balance, end of period	\$ 638	\$ 220	\$ 858

Credit Quality Indicators

See Note 3 “Loans / Leases and Allowance for Credit Losses” to the Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2018 for a description of the credit quality indicators Huntington utilizes for monitoring credit quality and for determining an appropriate ACL level.

To facilitate the monitoring of credit quality for commercial loans, and for purposes of determining an appropriate ACL level for these loans, Huntington utilizes the following internally defined categories of credit grades:

- *Pass* - Higher quality loans that do not fit any of the other categories described below.
- *OLEM* - The credit risk may be relatively minor yet represents a risk given certain specific circumstances. If the potential weaknesses are not monitored or mitigated, the loan may weaken or the collateral may be inadequate to protect Huntington’s position in the future. For these reasons, Huntington considers the loans to be potential problem loans.
- *Substandard* - Inadequately protected loans by the borrower’s ability to repay, equity, and/or the collateral pledged to secure the loan. These loans have identified weaknesses that could hinder normal repayment or collection of the debt. It is likely Huntington will sustain some loss if any identified weaknesses are not mitigated.
- *Doubtful* - Loans that have all of the weaknesses inherent in those loans classified as Substandard, with the added elements of the full collection of the loan is improbable and that the possibility of loss is high.

Loans are generally assigned a category of “Pass” rating upon initial approval and subsequently updated as appropriate based on the borrower’s financial performance.

Commercial loans categorized as OLEM, Substandard, or Doubtful are considered Criticized loans. Commercial loans categorized as Substandard or Doubtful are both considered Classified loans.

The following table presents each loan and lease class by credit quality indicator at September 30, 2019 and December 31, 2018.

		September 30, 2019				
		Credit Risk Profile by UCS Classification				
<i>(dollar amounts in millions)</i>		Pass	OLEM	Substandard	Doubtful	Total
Commercial						
Commercial and industrial		\$ 28,276	\$ 657	\$ 1,457	\$ 4	\$ 30,394
Commercial real estate		6,609	158	87	1	6,855
		Credit Risk Profile by FICO Score (1), (2)				
Consumer		750+	650-749	<650	Other (3)	Total
Automobile		\$ 6,257	\$ 4,462	\$ 1,328	\$ 245	\$ 12,292
Home equity		5,847	2,815	592	45	9,299
Residential mortgage		7,633	2,796	600	139	11,168
RV and marine		2,313	1,027	111	102	3,553
Other consumer		487	583	117	64	1,251
		December 31, 2018				
		Credit Risk Profile by UCS Classification				
<i>(dollar amounts in millions)</i>		Pass	OLEM	Substandard	Doubtful	Total
Commercial						
Commercial and industrial		\$ 28,807	\$ 518	\$ 1,269	\$ 11	\$ 30,605
Commercial real estate		6,586	181	74	1	6,842
		Credit Risk Profile by FICO Score (1), (2)				
Consumer		750+	650-749	<650	Other (3)	Total
Automobile		\$ 6,254	\$ 4,520	\$ 1,373	\$ 282	\$ 12,429
Home equity		6,098	2,975	591	56	9,720
Residential mortgage		7,159	2,801	612	78	10,650
RV and marine		2,074	990	105	85	3,254
Other consumer		501	633	129	57	1,320

- (1) Excludes loans accounted for under the fair value option.
- (2) Reflects updated customer credit scores.
- (3) Reflects deferred fees and costs, loans in process, etc.

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Impaired Loans

See Note 1 “Significant Accounting Policies” to the Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2018 for a description of accounting policies related to impaired loans.

The following tables present the balance of the ALLL attributable to loans by portfolio segment individually and collectively evaluated for impairment and the related loan and lease balance at September 30, 2019 and December 31, 2018.

(dollar amounts in millions)

	Commercial	Consumer	Total
ALLL at September 30, 2019			
Portion of ALLL balance:			
Attributable to loans individually evaluated for impairment	\$ 45	\$ 7	\$ 52
Attributable to loans collectively evaluated for impairment	516	215	731
Total ALLL balance	<u>\$ 561</u>	<u>\$ 222</u>	<u>\$ 783</u>

Loan and Lease Ending Balances at September 30, 2019 (1)

Portion of loan and lease ending balance:			
Individually evaluated for impairment	\$ 574	\$ 579	\$ 1,153
Collectively evaluated for impairment	36,675	36,984	73,659
Total loans and leases evaluated for impairment	<u>\$ 37,249</u>	<u>\$ 37,563</u>	<u>\$ 74,812</u>

(dollar amounts in millions)

	Commercial	Consumer	Total
ALLL at December 31, 2018			
Portion of ALLL balance:			
Attributable to loans individually evaluated for impairment	\$ 33	\$ 10	\$ 43
Attributable to loans collectively evaluated for impairment	509	220	729
Total ALLL balance:	<u>\$ 542</u>	<u>\$ 230</u>	<u>\$ 772</u>

Loan and Lease Ending Balances at December 31, 2018 (1)

Portion of loan and lease ending balances:			
Individually evaluated for impairment	516	591	1,107
Collectively evaluated for impairment	36,931	36,783	73,714
Total loans and leases evaluated for impairment	<u>\$ 37,447</u>	<u>\$ 37,374</u>	<u>\$ 74,821</u>

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

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

	September 30, 2019			Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
	Ending Balance	Unpaid Principal Balance (6)	Related Allowance (7)	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
<i>(dollar amounts in millions)</i>							
With no related allowance recorded:							
Commercial and industrial	\$ 205	\$ 250	\$ —	\$ 204	\$ 4	\$ 210	\$ 16
Commercial real estate	31	33	—	30	2	34	6
With an allowance recorded:							
Commercial and industrial	314	344	43	322	3	298	8
Commercial real estate	24	27	2	29	—	32	1
Automobile	42	45	2	41	1	40	2
Home equity	292	329	9	297	3	305	10
Residential mortgage	290	326	3	287	3	287	8
RV and marine	4	4	—	3	—	3	—
Other consumer	10	10	2	10	—	9	—
Total							
Commercial and industrial (3)	519	594	43	526	7	508	24
Commercial real estate (4)	55	60	2	59	2	66	7
Automobile (2)	42	45	2	41	1	40	2
Home equity (5)	292	329	9	297	3	305	10
Residential mortgage (5)	290	326	3	287	3	287	8
RV and marine (2)	4	4	—	3	—	3	—
Other consumer (2)	10	10	2	10	—	9	—

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	December 31, 2018			Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	Ending Balance	Unpaid Principal Balance (6)	Related Allowance (7)	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
<i>(dollar amounts in millions)</i>							
With no related allowance recorded:							
Commercial and industrial	\$ 224	\$ 261	\$ —	\$ 264	\$ 5	\$ 264	\$ 16
Commercial real estate	36	45	—	36	2	49	6
With an allowance recorded:							
Commercial and industrial	221	240	31	284	3	285	9
Commercial real estate	35	39	2	49	1	48	2
Automobile	38	42	2	38	1	37	2
Home equity	314	356	10	326	3	330	11
Residential mortgage	287	323	4	290	3	299	8
RV and marine	2	3	—	2	—	2	—
Other consumer	9	9	3	9	—	8	—
Total							
Commercial and industrial (3)	445	501	31	548	8	549	25
Commercial real estate (4)	71	84	2	85	3	97	8
Automobile (2)	38	42	2	38	1	37	2
Home equity (5)	314	356	10	326	3	330	11
Residential mortgage (5)	287	323	4	290	3	299	8
RV and marine (2)	2	3	—	2	—	2	—
Other consumer (2)	9	9	3	9	—	8	—

- (1) These tables do not include loans fully charged-off.
- (2) All automobile, RV and marine, and other consumer impaired loans included in these tables are considered impaired due to their status as a TDR.
- (3) At September 30, 2019 and December 31, 2018, C&I loans of \$309 million and \$366 million, respectively, were considered impaired due to their status as a TDR.
- (4) At September 30, 2019 and December 31, 2018, CRE loans of \$46 million and \$60 million, respectively, were considered impaired due to their status as a TDR.
- (5) Includes home equity and residential mortgages considered impaired due to collateral dependent designation associated with their non-accrual status as well as home equity and mortgage loans considered impaired due to their status as a TDR.
- (6) The differences between the ending balance and unpaid principal balance amounts primarily represent partial charge-offs.
- (7) Impaired loans in the consumer portfolio are evaluated in pools and not at the loan level. Thus, these loans do not have an individually assigned allowance and as such are all classified as with an allowance in the tables above.

TDR Loans

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. Loan modifications are considered TDRs when the concessions provided would not otherwise be considered. However, not all loan modifications are TDRs. See Note 3 “Loans / Leases and Allowance for Credit Losses” to the Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2018 for an additional discussion of TDRs.

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The following table presents, by class and modification type, the number of contracts, post-modification outstanding balance, and the financial effects of the modification for the three-month and nine-month periods ended September 30, 2019 and 2018.

New Troubled Debt Restructurings (1)						
Three Months Ended September 30, 2019						
<i>(dollar amounts in millions)</i>	Number of Contracts	Post-modification Outstanding Recorded Investment (2)				
		Interest rate reduction	Amortization or maturity date change	Chapter 7 bankruptcy	Other	Total
Commercial and industrial	119	\$ —	\$ 39	\$ —	\$ —	\$ 39
Commercial real estate	7	—	1	—	—	1
Automobile	833	—	5	2	—	7
Home equity	76	—	2	3	—	5
Residential mortgage	69	—	9	—	—	9
RV and marine	46	—	1	—	—	1
Other consumer	385	2	—	—	—	2
Total new TDRs	1,535	\$ 2	\$ 57	\$ 5	\$ —	\$ 64

Three Months Ended September 30, 2018						
<i>(dollar amounts in millions)</i>	Number of Contracts	Post-modification Outstanding Recorded Investment (2)				
		Interest rate reduction	Amortization or maturity date change	Chapter 7 bankruptcy	Other	Total
Commercial and industrial	131	\$ —	\$ 35	\$ —	\$ —	\$ 35
Commercial real estate	9	—	5	—	—	5
Automobile	848	—	4	3	—	7
Home equity	159	—	8	3	—	11
Residential mortgage	76	—	8	1	—	9
RV and marine	40	—	—	—	—	—
Other consumer	386	2	—	—	—	2
Total new TDRs	1,649	\$ 2	\$ 60	\$ 7	\$ —	\$ 69

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New Troubled Debt Restructurings (1)						
Nine Months Ended September 30, 2019						
<i>(dollar amounts in millions)</i>	Number of Contracts	Post-modification Outstanding Recorded Investment (2)				
		Interest rate reduction	Amortization or maturity date change	Chapter 7 bankruptcy	Other	Total
Commercial and industrial	335	\$ —	\$ 114	\$ —	\$ —	\$ 114
Commercial real estate	21	—	12	—	—	12
Automobile	2,227	—	14	6	—	20
Home equity	248	—	7	6	—	13
Residential mortgage	241	—	27	1	—	28
RV and marine finance	113	—	1	1	—	2
Other consumer	972	6	—	—	—	6
Total new TDRs	4,157	\$ 6	\$ 175	\$ 14	\$ —	\$ 195

Nine Months Ended September 30, 2018						
<i>(dollar amounts in millions)</i>	Number of Contracts	Post-modification Outstanding Recorded Investment (2)				
		Interest rate reduction	Amortization or maturity date change	Chapter 7 bankruptcy	Other	Total
Commercial and industrial	641	\$ —	\$ 302	\$ —	\$ —	\$ 302
Commercial real estate	95	—	79	—	—	79
Automobile	2,088	—	11	6	—	17
Home equity	472	—	21	8	—	29
Residential mortgage	278	—	29	2	—	31
RV and marine finance	99	—	—	1	—	1
Other consumer	1,320	6	—	—	—	6
Total new TDRs	4,993	\$ 6	\$ 442	\$ 17	\$ —	\$ 465

- (1) TDRs may include multiple concessions and the disclosure classifications are based on the primary concession provided to the borrower.
- (2) Post-modification balances approximate pre-modification balances.

The financial effects of modification represent the impact on the provision (recovery) for loan and lease losses. Amounts for the three-month periods ended September 30, 2019 and 2018, were \$1 million and \$(1) million, respectively. For the nine-month periods ended September 30, 2019 and 2018, the financial effects of modification were \$(1) million and \$(11) million, respectively.

Pledged Loans and Leases

The Bank has access to the Federal Reserve's discount window and advances from the FHLB. As of September 30, 2019 and December 31, 2018, these borrowings and advances are secured by \$38.2 billion and \$46.5 billion, respectively, of loans and securities.

4. INVESTMENT SECURITIES AND OTHER SECURITIES

Debt securities purchased in which Huntington has the positive intent and ability to hold to their maturity are classified as held-to-maturity securities. All other debt and equity securities are classified as either available-for-sale or other securities.

The following tables provide amortized cost, fair value, and gross unrealized gains and losses by investment category at September 30, 2019 and December 31, 2018:

<i>(dollar amounts in millions)</i>	Amortized Cost	Unrealized		Fair Value
		Gross Gains	Gross Losses	
September 30, 2019				
Available-for-sale securities:				
U.S. Treasury	\$ 10	\$ —	\$ —	\$ 10
Federal agencies:				
Residential CMO	6,668	71	(15)	6,724
Residential MBS	2,355	39	(1)	2,393
Commercial MBS	1,237	3	(1)	1,239
Other agencies	117	—	—	117
Total U.S. Treasury, federal agency and other agency securities	10,387	113	(17)	10,483
Municipal securities	3,147	35	(30)	3,152
Asset-backed securities	588	8	(1)	595
Corporate debt	50	2	—	52
Other securities/Sovereign debt	4	—	—	4
Total available-for-sale securities	\$ 14,176	\$ 158	\$ (48)	\$ 14,286
Held-to-maturity securities:				
Federal agencies:				
Residential CMO	\$ 1,970	\$ 41	\$ (3)	\$ 2,008
Residential MBS	2,065	45	—	2,110
Commercial MBS	4,075	66	—	4,141
Other agencies	316	5	—	321
Total federal agency and other agency securities	8,426	157	(3)	8,580
Municipal securities	4	—	—	4
Total held-to-maturity securities	\$ 8,430	\$ 157	\$ (3)	\$ 8,584
Other securities, at cost:				
Non-marketable equity securities:				
Federal Home Loan Bank stock	\$ 104	\$ —	\$ —	\$ 104
Federal Reserve Bank stock	297	—	—	297
Other securities, at fair value				
Mutual funds	53	—	—	53
Marketable equity securities	1	—	—	1
Total other securities	\$ 455	\$ —	\$ —	\$ 455

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	Amortized Cost	Unrealized		Fair Value
		Gross Gains	Gross Losses	
<i>(dollar amounts in millions)</i>				
December 31, 2018				
Available-for-sale securities:				
U.S. Treasury	\$ 5	\$ —	\$ —	\$ 5
Federal agencies:				
Residential CMO	7,185	15	(201)	6,999
Residential MBS	1,261	9	(15)	1,255
Commercial MBS	1,641	—	(58)	1,583
Other agencies	128	—	(2)	126
Total U.S. Treasury, federal agency and other agency securities	10,220	24	(276)	9,968
Municipal securities	3,512	6	(78)	3,440
Asset-backed securities	318	1	(4)	315
Corporate debt	54	—	(1)	53
Other securities/Sovereign debt	4	—	—	4
Total available-for-sale securities	\$ 14,108	\$ 31	\$ (359)	\$ 13,780
Held-to-maturity securities:				
Federal agencies:				
Residential CMO	\$ 2,124	\$ —	\$ (47)	\$ 2,077
Residential MBS	1,851	2	(42)	1,811
Commercial MBS	4,235	—	(186)	4,049
Other agencies	350	—	(6)	344
Total federal agency and other agency securities	8,560	2	(281)	8,281
Municipal securities	5	—	—	5
Total held-to-maturity securities	\$ 8,565	\$ 2	\$ (281)	\$ 8,286
Other securities, at cost:				
Non-marketable equity securities:				
Federal Home Loan Bank stock	\$ 248	\$ —	\$ —	\$ 248
Federal Reserve Bank stock	295	—	—	295
Other securities, at fair value				
Mutual funds	20	—	—	20
Marketable equity securities	1	1	—	2
Total other securities	\$ 564	\$ 1	\$ —	\$ 565

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The following table provides the amortized cost and fair value of securities by contractual maturity at September 30, 2019 and December 31, 2018. Expected maturities may differ from contractual maturities as issuers may have the right to call or prepay obligations with or without incurring penalties.

	September 30, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(dollar amounts in millions)</i>				
Available-for-sale securities:				
Under 1 year	\$ 294	\$ 291	\$ 186	\$ 185
After 1 year through 5 years	1,084	1,074	1,057	1,039
After 5 years through 10 years	1,708	1,717	1,838	1,802
After 10 years	11,090	11,204	11,027	10,754
Total available-for-sale securities	<u>\$ 14,176</u>	<u>\$ 14,286</u>	<u>\$ 14,108</u>	<u>\$ 13,780</u>
Held-to-maturity securities:				
Under 1 year	\$ —	\$ —	\$ —	\$ —
After 1 year through 5 years	18	19	11	11
After 5 years through 10 years	329	335	362	356
After 10 years	8,083	8,230	8,192	7,919
Total held-to-maturity securities	<u>\$ 8,430</u>	<u>\$ 8,584</u>	<u>\$ 8,565</u>	<u>\$ 8,286</u>

The following tables provide detail on investment securities with unrealized losses aggregated by investment category and the length of time the individual securities have been in a continuous loss position at September 30, 2019 and December 31, 2018:

	Less than 12 Months		Over 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(dollar amounts in millions)</i>						
September 30, 2019						
Available-for-sale securities:						
Federal agencies:						
Residential CMO	\$ 1,287	\$ (3)	\$ 1,207	\$ (12)	\$ 2,494	\$ (15)
Residential MBS	353	(1)	9	—	362	(1)
Commercial MBS	80	—	401	(1)	481	(1)
Other agencies	1	—	—	—	1	—
Total federal agency and other agency securities	1,721	(4)	1,617	(13)	3,338	(17)
Municipal securities	403	(7)	1,238	(23)	1,641	(30)
Asset-backed securities	68	—	93	(1)	161	(1)
Corporate debt	—	—	—	—	—	—
Total temporarily impaired securities	<u>\$ 2,192</u>	<u>\$ (11)</u>	<u>\$ 2,948</u>	<u>\$ (37)</u>	<u>\$ 5,140</u>	<u>\$ (48)</u>
Held-to-maturity securities:						
Federal agencies:						
Residential CMO	\$ 160	\$ (1)	\$ 119	\$ (2)	\$ 279	\$ (3)
Residential MBS	—	—	—	—	—	—
Commercial MBS	—	—	27	—	27	—
Other agencies	5	—	—	—	5	—
Total federal agency and other agency securities	165	(1)	146	(2)	311	(3)
Municipal securities	4	—	—	—	4	—
Total temporarily impaired securities	<u>\$ 169</u>	<u>\$ (1)</u>	<u>\$ 146</u>	<u>\$ (2)</u>	<u>\$ 315</u>	<u>\$ (3)</u>

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	Less than 12 Months		Over 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(dollar amounts in millions)</i>						
December 31, 2018						
Available-for-sale securities:						
Federal agencies:						
Residential CMO	\$ 425	\$ (3)	\$ 5,943	\$ (198)	\$ 6,368	\$ (201)
Residential MBS	259	(6)	319	(9)	578	(15)
Commercial MBS	10	—	1,573	(58)	1,583	(58)
Other agencies	—	—	124	(2)	124	(2)
Total federal agency and other agency securities	694	(9)	7,959	(267)	8,653	(276)
Municipal securities	1,425	(24)	1,602	(54)	3,027	(78)
Asset-backed securities	95	(2)	117	(2)	212	(4)
Corporate debt	40	—	1	(1)	41	(1)
Total temporarily impaired securities	\$ 2,254	\$ (35)	\$ 9,679	\$ (324)	\$ 11,933	\$ (359)
Held-to-maturity securities:						
Federal agencies:						
Residential CMO	\$ 12	\$ —	\$ 2,004	\$ (47)	\$ 2,016	\$ (47)
Residential MBS	16	—	1,457	(42)	1,473	(42)
Commercial MBS	—	—	4,041	(186)	4,041	(186)
Other agencies	113	(2)	205	(4)	318	(6)
Total federal agency and other agency securities	141	(2)	7,707	(279)	7,848	(281)
Municipal securities	—	—	4	—	4	—
Total temporarily impaired securities	\$ 141	\$ (2)	\$ 7,711	\$ (279)	\$ 7,852	\$ (281)

At September 30, 2019 and December 31, 2018, the market value of investment securities pledged to secure public and trust deposits, trading account liabilities, U.S. Treasury demand notes, and security repurchase agreements totaled \$3.8 billion and \$4.5 billion, respectively. There were no securities of a single issuer, which were not governmental or government-sponsored, that exceeded 10% of shareholders' equity at either September 30, 2019 or December 31, 2018.

The following table is a summary of realized securities gains and losses for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(dollar amounts in millions)</i>				
Gross gains on sales of securities	\$ —	\$ —	\$ 9	\$ 6
Gross losses on sales of securities	—	(2)	(11)	(8)
Net (loss) gain on sales of securities	\$ —	\$ (2)	\$ (2)	\$ (2)

Security Impairment

Huntington evaluates the securities portfolio for impairment on a quarterly basis. As of September 30, 2019, the Company has evaluated available-for-sale and held-to-maturity securities with gross unrealized losses for impairment and concluded less than \$1 million and no OTTI was required for the three-month periods ended September 30, 2019 and 2018, respectively, and less than \$1 million and no OTTI was required for the nine-month periods ended September 30, 2019 and 2018, respectively.

Other securities that are carried at cost are reviewed for impairment on a quarterly basis, with valuation adjustments recognized in other noninterest income. As of September 30, 2019, the Company concluded no impairment is required.

5. MORTGAGE LOAN SALES AND SERVICING RIGHTS

Residential Mortgage Portfolio

The following table summarizes activity relating to residential mortgage loans sold with servicing retained for the three-month and nine-month periods ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(dollar amounts in millions)</i>				
Residential mortgage loans sold with servicing retained	\$ 1,238	\$ 1,047	\$ 3,025	\$ 2,787
Pretax gains resulting from above loan sales (1)	26	24	61	64

(1) Recorded in mortgage banking income.

The following table summarizes the changes in MSR values recorded using the amortization method for the three-month and nine-month periods ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(dollar amounts in millions)</i>				
Carrying value, beginning of period	\$ 184	\$ 204	\$ 211	\$ 191
New servicing assets created	12	12	31	32
Impairment (charge) recovery	(11)	—	(38)	7
Amortization	(13)	(8)	(32)	(22)
Carrying value, end of period	\$ 172	\$ 208	\$ 172	\$ 208
Fair value, end of period	\$ 172	\$ 222	\$ 172	\$ 222
Weighted-average life (years)	4.9	7.1	4.9	7.1

MSRs do not trade in an active, open market with readily observable prices. Therefore, the fair value of MSRs is estimated using a discounted future cash flow model. Changes in the assumptions used may have a significant impact on the valuation of MSRs. MSR values are highly sensitive to movement in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be greatly impacted by the level of prepayments.

For MSRs under the amortization method, a summary of key assumptions and the sensitivity of the MSR value to changes in these assumptions at September 30, 2019, and December 31, 2018 follows:

	September 30, 2019			December 31, 2018		
	Actual	Decline in fair value due to		Actual	Decline in fair value due to	
		10% adverse change	20% adverse change		10% adverse change	20% adverse change
<i>(dollar amounts in millions)</i>						
Constant prepayment rate (annualized)	15.60%	\$ (8)	\$ (15)	9.40%	\$ (6)	\$ (12)
Spread over forward interest rate swap rates	889 bps	(5)	(9)	934 bps	(7)	(13)

Additionally, at September 30, 2019 and 2018, Huntington held MSRs recorded using the fair value method of \$8 million and \$11 million, respectively.

Total servicing, late fees and other ancillary fees included in mortgage banking income was \$16 million and \$15 million for the three-month periods ended September 30, 2019 and 2018, respectively. For the nine-month periods ended September 30, 2019 and 2018, total servicing, late fees and other ancillary fees included in mortgage banking income was \$47 million and \$44 million. The unpaid principal balance of residential mortgage loans serviced for third parties was \$21.7 billion and \$21.0 billion at September 30, 2019 and December 31, 2018, respectively.

6. OPERATING LEASES

At September 30, 2019, Huntington was obligated under noncancelable leases for branch and office space. These leases are all classified as operating primarily due to the amount of time such spaces are occupied relative to the underlying assets useful lives. Many of these leases contain renewal options, most of which are not included in measurement of the right-of-use asset as they are not considered reasonably certain of exercise (i.e., Huntington does not currently have a significant economic incentive to exercise these options). Some leases contain escalation clauses calling for rentals to be adjusted for increased real estate taxes and other operating expenses or proportionately adjusted for increases in the consumer or other price indices.

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Occasionally, Huntington will sublease the land and buildings for which it has obtained the right to use; substantially all of those sublease arrangements are classified as operating, with sublease income recognized on a straight-line basis over the contractual term of the arrangement. Huntington has elected not to include non-lease components in the measurement of right-of-use assets, and as such allocates the costs attributable to such components, where those costs are not separately identifiable, via per-square-foot costing analysis developed by the entity for owned and leased spaces. Huntington uses a portfolio approach to develop discount rates as its lease portfolio is comprised of substantially all branch space and office space used in the entity's operations. That rate, an input used in the measurement of the entity's right-of-use assets, leverages an incremental borrowing rate of appropriate tenor and collateralization.

Net lease assets and liabilities at September 30, 2019 are as follows:

<i>(dollar amounts in millions)</i>	Classification	September 30, 2019
Assets		
Operating lease assets	Other assets	\$ 200
Liabilities		
Lease liabilities	Other liabilities	\$ 225

Net lease cost for the three-month and nine-month periods ended September 30, 2019 is as follows:

<i>(dollar amounts in millions)</i>	Classification	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	Net occupancy	\$ 11	\$ 34
Short term lease cost	Net occupancy	—	1
Sublease income	Net occupancy	(1)	(2)
Net lease cost		\$ 10	\$ 33

Maturity of lease liabilities at September 30, 2019 are as follows:

<i>(dollar amounts in millions)</i>	Total
Remainder of 2019	\$ 10
2020	50
2021	39
2022	34
2023	29
Thereafter	105
Total lease payments	\$ 267
Less: Interest	(42)
Total lease liabilities	\$ 225

Lease term and discount rate as of September 30, 2019 are as follows:

	September 30, 2019
Weighted-average remaining lease term (years)	
Operating leases	7.41
Weighted-average discount rate	
Operating leases	4.67%

Cash flow supplemental information at September 30, 2019 are as follows:

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ (41)
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	19

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7. LONG-TERM DEBT

In January 2019, the Bank issued \$300 million of senior notes at 100% of face value. The senior notes mature on February 5, 2021 and will bear interest at a rate per annum, reset quarterly, equal to the three-month LIBOR for U.S. dollar deposits plus 0.55%. The senior notes may be redeemed one month prior to the maturity date at 100% of principal plus accrued and unpaid interest.

In February 2019, the Bank issued \$500 million of senior notes at 99.909% of face value. The senior notes mature on April 1, 2022 and have a fixed coupon rate of 3.125%. The senior notes may be redeemed one month prior to the maturity date at 100% of principal plus accrued and unpaid interest.

In August 2019, Huntington issued \$800 million of senior notes at 99.781% of face value. The senior notes mature on August 6, 2024 and have a fixed coupon rate of 2.625%. The senior notes may be redeemed one month prior to the maturity date at 100% of principal plus accrued and unpaid interest.

8. OTHER COMPREHENSIVE INCOME

The components of Huntington's OCI for the three-month and nine-month periods ended September 30, 2019 and 2018, were as follows:

<i>(dollar amounts in millions)</i>	Three Months Ended September 30, 2019		
	Tax (expense)		
	Pretax	Benefit	After-tax
Unrealized gains (losses) on available-for-sale securities arising during the period	\$ 81	\$ (18)	\$ 63
Less: Reclassification adjustment for realized net losses (gains) included in net income	8	(2)	6
Net change in unrealized holding gains (losses) on available-for-sale securities	89	(20)	69
Net change in fair value on cash flow hedges	36	(8)	28
Net change in pension and other post-retirement obligations	1	—	1
Total other comprehensive income (loss)	\$ 126	\$ (28)	\$ 98

<i>(dollar amounts in millions)</i>	Three Months Ended September 30, 2018		
	Tax (expense)		
	Pretax	Benefit	After-tax
Unrealized gains (losses) on available-for-sale securities arising during the period	\$ (82)	\$ 18	\$ (64)
Less: Reclassification adjustment for realized net losses (gains) included in net income	3	(1)	2
Net change in unrealized gains (losses) on available-for-sale securities	(79)	17	(62)
Net change in pension and other post-retirement obligations	2	(1)	1
Total other comprehensive income (loss)	\$ (77)	\$ 16	\$ (61)

<i>(dollar amounts in millions)</i>	Nine Months Ended September 30, 2019		
	Tax (expense)		
	Pretax	Benefit	After-tax
Unrealized holding gains (losses) on available-for-sale securities arising during the period	\$ 428	\$ (95)	\$ 333
Less: Reclassification adjustment for realized net losses (gains) included in net income	21	(5)	16
Net change in unrealized holding gains (losses) on available-for-sale securities	449	(100)	349
Net change in fair value on cash flow hedges	104	(22)	82
Net change in pension and other post-retirement obligations	3	—	3
Total other comprehensive income (loss)	\$ 556	\$ (122)	\$ 434

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	Nine Months Ended September 30, 2018		
	Tax (expense)		
	Pretax	Benefit	After-tax
<i>(dollar amounts in millions)</i>			
Unrealized holding gains (losses) on available-for-sale securities arising during the period	\$ (359)	\$ 78	\$ (281)
Less: Reclassification adjustment for realized net losses (gains) included in net income	21	(4)	17
Net change in unrealized holding gains (losses) on available-for-sale securities	(338)	74	(264)
Net change in pension and other post-retirement obligations	4	(1)	3
Total other comprehensive income (loss)	<u>\$ (334)</u>	<u>\$ 73</u>	<u>\$ (261)</u>

Activity in accumulated OCI for the three and nine month periods ended September 30, 2019 and 2018, were as follows:

<i>(dollar amounts in millions)</i>	Unrealized gains (losses) on debt securities (1)	Change in fair value related to cash flow hedges	Unrealized gains (losses) for pension and other post- retirement obligations	Total
Three Months Ended September 30, 2019				
Balance, beginning of period	\$ (83)	\$ 54	\$ (244)	\$ (273)
Other comprehensive income before reclassifications	63	28	—	91
Amounts reclassified from accumulated OCI to earnings	6	—	1	7
Period change	69	28	1	98
Balance, end of period	<u>\$ (14)</u>	<u>\$ 82</u>	<u>\$ (243)</u>	<u>\$ (175)</u>
Three Months Ended September 30, 2018				
Balance, beginning of period	\$ (482)	\$ —	\$ (248)	\$ (730)
Other comprehensive income before reclassifications	(64)	—	—	(64)
Amounts reclassified from accumulated OCI to earnings	2	—	1	3
Period change	(62)	—	1	(61)
Other	1	—	—	1
Balance, end of period	<u>\$ (543)</u>	<u>\$ —</u>	<u>\$ (247)</u>	<u>\$ (790)</u>

<i>(dollar amounts in millions)</i>	Unrealized gains (losses) on debt securities (1)	Change in fair value related to cash flow hedges	Unrealized gains (losses) for pension and other post- retirement obligations	Total
Nine Months Ended September 30, 2019				
Balance, beginning of period	\$ (363)	\$ —	\$ (246)	\$ (609)
Other comprehensive income before reclassifications	333	82	—	415
Amounts reclassified from accumulated OCI to earnings	16	—	3	19
Period change	349	82	3	434
Balance, end of period	<u>\$ (14)</u>	<u>\$ 82</u>	<u>\$ (243)</u>	<u>\$ (175)</u>
Nine Months Ended September 30, 2018				
Balance, beginning of period	\$ (278)	\$ —	\$ (250)	\$ (528)
Cumulative-effect adjustments (ASU 2016-01)	(1)	—	—	(1)
Other comprehensive income before reclassifications	(281)	—	—	(281)
Amounts reclassified from accumulated OCI to earnings	17	—	3	20
Period change	(264)	—	3	(261)
Balance, end of period	<u>\$ (543)</u>	<u>\$ —</u>	<u>\$ (247)</u>	<u>\$ (790)</u>

(1) AOCI amounts at September 30, 2019, June 30, 2019 and September 30, 2018 include \$126 million, \$131 million and \$141 million, respectively, of net unrealized losses on securities transferred from the available-for-sale securities portfolio to the held-to-maturity securities portfolio. The net unrealized losses will be recognized in earnings over the remaining life of the security using the effective interest method.

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The following table presents the reclassification adjustments out of accumulated OCI included in net income and the impacted line items as listed on the Unaudited Condensed Consolidated Statements of Income for the three-month and nine-month periods ended September 30, 2019 and 2018:

<i>Accumulated OCI components</i>	Reclassifications out of accumulated OCI			Location of net gain (loss) reclassified from accumulated OCI into earnings
	Amounts reclassified from accumulated OCI			
	Three Months Ended			
	September 30, 2019	September 30, 2018		
<i>(dollar amounts in millions)</i>				
Gains (losses) on debt securities:				
Amortization of unrealized gains (losses)	\$ (4)	\$ (3)		Interest income - held-to-maturity securities - taxable
Realized gain (loss) on sale of securities	(4)	—		Noninterest income - net gains (losses) on sale of securities
Total before tax	(8)	(3)		
Tax (expense) benefit	2	1		
Net of tax	\$ (6)	\$ (2)		
Amortization of defined benefit pension and post-retirement items:				
Actuarial gains (losses)	\$ (1)	\$ (2)		Noninterest income
Net periodic benefit costs	—	—		Noninterest income
Total before tax	(1)	(2)		
Tax (expense) benefit	—	1		
Net of tax	\$ (1)	\$ (1)		

<i>Accumulated OCI components</i>	Reclassifications out of accumulated OCI			Location of net gain (loss) reclassified from accumulated OCI into earnings
	Amounts reclassified from accumulated OCI			
	Nine Months Ended			
	September 30, 2019	September 30, 2018		
<i>(dollar amounts in millions)</i>				
Gains (losses) on debt securities:				
Amortization of unrealized gains (losses)	\$ (11)	\$ (9)		Interest income - held-to-maturity securities - taxable
Realized gain (loss) on sale of securities	(10)	(12)		Noninterest income - net gains (losses) on sale of securities
Total before tax	(21)	(21)		
Tax (expense) benefit	5	4		
Net of tax	\$ (16)	\$ (17)		
Amortization of defined benefit pension and post-retirement items:				
Actuarial gains (losses)	\$ (4)	\$ (6)		Noninterest income
Net periodic benefit costs	1	2		Noninterest income
Total before tax	(3)	(4)		
Tax (expense) benefit	—	1		
Net of tax	\$ (3)	\$ (3)		

9. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings (adjusted for dividends declared on preferred stock) available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options, restricted stock units and awards, and distributions from deferred compensation plans. Potentially dilutive common shares are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive.

For the nine months ended September 30, 2018, total diluted average common shares issued and outstanding was impacted by using the if-converted method. The calculation of basic and diluted earnings per share for the three and nine-month periods ended September 30, 2019 and 2018 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(dollar amounts in millions, except per share data, share count in thousands)</i>				
Basic earnings per common share:				
Net income	\$ 372	\$ 378	\$ 1,094	\$ 1,059
Preferred stock dividends	(18)	(18)	(55)	(51)
Net income available to common shareholders	\$ 354	\$ 360	\$ 1,039	\$ 1,008
Average common shares issued and outstanding	1,034,940	1,084,536	1,042,246	1,090,570
Basic earnings per common share	\$ 0.34	\$ 0.33	\$ 1.00	\$ 0.92
Diluted earnings per common share:				
Dilutive potential common shares:				
Stock options and restricted stock units and awards	11,930	15,655	12,681	17,105
Shares held in deferred compensation plans	4,403	3,549	4,137	3,416
Dilutive impact of Preferred Stock	—	—	—	5,887
Dilutive potential common shares	16,333	19,204	16,818	26,408
Total diluted average common shares issued and outstanding	1,051,273	1,103,740	1,059,064	1,116,978
Diluted earnings per common share	\$ 0.34	\$ 0.33	\$ 0.98	\$ 0.90
Anti-dilutive awards (1)	6,253	1,616	4,900	2,035

(1) Reflects the total number of shares related to outstanding options that have been excluded from the computation of diluted earnings per share because the impact would have been anti-dilutive.

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10. NONINTEREST INCOME

Huntington earns a variety of revenue including interest and fees from customers as well as revenues from non-customers. Certain sources of revenue are recognized within interest or fee income and are outside of the scope of ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"). Other sources of revenue fall within the scope of ASC 606 and are generally recognized within noninterest income. These revenues are included within various sections of the Unaudited Condensed Consolidated Financial Statements. The following table shows Huntington's total noninterest income segregated between contracts with customers within the scope of ASC 606 and those within the scope of other GAAP Topics.

(dollar amounts in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Noninterest income				
Noninterest income from contracts with customers	\$ 240	\$ 222	\$ 697	\$ 654
Noninterest income within the scope of other GAAP topics	149	120	385	338
Total noninterest income	\$ 389	\$ 342	\$ 1,082	\$ 992

The following table illustrates the disaggregation by operating segment and major revenue stream and reconciles disaggregated revenue to segment revenue presented in Note 15 "[Segment Reporting](#)".

(dollar amounts in millions)

Three Months Ended September 30, 2019

	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
Major Revenue Streams						
Service charges on deposit accounts	\$ 79	\$ 16	\$ 2	\$ 1	\$ —	\$ 98
Card and payment processing income	56	4	—	—	—	60
Trust and investment management services	9	1	—	34	—	44
Insurance income	8	2	—	10	—	20
Other income	8	7	2	1	—	18
Net revenue from contracts with customers	\$ 160	\$ 30	\$ 4	\$ 46	\$ —	\$ 240
Noninterest income within the scope of other GAAP topics	63	71	—	1	14	149
Total noninterest income	\$ 223	\$ 101	\$ 4	\$ 47	\$ 14	\$ 389

(dollar amounts in millions)

Three Months Ended September 30, 2018

	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
Major Revenue Streams						
Service charges on deposit accounts	\$ 75	\$ 16	\$ 1	\$ 1	\$ —	\$ 93
Card and payment processing income	50	3	—	—	—	53
Trust and investment management services	7	1	—	34	—	42
Insurance income	8	1	—	10	—	19
Other income	10	2	1	1	1	15
Net revenue from contracts with customers	\$ 150	\$ 23	\$ 2	\$ 46	\$ 1	\$ 222
Noninterest income within the scope of other GAAP topics	44	58	1	—	17	120
Total noninterest income	\$ 194	\$ 81	\$ 3	\$ 46	\$ 18	\$ 342

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Nine Months Ended September 30, 2019

(dollar amounts in millions)

Major Revenue Streams	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
Service charges on deposit accounts	\$ 221	\$ 48	\$ 5	\$ 3	\$ —	\$ 277
Card and payment processing income	162	11	—	—	—	173
Trust and investment management services	25	2	—	103	1	131
Insurance income	25	5	—	33	1	64
Other income	24	17	4	5	2	52
Net revenue from contracts with customers	\$ 457	\$ 83	\$ 9	\$ 144	\$ 4	\$ 697
Noninterest income within the scope of other GAAP topics	139	183	—	3	60	385
Total noninterest income	\$ 596	\$ 266	\$ 9	\$ 147	\$ 64	\$ 1,082

Nine Months Ended September 30, 2018

(dollar amounts in millions)

Major Revenue Streams	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
Service charges on deposit accounts	\$ 215	\$ 48	\$ 4	\$ 3	\$ —	\$ 270
Card and payment processing income	146	8	—	—	—	154
Trust and investment management services	19	3	—	106	—	128
Insurance income	26	3	—	31	1	61
Other income	30	3	2	4	2	41
Net revenue from contracts with customers	\$ 436	\$ 65	\$ 6	\$ 144	\$ 3	\$ 654
Noninterest income within the scope of other GAAP topics	121	169	3	2	43	338
Total noninterest income	\$ 557	\$ 234	\$ 9	\$ 146	\$ 46	\$ 992

Huntington generally provides services for customers in which it acts as principal. Payment terms and conditions vary amongst services and customers, and thus impact the timing and amount of revenue recognition. Some fees may be paid before any service is rendered and accordingly, such fees are deferred until the obligations pertaining to those fees are satisfied. Most Huntington contracts with customers are cancelable by either party without penalty or they are short-term in nature, with a contract duration of less than one year. Accordingly, most revenue deferred for the reporting period ended September 30, 2019 is expected to be earned within one year.

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11. FAIR VALUES OF ASSETS AND LIABILITIES

See Note 17 “Fair Value of Assets and Liabilities” to the Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2018 for a description of the valuation methodologies used for instruments measured at fair value. Assets and liabilities measured at fair value rarely transfer between Level 1 and Level 2 measurements. There were no such transfers during the three-month and nine-month periods ended September 30, 2019 and 2018.

Assets and Liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis at September 30, 2019 and December 31, 2018 are summarized below:

<i>(dollar amounts in millions)</i>	Fair Value Measurements at Reporting Date Using			Netting Adjustments (1)	September 30, 2019
	Level 1	Level 2	Level 3		
Assets					
Trading account securities:					
Municipal securities	\$ —	\$ 89	\$ —	\$ —	\$ 89
Other securities	29	—	—	—	29
	<u>29</u>	<u>89</u>	<u>—</u>	<u>—</u>	<u>118</u>
Available-for-sale securities:					
U.S. Treasury securities	10	—	—	—	10
Residential CMOs	—	6,724	—	—	6,724
Residential MBS	—	2,393	—	—	2,393
Commercial MBS	—	1,239	—	—	1,239
Other agencies	—	117	—	—	117
Municipal securities	—	58	3,094	—	3,152
Asset-backed securities	—	540	55	—	595
Corporate debt	—	52	—	—	52
Other securities/sovereign debt	—	4	—	—	4
	<u>10</u>	<u>11,127</u>	<u>3,149</u>	<u>—</u>	<u>14,286</u>
Other securities	54	—	—	—	54
Loans held for sale	—	963	—	—	963
Loans held for investment	—	53	27	—	80
MSRs	—	—	8	—	8
Derivative assets	—	1,112	11	(546)	577
Liabilities					
Derivative liabilities	—	628	3	(504)	127

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<i>(dollar amounts in millions)</i>	Fair Value Measurements at Reporting Date Using					December 31, 2018
	Level 1	Level 2	Level 3	Netting Adjustments (1)		
Assets						
Trading account securities:						
Municipal securities	\$ 1	\$ 27	\$ —	\$ —	\$ —	\$ 28
Other securities	77	—	—	—	—	77
	78	27	—	—	—	105
Available-for-sale securities:						
U.S. Treasury securities	5	—	—	—	—	5
Residential CMOs	—	6,999	—	—	—	6,999
Residential MBS	—	1,255	—	—	—	1,255
Commercial MBS	—	1,583	—	—	—	1,583
Other agencies	—	126	—	—	—	126
Municipal securities	—	275	3,165	—	—	3,440
Asset-backed securities	—	315	—	—	—	315
Corporate debt	—	53	—	—	—	53
Other securities/sovereign debt	—	4	—	—	—	4
	5	10,610	3,165	—	—	13,780
Other securities	22	—	—	—	—	22
Loans held for sale	—	613	—	—	—	613
Loans held for investment	—	49	30	—	—	79
MSRs	—	—	10	—	—	10
Derivative assets	21	474	5	(291)	—	209
Liabilities						
Derivative liabilities	11	390	3	(217)	—	187

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and cash collateral held or placed with the same counterparties.

The tables below present a rollforward of the balance sheet amounts for the three-month and nine-month periods ended September 30, 2019 and 2018, for financial instruments measured on a recurring basis and classified as Level 3. The classification of an item as Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement. However, Level 3 measurements may also include observable components of value that can be validated externally. Accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology.

<i>(dollar amounts in millions)</i>	Level 3 Fair Value Measurements Three Months Ended September 30, 2019				
	MSRs	Derivative instruments	Available-for-sale securities		Loans held for investment
			Municipal securities	Asset-backed securities	
Opening balance	\$ 9	\$ 9	\$ 3,202	\$ —	\$ 28
Transfers out of Level 3 (1)	—	(20)	—	—	—
Total gains/losses for the period:					
Included in earnings	(1)	19	(1)	—	—
Included in OCI	—	—	24	—	—
Purchases/originations	—	—	28	55	—
Sales	—	—	—	—	—
Repayments	—	—	—	—	(1)
Settlements	—	—	(159)	—	—
Closing balance	\$ 8	\$ 8	\$ 3,094	\$ 55	\$ 27
Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date	\$ (1)	\$ (1)	\$ —	\$ —	\$ —
Change in unrealized gains or losses for the period included in other comprehensive income for assets held at the end of the reporting period	\$ —	\$ —	\$ 23	\$ —	\$ —

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Level 3 Fair Value Measurements
Three Months Ended September 30, 2018

<i>(dollar amounts in millions)</i>	MSRs	Derivative instruments	Available-for-sale securities		Loans held for investment
			Municipal securities		
Opening balance	\$ 11	\$ 1	\$ 3,178		\$ 34
Transfers out of Level 3 (1)	—	(12)	—		—
Total gains/losses for the period:					
Included in earnings	—	9	(1)		—
Included in OCI	—	—	—		—
Purchases/originations	—	—	260		—
Sales	—	—	—		—
Repayments	—	—	—		(2)
Settlements	—	3	(160)		—
Closing balance	\$ 11	\$ 1	\$ 3,277		\$ 32
Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date	\$ —	\$ (3)	\$ —		\$ —

Level 3 Fair Value Measurements
Nine Months Ended September 30, 2019

<i>(dollar amounts in millions)</i>	MSRs	Derivative instruments	Available-for-sale securities		Loans held for investment
			Municipal securities	Asset-backed securities	
Opening balance	\$ 10	\$ 2	\$ 3,165	\$ —	\$ 30
Transfers out of Level 3 (1)	—	(44)	—	—	—
Total gains/losses for the period:					
Included in earnings	(2)	50	(1)	—	—
Included in OCI	—	—	70	—	—
Purchases/originations	—	—	136	55	—
Sales	—	—	—	—	—
Repayments	—	—	—	—	(3)
Settlements	—	—	(276)	—	—
Closing balance	\$ 8	\$ 8	\$ 3,094	\$ 55	\$ 27
Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date	\$ (2)	\$ 6	\$ —	\$ —	\$ —
Change in unrealized gains or losses for the period included in other comprehensive income for assets held at the end of the reporting period	\$ —	\$ —	\$ 68	\$ —	\$ —

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Level 3 Fair Value Measurements
Nine Months Ended September 30, 2018

<i>(dollar amounts in millions)</i>	Available-for-sale securities				
	MSRs	Derivative instruments	Municipal securities	Asset-backed securities	Loans held for investment
Opening balance	\$ 11	\$ (1)	\$ 3,167	\$ 24	\$ 38
Transfers out of Level 3 (1)	—	(26)	—	—	—
Total gains/losses for the period:					
Included in earnings	—	25	(3)	(2)	—
Included in OCI	—	—	(37)	11	—
Purchases/originations	—	—	539	—	—
Sales	—	—	—	(33)	—
Repayments	—	—	—	—	(6)
Settlements	—	3	(389)	—	—
Closing balance	\$ 11	\$ 1	\$ 3,277	\$ —	\$ 32
Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date	\$ —	\$ (1)	\$ —	\$ —	\$ —

(1) Transfers out of Level 3 represent the settlement value of the derivative instruments (i.e. interest rate lock agreements) that is transferred to loans held for sale, which is classified as Level 2.

The tables below summarize the classification of gains and losses due to changes in fair value, recorded in earnings for Level 3 assets and liabilities for the three-month and nine-month periods ended September 30, 2019 and 2018:

Level 3 Fair Value Measurements
Three Months Ended September 30, 2019

<i>(dollar amounts in millions)</i>	MSRs	Derivative instruments	Available-for-sale securities	
			Municipal securities	
Classification of gains and losses in earnings:				
Mortgage banking income	\$ (1)	\$ 19	\$ —	
Interest and fee income	—	—	(1)	
Total	\$ (1)	\$ 19	\$ (1)	

Level 3 Fair Value Measurements
Three Months Ended September 30, 2018

<i>(dollar amounts in millions)</i>	MSRs	Derivative instruments	Available-for-sale securities	
			Municipal securities	
Classification of gains and losses in earnings:				
Mortgage banking income	\$ —	\$ 9	\$ —	
Other expense	—	—	(1)	
Total	\$ —	\$ 9	\$ (1)	

Level 3 Fair Value Measurements
Nine Months Ended September 30, 2019

<i>(dollar amounts in millions)</i>	MSRs	Derivative instruments	Available-for-sale securities	
			Municipal securities	
Classification of gains and losses in earnings:				
Mortgage banking income	\$ (2)	\$ 50	\$ —	
Interest and fee income	—	—	(1)	
Total	\$ (2)	\$ 50	\$ (1)	

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Level 3 Fair Value Measurements
Nine Months Ended September 30, 2018

<i>(dollar amounts in millions)</i>	MSRs	Derivative instruments	Available-for-sale securities	
			Municipal securities	Asset-backed securities
Classification of gains and losses in earnings:				
Mortgage banking income	\$ —	\$ 25	\$ —	\$ —
Securities gains (losses)	—	—	—	(2)
Other expense	—	—	(3)	—
Total	\$ —	\$ 25	\$ (3)	\$ (2)

Assets and liabilities under the fair value option

The following tables present the fair value and aggregate principal balance of certain assets and liabilities under the fair value option:

<i>(dollar amounts in millions)</i>	September 30, 2019					
	Total Loans			Loans that are 90 or more days past due		
	Fair value carrying amount	Aggregate unpaid principal	Difference	Fair value carrying amount	Aggregate unpaid principal	Difference
Assets						
Loans held for sale	\$ 963	\$ 932	\$ 31	\$ 1	\$ 1	\$ —
Loans held for investment	80	86	(6)	4	6	(2)

<i>(dollar amounts in millions)</i>	December 31, 2018					
	Total Loans			Loans that are 90 or more days past due		
	Fair value carrying amount	Aggregate unpaid principal	Difference	Fair value carrying amount	Aggregate unpaid principal	Difference
Assets						
Loans held for sale	\$ 613	\$ 594	\$ 19	\$ —	\$ —	\$ —
Loans held for investment	79	87	(8)	6	7	(1)

The following tables present the net gains (losses) from fair value changes for the three-month and nine-month periods ended September 30, 2019 and 2018.

<i>(dollar amounts in millions)</i>	Net gains (losses) from fair value changes			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Assets				
Loans held for sale (1)	\$ 6	\$ (4)	\$ 12	\$ (1)

(1) The net gains (losses) from fair value changes are included in Mortgage banking income on the Unaudited Condensed Consolidated Statements of Income.

Assets and Liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities may be required to be measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition. These assets and liabilities are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. The amounts presented represent the fair value on the various measurement dates throughout the period. The gains (losses) represent the amounts recorded during the period regardless of whether the asset is still held at period end.

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The amounts measured at fair value on a nonrecurring basis at September 30, 2019 were as follows:

	Fair Value	Fair Value Measurements Using			Total Gains/(Losses) Nine Months Ended September 30, 2019
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
<i>(dollar amounts in millions)</i>					
MSRs	\$ 172	\$ —	\$ —	\$ 172	\$ (38)
Impaired loans	20	—	—	20	(1)
Loans held for sale	36	—	—	36	(13)

MSRs accounted for under the amortization method are subject to nonrecurring fair value measurement when the fair value is lower than the carrying amount.

Huntington records nonrecurring adjustments of collateral-dependent loans measured for impairment when establishing the ALLL. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. Appraisals are generally obtained to support the fair value of the collateral and incorporate measures such as recent sales prices for comparable properties and cost of construction. Periodically, in cases where the carrying value exceeds the fair value of the collateral less cost to sell, an impairment charge is recognized.

Loans held for sale are measured at lower of cost or fair value less costs to sell. The fair value of loans held for sale is determined based on discounted cash flows or based on the fair value of the underlying collateral supporting the loan.

Significant unobservable inputs for assets and liabilities measured at fair value on a recurring and nonrecurring basis

The table below presents quantitative information about the significant unobservable inputs for assets and liabilities measured at fair value on a recurring and nonrecurring basis at September 30, 2019 and December 31, 2018:

<i>(dollar amounts in millions)</i>	Quantitative Information about Level 3 Fair Value Measurements at September 30, 2019				
	Fair Value	Valuation Technique	Significant Unobservable Input	Range	Weighted Average
Measured at fair value on a recurring basis:					
MSRs	\$ 8	Discounted cash flow	Constant prepayment rate	0 % - 25%	9 %
			Spread over forward interest rate swap rates	5 % - 11%	8 %
Derivative assets	11	Consensus Pricing	Net market price	(2)% - 14%	2 %
			Estimated Pull through %	1 % - 100%	90 %
Derivative liabilities	3	Discounted cash flow	Estimated conversion factor		162 %
			Estimated growth rate of Visa Class A shares		7 %
			Discount rate		2 %
			Timing of the resolution of the litigation		6/30/2020
Municipal securities	3,094	Discounted cash flow	Discount rate	2 % - 3%	2 %
Asset-backed securities	55		Cumulative default	0 % - 64%	4 %
			Loss given default	5 % - 80%	24 %
Loans held for investment	27	Discounted cash flow	Discount rate	6 % - 6%	6 %
			Constant prepayment rate	9 % - 12%	9 %
Measured at fair value on a nonrecurring basis:					
MSRs	172	Discounted cash flow	Constant prepayment rate	12 % - 33%	16 %
			Spread over forward interest rate swap rates	5 % - 11%	9 %
Impaired loans	20	Appraisal value	NA		NA
Loans held for sale	36	Appraisal value	NA		NA

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Quantitative Information about Level 3 Fair Value Measurements at December 31, 2018

<i>(dollar amounts in millions)</i>	Fair Value	Valuation Technique	Significant Unobservable Input	Range	Weighted Average
Measured at fair value on a recurring basis:					
MSRs	\$ 10	Discounted cash flow	Constant prepayment rate	6 % - 54%	8 %
			Spread over forward interest rate swap rates	5 % - 11%	8 %
Derivative assets	5	Consensus Pricing	Net market price	(5)% - 23%	2 %
			Estimated Pull through %	1 % - 100%	92 %
Derivative liabilities	3	Discounted cash flow	Estimated conversion factor		163 %
			Estimated growth rate of Visa Class A shares		7 %
			Discount rate		4 %
			Timing of the resolution of the litigation		6/30/2020
Municipal securities	3,165	Discounted cash flow	Discount rate	4 % - 4%	4 %
			Cumulative default	0 % - 39%	3 %
			Loss given default	5 % - 90%	25 %
Loans held for investment	30	Discounted cash flow	Discount rate	7 % - 9%	9 %
			Constant prepayment rate	9 % - 9%	9 %
Measured at fair value on a nonrecurring basis:					
Impaired loans	33	Appraisal value	NA		NA
Loans held for sale	121	Discounted cash flow	Discount rate	5 % - 6%	5 %
	24	Appraisal value	NA		NA

The following provides a general description of the impact of a change in an unobservable input on the fair value measurement and the interrelationship between unobservable inputs, where relevant/significant. Interrelationships may also exist between observable and unobservable inputs.

Credit loss estimates, such as probability of default, constant default, cumulative default, loss given default, cure given deferral, and loss severity, are driven by the ability of the borrowers to pay their loans and the value of the underlying collateral and are impacted by changes in macroeconomic conditions, typically increasing when economic conditions worsen and decreasing when conditions improve. An increase in the estimated prepayment rate typically results in a decrease in estimated credit losses and vice versa. Higher credit loss estimates generally result in lower fair values. Credit spreads generally increase when liquidity risks and market volatility increase and decrease when liquidity conditions and market volatility improve.

Discount rates and spread over forward interest rate swap rates typically increase when market interest rates increase and/or credit and liquidity risks increase, and decrease when market interest rates decline and/or credit and liquidity conditions improve. Higher discount rates and credit spreads generally result in lower fair market values.

Net market price and pull through percentages generally increase when market interest rates increase and decline when market interest rates decline. Higher net market price and pull through percentages generally result in higher fair values.

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Fair values of financial instruments

The following table provides the carrying amounts and estimated fair values of Huntington's financial instruments at September 30, 2019 and December 31, 2018:

<i>(dollar amounts in millions)</i>	September 30, 2019				
	Amortized Cost	Lower of Cost or Market	Fair Value or Fair Value Option	Total Carrying Amount	Estimated Fair Value
Financial Assets					
Cash and short-term assets	\$ 1,758	\$ —	\$ —	\$ 1,758	\$ 1,758
Trading account securities	—	—	118	118	118
Available-for-sale securities	—	—	14,286	14,286	14,286
Held-to-maturity securities	8,430	—	—	8,430	8,584
Other securities	401	—	54	455	455
Loans held for sale	—	101	963	1,064	1,067
Net loans and leases (1)	74,029	—	80	74,109	75,234
Derivatives	—	—	577	577	577
Financial Liabilities					
Deposits	82,395	—	—	82,395	82,398
Short-term borrowings	2,173	—	—	2,173	2,173
Long-term debt	9,874	—	—	9,874	10,075
Derivatives	—	—	127	127	127
December 31, 2018					
<i>(dollar amounts in millions)</i>	Amortized Cost	Lower of Cost or Market	Fair Value or Fair Value Option	Total Carrying Amount	Estimated Fair Value
Financial Assets					
Cash and short-term assets	\$ 2,725	\$ —	\$ —	\$ 2,725	\$ 2,725
Trading account securities	—	—	105	105	105
Available-for-sale securities	—	—	13,780	13,780	13,780
Held-to-maturity securities	8,565	—	—	8,565	8,286
Other securities	543	—	22	565	565
Loans held for sale	—	191	613	804	806
Net loans and leases (1)	74,049	—	79	74,128	73,668
Derivatives	—	—	209	209	209
Financial Liabilities					
Deposits	84,774	—	—	84,774	84,731
Short-term borrowings	2,017	—	—	2,017	2,017
Long-term debt	8,625	—	—	8,625	8,718
Derivatives	—	—	187	187	187

(1) Includes collateral-dependent loans measured for impairment.

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The following table presents the level in the fair value hierarchy for the estimated fair values at September 30, 2019 and December 31, 2018:

<i>(dollar amounts in millions)</i>	Estimated Fair Value Measurements at Reporting Date Using			September 30, 2019
	Level 1	Level 2	Level 3	
Financial Assets				
Trading account securities	\$ 29	\$ 89	\$ —	\$ 118
Available-for-sale securities	10	11,127	3,149	14,286
Held-to-maturity securities	—	8,584	—	8,584
Other securities (1)	54	—	—	54
Loans held for sale	—	963	104	1,067
Net loans and direct financing leases	—	80	75,154	75,234
Financial Liabilities				
Deposits	—	75,707	6,691	82,398
Short-term borrowings	—	—	2,173	2,173
Long-term debt	—	9,435	640	10,075

<i>(dollar amounts in millions)</i>	Estimated Fair Value Measurements at Reporting Date Using			December 31, 2018
	Level 1	Level 2	Level 3	
Financial Assets				
Trading account securities	\$ 78	\$ 27	\$ —	\$ 105
Available-for-sale securities	5	10,610	3,165	13,780
Held-to-maturity securities	—	8,286	—	8,286
Other securities (1)	22	—	—	22
Loans held for sale	—	613	193	806
Net loans and direct financing leases	—	49	73,619	73,668
Financial Liabilities				
Deposits	—	76,922	7,809	84,731
Short-term borrowings	1	—	2,016	2,017
Long-term debt	—	8,158	560	8,718

(1) Excludes securities without readily determinable fair values.

The short-term nature of certain assets and liabilities result in their carrying value approximating fair value. These include trading account securities, customers' acceptance liabilities, short-term borrowings, bank acceptances outstanding, FHLB advances, and cash and short-term assets, which include cash and due from banks, interest-bearing deposits in banks, interest-bearing deposits at Federal Reserve Bank, federal funds sold, and securities purchased under resale agreements. Loan commitments and letters-of-credit generally have short-term, variable-rate features and contain clauses that limit Huntington's exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value.

Certain assets, the most significant being operating lease assets, bank owned life insurance, and premises and equipment, do not meet the definition of a financial instrument and are excluded from this disclosure. Similarly, mortgage and nonmortgage servicing rights, deposit base, and other customer relationship intangibles are not considered financial instruments and are not included above. Accordingly, this fair value information is not intended to, and does not, represent Huntington's underlying value. Many of the assets and liabilities subject to the disclosure requirements are not actively traded, requiring fair values to be estimated by Management. These estimations necessarily involve the use of judgment about a wide variety of factors, including but not limited to, relevancy of market prices of comparable instruments, expected future cash flows, and appropriate discount rates.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recorded in the Unaudited Condensed Consolidated Balance Sheets as either an asset or a liability (in other assets or other liabilities, respectively) and measured at fair value.

Derivative financial instruments can be designated as accounting hedges under GAAP. Designating a derivative as an accounting hedge allows Huntington to recognize gains and losses on the hedging instruments in the same income statement line item where the gains and losses on the hedged item are recognized. Gains and losses on derivatives that are not designated in an effective hedge relationship under GAAP immediately impact earnings within the period they occur.

The following table presents the fair values of all derivative instruments included in the Unaudited Condensed Consolidated Balance Sheets at September 30, 2019 and December 31, 2018. Amounts in the table below are presented gross without the impact of any net collateral arrangements.

<i>(dollar amounts in millions)</i>	September 30, 2019		December 31, 2018	
	Asset	Liability	Asset	Liability
Derivatives designated as Hedging Instruments				
Interest rate contracts	\$ 376	\$ 19	\$ 44	\$ 42
Derivatives not designated as Hedging Instruments				
Interest rate contracts	544	417	261	165
Foreign exchange contracts	22	20	23	19
Commodities contracts	178	172	172	168
Equity contracts	3	3	—	10
Total Contracts	\$ 1,123	\$ 631	\$ 500	\$ 404

The following table presents the amount of gain or loss recognized in income for derivatives not designated as hedging instruments under ASC Subtopic 815-10 in the Unaudited Condensed Consolidated Income Statement for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

<i>(dollar amounts in millions)</i>	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Interest rate contracts:					
Customer	Capital markets fees	\$ 15	\$ 11	\$ 38	\$ 30
Mortgage Banking	Mortgage banking income	28	5	52	(3)
Interest Rate Floors	Other noninterest income	(1)	—	4	—
Foreign exchange contracts	Capital markets fees	7	6	22	18
Commodities contracts	Capital markets fees	1	1	(3)	3
Equity contracts	Other noninterest expense	(2)	—	(3)	3
Total		\$ 48	\$ 23	\$ 110	\$ 51

Derivatives used in asset and liability management activities

Huntington engages in balance sheet hedging activity, principally for asset liability management purposes. Balance sheet hedging activity is generally arranged to receive hedge accounting treatment that can be classified as either fair value or cash flow hedges. Fair value hedges are executed to hedge changes in fair value of outstanding fixed-rate debt caused by fluctuations in market interest rates. Cash flow hedges are executed to modify interest rate characteristics of designated commercial loans in order to reduce the impact of changes in future cash flows due to market interest rate changes.

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The following table presents the gross notional values of derivatives used in Huntington’s asset and liability management activities at September 30, 2019 and December 31, 2018, identified by the underlying interest rate-sensitive instruments.

<i>(dollar amounts in millions)</i>	September 30, 2019		
	Fair Value Hedges	Cash Flow Hedges	Total
Instruments associated with:			
Loans	\$ —	\$ 17,150	\$ 17,150
Investment securities	—	12	12
Long-term debt	7,540	—	7,540
Total notional value at September 30, 2019	\$ 7,540	\$ 17,162	\$ 24,702

<i>(dollar amounts in millions)</i>	December 31, 2018		
	Fair Value Hedges	Cash Flow Hedges	Total
Instruments associated with:			
Investment securities	\$ —	\$ 12	\$ 12
Long-term debt	4,865	—	4,865
Total notional value at December 31, 2018	\$ 4,865	\$ 12	\$ 4,877

The following table presents additional information about the interest rate swaps and floors used in Huntington’s asset and liability management activities at September 30, 2019 and December 31, 2018.

<i>(dollar amounts in millions)</i>	September 30, 2019				
	Notional Value	Average Maturity (years)	Fair Value	Weighted-Average Rate	
				Receive	Pay
Asset conversion swaps					
Receive fixed—generic	\$ 8,287	3.5	\$ 106	1.69%	1.33%
Liability conversion swaps					
Receive fixed—generic	7,540	2.5	191	2.20	2.08
Total swap portfolio at September 30, 2019	\$ 15,827	3.0	\$ 297	1.93%	1.69%

<i>(dollar amounts in millions)</i>	September 30, 2019		
	Notional Value	Average Maturity (years)	Fair Value
Interest rate floors			
Designated interest rate floors	\$ 8,875	1.6	\$ 60
Total floors portfolio at September 30, 2019	\$ 8,875	1.6	\$ 60

<i>(dollar amounts in millions)</i>	December 31, 2018				
	Notional Value	Average Maturity (years)	Fair Value	Weighted-Average Rate	
				Receive	Pay
Asset conversion swaps					
Receive fixed—generic	\$ 12	1.2	\$ —	2.20%	2.46%
Liability conversion swaps					
Receive fixed—generic	4,865	2.6	2	2.24	2.54
Total swap portfolio at December 31, 2018	\$ 4,877	2.6	\$ 2	2.24%	2.54%

These derivative financial instruments were entered into for the purpose of managing the interest rate risk of assets and liabilities. Net amounts receivable or payable on contracts hedging either interest earning assets or interest bearing liabilities were accrued as an adjustment to either interest income or interest expense. The net amounts resulted in an increase (decrease) to net interest income of \$(16) million and \$(11) million for the three-month periods ended September 30, 2019, and 2018, respectively, and \$(44) million and \$(25) million for the nine-month periods ended September 30, 2019, and 2018, respectively.

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Fair Value Hedges

The changes in fair value of the fair value hedges are recorded through earnings and offset against changes in the fair value of the hedged item.

The following table presents the change in fair value for derivatives designated as fair value hedges as well as the offsetting change in fair value on the hedged item for the three-month and nine-month periods ended September 30, 2019 and 2018.

<i>(dollar amounts in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest rate contracts				
Change in fair value of interest rate swaps hedging long-term debt (1)	\$ 36	\$ (11)	\$ 165	\$ 55
Change in fair value of hedged long term debt (1)	(32)	12	(162)	(49)

(1) Recognized in Interest expense—long-term debt in the [Unaudited Condensed Consolidated Statements of Income](#).

As of September 30, 2019 and December 31, 2018, the following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges.

<i>(dollar amounts in millions)</i>	Carrying Amount of the Hedged Liabilities		Cumulative Amount of Fair Value Hedging Adjustment To Hedged Liabilities	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Long-term debt	\$ 7,835	\$ 4,845	\$ 150	\$ (12)

The cumulative amount of fair value hedging adjustments remaining for any hedged assets and liabilities for which hedge accounting has been discontinued was \$(104) million and \$(127) million at September 30, 2019 and December 31, 2018, respectively.

Cash Flow Hedges

During the first nine months of 2019, Huntington entered into \$17.2 billion of interest rate floors and swaps. These are designated as cash flow hedges for variable rate commercial loans indexed to LIBOR. The initial premium paid for the interest rate floor contracts represents the time value of the contracts and is not included in the measurement of hedge effectiveness. Any change in fair value related to time value is recognized in OCI. The initial premium paid is amortized on a straight line basis as a reduction to interest income over the contractual life of these contracts.

Derivatives used in mortgage banking activities

Mortgage loan origination hedging activity

Huntington's mortgage origination hedging activity is related to economically hedging Huntington's mortgage pricing commitments to customers and the secondary sale to third parties. The value of a newly originated mortgage is not firm until the interest rate is committed or locked. The net asset (liability) position of these derivatives at September 30, 2019 and December 31, 2018 are \$14 million and \$(4) million, respectively. At September 30, 2019 and December 31, 2018, Huntington had commitments to sell residential real estate loans of \$2.0 billion and \$0.8 billion, respectively. These contracts mature in less than 1 year.

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MSR hedging activity

Huntington's MSR economic hedging activity uses securities and derivatives to manage the value of the MSR asset and to mitigate the various types of risk inherent in the MSR asset, including risks related to duration, basis, convexity, volatility, and yield curve. The hedging instruments include forward commitments, interest rate swaps, and options on interest rate swaps.

The notional value of the derivative financial instruments, corresponding trading assets and liabilities, and net trading gains (losses) related to MSR hedging activity is summarized in the following table:

<i>(dollar amounts in millions)</i>	September 30, 2019		December 31, 2018	
Notional value	\$	572	\$	—
Trading assets		30		—
Trading liabilities		(1)		—

<i>(dollar amounts in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Trading gains (losses)	\$	20	\$	44
		\$ —		\$ (8)

MSR hedging trading assets and liabilities are included in other assets and other liabilities, respectively, in the Unaudited Condensed Balance Sheets. Trading gains (losses) are included in mortgage banking income in the Unaudited Condensed Consolidated Statement of Income.

Derivatives used in customer related activities

Various derivative financial instruments are offered to enable customers to meet their financing and investing objectives and for their risk management purposes. Derivative financial instruments used in trading activities consist of commodity, interest rate, and foreign exchange contracts. Huntington enters into offsetting third-party contracts with approved, reputable counterparties with substantially matching terms and currencies in order to economically hedge significant exposure related to derivatives used in trading activities.

The interest rate or price risk of customer derivatives is mitigated by entering into similar derivatives having offsetting terms with other counterparties. The credit risk to these customers is evaluated and included in the calculation of fair value. Foreign currency derivatives help the customer hedge risk and reduce exposure to fluctuations in exchange rates. Transactions are primarily in liquid currencies with Canadian dollars and Euros comprising a majority of all transactions. Commodity derivatives help the customer hedge risk and reduce exposure to fluctuations in the price of various commodities. Hedging of energy-related products and base metals comprise the majority of these transactions.

The net fair values of these derivative financial instruments, for which the gross amounts are included in other assets or other liabilities at both September 30, 2019 and December 31, 2018, were \$87 million and \$92 million, respectively. The total notional values of derivative financial instruments used by Huntington on behalf of customers, including offsetting derivatives, were \$30 billion and \$26 billion at September 30, 2019 and December 31, 2018, respectively. Huntington's credit risk from customer derivatives was \$515 million and \$132 million at the same dates, respectively.

Visa®-related Swaps

In connection with the sale of Huntington's Class B Visa® shares, Huntington entered into a swap agreement with the purchaser of the shares. The swap agreement adjusts for dilution in the conversion ratio of Class B shares resulting from changes in the Visa® litigation. At September 30, 2019, the fair value of the swap liabilities of \$3 million is an estimate of the exposure liability based upon Huntington's assessment of the potential Visa® litigation losses and timing of the litigation settlement.

Financial assets and liabilities that are offset in the Unaudited Condensed Consolidated Balance Sheets

Huntington records derivatives at fair value as further described in Note 11 "[Fair Values of Assets and Liabilities](#)".

Derivative balances are presented on a net basis taking into consideration the effects of legally enforceable master netting agreements. Additionally, collateral exchanged with counterparties is also netted against the applicable derivative fair values. Huntington enters into derivative transactions with two primary groups: broker-dealers and banks, and Huntington's customers. Different methods are utilized for managing counterparty credit exposure and credit risk for each of these groups.

Huntington enters into transactions with broker-dealers and banks for various risk management purposes. These types of transactions generally are high dollar volume. Huntington enters into collateral and master netting agreements with these counterparties, and routinely exchanges cash and high quality securities collateral. Huntington enters into transactions with

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customers to meet their financing, investing, payment and risk management needs. These types of transactions generally are low dollar volume. Huntington enters into master netting agreements with customer counterparties; however, collateral is generally not exchanged with customer counterparties.

At September 30, 2019 and December 31, 2018, aggregate credit risk associated with these derivatives, net of collateral that has been pledged by the counterparty, was \$46 million and \$37 million, respectively. The credit risk associated with interest rate swaps is calculated after considering master netting agreements with broker-dealers and banks.

At September 30, 2019, Huntington pledged \$109 million of investment securities and cash collateral to counterparties, while other counterparties pledged \$228 million of investment securities and cash collateral to Huntington to satisfy collateral netting agreements. In the event of credit downgrades, Huntington would not be required to provide additional collateral.

The following tables present the gross amounts of these assets and liabilities with any offsets to arrive at the net amounts recognized in the Unaudited Condensed Consolidated Balance Sheets at September 30, 2019 and December 31, 2018.

Offsetting of Financial Assets and Derivative Assets

		Gross amounts of recognized assets	Gross amounts offset in the unaudited condensed consolidated balance sheets	Net amounts of assets presented in the unaudited condensed consolidated balance sheets	Gross amounts not offset in the unaudited condensed consolidated balance sheets		Net amount
					Financial instruments	Cash collateral received	
<i>(dollar amounts in millions)</i>							
September 30, 2019	Derivatives	\$ 1,123	\$ (546)	\$ 577	\$ (15)	\$ (31)	\$ 531
December 31, 2018	Derivatives	500	(291)	209	(4)	(53)	152

Offsetting of Financial Liabilities and Derivative Liabilities

		Gross amounts of recognized liabilities	Gross amounts offset in the unaudited condensed consolidated balance sheets	Net amounts of liabilities presented in the unaudited condensed consolidated balance sheets	Gross amounts not offset in the unaudited condensed consolidated balance sheets		Net amount
					Financial instruments	Cash collateral delivered	
<i>(dollar amounts in millions)</i>							
September 30, 2019	Derivatives	\$ 631	\$ (504)	\$ 127	\$ —	\$ (23)	\$ 104
December 31, 2018	Derivatives	404	(217)	187	—	(12)	175

13. VIEs

Unconsolidated VIEs

The following tables provide a summary of the assets and liabilities included in Huntington's Unaudited Condensed Consolidated Financial Statements, as well as the maximum exposure to losses, associated with its interests related to unconsolidated VIEs for which Huntington holds an interest, but is not the primary beneficiary, to the VIE at September 30, 2019, and December 31, 2018:

	September 30, 2019		
	Total Assets	Total Liabilities	Maximum Exposure to Loss
<i>(dollar amounts in millions)</i>			
Trust Preferred Securities	\$ 14	\$ 252	\$ —
Affordable Housing Tax Credit Partnerships	714	338	714
Other Investments	157	64	157
Total	\$ 885	\$ 654	\$ 871

	December 31, 2018		
	Total Assets	Total Liabilities	Maximum Exposure to Loss
<i>(dollar amounts in millions)</i>			
Trust Preferred Securities	\$ 14	\$ 252	\$ —
Affordable Housing Tax Credit Partnerships	708	357	708
Other Investments	126	53	126
Total	\$ 848	\$ 662	\$ 834

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Trust-Preferred Securities

Huntington has certain wholly-owned trusts whose assets, liabilities, equity, income, and expenses are not included within Huntington's Unaudited Condensed Consolidated Financial Statements. These trusts have been formed for the sole purpose of issuing trust-preferred securities, from which the proceeds are then invested in Huntington junior subordinated debentures, which are reflected in Huntington's Unaudited Condensed Consolidated Balance Sheet as long-term debt. The trust securities are the obligations of the trusts, and as such, are not consolidated within Huntington's Unaudited Condensed Consolidated Financial Statements.

A list of trust preferred securities outstanding at September 30, 2019 follows:

<i>(dollar amounts in millions)</i>	Rate	Principal amount of subordinated note/ debenture issued to trust (1)	Investment in unconsolidated subsidiary
Huntington Capital I	2.79% (2)	\$ 70	\$ 6
Huntington Capital II	2.71 (3)	32	3
Sky Financial Capital Trust III	3.49 (4)	72	2
Sky Financial Capital Trust IV	3.49 (4)	74	2
Camco Financial Trust	3.42 (5)	4	1
Total		<u>\$ 252</u>	<u>\$ 14</u>

- (1) Represents the principal amount of debentures issued to each trust, including unamortized original issue discount.
- (2) Variable effective rate at September 30, 2019, based on three-month LIBOR +0.70%.
- (3) Variable effective rate at September 30, 2019, based on three-month LIBOR +0.625%.
- (4) Variable effective rate at September 30, 2019, based on three-month LIBOR +1.40%.
- (5) Variable effective rate at September 30, 2019, based on three-month LIBOR +1.33%.

Each issue of the junior subordinated debentures has an interest rate equal to the corresponding trust securities distribution rate. Huntington has the right to defer payment of interest on the debentures at any time, or from time-to-time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the related debentures. During any such extension period, distributions to the trust securities will also be deferred and Huntington's ability to pay dividends on its common stock will be restricted. Periodic cash payments and payments upon liquidation or redemption with respect to trust securities are guaranteed by Huntington to the extent of funds held by the trusts. The guarantee ranks subordinate and junior in right of payment to all indebtedness of the Company to the same extent as the junior subordinated debt. The guarantee does not place a limitation on the amount of additional indebtedness that may be incurred by Huntington.

Affordable Housing Tax Credit Partnerships

Huntington makes certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing the LIHTC pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings, and to assist in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnerships include the identification, development, and operation of multi-family housing that is leased to qualifying residential tenants. Generally, these types of investments are funded through a combination of debt and equity.

Huntington uses the proportional amortization method to account for a majority of its investments in these entities. These investments are included in other assets. Investments that do not meet the requirements of the proportional amortization method are accounted for using the equity method. Investment losses related to these investments are included in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

The following table presents the balances of Huntington's affordable housing tax credit investments and related unfunded commitments at September 30, 2019 and December 31, 2018.

<i>(dollar amounts in millions)</i>	September 30, 2019	December 31, 2018
Affordable housing tax credit investments	\$ 1,219	\$ 1,147
Less: amortization	(505)	(439)
Net affordable housing tax credit investments	<u>\$ 714</u>	<u>\$ 708</u>
Unfunded commitments	\$ 338	\$ 357

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The following table presents other information relating to Huntington's affordable housing tax credit investments for the three-month and nine-month periods ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(dollar amounts in millions)</i>				
Tax credits and other tax benefits recognized	\$ 26	\$ 24	\$ 79	\$ 70
Proportional amortization expense included in provision for income taxes	22	19	66	59

There were no material sales of affordable housing tax credit investments during the three-month and nine-month periods ended September 30, 2019 and 2018. There was no impairment recognized for the three-month and nine-month periods ended September 30, 2019 and 2018.

Other VIE's

Other VIE's include investments in Small Business Investment Companies, Historic Tax Credit Investments, certain equity method investments, renewable energy financings, automobile securitizations, and other miscellaneous investments.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments to extend credit

In the ordinary course of business, Huntington makes various commitments to extend credit that are not reflected in the Unaudited Condensed Consolidated Financial Statements. The contract amounts of these financial agreements at September 30, 2019 and December 31, 2018, were as follows:

<i>(dollar amounts in millions)</i>	September 30, 2019	December 31, 2018
Contract amount representing credit risk		
Commitments to extend credit:		
Commercial	\$ 18,345	\$ 17,149
Consumer	14,754	14,974
Commercial real estate	1,410	1,188
Standby letters of credit	624	676
Commercial letters-of-credit	10	14

Commitments to extend credit generally have fixed expiration dates, are variable-rate, and contain clauses that permit Huntington to terminate or otherwise renegotiate the contracts in the event of a significant deterioration in the customer's credit quality. These arrangements normally require the payment of a fee by the customer, the pricing of which is based on prevailing market conditions, credit quality, probability of funding, and other relevant factors. Since many of these commitments are expected to expire without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements.

Standby letters-of-credit are conditional commitments issued to guarantee the performance of a customer to a third-party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years. The carrying amount of deferred revenue associated with these guarantees was \$10 million and \$13 million at September 30, 2019 and December 31, 2018, respectively.

Commercial letters-of-credit represent short-term, self-liquidating instruments that facilitate customer trade transactions and generally have maturities of no longer than 90 days. The goods or cargo being traded normally secure these instruments.

Litigation and Regulatory Matters

The following supplements the disclosure in Note 20 - Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2018 Annual Report on Form 10-K and in Note 14 - Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (collectively, the prior commitments and contingencies disclosures).

In the ordinary course of business, Huntington is routinely a defendant in or party to pending and threatened legal and regulatory actions and proceedings.

In view of the inherent difficulty of predicting the outcome of such matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties,

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Huntington generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each matter may be.

Huntington establishes an accrued liability when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. Huntington thereafter continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

For certain matters, Huntington is able to estimate a range of possible loss. In cases in which Huntington possesses information to estimate a range of possible loss, that estimate is aggregated and disclosed below. There may be other matters for which a loss is probable or reasonably possible but such an estimate of the range of possible loss may not be possible. For those matters where an estimate of the range of possible loss is possible, management currently estimates the aggregate range of possible loss is \$0 to \$20 million at September 30, 2019 in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. The estimated range of possible loss does not represent Huntington's maximum loss exposure.

Based on current knowledge, management does not believe that loss contingencies arising from pending matters will have a material adverse effect on the consolidated financial position of Huntington. Further, management believes that amounts accrued are adequate to address Huntington's contingent liabilities. However, in light of the inherent uncertainties involved in these matters, some of which are beyond Huntington's control, and the large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to Huntington's results of operations for any particular reporting period.

15. SEGMENT REPORTING

Huntington's business segments are based on our internally-aligned segment leadership structure, which is how management monitors results and assesses performance. The Company has four major business segments: Consumer and Business Banking, Commercial Banking, Vehicle Finance, Regional Banking and The Huntington Private Client Group (RBHPCG). The Treasury / Other function includes technology and operations, other unallocated assets, liabilities, revenue, and expense.

Business segment results are determined based upon Huntington's management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around the organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities.

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

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

The management policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to GAAP. As a result, reported segment results are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures result in changes in reported segment financial data. Accordingly, certain amounts have been reclassified to conform to the current period presentation.

Huntington uses an active and centralized FTP methodology to attribute appropriate net interest income to the business segments. The intent of the FTP methodology is to transfer interest rate risk from the business segments by providing matched duration funding of assets and liabilities. The result is to centralize the financial impact, management, and reporting of interest rate risk in the Treasury / Other function where it can be centrally monitored and managed. The Treasury / Other function charges (credits) an internal cost of funds for assets held in (or pays for funding provided by) each business segment. The FTP rate is based on prevailing market interest rates for comparable duration assets (or liabilities). During 2019, the Company

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updated and refined its FTP methodology primarily related to the allocation of deposit funding costs. Prior period amounts presented below have been restated to reflect the new methodology.

Consumer and Business Banking - The Consumer and Business Banking segment, including Home Lending, 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, mortgage loans, consumer loans, credit cards, and small business loans and investment products. Other financial services available to consumer and small business customers include insurance, interest rate risk protection, foreign exchange, and treasury management. Business Banking is defined as serving companies with revenues up to \$20 million. Home Lending supports origination and servicing of consumer loans and mortgages for customers who are generally located in our primary banking markets 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.

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.

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

Listed in the table below is certain operating basis financial information reconciled to Huntington's September 30, 2019, December 31, 2018, and September 30, 2018, reported results by business segment.

Income Statements <i>(dollar amounts in millions)</i>	Three Months Ended September 30,						Huntington Consolidated
	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other		
2019							
Net interest income	\$ 433	\$ 263	\$ 100	\$ 48	\$ (45)	\$ 799	
Provision (benefit) for credit losses	35	36	12	(1)	—	82	
Noninterest income	223	101	4	47	14	389	
Noninterest expense	421	142	36	63	5	667	
Provision (benefit) for income taxes	42	39	12	7	(33)	67	
Net income (loss)	<u>\$ 158</u>	<u>\$ 147</u>	<u>\$ 44</u>	<u>\$ 26</u>	<u>\$ (3)</u>	<u>\$ 372</u>	
2018							
Net interest income	\$ 445	\$ 259	\$ 97	\$ 51	\$ (50)	\$ 802	
Provision (benefit) for credit losses	41	(1)	13	—	—	53	
Noninterest income	194	81	3	46	18	342	
Noninterest expense	424	121	35	60	11	651	
Provision (benefit) for income taxes	38	46	11	6	(39)	62	
Net income (loss)	<u>\$ 136</u>	<u>\$ 174</u>	<u>\$ 41</u>	<u>\$ 31</u>	<u>\$ (4)</u>	<u>\$ 378</u>	

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Nine Months Ended September 30,

Income Statements <i>(dollar amounts in millions)</i>	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
2019						
Net interest income	\$ 1,371	\$ 798	\$ 291	\$ 153	\$ (180)	\$ 2,433
Provision (benefit) for credit losses	81	103	27	(3)	—	208
Noninterest income	596	266	9	147	64	1,082
Noninterest expense	1,247	427	112	193	41	2,020
Provision (benefit) for income taxes	134	113	33	23	(110)	193
Net income (loss)	\$ 505	\$ 421	\$ 128	\$ 87	\$ (47)	\$ 1,094
2018						
Net interest income	\$ 1,254	\$ 744	\$ 294	\$ 148	\$ (84)	\$ 2,356
Provision (benefit) for credit losses	98	41	36	—	—	175
Noninterest income	557	234	9	146	46	992
Noninterest expense	1,263	364	106	180	23	1,936
Provision (benefit) for income taxes	95	120	34	24	(95)	178
Net income (loss)	\$ 355	\$ 453	\$ 127	\$ 90	\$ 34	\$ 1,059

<i>(dollar amounts in millions)</i>	Assets at		Deposits at	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Consumer & Business Banking	\$ 25,418	\$ 27,486	\$ 51,671	\$ 50,300
Commercial Banking	34,368	34,818	21,088	23,185
Vehicle Finance	19,414	19,435	363	346
RBHPCG	6,593	6,540	6,101	6,809
Treasury / Other	22,942	20,502	3,172	4,134
Total	\$ 108,735	\$ 108,781	\$ 82,395	\$ 84,774

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Quantitative and qualitative disclosures for the current period can be found in the Market Risk section of this report, which includes changes in market risk exposures from disclosures presented in Huntington's 2018 Form 10-K.

Item 4: Controls and Procedures

Disclosure Controls and Procedures

Huntington maintains disclosure controls and procedures designed to ensure that the information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act), are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Huntington's Management, with the participation of its Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of Huntington's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2019. Based upon such evaluation, Huntington's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2019, Huntington's disclosure controls and procedures were effective.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

In accordance with the instructions to Part II, the other specified items in this part have been omitted because they are not applicable or the information has been previously reported.

Item 1: Legal Proceedings

Information required by this item is set forth in Note 14 "[Commitments and Contingent Liabilities](#)" of the Notes to Unaudited Condensed Consolidated Financial Statements under the caption "Litigation and Regulatory Matters" and is incorporated into this Item by reference.

Item 1A: Risk Factors

Information required by this item is set forth in [Part 1 Item 2- Management's Discussion and Analysis of Financial Condition and Results of Operations](#) of this report and incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) and (b)

Not Applicable

(c)

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid Per Share</u>	<u>Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (2)</u>
July 1, 2019 to July 31, 2019	59,000	\$ 14.42	\$ 512,149,127
August 1, 2019 to August 31, 2019	5,154,176	13.01	445,099,835
September 1, 2019 to September 30, 2019	—	—	445,099,835
Total	<u>5,213,176</u>	<u>\$ 13.02</u>	<u>\$ 445,099,835</u>

- (1) The reported shares were repurchased pursuant to Huntington's publicly-announced share repurchase authorization.
- (2) The number shown represents, as of the end of each period, the approximate dollar value of Common Stock that may yet be purchased under publicly-announced share repurchase authorizations. The shares may be purchased, from time-to-time, depending on market conditions.

On July 17, 2019, the Board of Directors authorized the repurchase of up to \$513 million of common shares over the four quarters through the 2020 second quarter. During the 2019 third quarter, Huntington repurchased a total of 5.2 million shares at a weighted average share price of \$13.02.

Item 6. Exhibits

Exhibit Index

This report incorporates by reference the documents listed below that we have previously filed with the SEC. The SEC allows us to incorporate by reference information in this document. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document.

The SEC 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 filed by us with the SEC are also available free of charge at our Internet web site. The address of the site is <http://www.huntington.com>. Except as specifically incorporated by reference into this Quarterly Report on Form 10-Q, 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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Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.1	Articles Supplementary of Huntington Bancshares Incorporated, as of January 18, 2019.	Current Report on Form 8-K dated January 16, 2019.	001-34073	3.1
3.2	Articles of Restatement of Huntington Bancshares Incorporated, as of January 18, 2019.	Current Report on Form 8-K dated January 16, 2019.	001-34073	3.2
3.3	Bylaws of Huntington Bancshares Incorporated, as amended and restated on January 16, 2019.	Current Report on Form 8-K dated January 16, 2019.	001-34073	3.3
4.1(P)	Instruments defining the Rights of Security Holders—reference is made to Articles Fifth, Eighth, and Tenth of Articles of Restatement of Charter, as amended and supplemented. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.			
10.1	Second Amendment to the Huntington Supplemental 401(k) Plan, dated October 22, 2019			
10.2	First Amendment to The Huntington Bancshares Supplemental Retirement Income Plan, dated October 23, 2019			
31.1	*Rule 13a-14(a) Certification – Chief Executive Officer.			
31.2	*Rule 13a-14(a) Certification – Chief Financial Officer.			
32.1	**Section 1350 Certification – Chief Executive Officer.			
32.2	**Section 1350 Certification – Chief Financial Officer.			
101.INS	***The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document			
101.SCH	*Inline XBRL Taxonomy Extension Schema Document			
101.CAL	*Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	*Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	*Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	*Inline XBRL Taxonomy Extension Presentation Linkbase Document			
*	Filed herewith			
**	Furnished herewith			
***	The following material from Huntington’s Form 10-Q Report for the quarterly period ended September 30, 2019, formatted in Inline XBRL: (1) Unaudited Condensed Consolidated Balance Sheets , (2) Unaudited Condensed Consolidated Statements of Income , (3) Unaudited Condensed Consolidated Statements of Comprehensive Income , (4) Unaudited Condensed Consolidated Statement of Changes in Shareholders’ Equity , (5) Unaudited Condensed Consolidated Statements of Cash Flows , and (6) the Notes to Unaudited Condensed Consolidated Financial Statements .			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUNTINGTON BANCSHARES INCORPORATED
(Registrant)

Date:	October 28, 2019	<u>/s/ Stephen D. Steinour</u> Stephen D. Steinour Chairman, President, and Chief Executive Officer (Principal Executive Officer)
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Date:	October 28, 2019	<u>/s/ Howell D. McCullough III</u> Howell D. McCullough III Chief Financial Officer (Principal Financial Officer)
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HUNTINGTON BANCSHARES INCORPORATED
Compensation Committee of the Board of Directors

October __, 2019

Re: Freezing Participation in the Huntington Supplemental 401(k) Plan

WHEREAS, Huntington Bancshares Incorporated (the "Corporation") sponsors The Huntington Supplemental 401(k) Plan (the "Plan") for the benefit of certain highly compensated employees whose benefits under the Huntington 401(k) Plan (the "Qualified Plan") are affected by the limits imposed on tax-qualified plans under the Code, or by limits imposed under the Qualified Plan;

WHEREAS, the Corporation through the Compensation Committee of its Board of Directors has authority to take action regarding the retirement plans of the Corporation, including amendment of the Plan;

WHEREAS, the Corporation has the authority to amend the Plan pursuant to Section 7.1 of the Plan;

WHEREAS, the Compensation Committee of the Board of Directors desires to amend the Plan effective December 31, 2019, to provide for the freezing of the admission of new participants and of the accrual of any additional benefits under the Plan;

NOW, THEREFORE, BE IT RESOLVED, that the Compensation Committee of the Board of Directors of the Corporation hereby approves the amendment of the Plan, substantially in the form of Exhibit A attached hereto, effective as of December 31, 2019, to provide for the freezing of all participation in and accrual of any additional benefits (other than investment earnings on amounts already deferred) under the Plan; and

RESOLVED FURTHER, that any appropriate officers or employees of the Corporation be, and hereby are, authorized to recommend any amendments and/or restatements of the Plan and any other instruments, documents or conveyances necessary to effectuate the amendments and/or restatements of the Plan to include the provisions described herein; and

RESOLVED FINALLY, that the appropriate officers of the Corporation shall be and hereby are authorized and directed to take such action as may be necessary, appropriate or advisable to implement these Resolutions, including executing, delivering, acknowledging, filing, recording and sealing of all documents, certificates, statements or other instruments, and that any prior action taken by any appropriate officer of the Corporation that is consistent with these Resolutions is hereby ratified and approved.

**SECOND AMENDMENT TO
THE HUNTINGTON SUPPLEMENTAL 401(k) PLAN**

Background

- A. Huntington Bancshares Incorporated (the "Company") maintains The Huntington Supplemental 401(k) Plan (the "Plan"), amended and restated effective as of January 1, 2019.
- B. Section 7.1 of the Plan gives the Company the power and authority to amend the Plan from time to time by action of the Compensation Committee of its Board of Directors or an authorized delegate thereof.
- C. The Company desires to amend the Plan effective as of December 31, 2019, to provide for the freezing of all participation in and accrual of any additional benefits (other than investment earnings on amounts already deferred) under the Plan.

Amendment

The Plan is hereby amended as follows, effective as of as of December 31, 2019:

- 1. A new Section 2.6 is hereby added to the Plan, reading as follows:

“Section 2.6 Plan Freeze. Notwithstanding any other provision hereof, effective as of close of business on December 31, 2019, this Plan shall be “frozen” and no new Eligible Employees shall become Participants in the Plan after that date, and no existing Participants shall be permitted to defer Compensation or receive Employer Matching Contributions allocated to their Accounts in the Plan for any period of time after that date.”

- 2. Section 3.1 of the Plan is hereby amended by adding the following to the end thereof:

“Notwithstanding any other provision hereof, effective as of close of business on December 31, 2019, this Plan shall be “frozen” and Participants shall not be permitted to defer Compensation or receive Employer Matching Contributions allocated to their Accounts in the Plan for any period of time after that date. Accounts shall, however, continue to be maintained and credited with earnings, as hereinafter provided, until distributed in accordance with the terms of the Plan.”

- 3. All other provisions of the Plan shall remain unchanged.

This Second Amendment to the Plan is hereby adopted by the Company.

COMPANY:

Huntington Bancshares Incorporated

Date: October, 2019

By: __

Its: __

HUNTINGTON BANCSHARES INCORPORATED

Board of Directors

October 23, 2019

Re: Form of Benefit available to the Beneficiary of a Supplemental Retirement Benefit and Supplemental Surviving Beneficiary Benefit

WHEREAS, Huntington Bancshares Incorporated (the "Corporation") sponsors The Huntington Bancshares Supplemental Retirement Income Plan (the "Plan") for the benefit of certain highly compensated employees whose benefits under the Huntington Bancshares Retirement Plan (the "Qualified Plan") are affected by the limits imposed on tax-qualified plans under the Code, or by limits imposed under the Qualified Plan;

WHEREAS, the Corporation through its Board of Directors has authority to take action regarding the retirement plans of the Corporation, including amendment of the Plan;

WHEREAS, the Corporation has the authority to amend the Plan pursuant to Section 8.01 of the Plan;

WHEREAS, Prop. Treas. Reg. § 1.409A-3 permits an amendment to the Plan that accelerates payments to Beneficiaries if such amendment becomes effective one year following the date of the amendment;

WHEREAS, the Board of Directors desires to amend the Plan effective one year following the date of this Resolution to provide for the payment of a pre-retirement death benefit under the Supplemental Retirement Benefit in a single lump sum;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Corporation hereby approves the amendment of the Plan, substantially in the form of Exhibit A attached hereto, effective as of the date set forth in such amendment, to provide for the payment of a pre-retirement death benefit under the Supplemental Retirement Benefit in a single lump sum; and

RESOLVED FURTHER, that any appropriate officers or employees of the Corporation be, and hereby are, authorized to recommend any amendments and/or restatements of the Plan and any other instruments, documents or conveyances necessary to effectuate the amendments and/or restatements of the Plan to include the provisions described herein; and

RESOLVED FINALLY, that the appropriate officers of the Corporation shall be and hereby are authorized and directed to take such action as may be necessary, appropriate or advisable to implement these Resolutions, including executing, delivering, acknowledging, filing, recording and sealing of all documents, certificates, statements or other instruments, and that any prior action taken by any appropriate officer of the Corporation that is consistent with these Resolutions is hereby ratified and approved.

**FIRST AMENDMENT TO
THE HUNTINGTON BANCSHARES
SUPPLEMENTAL RETIREMENT INCOME PLAN**

Background

- A. Huntington Bancshares Incorporated (the "Company") maintains The Huntington Bancshares Supplemental Retirement Income Plan (the "Plan"), amended and restated effective as of December 31, 2013.
- B. Section 8.01 of the Plan gives the Company the power and authority to amend the Plan from time to time by action of its Board of Directors or an authorized delegate thereof.
- C. The Company desires to amend the Plan effective one year following the date of this Amendment, to require that a pre-retirement death benefit under the Plan be paid in the form of a single lump sum.

Amendment

The Plan is hereby amended as follows, effective as of as of July 5, 2020:

- 1. Section 4.02 of the Plan is hereby amended by adding the following sentence to the end of the paragraph:

"Notwithstanding the forgoing, effective July 5, 2020, the Supplemental Surviving Beneficiary Benefit shall be payable only in the form of an Actuarially Equivalent lump sum payment. In addition, any Supplemental Surviving Beneficiary Benefits in pay status as of the effective date of this provision shall have the remaining benefits paid in the form of an Actuarially Equivalent single lump sum."

- 2. All other provisions of the Plan shall remain unchanged.

This First Amendment to the Plan is hereby adopted by the Company.

COMPANY:

Huntington Bancshares Incorporated

Date: July ____, 2019 By:

Its:

CERTIFICATION

I, Stephen D. Steinour, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huntington Bancshares Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2019

/s/ Stephen D. Steinour
Stephen D. Steinour
Chief Executive Officer

CERTIFICATION

I, Howell D. McCullough III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huntington Bancshares Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2019

/s/ Howell D. McCullough III
Howell D. McCullough III
Chief Financial Officer

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Huntington Bancshares Incorporated (the "Company") on Form 10-Q for the three months ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen D. Steinour, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen D. Steinour

Stephen D. Steinour
Chief Executive Officer
October 28, 2019

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Huntington Bancshares Incorporated (the "Company") on Form 10-Q for the three months ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howell D. McCullough III, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Howell D. McCullough III

Howell D. McCullough III
Chief Financial Officer
October 28, 2019