

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

Maryland 31-0724920
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
Registrant's address: 41 South High Street, Columbus, Ohio 43287
Registrant's telephone number, including area code: (614) 480-8300

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

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

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

Large accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

Emerging growth company

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

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

There were 1,080,946,315 shares of the Registrant's common stock (\$0.01 par value) outstanding on September 30, 2017.

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Glossary of Acronyms

The following listing provides a comprehensive reference of common acronyms used throughout this document.

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

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

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|------------|---|
| FirstMerit | FirstMerit Corporation |
| FRB | Federal Reserve Bank |
| FTE | Fully-Taxable Equivalent |
| FTP | Funds Transfer Pricing |
| GAAP | Generally Accepted Accounting Principles in the United States of America |
| HIP | Huntington Investment and Tax Savings Plan |
| HQLA | High Quality Liquid Asset |
| HTM | Held-to-Maturity |
| IRS | Internal Revenue Service |
| LCR | Liquidity Coverage Ratio |
| LGD | Loss-Given-Default |
| LIBOR | London Interbank Offered Rate |
| LIHTC | Low Income Housing Tax Credit |
| LTV | Loan to Value |
| MBS | Mortgage-Backed Securities |
| MD&A | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| MSA | Metropolitan Statistical Area |
| MSR | Mortgage Servicing Rights |
| NAICS | North American Industry Classification System |
| NALs | Nonaccrual Loans |
| NCO | Net Charge-off |
| NII | Net Interest Income |
| NIM | Net Interest Margin |
| NPAs | Nonperforming Assets |
| OCC | Office of the Comptroller of the Currency |

| | |
|--------|--|
| OCI | Other Comprehensive Income (Loss) |
| OCR | Optimal Customer Relationship |
| OLEM | Other Loans Especially Mentioned |
| OREO | Other Real Estate Owned |
| OTTI | Other-Than-Temporary Impairment |
| PD | Probability-Of-Default |
| Plan | Huntington Bancshares Retirement Plan |
| RBHPCG | Regional Banking and The Huntington Private Client Group |
| REIT | Real Estate Investment Trust |
| ROC | Risk Oversight Committee |
| RWA | Risk-Weighted Assets |
| SAD | Special Assets Division |
| SBA | Small Business Administration |
| SEC | Securities and Exchange Commission |

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|---------------|--|
| SERP | Supplemental Executive Retirement Plan |
| SRIP | Supplemental Retirement Income Plan |
| TCE | Tangible Common Equity |
| TDR | Troubled Debt Restructured Loan |
| U.S. Treasury | U.S. Department of the Treasury |
| UCS | Uniform Classification System |
| UPB | Unpaid Principal Balance |
| USDA | U.S. Department of Agriculture |
| VIE | Variable Interest Entity |
| XBRL | eXtensible Business Reporting Language |

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PART I. FINANCIAL INFORMATION

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

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

INTRODUCTION

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have over 150 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, recreational vehicle and marine financing, equipment leasing, investment management, trust services, brokerage services, insurance programs, and other financial products and services. Our 958 branches and private client group offices are located in Ohio, Illinois, Indiana, Kentucky, Michigan, Pennsylvania, West Virginia, and Wisconsin. Select financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio. Our foreign banking activities, in total or with any individual country, are not significant.

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

EXECUTIVE OVERVIEW

Summary of 2017 Third Quarter Results Compared to 2016 Third Quarter

For the quarter, we reported net income of \$275 million, or \$0.23 per common share, compared with \$127 million, or \$0.11 per common share, in the year-ago quarter (see Table 1). Reported net income was impacted by FirstMerit acquisition-related net expenses totaling \$31 million pre-tax, or \$0.02 per common share.

Fully-taxable equivalent net interest income was \$771 million, up \$135 million, or 21%. The results reflected the benefit from a \$13.2 billion, or 17%, increase in average earning assets and an 11 basis point improvement in the net interest margin to 3.29%. Average earning asset growth included a \$7.6 billion, or 12%, increase in average loans and leases, and a \$5.6 billion, or 31%, increase in average securities. The net interest margin expansion reflected a 26 basis point increase in earning asset yields, including an approximate 12 basis point impact of purchase accounting, and a 4 basis point increase in the benefit from noninterest-bearing funds, partially offset by a 19 basis point increase in funding costs.

The provision for credit losses decreased \$20 million year-over-year to \$44 million in the 2017 third quarter. NCOs increased \$3 million to \$43 million. NCOs represented an annualized 0.25% of average loans and leases, which remains below our long-term expectation of 35 to 55 basis points.

Non-interest income was \$330 million, up \$28 million, or 9%. The increase was primarily a result of the FirstMerit acquisition. In addition, card and payment processing income increased due to higher credit and debit card related income and underlying customer growth. Capital markets fees increased reflecting our continued strategic focus on expanding the business.

Non-interest expense was \$680 million, down \$32 million, or 4%, primarily reflecting the impact of the FirstMerit acquisition. Personnel costs decreased primarily related to acquisition-related personnel expense partially offset by an increase in average full-time equivalent employees. Further, professional services, outside data processing and other services decreased primarily reflecting a net decrease in acquisition-related Significant Items, partially offset by higher card and data processing expense from increased usage. Partially offsetting these decreases, other expense increased primarily reflecting an increase in donations and sponsorships and equipment lease residual impairments.

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The tangible common equity to tangible assets ratio was 7.42%, up 28 basis points from a year-ago. The CET1 risk-based capital ratio was 9.94% at September 30, 2017, compared to 9.09% a year ago. The regulatory Tier 1 risk-based capital ratio was 11.30% compared to 10.40% at September 30, 2016. All capital ratios were impacted by the repurchase of \$123 million of common stock at an average cost of \$12.75 per share during the 2017 third quarter. The total risk-based capital ratio was impacted by the repurchase of trust preferred securities during the 2016 fourth quarter.

Business Overview

General

Our general business objectives are:

1. Grow net interest income and fee income.
2. Deliver positive operating leverage.
3. Increase primary customer relationships across all business segments.
4. Continue to strengthen risk management.
5. Maintain capital and liquidity positions consistent with our risk appetite.

Economy

We expect consumer and business optimism to remain high across our footprint. Labor markets and consumer spending are strong with some inflationary pressures. Throughout 2017, consumer loan growth has remained steady. To date manufacturing has benefited the Midwest. Our pipelines support commercial loan growth, although the commercial lending environment is competitive on both structures and rates.

DISCUSSION OF RESULTS OF OPERATIONS

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

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Table 1 - Selected Quarterly Income Statement Data (1)
(dollar amounts in thousands, except per share amounts)

| | Three Months Ended | | | | | |
|---|--------------------------|------------------|-------------------|-------------------------|--------------------------|---|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | |
| Interest income | \$872,987 | \$846,424 | \$820,360 | \$814,858 | \$694,346 | |
| Interest expense | 114,554 | 101,912 | 90,385 | 79,877 | 68,956 | |
| Net interest income | 758,433 | 744,512 | 729,975 | 734,981 | 625,390 | |
| Provision for credit losses | 43,590 | 24,978 | 67,638 | 74,906 | 63,805 | |
| Net interest income after provision for credit losses | 714,843 | 719,534 | 662,337 | 660,075 | 561,585 | |
| Service charges on deposit accounts | 90,681 | 87,582 | 83,420 | 91,577 | 86,847 | |
| Cards and payment processing income | 53,647 | 52,485 | 47,169 | 49,113 | 44,320 | |
| Mortgage banking income | 33,615 | 32,268 | 31,692 | 37,520 | 40,603 | |
| Trust and investment management services | 33,531 | 32,232 | 33,869 | 34,016 | 28,923 | |
| Insurance income | 13,992 | 15,843 | 15,264 | 16,486 | 15,865 | |
| Brokerage income | 14,458 | 16,294 | 15,758 | 17,014 | 14,719 | |
| Capital markets fees | 21,719 | 16,836 | 14,200 | 18,730 | 14,750 | |
| Bank owned life insurance income | 16,453 | 15,322 | 17,542 | 17,067 | 14,452 | |
| Gain on sale of loans | 13,877 | 12,002 | 12,822 | 24,987 | 7,506 | |
| Net securities gains (losses) | (33) | 135) | (8) | (1,771) | 1,031) | |
| Other noninterest income | 38,157 | 44,219 | 40,735 | 29,598 | 33,399 | |
| Total noninterest income | 330,097 | 325,218 | 312,463 | 334,337 | 302,415 | |
| Personnel costs | 377,088 | 391,997 | 382,000 | 359,755 | 405,024 | |
| Outside data processing and other services | 79,586 | 75,169 | 87,202 | 88,695 | 91,133 | |
| Equipment | 45,458 | 42,924 | 46,700 | 59,666 | 40,792 | |
| Net occupancy | 55,124 | 52,613 | 67,700 | 49,450 | 41,460 | |
| Professional services | 15,227 | 18,190 | 18,295 | 23,165 | 47,075 | |
| Marketing | 16,970 | 18,843 | 13,923 | 21,478 | 14,438 | |
| Deposit and other insurance expense | 18,514 | 20,418 | 20,099 | 15,772 | 14,940 | |
| Amortization of intangibles | 14,017 | 14,242 | 14,355 | 14,099 | 9,046 | |
| Other noninterest expense | 58,444 | 59,968 | 57,148 | 49,417 | 48,339 | |
| Total noninterest expense | 680,428 | 694,364 | 707,422 | 681,497 | 712,247 | |
| Income before income taxes | 364,512 | 350,388 | 267,378 | 312,915 | 151,753 | |
| Provision for income taxes | 89,944 | 78,647 | 59,284 | 73,952 | 24,749 | |
| Net income | 274,568 | 271,741 | 208,094 | 238,963 | 127,004 | |
| Dividends on preferred shares | 18,903 | 18,889 | 18,878 | 18,865 | 18,537 | |
| Net income applicable to common shares | \$255,665 | \$252,852 | \$189,216 | \$220,098 | \$108,467 | |
| Average common shares—basic | 1,086,038 | 1,088,934 | 1,086,374 | 1,085,253 | 938,578 | |
| Average common shares—diluted | 1,106,491 | 1,108,527 | 1,108,617 | 1,104,358 | 952,081 | |
| Net income per common share—basic | \$0.24 | \$0.23 | \$0.17 | \$0.20 | \$0.12 | |
| Net income per common share—diluted | 0.23 | 0.23 | 0.17 | 0.20 | 0.11 | |
| Cash dividends declared per common share | 0.08 | 0.08 | 0.08 | 0.08 | 0.07 | |
| Return on average total assets | 1.08 | % 1.09 | % 0.84 | % 0.95 | % 0.58 | % |
| Return on average common shareholders' equity | 10.5 | 10.6 | 8.2 | 9.4 | 5.4 | |

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| | | | | | |
|--|-------------|-------------|-------------|-------------|-----------|
| Return on average tangible common shareholders' equity (2) | 14.1 | 14.4 | 11.3 | 12.9 | 7.0 |
| Net interest margin (3) | 3.29 | 3.31 | 3.30 | 3.25 | 3.18 |
| Efficiency ratio (4) | 60.5 | 62.9 | 65.7 | 61.6 | 75.0 |
| Effective tax rate | 24.7 | 22.4 | 22.2 | 23.6 | 16.3 |
| Revenue—FTE | | | | | |
| Net interest income | \$758,433 | \$744,512 | \$729,975 | \$734,981 | \$625,390 |
| FTE adjustment | 12,209 | 12,069 | 12,058 | 12,560 | 10,598 |
| Net interest income (3) | 770,642 | 756,581 | 742,033 | 747,541 | 635,988 |
| Noninterest income | 330,097 | 325,218 | 312,463 | 334,337 | 302,415 |
| Total revenue (3) | \$1,100,739 | \$1,081,799 | \$1,054,496 | \$1,081,878 | \$938,403 |

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Table 2 - Selected Year to Date Income Statements (1)

| (dollar amounts in thousands, except per share amounts) | Nine Months Ended | | Change | |
|---|--------------------|--------------------|-----------|---------|
| | September 30, 2017 | September 30, 2016 | Amount | Percent |
| Interest income | \$2,539,771 | \$1,817,255 | \$722,516 | 40 % |
| Interest expense | 306,851 | 182,918 | 123,933 | 68 |
| Net interest income | 2,232,920 | 1,634,337 | 598,583 | 37 |
| Provision for credit losses | 136,206 | 115,896 | 20,310 | 18 |
| Net interest income after provision for credit losses | 2,096,714 | 1,518,441 | 578,273 | 38 |
| Service charges on deposit accounts | 261,683 | 232,722 | 28,961 | 12 |
| Cards and payment processing income | 153,301 | 119,951 | 33,350 | 28 |
| Mortgage banking income | 97,575 | 90,737 | 6,838 | 8 |
| Trust and investment management services | 99,633 | 74,258 | 25,375 | 34 |
| Insurance income | 45,099 | 48,037 | (2,938) | (6) |
| Brokerage income | 46,510 | 44,819 | 1,691 | 4 |
| Capital markets fees | 52,755 | 40,797 | 11,958 | 29 |
| Bank owned life insurance income | 49,317 | 40,500 | 8,817 | 22 |
| Gain on sale of loans | 38,701 | 22,166 | 16,535 | 75 |
| Net securities gains (losses) | 94 | 1,687 | (1,593) | (94) |
| Other noninterest income | 123,110 | 99,720 | 23,390 | 23 |
| Total noninterest income | 967,778 | 815,394 | 152,384 | 19 |
| Personnel costs | 1,151,085 | 989,369 | 161,716 | 16 |
| Outside data processing and other services | 241,957 | 216,047 | 25,910 | 12 |
| Equipment | 135,082 | 105,173 | 29,909 | 28 |
| Net occupancy | 175,437 | 103,640 | 71,797 | 69 |
| Professional services | 51,712 | 82,101 | (30,389) | (37) |
| Marketing | 49,736 | 41,479 | 8,257 | 20 |
| Deposit and other insurance expense | 59,031 | 38,335 | 20,696 | 54 |
| Amortization of intangibles | 42,614 | 16,357 | 26,257 | 161 |
| Other noninterest expense | 175,560 | 134,487 | 41,073 | 31 |
| Total noninterest expense | 2,082,214 | 1,726,988 | 355,226 | 21 |
| Income before income taxes | 982,278 | 606,847 | 375,431 | 62 |
| Provision for income taxes | 227,875 | 133,989 | 93,886 | 70 |
| Net income | 754,403 | 472,858 | 281,545 | 60 |
| Dividends declared on preferred shares | 56,670 | 46,409 | 10,261 | 22 |
| Net income applicable to common shares | \$697,733 | \$426,449 | \$271,284 | 64 % |
| Average common shares—basic | 1,087,115 | 844,167 | 242,948 | 29 % |
| Average common shares—diluted | 1,107,878 | 856,934 | 250,944 | 29 |
| Net income per common share—basic | \$0.64 | \$0.51 | \$0.13 | 25 |
| Net income per common share—diluted | 0.63 | 0.50 | 0.13 | 26 |
| Cash dividends declared per common share | 0.24 | 0.21 | 0.03 | 14 |
| Revenue—FTE | | | | |
| Net interest income | \$2,232,920 | \$1,634,337 | \$598,583 | 37 % |
| FTE adjustment | 36,336 | 29,848 | 6,488 | 22 |

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| | | | | |
|-------------------------|-------------|-------------|-----------|------|
| Net interest income (3) | 2,269,256 | 1,664,185 | 605,071 | 36 |
| Noninterest income | 967,778 | 815,394 | 152,384 | 19 |
| Total revenue (3) | \$3,237,034 | \$2,479,579 | \$757,455 | 31 % |

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

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

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

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

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Significant Items

Earnings comparisons are impacted by the Significant Items summarized below:

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

• During the 2017 third quarter, \$31 million of noninterest expense was recorded related to the acquisition of FirstMerit. This resulted in a negative impact of \$0.02 per common share.

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

• During the 2016 third quarter, \$159 million of noninterest expense was recorded related to the then pending acquisition of FirstMerit. This resulted in a negative impact of \$0.11 per common share.

The following table reflects the earnings impact of the above-mentioned Significant Items for periods affected:
Table 3 - Significant Items Influencing Earnings Performance Comparison
(dollar amounts in thousands, except per share amounts)

| | Three Months Ended | | | | | |
|--|--------------------|----------|---------------|----------|--------------------|----------|
| | September 30, 2017 | | June 30, 2017 | | September 30, 2016 | |
| | Amount | EPS (1) | Amount | EPS (1) | Amount | EPS (1) |
| Net income | \$274,568 | | \$271,741 | | \$127,004 | |
| Earnings per share, after-tax | | \$0.23 | | \$0.23 | | \$0.11 |
| Significant Items—favorable (unfavorable) impact | Earnings | EPS (1) | Earnings | EPS (1) | Earnings | EPS (1) |
| Mergers and acquisitions, net expenses | \$(30,733) | | \$(50,243) | | \$(158,749) | |
| Tax impact | 10,757 | | 17,585 | | 52,033 | |
| Mergers and acquisitions, after-tax | \$(19,976) | \$(0.02) | \$(32,658) | \$(0.03) | \$(106,716) | \$(0.11) |

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

| | Nine Months Ended | | | |
|--|--------------------|----------|--------------------|----------|
| | September 30, 2017 | | September 30, 2016 | |
| | Amount | EPS (1) | Amount | EPS (1) |
| Net income | \$754,403 | | \$472,858 | |
| Earnings per share, after-tax | | \$0.63 | | \$0.50 |
| Significant Items—favorable (unfavorable) impact | Earnings | EPS (1) | Earnings | EPS (1) |
| Mergers and acquisitions, net expenses | \$(152,121) | | \$(185,944) | |
| Tax impact | 53,243 | | 61,252 | |
| Mergers and acquisitions, after-tax | \$(98,878) | \$(0.09) | \$(124,692) | \$(0.14) |

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

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Net Interest Income / Average Balance Sheet

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

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

| (dollar amounts in millions) | Average Balances | | | | | Change | |
|---|--------------------|---------------|--------------------|-------------------|--------------------|----------------|--------------------|
| | Three Months Ended | | September 30, 2017 | December 31, 2016 | September 30, 2016 | 3Q17 vs. 3Q16 | |
| | September 30, 2017 | June 30, 2017 | | | | March 31, 2017 | September 30, 2016 |
| Assets: | | | | | | | |
| Interest-bearing deposits in banks | \$102 | \$102 | \$100 | \$110 | \$95 | \$7 | 8 % |
| Loans held for sale | 678 | 525 | 415 | 2,507 | 695 | (17) | (2) |
| Securities: | | | | | | | |
| Available-for-sale and other securities: | | | | | | | |
| Taxable | 12,275 | 13,135 | 12,801 | 13,734 | 9,785 | 2,490 | 25 |
| Tax-exempt | 3,161 | 3,104 | 3,049 | 3,136 | 2,854 | 307 | 11 |
| Total available-for-sale and other securities | 15,436 | 16,239 | 15,850 | 16,870 | 12,639 | 2,797 | 22 |
| Trading account securities | 92 | 91 | 137 | 139 | 49 | 43 | 88 |
| Held-to-maturity securities—taxable | 8,264 | 7,427 | 7,656 | 5,432 | 5,487 | 2,777 | 51 |
| Total securities | 23,793 | 23,756 | 23,643 | 22,441 | 18,175 | 5,618 | 31 |
| Loans and leases: (1) | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | 27,643 | 27,992 | 27,922 | 27,727 | 24,957 | 2,686 | 11 |
| Commercial real estate: | | | | | | | |
| Construction | 1,152 | 1,130 | 1,314 | 1,413 | 1,132 | 20 | 2 |
| Commercial | 6,064 | 5,940 | 6,039 | 5,805 | 5,227 | 837 | 16 |
| Commercial real estate | 7,216 | 7,070 | 7,353 | 7,218 | 6,359 | 857 | 13 |
| Total commercial | 34,859 | 35,062 | 35,276 | 34,945 | 31,316 | 3,543 | 11 |
| Consumer: | | | | | | | |
| Automobile | 11,713 | 11,324 | 11,063 | 10,866 | 11,402 | 311 | 3 |
| Home equity | 9,960 | 9,958 | 10,072 | 10,101 | 9,260 | 700 | 8 |
| Residential mortgage | 8,402 | 7,979 | 7,777 | 7,690 | 7,012 | 1,390 | 20 |
| RV and marine finance | 2,296 | 2,039 | 1,874 | 1,844 | 915 | 1,381 | 151 |
| Other consumer | 1,046 | 983 | 919 | 959 | 817 | 229 | 28 |
| Total consumer | 33,417 | 32,283 | 31,705 | 31,460 | 29,406 | 4,011 | 14 |
| Total loans and leases | 68,276 | 67,345 | 66,981 | 66,405 | 60,722 | 7,554 | 12 |
| Allowance for loan and lease losses | (672) | (672) | (636) | (614) | (623) | (49) | 8 |
| Net loans and leases | 67,604 | 66,673 | 66,345 | 65,791 | 60,099 | 7,505 | 12 |
| Total earning assets | 92,849 | 91,728 | 91,139 | 91,463 | 79,687 | 13,162 | 17 |
| Cash and due from banks | 1,299 | 1,287 | 2,011 | 1,538 | 1,325 | (26) | (2) |
| Intangible assets | 2,359 | 2,373 | 2,387 | 2,421 | 1,547 | 812 | 52 |
| All other assets | 5,455 | 5,405 | 5,442 | 5,559 | 4,962 | 493 | 10 |
| Total assets | \$101,290 | \$100,121 | \$100,343 | \$100,367 | \$86,898 | \$14,392 | 17 % |
| Liabilities and Shareholders' Equity: | | | | | | | |
| Deposits: | | | | | | | |
| Demand deposits—noninterest-bearing | \$21,723 | \$21,599 | \$21,730 | \$23,250 | \$20,033 | \$1,690 | 8 % |
| Demand deposits—interest-bearing | 17,878 | 17,445 | 16,805 | 15,294 | 12,362 | 5,516 | 45 |
| Total demand deposits | 39,601 | 39,044 | 38,535 | 38,544 | 32,395 | 7,206 | 22 |

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| | | | | | | | |
|---|-----------|-----------|-----------|-----------|----------|----------|------|
| Money market deposits | 20,314 | 19,212 | 18,653 | 18,618 | 18,453 | 1,861 | 10 |
| Savings and other domestic deposits | 11,590 | 11,889 | 11,970 | 12,272 | 8,889 | 2,701 | 30 |
| Core certificates of deposit | 2,044 | 2,146 | 2,342 | 2,636 | 2,285 | (241) | (11) |
| Total core deposits | 73,549 | 72,291 | 71,500 | 72,070 | 62,022 | 11,527 | 19 |
| Other domestic time deposits of \$250,000 or more | 432 | 479 | 470 | 391 | 382 | 50 | 13 |
| Brokered deposits and negotiable CDs | 3,563 | 3,783 | 3,969 | 4,273 | 3,904 | (341) | (9) |
| Deposits in foreign offices | — | — | — | 152 | 194 | (194) | — |
| Total deposits | 77,544 | 76,553 | 75,939 | 76,886 | 66,502 | 11,042 | 17 |
| Short-term borrowings | 2,391 | 2,687 | 3,792 | 2,628 | 1,306 | 1,085 | 83 |
| Long-term debt | 8,949 | 8,730 | 8,529 | 8,594 | 8,488 | 461 | 5 |
| Total interest-bearing liabilities | 67,161 | 66,371 | 66,530 | 64,858 | 56,263 | 10,898 | 19 |
| All other liabilities | 1,661 | 1,557 | 1,661 | 1,833 | 1,608 | 53 | 3 |
| Shareholders' equity | 10,745 | 10,594 | 10,422 | 10,426 | 8,994 | 1,751 | 19 |
| Total liabilities and shareholders' equity | \$101,290 | \$100,121 | \$100,343 | \$100,367 | \$86,898 | \$14,392 | 17 % |

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

| | Average Yield Rates (2) | | | | | | | | | |
|---|-------------------------|------|-------|------|-------|------|----------|------|-----------|------|
| | Three Months Ended | | | | | | | | | |
| | September | | June | | March | | December | | September | |
| | 30, | 30, | 30, | 30, | 31, | 31, | 31, | 31, | 30, | 30, |
| Fully-taxable equivalent basis (3) | 2017 | 2017 | 2017 | 2017 | 2017 | 2016 | 2016 | 2016 | 2016 | 2016 |
| Assets: | | | | | | | | | | |
| Interest-bearing deposits in banks | 1.77 | % | 1.53 | % | 1.09 | % | 0.64 | % | 0.64 | % |
| Loans held for sale | 3.83 | | 3.73 | | 3.82 | | 2.95 | | 3.53 | |
| Securities: | | | | | | | | | | |
| Available-for-sale and other securities: | | | | | | | | | | |
| Taxable | 2.42 | | 2.38 | | 2.38 | | 2.43 | | 2.35 | |
| Tax-exempt | 3.62 | | 3.71 | | 3.77 | | 3.60 | | 3.01 | |
| Total available-for-sale and other securities | 2.67 | | 2.64 | | 2.65 | | 2.65 | | 2.50 | |
| Trading account securities | 0.16 | | 0.25 | | 0.11 | | 0.18 | | 0.58 | |
| Held-to-maturity securities—taxable | 2.36 | | 2.38 | | 2.36 | | 2.43 | | 2.41 | |
| Total securities | 2.55 | | 2.55 | | 2.54 | | 2.58 | | 2.47 | |
| Loans and leases: (1) | | | | | | | | | | |
| Commercial: | | | | | | | | | | |
| Commercial and industrial | 4.05 | | 4.04 | | 3.98 | | 3.83 | | 3.68 | |
| Commercial real estate: | | | | | | | | | | |
| Construction | 4.55 | | 4.26 | | 3.95 | | 3.65 | | 3.76 | |
| Commercial | 4.08 | | 3.97 | | 3.69 | | 3.54 | | 3.54 | |
| Commercial real estate | 4.16 | | 4.02 | | 3.74 | | 3.56 | | 3.58 | |
| Total commercial | 4.07 | | 4.04 | | 3.93 | | 3.78 | | 3.66 | |
| Consumer: | | | | | | | | | | |
| Automobile | 3.60 | | 3.55 | | 3.55 | | 3.57 | | 3.37 | |
| Home equity | 4.72 | | 4.61 | | 4.45 | | 4.24 | | 4.21 | |
| Residential mortgage | 3.65 | | 3.66 | | 3.63 | | 3.58 | | 3.61 | |
| RV and marine finance | 5.43 | | 5.57 | | 5.63 | | 5.64 | | 5.70 | |
| Other consumer | 11.59 | | 11.47 | | 12.05 | | 10.91 | | 10.93 | |
| Total consumer | 4.32 | | 4.27 | | 4.23 | | 4.13 | | 3.97 | |
| Total loans and leases | 4.20 | | 4.15 | | 4.07 | | 3.95 | | 3.81 | |
| Total earning assets | 3.78 | | 3.75 | | 3.70 | | 3.60 | | 3.52 | |
| Liabilities: | | | | | | | | | | |
| Deposits: | | | | | | | | | | |
| Demand deposits—noninterest-bearing | — | | — | | — | | — | | — | |
| Demand deposits—interest-bearing | 0.23 | | 0.20 | | 0.15 | | 0.11 | | 0.11 | |
| Total demand deposits | 0.10 | | 0.09 | | 0.07 | | 0.04 | | 0.04 | |
| Money market deposits | 0.36 | | 0.31 | | 0.26 | | 0.24 | | 0.24 | |
| Savings and other domestic deposits | 0.20 | | 0.21 | | 0.22 | | 0.25 | | 0.21 | |
| Core certificates of deposit | 0.73 | | 0.56 | | 0.39 | | 0.29 | | 0.43 | |
| Total core deposits | 0.30 | | 0.26 | | 0.22 | | 0.20 | | 0.20 | |
| Other domestic time deposits of \$250,000 or more | 0.61 | | 0.49 | | 0.45 | | 0.39 | | 0.40 | |
| Brokered deposits and negotiable CDs | 1.16 | | 0.95 | | 0.72 | | 0.48 | | 0.44 | |
| Deposits in foreign offices | — | | — | | — | | 0.13 | | 0.13 | |
| Total deposits | 0.35 | | 0.31 | | 0.26 | | 0.23 | | 0.22 | |
| Short-term borrowings | 0.95 | | 0.78 | | 0.63 | | 0.36 | | 0.29 | |

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| | | | | | |
|---|------|--------|--------|--------|--------|
| Long-term debt | 2.65 | 2.49 | 2.33 | 2.19 | 1.97 |
| Total interest-bearing liabilities | 0.68 | 0.61 | 0.54 | 0.48 | 0.49 |
| Net interest rate spread | 3.10 | 3.14 | 3.16 | 3.12 | 3.03 |
| Impact of noninterest-bearing funds on margin | 0.19 | 0.17 | 0.14 | 0.13 | 0.15 |
| Net interest margin | 3.29 | % 3.31 | % 3.30 | % 3.25 | % 3.18 |

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

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

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

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2017 Third Quarter versus 2016 Third Quarter

Fully-taxable equivalent (FTE) net interest income for the 2017 third quarter increased \$135 million, or 21%, from the 2016 third quarter. This reflected the benefit from the \$13.2 billion, or 17%, increase in average earning assets coupled with an 11 basis point improvement in the FTE net interest margin (NIM) to 3.29%. Average earning asset growth included a \$7.6 billion, or 12%, increase in average loans and leases and a \$5.6 billion, or 31%, increase in average securities. The NIM expansion reflected a 26 basis point increase related to the mix and yield of earning assets and a 4 basis point increase in the benefit from noninterest-bearing funds, partially offset by a 19 basis point increase in funding costs. FTE net interest income during the 2017 third quarter included \$27 million, or approximately 12 basis points, of purchase accounting impact.

Average earning assets for the 2017 third quarter increased \$13.2 billion, or 17%, from the year-ago quarter, primarily reflecting the impact of the FirstMerit acquisition. Average securities increased \$5.6 billion, or 31%, which included a \$0.3 billion increase in direct purchase municipal instruments in our commercial banking segment. Average residential mortgage loans increased \$1.4 billion, or 20%, as we continue to see the benefits associated with the expansion of our home lending business. Average RV and marine finance loans increased \$1.4 billion, or 151%, reflecting the expansion of the acquired business into 17 new states over the past year.

Average total deposits for the 2017 third quarter increased \$11.0 billion, or 17%, from the year-ago quarter, while average total core deposits increased \$11.5 billion, or 19%. Average total interest-bearing liabilities increased \$10.9 billion, or 19%, from the year-ago quarter. These increases primarily reflect the impact of the FirstMerit acquisition. Average demand deposits increased \$7.2 billion, or 22%, comprised of a \$5.1 billion, or 24%, increase in average commercial demand deposits and a \$2.1 billion, or 20%, increase in average consumer demand deposits. Average long-term borrowings increased \$0.5 billion, or 5%, reflecting the issuance of \$2.7 billion and maturity of \$1.6 billion of senior debt over the past five quarters.

2017 Third Quarter versus 2017 Second Quarter

Compared to the 2017 second quarter, FTE net interest income increased \$14 million, or 2%. Average earning assets increased \$1.1 billion, or 1%, sequentially, while the NIM decreased 2 basis points. The decrease in the NIM reflected a 7 basis point increase in the cost of interest-bearing liabilities, partially offset by a 3 basis point increase in earning asset yields and a 2 basis point increase in the benefit from noninterest-bearing funds. The purchase accounting impact on the net interest margin was approximately 12 basis points in the 2017 third quarter compared to approximately 15 basis points in the prior quarter.

Compared to the 2017 second quarter, average earning assets increased \$1.1 billion, or 1%. Average loans and leases increased \$0.9 billion, or 1%, primarily reflecting growth in residential mortgage, automobile, and RV and marine loans partially offset by a decline in average commercial and industrial loans. Average commercial and industrial loans were negatively impacted by the seasonal decline in automobile floorplan lending, a reduction in mortgage warehouse lending, and continued runoff in corporate banking, partially offset by growth in asset finance.

Compared to the 2017 second quarter, average total core deposits increased \$1.3 billion, or 2%, primarily reflecting a \$1.1 billion, or 6%, increase in money market deposits and a \$0.6 billion, or 1%, increase in average demand deposits.

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Table 5 - Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis

| (dollar amounts in millions) | YTD Average Balances | | | | YTD Average Rates (2) | | | |
|---|----------------------|---------------|-----------|---------|-----------------------|---------------|--|--|
| | Nine Months Ended | | Change | | Nine Months Ended | | | |
| | September 30, | September 30, | Amount | Percent | September 30, | September 30, | | |
| Fully-taxable equivalent basis (1) | 2017 | 2016 | | | 2017 | 2016 | | |
| Assets: | | | | | | | | |
| Interest-bearing deposits in banks | \$ 102 | \$ 97 | \$ 5 | 5 % | 1.46 % | 0.37 % | | |
| Loans held for sale | 540 | 567 | (27) | (5) | 3.79 | 3.76 | | |
| Securities: | | | | | | | | |
| Available-for-sale and other securities: | | | | | | | | |
| Taxable | 12,735 | 7,781 | 4,954 | 64 | 2.40 | 2.37 | | |
| Tax-exempt | 3,105 | 2,576 | 529 | 21 | 3.70 | 3.25 | | |
| Total available-for-sale and other securities | 15,840 | 10,357 | 5,483 | 53 | 2.65 | 2.59 | | |
| Trading account securities | 107 | 43 | 64 | 149 | 0.17 | 0.68 | | |
| Held-to-maturity securities—taxable | 7,785 | 5,781 | 2,004 | 35 | 2.37 | 2.43 | | |
| Total securities | 23,732 | 16,181 | 7,551 | 47 | 2.55 | 2.53 | | |
| Loans and leases: (3) | | | | | | | | |
| Commercial: | | | | | | | | |
| Commercial and industrial | 27,852 | 22,326 | 5,526 | 25 | 4.03 | 3.57 | | |
| Commercial real estate: | | | | | | | | |
| Construction | 1,198 | 979 | 219 | 22 | 4.24 | 3.66 | | |
| Commercial | 6,014 | 4,621 | 1,393 | 30 | 3.92 | 3.50 | | |
| Commercial real estate | 7,212 | 5,600 | 1,612 | 29 | 3.97 | 3.52 | | |
| Total commercial | 35,064 | 27,926 | 7,138 | 26 | 4.01 | 3.56 | | |
| Consumer: | | | | | | | | |
| Automobile | 11,369 | 10,430 | 939 | 9 | 3.57 | 3.24 | | |
| Home equity | 9,983 | 8,708 | 1,275 | 15 | 4.60 | 4.19 | | |
| Residential mortgage | 8,055 | 6,406 | 1,649 | 26 | 3.65 | 3.65 | | |
| RV and marine finance | 2,071 | 307 | 1,764 | 575 | 5.54 | 5.70 | | |
| Other consumer | 997 | 670 | 327 | 49 | 11.53 | 10.46 | | |
| Total consumer | 32,475 | 26,521 | 5,954 | 22 | 4.27 | 3.86 | | |
| Total loans and leases | 67,539 | 54,447 | 13,092 | 24 | 4.14 | 3.71 | | |
| Allowance for loan and lease losses | (660) | (614) | (46) | 7 | | | | |
| Net loans and leases | 66,879 | 53,833 | 13,046 | 24 | | | | |
| Total earning assets | 91,913 | 71,292 | 20,621 | 29 | 3.75 % | 3.46 % | | |
| Cash and due from banks | 1,530 | 1,114 | 416 | 37 | | | | |
| Intangible assets | 2,373 | 1,003 | 1,370 | 137 | | | | |
| All other assets | 5,433 | 4,446 | 987 | 22 | | | | |
| Total assets | \$ 100,589 | \$ 77,241 | \$ 23,348 | 30 % | | | | |
| Liabilities and Shareholders' Equity: | | | | | | | | |
| Deposits: | | | | | | | | |
| Demand deposits—noninterest-bearing | \$ 21,684 | \$ 17,634 | \$ 4,050 | 23 % | — % | — % | | |
| Demand deposits—interest-bearing | 17,380 | 9,538 | 7,842 | 82 | 0.20 | 0.10 | | |
| Total demand deposits | 39,064 | 27,172 | 11,892 | 44 | 0.09 | 0.03 | | |
| Money market deposits | 19,399 | 19,220 | 179 | 1 | 0.31 | 0.24 | | |
| Savings and other domestic deposits | 11,815 | 6,541 | 5,274 | 81 | 0.21 | 0.16 | | |

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| | | | | | | |
|---|-----------|----------|----------|-----|------|--------|
| Core certificates of deposit | 2,176 | 2,186 | (10 |) — | 0.55 | 0.67 |
| Total core deposits | 72,454 | 55,119 | 17,335 | 31 | 0.26 | 0.21 |
| Other domestic time deposits of \$250,000 or more | 460 | 413 | 47 | 11 | 0.51 | 0.40 |
| Brokered deposits and negotiable CDs | 3,770 | 3,239 | 531 | 16 | 0.93 | 0.41 |
| Deposits in foreign offices | — | 222 | (222 |) — | — | 0.13 |
| Total deposits | 76,684 | 58,993 | 17,691 | 30 | 0.31 | 0.23 |
| Short-term borrowings | 2,952 | 1,161 | 1,791 | 154 | 0.76 | 0.32 |
| Long-term debt | 8,738 | 7,866 | 872 | 11 | 2.49 | 1.84 |
| Total interest-bearing liabilities | 66,690 | 50,386 | 16,304 | 32 | 0.61 | 0.48 |
| All other liabilities | 1,627 | 1,513 | 114 | 8 | | |
| Shareholders' equity | 10,588 | 7,708 | 2,880 | 37 | | |
| Total liabilities and shareholders' equity | \$100,589 | \$77,241 | \$23,348 | 30 | % | |
| Net interest rate spread | | | | | 3.13 | 2.98 |
| Impact of noninterest-bearing funds on margin | | | | | 0.17 | 0.14 |
| Net interest margin | | | | | 3.30 | % 3.12 |

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

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

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

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2017 First Nine Months versus 2016 First Nine Months

FTE net interest income for the first nine-month period of 2017 increased \$605 million, or 36%. This reflected the benefit of a \$20.6 billion, or 29%, increase in average total earning assets coupled with a FTE net interest margin, which increased to 3.30% from 3.12%. Average securities increased \$7.6 billion, or 47%, primarily reflecting the acquisition of FirstMerit and an increase in direct purchase municipal instruments in our commercial banking segment. Average loans and leases increased \$13.1 billion, or 24%, primarily reflecting an increase in C&I lending, residential mortgage loans and RV and marine finance resulting from the acquisition of FirstMerit.

Provision for Credit Losses

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

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

The provision for credit losses for the 2017 third quarter was \$44 million, which decreased \$20 million, or 32%, compared to the third quarter 2016. NCOs increased \$3 million to \$43 million compared with the same period in the prior year reflecting an increase in consumer net charge-offs, partially offset by a decrease in commercial net charge-offs. Net charge-offs represented an annualized 0.25% of average loans and leases, which remains below our long-term expectation of 35 to 55 basis points.

On a year-to-date basis, provision for credit losses for the first nine-month period of 2017 was \$136 million, an increase of \$20 million, or 18%, compared to the year-ago period, reflecting increased net charge-offs due to portfolio loan growth.

Noninterest Income

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

Table 6 - Noninterest Income

| | Three Months Ended | | | 3Q17 vs. 3Q16 | | 3Q17 vs. 2Q17 | |
|--|--------------------|---------------|--------------------|---------------|----------------|---------------|----------------|
| | September 30, 2017 | June 30, 2017 | September 30, 2016 | Change Amount | Change Percent | Change Amount | Change Percent |
| (dollar amounts in thousands) | 2017 | 2017 | 2016 | Amount | Percent | Amount | Percent |
| Service charges on deposit accounts | \$90,681 | \$87,582 | \$86,847 | \$3,834 | 4 % | \$3,099 | 4 % |
| Cards and payment processing income | 53,647 | 52,485 | 44,320 | 9,327 | 21 | 1,162 | 2 |
| Mortgage banking income | 33,615 | 32,268 | 40,603 | (6,988) | (17) | 1,347 | 4 |
| Trust and investment management services | 33,531 | 32,232 | 28,923 | 4,608 | 16 | 1,299 | 4 |
| Insurance income | 13,992 | 15,843 | 15,865 | (1,873) | (12) | (1,851) | (12) |
| Brokerage income | 14,458 | 16,294 | 14,719 | (261) | (2) | (1,836) | (11) |
| Capital markets fees | 21,719 | 16,836 | 14,750 | 6,969 | 47 | 4,883 | 29 |
| Bank owned life insurance income | 16,453 | 15,322 | 14,452 | 2,001 | 14 | 1,131 | 7 |
| Gain on sale of loans | 13,877 | 12,002 | 7,506 | 6,371 | 85 | 1,875 | 16 |
| Net securities gains (losses) | (33) | 135 | 1,031 | (1,064) | (103) | (168) | (124) |
| Other noninterest income | 38,157 | 44,219 | 33,399 | 4,758 | 14 | (6,062) | (14) |
| Total noninterest income | \$330,097 | \$325,218 | \$302,415 | \$27,682 | 9 % | \$4,879 | 2 % |

2017 Third Quarter versus 2016 Third Quarter

Noninterest income for the 2017 third quarter increased \$28 million, or 9%, from the year-ago quarter, primarily reflecting the impact of the FirstMerit acquisition. Card and payment processing income increased \$9 million, or 21%, due to higher credit and debit card related income and underlying customer growth. Capital markets fees increased \$7 million, or 47%, reflecting our ongoing strategic focus on expanding the business. Gain on sale of loans increased \$6 million, or 85%, as a result of continued expansion of our SBA lending business. Other income increased \$5 million, or 14%, primarily reflecting a \$5 million benefit from derivative ineffectiveness and a \$3 million increase in servicing income. These increases were partially offset by a \$7 million decline in mortgage banking income due to lower

spreads on origination volume.

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2017 Third Quarter versus 2017 Second Quarter

Compared to the 2017 second quarter, total noninterest income increased \$5 million, or 2%. Capital markets fees increased \$5 million, or 29%, as a result of the previously-mentioned expansion of the business. Conversely, other income decreased \$6 million, or 14%, primarily reflecting a decrease in loan syndication fees.

Table 7 - Noninterest Income—2017 First Nine Months vs. 2016 First Nine Months

| (dollar amounts in thousands) | Nine Months Ended | | Change | |
|--|--------------------|--------------------|-----------|---------|
| | September 30, 2017 | September 30, 2016 | Amount | Percent |
| Service charges on deposit accounts | \$261,683 | \$232,722 | \$28,961 | 12 % |
| Cards and payment processing income | 153,301 | 119,951 | 33,350 | 28 |
| Mortgage banking income | 97,575 | 90,737 | 6,838 | 8 |
| Trust and investment management services | 99,633 | 74,258 | 25,375 | 34 |
| Insurance income | 45,099 | 48,037 | (2,938) | (6) |
| Brokerage income | 46,510 | 44,819 | 1,691 | 4 |
| Capital markets fees | 52,755 | 40,797 | 11,958 | 29 |
| Bank owned life insurance income | 49,317 | 40,500 | 8,817 | 22 |
| Gain on sale of loans | 38,701 | 22,166 | 16,535 | 75 |
| Net securities gains (losses) | 94 | 1,687 | (1,593) | (94) |
| Other noninterest income | 123,110 | 99,720 | 23,390 | 23 |
| Total noninterest income | \$967,778 | \$815,394 | \$152,384 | 19 % |

Noninterest income for the first nine-month period of 2017 increased \$152 million, or 19%, from the year-ago period, primarily reflecting the impact of the FirstMerit acquisition. Service charges on deposit accounts increased \$29 million, or 12%, reflecting the benefit of the FirstMerit acquisition and continued new customer acquisition. Cards and payment processing income increased \$33 million, or 28%, due to an increase in credit and debit card transactions and underlying customer growth. Trust and investment management services increased \$25 million, or 34%, primarily reflecting an increase in assets under management as a result of the FirstMerit acquisition.

Noninterest Expense

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

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

Table 8 - Noninterest Expense

| (dollar amounts in thousands) | Three Months Ended | | | 3Q17 vs. 3Q16 | | 3Q17 vs. 2Q17 | |
|--|--------------------|---------------|--------------------|---------------|----------------|---------------|----------------|
| | September 30, 2017 | June 30, 2017 | September 30, 2016 | Change Amount | Change Percent | Change Amount | Change Percent |
| Personnel costs | \$377,088 | \$391,997 | \$405,024 | \$(27,936) | (7)% | \$(14,909) | (4)% |
| Outside data processing and other services | 79,586 | 75,169 | 91,133 | (11,547) | (13) | 4,417 | 6 |
| Equipment | 45,458 | 42,924 | 40,792 | 4,666 | 11 | 2,534 | 6 |
| Net occupancy | 55,124 | 52,613 | 41,460 | 13,664 | 33 | 2,511 | 5 |
| Professional services | 15,227 | 18,190 | 47,075 | (31,848) | (68) | (2,963) | (16) |
| Marketing | 16,970 | 18,843 | 14,438 | 2,532 | 18 | (1,873) | (10) |
| Deposit and other insurance expense | 18,514 | 20,418 | 14,940 | 3,574 | 24 | (1,904) | (9) |
| Amortization of intangibles | 14,017 | 14,242 | 9,046 | 4,971 | 55 | (225) | (2) |
| Other noninterest expense | 58,444 | 59,968 | 48,339 | 10,105 | 21 | (1,524) | (3) |
| Total noninterest expense | \$680,428 | \$694,364 | \$712,247 | \$(31,819) | (4)% | \$(13,936) | (2)% |
| Number of employees (average full-time equivalent) | 15,508 | 15,877 | 14,511 | 997 | 7% | (369) | (2)% |

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Impacts of Significant Items:

| | Three Months Ended | | |
|--|--------------------------|------------------|--------------------------|
| | September 30, 2017 | June 30, 2017 | September 30, 2016 |
| (dollar amounts in thousands) | | | |
| Personnel costs | \$4,362 | \$17,934 | \$76,199 |
| Outside data processing and other services | 3,304 | 6,246 | 27,639 |
| Equipment | 6,505 | 3,994 | 4,739 |
| Net occupancy | 14,255 | 14,415 | 7,116 |
| Professional services | 2,038 | 3,804 | 33,679 |
| Marketing | 17 | 112 | 926 |
| Other noninterest expense | 252 | 3,738 | 8,451 |
| Total noninterest expense adjustments | \$30,733 | \$50,243 | \$158,749 |

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

| | Three Months Ended | | | 3Q17 vs. 3Q16 | | 3Q17 vs. 2Q17 | |
|---|--------------------------|------------------|--------------------------|------------------|-------------------|------------------|-------------------|
| | September 30, 2017 | June 30, 2017 | September 30, 2016 | Change Amount | Change Percent | Change Amount | Change Percent |
| (dollar amounts in thousands) | | | | | | | |
| Personnel costs | \$372,726 | \$374,063 | \$328,825 | \$43,901 | 13 % | \$(1,337) | — % |
| Outside data processing and other services | 76,282 | 68,923 | 63,494 | 12,788 | 20 | 7,359 | 11 |
| Equipment | 38,953 | 38,930 | 36,053 | 2,900 | 8 | 23 | — |
| Net occupancy | 40,869 | 38,198 | 34,344 | 6,525 | 19 | 2,671 | 7 |
| Professional services | 13,189 | 14,386 | 13,396 | (207) | (2) | (1,197) | (8) |
| Marketing | 16,953 | 18,731 | 13,512 | 3,441 | 25 | (1,778) | (9) |
| Deposit and other insurance expense | 18,514 | 20,418 | 14,940 | 3,574 | 24 | (1,904) | (9) |
| Amortization of intangibles | 14,017 | 14,242 | 9,046 | 4,971 | 55 | (225) | (2) |
| Other noninterest expense | 58,192 | 56,230 | 39,888 | 18,304 | 46 | 1,962 | 3 |
| Total adjusted noninterest expense (Non-GAAP) | \$649,695 | \$644,121 | \$553,498 | \$96,197 | 17 % | \$5,574 | 1 % |

2017 Third Quarter versus 2016 Third Quarter

Reported noninterest expense for the 2017 third quarter decreased \$32 million, or 4%, from the year-ago quarter, primarily reflecting the year-over-year decrease in FirstMerit acquisition-related Significant Items. Personnel costs decreased \$28 million, or 7%, primarily reflecting a \$72 million net decrease in acquisition-related personnel expense partially offset by a 7% increase in average full-time equivalent employees. Professional services decreased \$32 million, or 68%, reflecting the net decrease in Significant Items. Outside data processing and other services decreased \$12 million, or 13%, reflecting the \$24 million net decrease in Significant Items partially offset by higher card and data processing expense from increased usage. Partially offsetting these decreases, other expense increased \$10 million, or 21%, primarily reflecting a \$5 million increase in donations and sponsorships and a \$3 million impairment of certain equipment lease residuals. The 2017 third quarter noninterest expense also included approximately \$12 million of nonrecurring net expense, not included in Significant Items, from personnel, operational, and efficiency improvement efforts, including the previously announced consolidation of 38 full-service branches, 7 drive-through only locations, and 3 corporate offices.

2017 Third Quarter versus 2017 Second Quarter

Reported noninterest expense decreased \$14 million, or 2%, from the 2017 second quarter, including a \$20 million net decrease in Significant Items. Personnel costs decreased \$15 million, or 4%, reflecting a \$14 million net decrease in acquisition-related expenses.

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Table 9 - Noninterest Expense—2017 First Nine Months vs. 2016 First Nine Months

| (dollar amounts in thousands) | Nine Months Ended | | Change | |
|--|-------------------|---------------|-----------|---------|
| | September 30, | September 30, | Amount | Percent |
| Personnel costs | \$1,151,085 | \$989,369 | \$161,716 | 16 % |
| Outside data processing and other services | 241,957 | 216,047 | 25,910 | 12 |
| Equipment | 135,082 | 105,173 | 29,909 | 28 |
| Net occupancy | 175,437 | 103,640 | 71,797 | 69 |
| Professional services | 51,712 | 82,101 | (30,389) | (37) |
| Marketing | 49,736 | 41,479 | 8,257 | 20 |
| Deposit and other insurance expense | 59,031 | 38,335 | 20,696 | 54 |
| Amortization of intangibles | 42,614 | 16,357 | 26,257 | 161 |
| Other noninterest expense | 175,560 | 134,487 | 41,073 | 31 |
| Total noninterest expense | \$2,082,214 | \$1,726,988 | \$355,226 | 21 % |

Impacts of Significant Items:

| (dollar amounts in thousands) | Nine Months Ended | |
|--|-------------------|---------------|
| | September 30, | September 30, |
| Personnel costs | \$41,851 | \$81,405 |
| Outside data processing and other services | 24,025 | 31,047 |
| Equipment | 16,262 | 4,743 |
| Net occupancy | 52,012 | 7,626 |
| Professional services | 10,060 | 48,676 |
| Marketing | 945 | 1,180 |
| Other noninterest expense | 9,116 | 11,267 |
| Total noninterest expense adjustments | \$154,271 | \$185,944 |

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

| (dollar amounts in thousands) | Nine Months Ended | | Change | |
|---|-------------------|---------------|-----------|---------|
| | September 30, | September 30, | Amount | Percent |
| Personnel costs | \$1,109,234 | \$907,964 | \$201,270 | 22 % |
| Outside data processing and other services | 217,932 | 185,000 | 32,932 | 18 |
| Equipment | 118,820 | 100,430 | 18,390 | 18 |
| Net occupancy | 123,425 | 96,014 | 27,411 | 29 |
| Professional services | 41,652 | 33,425 | 8,227 | 25 |
| Marketing | 48,791 | 40,299 | 8,492 | 21 |
| Deposit and other insurance expense | 59,031 | 38,335 | 20,696 | 54 |
| Amortization of intangibles | 42,614 | 16,357 | 26,257 | 161 |
| Other noninterest expense | 166,444 | 123,220 | 43,224 | 35 |
| Total adjusted noninterest expense (Non-GAAP) | \$1,927,943 | \$1,541,044 | \$386,899 | 25 % |

Reported noninterest expense increased \$355 million, or 21%, from the year-ago period, primarily reflecting the impact of the FirstMerit acquisition, including Significant Items. Personnel costs increased \$162 million, or 16%, primarily reflecting a 21% increase in the number of average full-time equivalent employees largely related to the additional colleagues during the integration and conversion of FirstMerit as well as the in-store branch expansion. Net occupancy expense increased \$72 million, or 69%, largely due to an increase of \$44 million of acquisition-related expense. Outside data processing and other services increased \$26 million, or 12%, primarily reflecting higher card

and data processing expense from increased usage partially offset by a decline in acquisition-related expenses. Deposit and other insurance expense increased \$21 million, or 54%, reflecting the larger assessment based and the FDIC Large Institution Surcharge implemented during the 2016 third quarter. Other noninterest expense increased \$41 million, or 31%, reflecting the impact of the acquisition as well as a \$5 million

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increase in donations and sponsorships and a \$3 million impairment on certain equipment lease residuals. These increases were partially offset by a decrease of \$30 million, or 37%, in professional services reflecting a \$39 million decrease in acquisition-related expenses.

Provision for Income Taxes

The provision for income taxes in the 2017 third quarter was \$90 million. This compared with a provision for income taxes of \$25 million in the 2016 third quarter and \$79 million in the 2017 second quarter. The provision for income taxes for the nine month periods ended September 30, 2017 and September 30, 2016 was \$228 million and \$134 million, respectively. All periods included the benefits from tax-exempt income, tax-advantaged investments, general business credits, investments in qualified affordable housing projects, excess tax deductions for stock-based compensation, and capital losses. The effective tax rates for the 2017 third quarter, 2016 third quarter, and 2017 second quarter were 24.7%, 16.3%, and 22.4%, respectively. The effective tax rates for the nine-month periods ended September 30, 2017 and September 30, 2016 were 23.2% and 22.1%, respectively. The variance between the 2017 third quarter compared to the 2016 third quarter and 2017 second quarter and for the nine-month period ended September 30, 2017 compared to the nine-month period ended September 30, 2016 in the provision for income taxes and effective tax rates relates primarily to the Significant Items. The net federal deferred tax asset was \$29 million and the net state deferred tax asset was \$35 million at September 30, 2017.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2009. The IRS is currently examining our 2010 and 2011 consolidated federal income tax returns. While the statute of limitations remains open for tax years 2012-2016, the IRS has advised that tax years 2012-2014 will not be audited, and plans to begin the examination of the 2015 federal income tax return during the 2017 fourth quarter. 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 oriented. More information on risk can be found in the Risk Factors section included in Item 1A of our 2016 Form 10-K and subsequent filings with the SEC. The MD&A included in our 2016 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the Form 10-K. This MD&A should also be read in conjunction with the financial statements, notes and other information contained in this report. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented in the 2016 Form 10-K.

Credit Risk

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

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

Loan and Lease Credit Exposure Mix

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

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

Table 10 - Loan and Lease Portfolio Composition

| (dollar amounts in millions) | September 30, 2017 | | June 30, 2017 | | March 31, 2017 | | December 31, 2016 | | September 30, 2016 | |
|------------------------------|-----------------------|-------|------------------|-------|-------------------|-------|----------------------|-------|-----------------------|-------|
| Ending Balances by Type: | | | | | | | | | | |
| Commercial: | | | | | | | | | | |
| Commercial and industrial | \$27,469 | 40 % | \$27,969 | 41 % | \$28,176 | 42 % | \$28,059 | 42 % | \$27,668 | 42 % |
| Commercial real estate: | | | | | | | | | | |
| Construction | 1,182 | 2 | 1,145 | 2 | 1,107 | 2 | 1,446 | 2 | 1,414 | 2 |
| Commercial | 6,024 | 9 | 6,000 | 9 | 5,986 | 9 | 5,855 | 9 | 5,842 | 9 |
| Commercial real estate | 7,206 | 11 | 7,145 | 11 | 7,093 | 11 | 7,301 | 11 | 7,256 | 11 |
| Total commercial | 34,675 | 51 | 35,114 | 52 | 35,269 | 53 | 35,360 | 53 | 34,924 | 53 |
| Consumer: | | | | | | | | | | |
| Automobile | 11,876 | 17 | 11,555 | 17 | 11,155 | 17 | 10,969 | 16 | 10,791 | 16 |
| Home equity | 9,985 | 15 | 9,966 | 15 | 9,974 | 15 | 10,106 | 15 | 10,120 | 15 |
| Residential mortgage | 8,616 | 13 | 8,237 | 12 | 7,829 | 12 | 7,725 | 12 | 7,665 | 12 |
| RV and marine finance | 2,371 | 3 | 2,178 | 3 | 1,935 | 2 | 1,846 | 3 | 1,840 | 3 |
| Other consumer | 1,064 | 1 | 1,009 | 1 | 936 | 1 | 956 | 1 | 964 | 1 |
| Total consumer | 33,912 | 49 | 32,945 | 48 | 31,829 | 47 | 31,602 | 47 | 31,380 | 47 |
| Total loans and leases | \$68,587 | 100 % | \$68,059 | 100 % | \$67,098 | 100 % | \$66,962 | 100 % | \$66,304 | 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 in part via a credit concentration policy. The policy designates specific loan types, collateral types, and loan structures to be formally tracked and assigned maximum exposure limits as a percentage of capital. C&I lending by NAICS categories, specific limits for CRE project types, loans secured by residential real estate, shared national credit exposure, and designated high risk loan definitions represent examples of specifically tracked components of our concentration management process. There are no identified concentrations that exceed the assigned exposure limit. Our concentration management policy is approved by the ROC of the Board and is one of the strategies used to ensure a high quality, well diversified portfolio that is consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. Changes to existing concentration limits require the approval of the ROC prior to implementation, incorporating specific information relating to the potential impact on the overall portfolio composition and performance metrics.

Commercial Credit

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

Consumer Credit

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

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

Table 11 - Loan and Lease Portfolio by Industry Type

(dollar amounts in millions)

| | September 30, 2017 | | | June 30, 2017 | | | March 31, 2017 | | | December 31, 2016 | | | September 30, 2016 | | |
|--|-----------------------|------|---|------------------|------|---|-------------------|------|---|----------------------|------|---|-----------------------|------|---|
| Commercial loans and leases: | | | | | | | | | | | | | | | |
| Real estate and rental and leasing | \$7,461 | 11 | % | \$7,588 | 12 | % | \$7,482 | 12 | % | \$7,545 | 11 | % | \$7,513 | 12 | % |
| Manufacturing | 4,874 | 7 | | 4,916 | 7 | | 5,048 | 8 | | 4,937 | 7 | | 4,931 | 7 | |
| Retail trade (1) | 4,643 | 7 | | 4,805 | 7 | | 4,902 | 7 | | 4,758 | 7 | | 4,588 | 7 | |
| Finance and insurance | 2,900 | 4 | | 3,051 | 4 | | 2,844 | 4 | | 2,010 | 3 | | 2,289 | 3 | |
| Health care and social assistance | 2,727 | 4 | | 2,699 | 4 | | 2,727 | 4 | | 2,729 | 4 | | 2,638 | 4 | |
| Wholesale trade | 2,070 | 3 | | 2,058 | 3 | | 2,181 | 3 | | 2,071 | 3 | | 2,009 | 3 | |
| Accommodation and food services | 1,653 | 2 | | 1,660 | 2 | | 1,652 | 2 | | 1,678 | 3 | | 1,612 | 2 | |
| Other services | 1,265 | 2 | | 1,261 | 2 | | 1,278 | 2 | | 1,223 | 2 | | 1,205 | 2 | |
| Transportation and warehousing | 1,255 | 2 | | 1,284 | 2 | | 1,382 | 2 | | 1,366 | 2 | | 1,357 | 2 | |
| Professional, scientific, and technical services | 1,230 | 2 | | 1,232 | 2 | | 1,240 | 2 | | 1,264 | 2 | | 1,228 | 2 | |
| Construction | 913 | 1 | | 928 | 1 | | 924 | 1 | | 875 | 1 | | 889 | 1 | |
| Mining, quarrying, and oil and gas extraction | 619 | 1 | | 501 | 1 | | 511 | 1 | | 668 | 1 | | 704 | 1 | |
| Arts, entertainment, and recreation | 530 | 1 | | 469 | 1 | | 506 | 1 | | 556 | 1 | | 437 | 1 | |
| Educational services | 509 | 1 | | 570 | 1 | | 544 | 1 | | 501 | 1 | | 495 | 1 | |
| Admin./Support/Waste Mgmt. and Remediation Services | 484 | 1 | | 444 | 1 | | 427 | 1 | | 429 | 1 | | 409 | 1 | |
| Information | 468 | 1 | | 458 | 1 | | 454 | 1 | | 473 | 1 | | 475 | 1 | |
| Utilities | 431 | 1 | | 433 | 1 | | 463 | 1 | | 470 | 1 | | 480 | 1 | |
| Public administration | 262 | — | | 274 | — | | 266 | — | | 272 | — | | 273 | — | |
| Agriculture, forestry, fishing and hunting | 176 | — | | 203 | — | | 170 | — | | 151 | — | | 161 | — | |
| Unclassified/Other | 122 | — | | 183 | — | | 167 | — | | 1,288 | 2 | | 1,136 | 2 | |
| Management of companies and enterprises | 86 | — | | 97 | — | | 101 | — | | 96 | — | | 95 | — | |
| Total commercial loans and leases by industry category | 34,675 | 51 | | 35,114 | 52 | | 35,269 | 53 | | 35,360 | 53 | | 34,924 | 53 | |
| Automobile | 11,876 | 17 | | 11,555 | 17 | | 11,155 | 17 | | 10,969 | 16 | | 10,791 | 16 | |
| Home Equity | 9,985 | 15 | | 9,966 | 15 | | 9,974 | 15 | | 10,106 | 15 | | 10,120 | 15 | |
| Residential mortgage | 8,616 | 13 | | 8,237 | 12 | | 7,829 | 12 | | 7,725 | 12 | | 7,665 | 12 | |
| RV and marine finance | 2,371 | 3 | | 2,178 | 3 | | 1,935 | 2 | | 1,846 | 3 | | 1,840 | 3 | |
| Other consumer loans | 1,064 | 1 | | 1,009 | 1 | | 936 | 1 | | 956 | 1 | | 964 | 1 | |
| Total loans and leases | \$68,587 | 100% | | \$68,059 | 100% | | \$67,098 | 100% | | \$66,962 | 100% | | \$66,304 | 100% | |

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

Credit Quality

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

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

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Credit quality performance in the 2017 third quarter reflected continued overall positive results with stable levels of delinquencies and a 7% decline in NPAs from the prior quarter. Total NCOs were \$43 million, or 0.25% annualized, of average total loans and leases. Net charge-offs increased by \$7 million from the prior quarter, due to an increase in the net charge-offs of the consumer portfolios. The ACL to total loans and leases ratio declined by 1 basis point to 1.10%.

NPAs, NALs, AND TDRs

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

NPAs and NALs

Of the \$187 million of CRE and C&I-related NALs at September 30, 2017, \$106 million, or 57%, represented loans that were less than 30-days past due, demonstrating our continued commitment to proactive credit risk management. With the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, first-lien loans secured by residential mortgage collateral are placed on nonaccrual status at 150-days past due. Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile, RV and marine and other consumer loans are generally charged-off at 120-days past due. TDR recognition at an earlier past due status than summarized above also may result in NAL designation.

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

Table 12 - Nonaccrual Loans and Leases and Nonperforming Assets

(dollar amounts in thousands)

| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | |
|---|-----------------------|------------------|-------------------|----------------------|-----------------------|---|
| Nonaccrual loans and leases (NALs): | | | | | | |
| Commercial and industrial | \$ 169,751 | \$ 195,279 | \$ 232,171 | \$ 234,184 | \$ 220,862 | |
| Commercial real estate | 17,397 | 16,763 | 13,889 | 20,508 | 21,300 | |
| Automobile | 4,076 | 3,825 | 4,881 | 5,766 | 4,777 | |
| Home equity | 71,353 | 67,940 | 69,575 | 71,798 | 69,044 | |
| Residential mortgage | 75,251 | 80,306 | 80,686 | 90,502 | 88,155 | |
| RV and marine finance | 309 | 341 | 106 | 245 | 96 | |
| Other consumer | 108 | 2 | 2 | — | — | |
| Total nonaccrual loans and leases | 338,245 | 364,456 | 401,310 | 423,003 | 404,234 | |
| Other real estate: | | | | | | |
| Residential | 26,449 | 26,890 | 31,786 | 30,932 | 34,421 | |
| Commercial | 15,592 | 16,926 | 18,101 | 19,998 | 36,915 | |
| Total other real estate | 42,041 | 43,816 | 49,887 | 50,930 | 71,336 | |
| Other NPAs (1) | 6,677 | 6,906 | 6,910 | 6,968 | — | |
| Total nonperforming assets | \$ 386,963 | \$ 415,178 | \$ 458,107 | \$ 480,901 | \$ 475,570 | |
| Nonaccrual loans and leases as a % of total loans and leases | 0.49 | % 0.54 | % 0.60 | % 0.63 | % 0.61 | % |
| NPA ratio (2) | 0.56 | 0.61 | 0.68 | 0.72 | 0.72 | |
| (NPA&90+days past due)/(Loans&OREO) | 0.74 | 0.81 | 0.87 | 0.91 | 0.92 | |

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

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

2017 Third Quarter versus 2016 Fourth Quarter.

Total NPAs decreased by \$94 million, or 20%, compared with December 31, 2016 primarily as a result of decreases in the C&I and residential portfolios NALs and a 17% decrease in OREO. The C&I decline was a result of significant payoffs and return to accrual of large relationships that were identified as NAL in the fourth quarter of 2016. The residential mortgage decline was in part due to the efforts by our Home Savers Group actively working with our customers.

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TDR Loans

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

Over the past five quarters, the accruing component of the total TDR balance has been between 80% and 84%, as borrowers continue to make their monthly payments in accordance with the modified terms. From a payment standpoint, over 80% of the \$500 million of accruing TDRs secured by residential real estate (Residential Mortgage and Home Equity in Table 13) are current on their required payments. In addition, over 60% of the accruing pool have had no delinquency at all in the past 12 months. There is 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 13 - Accruing and Nonaccruing Troubled Debt Restructured Loans

(dollar amounts in thousands)

| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
|--|-----------------------|------------------|-------------------|----------------------|-----------------------|
| Troubled debt restructured loans—accruing: | | | | | |
| Commercial and industrial | \$ 268,373 | \$270,372 | \$222,303 | \$ 210,119 | \$ 232,740 |
| Commercial real estate | 80,272 | 74,429 | 81,202 | 76,844 | 80,553 |
| Automobile | 28,973 | 28,140 | 27,968 | 26,382 | 27,843 |
| Home equity | 264,410 | 268,731 | 271,258 | 269,709 | 275,601 |
| Residential mortgage | 235,191 | 238,087 | 239,175 | 242,901 | 251,529 |
| RV and marine finance | 1,211 | 950 | 581 | — | — |
| Other consumer | 6,353 | 4,017 | 4,128 | 3,780 | 4,102 |
| Total troubled debt restructured loans—accruing | 884,783 | 884,726 | 846,615 | 829,735 | 872,368 |
| Troubled debt restructured loans—nonaccruing: | | | | | |
| Commercial and industrial | 96,248 | 89,757 | 88,759 | 107,087 | 70,179 |
| Commercial real estate | 3,797 | 3,823 | 4,357 | 4,507 | 5,672 |
| Automobile | 4,076 | 4,291 | 4,763 | 4,579 | 4,437 |
| Home equity | 30,753 | 28,667 | 29,090 | 28,128 | 28,009 |
| Residential mortgage | 50,428 | 55,590 | 59,773 | 59,157 | 62,027 |
| RV and marine finance | 309 | 381 | 106 | — | — |
| Other consumer | 103 | 109 | 117 | 118 | 142 |
| Total troubled debt restructured loans—nonaccruing | 185,714 | 182,618 | 186,965 | 203,576 | 170,466 |
| Total troubled debt restructured loans | \$ 1,070,497 | \$ 1,067,344 | \$ 1,033,580 | \$ 1,033,311 | \$ 1,042,834 |

Accruing TDRs increased by \$55 million compared with December 31, 2016, primarily as a result of the addition of C&I loans that meet the well secured definition and have demonstrated a period of satisfactory payment performance. ACL

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

Our total credit reserve is comprised of two different components, both of which in our judgment are appropriate to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. Our ACL Methodology Committee is responsible for developing the methodology, assumptions and estimates used in the calculation, as well as determining the appropriateness of the ACL. The ALLL represents the estimate of losses inherent in the loan portfolio at the reported date. Additions to the ALLL result from recording provision expense for the recognition of loan losses due to new loan originations or funding under existing lines, and increased risk levels resulting from loan risk-rating downgrades or increasing delinquency migrations. Reductions reflect charge-offs (net of recoveries), and decreased risk levels resulting from loan risk-rating upgrades, decreasing delinquencies, or the sale / paydown of loans. The AULC is determined by applying the same quantitative

reserve determination process to the unfunded portion of the loan exposures adjusted by an applicable funding expectation.

Loans originated for investment are stated at their principal amount outstanding adjusted for partial charge-offs, and net

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deferred loan fees and costs. Acquired loans are those purchased in the FirstMerit acquisition. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related ALLL. The difference between acquired contractual balance and estimated fair value at acquisition date was recorded as a purchase premium or discount.

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

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

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

(dollar amounts in thousands)

| | September 30, 2017 | | June 30, 2017 | | March 31, 2017 | | December 31, 2016 | | September 30, 2016 | |
|---|-----------------------|--------|------------------|--------|-------------------|--------|----------------------|--------|-----------------------|--------|
| Allowance for Credit Losses | | | | | | | | | | |
| Commercial | | | | | | | | | | |
| Commercial and industrial | \$373,821 | 40 % | \$367,956 | 41 % | \$380,504 | 42 % | \$355,424 | 42 % | \$333,101 | 42 % |
| Commercial real estate | 100,301 | 11 | 106,620 | 11 | 99,804 | 11 | 95,667 | 11 | 98,694 | 11 |
| Total commercial | 474,122 | 51 | 474,576 | 52 | 480,308 | 53 | 451,091 | 53 | 431,795 | 53 |
| Consumer | | | | | | | | | | |
| Automobile | 50,382 | 17 | 48,322 | 17 | 46,402 | 17 | 47,970 | 16 | 42,584 | 16 |
| Home equity | 57,897 | 15 | 62,941 | 15 | 64,900 | 15 | 65,474 | 15 | 69,866 | 15 |
| Residential mortgage | 29,236 | 13 | 33,304 | 12 | 35,559 | 12 | 33,398 | 12 | 36,510 | 12 |
| RV and marine finance | 13,018 | 3 | 7,665 | 3 | 4,022 | 2 | 5,311 | 3 | 4,289 | 3 |
| Other consumer | 50,831 | 1 | 41,188 | 1 | 41,389 | 1 | 35,169 | 1 | 31,854 | 1 |
| Total consumer | 201,364 | 49 | 193,420 | 48 | 192,272 | 47 | 187,322 | 47 | 185,103 | 47 |
| Total allowance for loan and lease losses | 675,486 | 100 % | 667,996 | 100 % | 672,580 | 100 % | 638,413 | 100 % | 616,898 | 100 % |
| Allowance for unfunded loan commitments | 78,566 | | 85,359 | | 91,838 | | 97,879 | | 88,433 | |
| Total allowance for credit losses | \$754,052 | | \$753,355 | | \$764,418 | | \$736,292 | | \$705,331 | |
| Total allowance for loan and leases losses as % of: | | | | | | | | | | |
| Total loans and leases | | 0.98 % | | 0.98 % | | 1.00 % | | 0.95 % | | 0.93 % |
| Nonaccrual loans and leases | | 200 | | 183 | | 168 | | 151 | | 153 |
| Nonperforming assets | | 175 | | 161 | | 147 | | 133 | | 130 |
| Total allowance for credit losses as % of: | | | | | | | | | | |
| Total loans and leases | | 1.10 % | | 1.11 % | | 1.14 % | | 1.10 % | | 1.06 % |
| Nonaccrual loans and leases | | 223 | | 207 | | 190 | | 174 | | 174 |
| Nonperforming assets | | 195 | | 181 | | 167 | | 153 | | 148 |

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

2017 Third Quarter versus 2016 Fourth Quarter

At September 30, 2017, the ALLL was \$675 million, compared to \$638 million at December 31, 2016. The \$37 million, or 6%, increase in the ALLL relates to an increase in Criticized/Classified assets in the C&I portfolio as well

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

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NCOs

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

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

Table 15 - Quarterly Net Charge-off Analysis

| | Three Months Ended | | |
|--|--------------------------|------------------|--------------------------|
| | September 30, 2017 | June 30, 2017 | September 30, 2016 |
| (dollar amounts in thousands) | | | |
| Net charge-offs (recoveries) by loan and lease type: | | | |
| Commercial: | | | |
| Commercial and industrial | \$13,317 | \$12,870 | \$19,225 |
| Commercial real estate: | | | |
| Construction | (870) | 83 | (271) |
| Commercial | (3,184) | (3,638) | (2,427) |
| Commercial real estate | (4,054) | (3,555) | (2,698) |
| Total commercial | 9,263 | 9,315 | 16,527 |
| Consumer: | | | |
| Automobile | 9,619 | 8,318 | 7,769 |
| Home equity | 1,532 | 1,218 | 2,624 |
| Residential mortgage | 2,057 | 1,052 | 1,728 |
| RV and marine finance | 3,390 | 1,875 | 106 |
| Other consumer | 17,031 | 14,262 | 11,311 |
| Total consumer | 33,629 | 26,725 | 23,538 |
| Total net charge-offs | \$42,892 | \$36,040 | \$40,065 |

| | Three Months Ended | | |
|--|--------------------------|------------------|--------------------------|
| | September 30, 2017 | June 30, 2017 | September 30, 2016 |
| Net charge-offs (recoveries)—annualized percentages: | | | |
| Commercial: | | | |
| Commercial and industrial | 0.19 | % 0.18 | % 0.31 |
| Commercial real estate: | | | |
| Construction | (0.30) | 0.03 | (0.10) |
| Commercial | (0.21) | (0.24) | (0.19) |
| Commercial real estate | (0.22) | (0.20) | (0.17) |
| Total commercial | 0.11 | 0.11 | 0.21 |
| Consumer: | | | |
| Automobile | 0.33 | 0.29 | 0.27 |
| Home equity | 0.06 | 0.05 | 0.11 |

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| | | | | |
|---|------|--------|--------|---|
| Residential mortgage | 0.10 | 0.05 | 0.10 | |
| RV and marine finance | 0.59 | 0.37 | 0.05 | |
| Other consumer | 6.51 | 5.81 | 5.54 | |
| Total consumer | 0.40 | 0.33 | 0.32 | |
| Net charge-offs as a % of average loans | 0.25 | % 0.21 | % 0.26 | % |

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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.

2017 Third Quarter versus 2017 Second Quarter

NCOs were an annualized 0.25% of average loans and leases in the current quarter, an increase from 0.21% in the 2017 second quarter, still below our long-term expectation of 0.35% - 0.55%. Commercial - C&I charge-offs were slightly higher for the quarter, but well within our expected performance range. Consumer charge-offs were higher for the quarter, primarily driven by seasonality trends across the consumer portfolio, consistent with our expectations. Given the low level of C&I and CRE NCO's, we have experienced and continue to expect some volatility on a quarter-to-quarter comparison basis.

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

Table 16 - Year to Date Net Charge-off Analysis

| (dollar amounts in thousands) | Nine Months Ended | | |
|---|-------------------|-----------|---|
| | September 30, | | |
| | 2017 | 2016 | |
| Net charge-offs by loan and lease type: | | | |
| Commercial: | | | |
| Commercial and industrial | \$34,283 | \$29,441 | |
| Commercial real estate: | | | |
| Construction | (3,924) | (752) | |
| Commercial | (5,927) | (20,095) | |
| Commercial real estate | (9,851) | (20,847) | |
| Total commercial | 24,432 | 8,594 | |
| Consumer: | | | |
| Automobile | 30,344 | 18,859 | |
| Home equity | 4,412 | 7,383 | |
| Residential mortgage | 5,704 | 4,151 | |
| RV and marine finance | 7,628 | 106 | |
| Other consumer | 45,850 | 26,279 | |
| Total consumer | 93,938 | 56,778 | |
| Total net charge-offs | \$118,370 | \$65,372 | |
| | Nine Months Ended | | |
| | September 30, | | |
| | 2017 | 2016 | |
| Net charge-offs - annualized percentages: | | | |
| Commercial: | | | |
| Commercial and industrial | 0.16 | % 0.18 | % |
| Commercial real estate: | | | |
| Construction | (0.44) | (0.10) | |
| Commercial | (0.13) | (0.58) | |
| Commercial real estate | (0.18) | (0.50) | |
| Total commercial | 0.09 | 0.04 | |
| Consumer: | | | |
| Automobile | 0.36 | 0.24 | |
| Home equity | 0.06 | 0.11 | |
| Residential mortgage | 0.09 | 0.09 | |
| RV and marine finance | 0.49 | 0.05 | |
| Other consumer | 6.13 | 5.23 | |
| Total consumer | 0.39 | 0.29 | |
| Net charge-offs as a % of average loans | 0.23 | % 0.16 | % |

2017 First Nine Months versus 2016 First Nine Months

NCOs were \$118 million, a \$53 million increase from the same period in the prior year. The increase primarily relates to portfolio growth as a result of the FirstMerit acquisition as well as one large commercial recovery in the prior year period. Given the low level of C&I and CRE NCO's, there will continue to be some volatility on a period-to-period comparison basis.

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Market Risk

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

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

Interest Rate Risk

Table 17 - Net Interest Income at Risk

| Basis point change scenario | Net Interest Income at Risk (%) | | | | | |
|-----------------------------|---------------------------------|------|-----|------|-----|---|
| | -25 | +100 | | +200 | | |
| Board policy limits | N/A | -2.0 | % | -4.0 | % | |
| September 30, 2017 | -0.5 | % | 2.5 | % | 5.0 | % |
| December 31, 2016 | -1.0 | % | 2.7 | % | 5.6 | % |

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

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

Table 18 - Economic Value of Equity at Risk

| Basis point change scenario | Economic Value of Equity at Risk (%) | | | | | |
|-----------------------------|--------------------------------------|------|-----|-------|-----|---|
| | -25 | +100 | | +200 | | |
| Board policy limits | N/A | -5.0 | % | -12.0 | % | |
| September 30, 2017 | -1.2 | % | 3.4 | % | 4.9 | % |
| December 31, 2016 | -0.6 | % | 0.9 | % | 0.2 | % |

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

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

MSRs

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

At September 30, 2017, we had a total of \$195 million of capitalized MSRs representing the right to service \$19.6 billion in mortgage loans. Of this \$195 million, \$12 million was recorded using the fair value method and \$183 million was recorded using the amortization method.

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

employed hedging strategies to reduce the risk of MSR fair value changes or impairment. However, volatile changes in interest rates can diminish 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. Changes in the recorded value of the MSR between reporting dates are recognized as an increase or a decrease in mortgage banking income.

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

Price Risk

Price risk represents the risk of loss arising from adverse movements in the prices of financial instruments that are carried at fair value and are subject to fair value accounting. We have price risk from trading securities, securities owned by our broker-dealer subsidiary, foreign exchange positions 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 2016 Form 10-K for our on-going liquidity risk management processes.)

Our primary source of liquidity is our core deposit base. Core deposits comprised approximately 95% of total deposits at September 30, 2017. We also have available unused wholesale sources of liquidity, including advances from the FHLB of Cincinnati, issuance through dealers in the capital markets, and access to certificates of deposit issued through brokers. Liquidity is further provided by unencumbered, or unpledged, investment securities that totaled \$13.9 billion as of September 30, 2017.

Bank Liquidity and Sources of Funding

Our primary sources of funding for the Bank are retail and commercial core deposits. At September 30, 2017, these core deposits funded 73% of total assets (109% 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 \$24 million and \$23 million at September 30, 2017 and December 31, 2016, respectively.

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

Table 19 - Deposit Composition

(dollar amounts in millions)

| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
|--|-----------------------|------------------|-------------------|----------------------|-----------------------|
| By Type: | | | | | |
| Demand deposits—noninterest-bearing | \$22,225 28 % | \$21,420 28 % | \$21,489 28 % | \$22,836 30 % | \$23,426 30 % |
| Demand deposits—interest-bearing | 18,343 23 | 17,113 23 | 18,618 24 | 15,676 21 | 15,730 20 |
| Money market deposits | 20,553 26 | 19,423 26 | 18,664 24 | 18,407 24 | 18,604 24 |
| Savings and other domestic deposits | 11,441 15 | 11,758 15 | 12,043 16 | 11,975 16 | 12,418 16 |
| Core certificates of deposit | 2,009 3 | 2,088 3 | 2,188 3 | 2,535 3 | 2,724 4 |
| Total core deposits: | 74,571 95 | 71,802 95 | 73,002 95 | 71,429 94 | 72,902 94 |
| Other domestic deposits of \$250,000 or more | 418 1 | 441 1 | 524 1 | 394 1 | 391 1 |
| Brokered deposits and negotiable CDs | 3,456 4 | 3,690 4 | 3,897 4 | 3,785 5 | 3,972 5 |
| Deposits in foreign offices | — — | — — | — — | — — | 140 — |
| Total deposits | \$78,445 100 % | \$75,933 100 % | \$77,423 100 % | \$75,608 100 % | \$77,405 100 % |
| Total core deposits: | | | | | |
| Commercial | \$35,516 48 % | \$32,201 45 % | \$32,963 45 % | \$31,887 45 % | \$32,936 45 % |
| Consumer | 39,055 52 | 39,601 55 | 40,039 55 | 39,542 55 | 39,966 55 |
| Total core deposits | \$74,571 100 % | \$71,802 100 % | \$73,002 100 % | \$71,429 100 % | \$72,902 100 % |

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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 pledged to the Federal Reserve Discount Window and the FHLB are \$32.0 billion and \$19.7 billion at September 30, 2017 and December 31, 2016, 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, deposits in foreign offices, short-term borrowings, and long-term debt. At September 30, 2017, total wholesale funding was \$14.9 billion, a decrease from \$16.2 billion at December 31, 2016. The decrease from year-end primarily relates to a decrease in short-term borrowings.

Liquidity Coverage Ratio

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

Parent Company Liquidity

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

At September 30, 2017, the parent company had \$1.9 billion in cash and cash equivalents, slightly up from December 31, 2016.

On October 18, 2017, the board of directors declared a quarterly common stock cash dividend of \$0.11 per common share. The dividend is payable on January 2, 2018, to shareholders of record on December 18, 2017. Based on the current quarterly dividend of \$0.11 per common share, cash demands required for common stock dividends are estimated to be approximately \$119 million per quarter. On October 18, 2017, the board of directors declared a quarterly Series A, Series B, Series C, and Series D Preferred Stock dividend payable on January 15, 2018 to shareholders of record on January 1, 2018. Based on the current dividend, cash demands required for Series A, Series B, Series C, and Series D Preferred Stock are estimated to be approximately \$8 million, \$0.3 million, \$1.5 million, and \$9 million per quarter, respectively.

During the first nine months of 2017, the Bank returned capital totaling \$426 million. Additionally, the Bank paid a preferred dividend of \$34 million and common stock dividend of \$100 million to the holding company during the first nine months of 2017. To meet any additional liquidity needs, the parent company may issue debt or equity securities from time to time.

Off-Balance Sheet Arrangements

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

Operational Risk

Operational risk is the risk of loss due to human error; inadequate or failed internal systems and controls, including the use of financial or other quantitative methodologies that may not adequately predict future results; violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards; and external influences such

as market conditions, fraudulent activities, disasters, and security risks. We continuously strive to strengthen our system of internal controls to ensure compliance with laws, rules, and regulations, and to improve the oversight of our operational risk. We actively and continuously monitor cyber-attacks such as attempts related to online deception and loss of sensitive customer data. We evaluate internal systems, processes and controls to mitigate loss from cyber attacks and, to date, have not experienced any material losses.

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

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

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

Compliance Risk

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

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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 20 - Regulatory Capital Data

| (dollar amounts in millions) | | Basel III | | |
|---|--------------|--------------------|---------------|-------------------|
| | | September 30, 2017 | June 30, 2017 | December 31, 2016 |
| Total risk-weighted assets | Consolidated | \$78,631 | \$78,366 | \$78,263 |
| | Bank | 78,848 | 78,489 | 78,242 |
| Common equity tier I risk-based capital | Consolidated | 7,817 | 7,740 | 7,486 |
| | Bank | 8,491 | 8,367 | 8,153 |
| Tier 1 risk-based capital | Consolidated | 8,886 | 8,809 | 8,547 |
| | Bank | 9,362 | 9,238 | 9,086 |
| Tier 2 risk-based capital | Consolidated | 1,638 | 1,640 | 1,668 |
| | Bank | 1,706 | 1,706 | 1,732 |
| Total risk-based capital | Consolidated | 10,524 | 10,449 | 10,215 |
| | Bank | 11,068 | 10,944 | 10,818 |
| Tier 1 leverage ratio | Consolidated | 8.96 | % 8.98 | % 8.70 |
| | Bank | 9.44 | 9.43 | 9.29 |
| Common equity tier I risk-based capital ratio | Consolidated | 9.94 | 9.88 | 9.56 |
| | Bank | 10.77 | 10.66 | 10.42 |
| Tier 1 risk-based capital ratio | Consolidated | 11.30 | 11.24 | 10.92 |
| | Bank | 11.87 | 11.77 | 11.61 |
| Total risk-based capital ratio | Consolidated | 13.39 | 13.33 | 13.05 |
| | Bank | 14.04 | 13.94 | 13.83 |

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

Common Equity Tier 1 (CET1) risk-based capital ratio was 9.94% at September 30, 2017, up from 9.56% at December 31, 2016. The regulatory Tier 1 risk-based capital ratio was 11.30% compared to 10.92% at December 31, 2016. All capital ratios were impacted by the repurchase of \$123 million of common stock at an average cost of \$12.75 per share during the 2017 third quarter.

Shareholders' Equity

We generate shareholders' equity primarily through the retention of earnings, net of dividends and share repurchases. Other potential sources of shareholders' equity include issuances of common and preferred stock. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, to meet both regulatory and market expectations, and to provide the flexibility needed for future growth and business opportunities. Shareholders' equity totaled \$10.7 billion at September 30, 2017, an increase of \$0.4 billion when compared with December 31, 2016.

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

On July 19, 2017, the Board authorized the repurchase of up to \$308 million of common shares over the four quarters through the 2018 second quarter. During the 2017 third quarter, Huntington purchased \$123 million of common stock at an

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average cost of \$12.75 per share. 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.

Fair Value

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

BUSINESS SEGMENT DISCUSSION

Overview

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

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

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

Revenue Sharing

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

Expense Allocation

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

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Funds Transfer Pricing (FTP)

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

Net Income by Business Segment

Net income by business segment for the nine-month periods ending September 30, 2017 and September 30, 2016 is presented in the following table:

Table 21 - Net Income (Loss) by Business Segment

| (dollar amounts in thousands) | Nine Months Ended | |
|-------------------------------|-------------------|-----------|
| | September 30, | |
| | 2017 | 2016 |
| Consumer and Business Banking | \$314,366 | \$234,356 |
| Commercial Banking | 239,685 | 133,470 |
| CREVF | 162,676 | 129,802 |
| RBHPCG | 66,962 | 46,529 |
| Treasury / Other | (29,286) | (71,299) |
| Net income | \$754,403 | \$472,858 |

Treasury / Other

The Treasury / Other function includes revenue and expense related to assets, liabilities, and equity not directly assigned or allocated to one of the four business segments. Other assets include investment securities and bank owned life insurance. The financial impact associated with our FTP methodology, as described above, is also included. Net interest income includes the impact of administering our investment securities portfolios and the net impact of derivatives used to hedge interest rate sensitivity. Noninterest income includes miscellaneous fee income not allocated to other business segments, such as bank owned life insurance income and securities and trading asset gains or losses. Noninterest expense includes FirstMerit acquisition-related expenses in 2017 first nine-month period, certain corporate administrative, and other miscellaneous expenses not allocated to other business segments. The provision for income taxes for the business segments is calculated at a statutory 35% tax rate, though our overall effective tax rate is lower. As a result, Treasury / Other reflects a credit for income taxes representing the difference between the lower actual effective tax rate and the statutory tax rate used to allocate income taxes to the business segments.

Consumer and Business Banking

Table 22 - Key Performance Indicators for Consumer and Business Banking

| (dollar amounts in thousands unless otherwise noted) | Nine Months Ended | | Change | |
|--|-------------------|-----------|-----------|---------|
| | September 30, | | Amount | Percent |
| | 2017 | 2016 | | |
| Net interest income | \$1,255,617 | \$911,706 | \$343,911 | 38 % |
| Provision for credit losses | 74,270 | 43,474 | 30,796 | 71 |
| Noninterest income | 544,445 | 459,732 | 84,713 | 18 |
| Noninterest expense | 1,242,152 | 967,417 | 274,735 | 28 |
| Provision for income taxes | 169,274 | 126,191 | 43,083 | 34 |
| Net income | \$314,366 | \$234,356 | \$80,010 | 34 % |
| Number of employees (average full-time equivalent) | 8,696 | 6,997 | 1,699 | 24 % |
| Total average assets (in millions) | \$25,461 | \$19,921 | \$5,540 | 28 |
| Total average loans/leases (in millions) | 20,577 | 16,967 | 3,610 | 21 |
| Total average deposits (in millions) | 45,478 | 33,759 | 11,719 | 35 |

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| | | | | |
|---|----------|----------|----------|------|
| Net interest margin | 3.79 | % 3.69 | % 0.10 | % 3 |
| NCOs | \$75,064 | \$49,873 | \$25,191 | 51 |
| NCOs as a % of average loans and leases | 0.48 | % 0.39 | % 0.09 | % 23 |

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2017 First Nine Months versus 2016 First Nine Months

Consumer and Business Banking, including Home Lending, reported net income of \$314 million in the first nine-month period of 2017, an increase of \$80 million, or 34%, compared to the year-ago period. Results were predominantly impacted by the FirstMerit acquisition. Segment net interest income increased \$344 million, or 38%, primarily due to an increase in total average loans and deposits. The provision for credit losses increased \$31 million, or 71%, driven by increased NCOs as well as an increase in the allowance. Noninterest income increased \$85 million, or 18%, due to an increase in card and payment processing income and service charges on deposit accounts, which were driven by higher debit card-related transaction volumes and an increase in the number of households. In addition, SBA loan sales gains contributed to improved noninterest income. Noninterest expense increased \$275 million, or 28%, due to an increase in personnel and occupancy expense related to the addition of FirstMerit branches and colleagues. Higher processing costs related to transaction volumes, along with allocated expenses, also contributed to the increase in noninterest expense.

Home Lending, an operating unit of Consumer and Business Banking, reflects the result of the origination and servicing of mortgage loans less referral fees and net interest income for mortgage banking products distributed by the retail branch network and other business segments. Home Lending reported net income of \$6 million in the first nine-month period of 2017, a decrease of \$11 million, or 64%, compared to the year-ago period. While total revenues increased \$9 million, or 8%, largely due to higher residential loan balances, this increase was offset by an increase in noninterest expenses of \$22 million, or 27%, as a result of higher personnel costs related to the FirstMerit acquisition and higher origination volume. Income from lower origination spreads offset higher origination volume.

Commercial Banking

Table 23 - Key Performance Indicators for Commercial Banking

| (dollar amounts in thousands unless otherwise noted) | Nine Months Ended | | Change | |
|--|--------------------|--------------------|------------|---------|
| | September 30, 2017 | September 30, 2016 | Amount | Percent |
| Net interest income | \$514,900 | \$355,263 | \$159,637 | 45 % |
| Provision for credit losses | 21,378 | 53,212 | (31,834) | (60) |
| Noninterest income | 176,609 | 150,228 | 26,381 | 18 |
| Noninterest expense | 301,385 | 246,941 | 54,444 | 22 |
| Provision for income taxes | 129,061 | 71,868 | 57,193 | 80 |
| Net income | \$239,685 | \$133,470 | \$106,215 | 80 % |
| Number of employees (average full-time equivalent) | 1,078 | 894 | 184 | 21 % |
| Total average assets (in millions) | \$24,026 | \$19,012 | \$5,014 | 26 |
| Total average loans/leases (in millions) | 19,051 | 14,951 | 4,100 | 27 |
| Total average deposits (in millions) | 19,206 | 14,976 | 4,230 | 28 |
| Net interest margin | 3.33 % | 2.95 % | 0.38 % | 13 |
| NCOs | \$13,420 | \$19,951 | \$(6,531) | (33) |
| NCOs as a % of average loans and leases | 0.09 % | 0.18 % | (0.09)% | (50) |

2017 First Nine Months versus 2016 First Nine Months

Commercial Banking reported net income of \$240 million in the first nine-month period of 2017, an increase of \$106 million, or 80%, compared to the year-ago period. Results were predominantly impacted by the FirstMerit acquisition. Segment net interest income increased \$160 million, or 45%, primarily due to an increase in both average loans and deposits combined with a 38 basis point increase in net interest margin. The provision for credit losses decreased \$32 million, or 60%, driven by an improvement in energy related credits and a reduction in NCOs. Noninterest income increased \$26 million, or 18%, largely driven by an increase in loan commitment and other fees, capital markets related revenues, and deposit service charges and other treasury management related income partially offset by a reduction in operating lease income. Noninterest expense increased \$54 million, or 22%, primarily due to an increase

in personnel expense, allocated expenses, and amortization of intangibles, partially offset by a decrease in operating lease expense.

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Commercial Real Estate and Vehicle Finance

Table 24 - Commercial Real Estate and Vehicle Finance

| (dollar amounts in thousands unless otherwise noted) | Nine Months Ended September 30, | | Change | |
|--|------------------------------------|-----------|-----------|---------|
| | 2017 | 2016 | Amount | Percent |
| Net interest income | \$419,556 | \$317,704 | \$101,852 | 32 % |
| Provision for credit losses | 40,047 | 18,706 | 21,341 | 114 |
| Noninterest income | 34,750 | 25,951 | 8,799 | 34 |
| Noninterest expense | 163,989 | 125,254 | 38,735 | 31 |
| Provision for income taxes | 87,594 | 69,893 | 17,701 | 25 |
| Net income | \$162,676 | \$129,802 | \$32,874 | 25 % |
| Number of employees (average full-time equivalent) | 406 | 330 | 76 | 23 % |
| Total average assets (in millions) | \$24,121 | \$19,520 | \$4,601 | 24 |
| Total average loans/leases (in millions) | 23,025 | 18,433 | 4,592 | 25 |
| Total average deposits (in millions) | 1,878 | 1,669 | 209 | 13 |
| Net interest margin | 2.42 % | 2.25 % | 0.17 % | 8 |
| NCOs (Recoveries) | \$28,007 | \$(2,146) | \$30,153 | (1,405) |
| NCOs as a % of average loans and leases | 0.16 % | (0.02) % | 0.18 % | (900) |

2017 First Nine Months versus 2016 First Nine Months

CREVF reported net income of \$163 million in the first nine-month period of 2017, an increase of \$33 million, or 25%, compared to the year-ago period. Results were positively impacted by the FirstMerit acquisition, offset in part by a higher provision for credit losses reflecting significant commercial real estate recoveries benefiting the year ago period. Segment net interest income increased \$102 million or 32%, due to both higher loan balances and a 17 basis point increase in the net interest margin primarily reflecting the purchase accounting impact of the acquired loan portfolios. Noninterest income increased \$9 million, or 34%, primarily due to an increase in gains on various equity investments associated with mezzanine lending related activities and an increase in net servicing income on securitized automobile loans. Noninterest expense increased \$39 million, or 31%, primarily due to an increase in personnel costs and other allocated costs attributed to higher production and portfolio balance levels.

Regional Banking and The Huntington Private Client Group

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

| (dollar amounts in thousands unless otherwise noted) | Nine Months Ended September 30, | | Change | |
|--|------------------------------------|-----------|----------|---------|
| | 2017 | 2016 | Amount | Percent |
| Net interest income | \$145,089 | \$112,473 | \$32,616 | 29 % |
| Provision for credit losses | 510 | 490 | 20 | 4 |
| Noninterest income | 140,610 | 126,245 | 14,365 | 11 |
| Noninterest expense | 182,171 | 166,645 | 15,526 | 9 |
| Provision for income taxes | 36,056 | 25,054 | 11,002 | 44 |
| Net income | \$66,962 | \$46,529 | \$20,433 | 44 % |
| Number of employees (average full-time equivalent) | 1,027 | 953 | 74 | 8 % |
| Total average assets (in millions) | \$5,473 | \$4,424 | \$1,049 | 24 |
| Total average loans/leases (in millions) | 4,779 | 3,997 | 782 | 20 |
| Total average deposits (in millions) | 5,893 | 5,002 | 891 | 18 |
| Net interest margin | 3.38 % | 3.01 % | 0.37 % | 12 |
| NCOs (Recoveries) | \$1,879 | \$(2,392) | \$4,271 | (179) |

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| | | | | |
|---|--------|---------|---------|---------|
| NCOs as a % of average loans and leases | 0.05 | % (0.08 |)% 0.13 | % (163) |
| Total assets under management (in billions)—eop | \$18.0 | \$17.3 | \$0.7 | 4 |
| Total trust assets (in billions)—eop | 106.3 | 98.8 | 7.5 | 8 |

eop - End of Period.

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2017 First Nine Months versus 2016 First Nine Months

RBHPCG reported net income of \$67 million in the first nine-month period of 2017, an increase of \$20 million, or 44%, compared to the year-ago period. Results were predominantly impacted by the FirstMerit acquisition. Net interest income increased \$33 million, or 29%, due to an increase in average total deposits and loans combined with a 37 basis point increase in net interest margin. The increase in average total loans was due to growth in commercial and portfolio mortgage loans, while the increase in average total deposits was due to growth in interest checking balances. The provision for credit losses was essentially unchanged. Noninterest income increased \$14 million, or 11%, primarily reflecting increased trust and investment management revenue as a result of an increase in trust assets and assets under management, largely from the FirstMerit acquisition. Noninterest expense increased \$16 million, or 9%, as a result of increased personnel expenses and amortization of intangibles resulting from the FirstMerit acquisition.

ADDITIONAL DISCLOSURES

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including, but not limited to, certain plans, expectations, goals, projections, and statements, which are not historical facts and are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as expect, anticipate, believe, intend, estimate, plan, target, goal, or similar expressions, or future or conditional verbs such as will, may, might, should, would, could, or similar variations. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: changes in general economic, political, or industry conditions; uncertainty in U.S. fiscal and monetary policy, including the interest rate policies of the Federal Reserve Board; volatility and disruptions in global capital and credit markets; movements in interest rates; competitive pressures on product pricing and services; success, impact, and timing of our business strategies, including market acceptance of any new products or services implementing our “Fair Play” banking philosophy; the nature, extent, timing, and results of governmental actions, examinations, reviews, reforms, regulations, and interpretations, including those related to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Basel III regulatory capital reforms, as well as those involving the OCC, Federal Reserve, FDIC, and CFPB; the possibility that the anticipated benefits of the merger with FirstMerit Corporation are not realized completely or when expected, including as a result of the impact of, or problems arising from, the strength of the economy and competitive factors in the areas where we do business; and other factors that may affect our future results. Additional factors that could cause results to differ materially from those described above can be found in our Annual Report on Form 10-K for the year ended December 31, 2016, and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, which are on file with the Securities and Exchange Commission (the “SEC”) and available in the “Investor Relations” section of our website, <http://www.huntington.com>, under the heading “Publications and Filings” and in other documents we file with the SEC.

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

Non-GAAP Financial Measures

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

Significant Items

From time-to-time, revenue, expenses, or taxes are impacted by items judged by us to be outside of ordinary banking activities and/or by items that, while they may be associated with ordinary banking activities, are so unusually large that their outsized impact is believed by us at that time to be infrequent or short-term in nature. We refer to such items as Significant Items. Most often, these Significant Items result from factors originating outside the Company; e.g., regulatory actions / assessments, windfall gains, changes in accounting principles, one-time tax assessments / refunds, litigation actions, etc. In

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other cases, they may result from our decisions associated with significant corporate actions outside of the ordinary course of business; e.g., merger / restructuring charges, recapitalization actions, goodwill impairment, etc. Even though certain revenue and expense items are naturally subject to more volatility than others due to changes in market and economic environment conditions, as a general rule volatility alone does not define a Significant Item. For example, changes in the provision for credit losses, gains / losses from investment activities, asset valuation writedowns, etc., reflect ordinary banking activities and are, therefore, typically excluded from consideration as a Significant Item.

We believe the disclosure of Significant Items provides a better understanding of our performance and trends to ascertain which of such items, if any, to include or exclude from an analysis of our performance; i.e., within the context of determining how that performance differed from expectations, as well as how, if at all, to adjust estimates of future performance accordingly. To this end, we adopted a practice of listing Significant Items in our external disclosure documents; e.g., earnings press releases, investor presentations, Forms 10-Q and 10-K.

Significant Items for any particular period are not intended to be a complete list of items that may materially impact current or future period performance.

Fully-Taxable Equivalent Basis

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

Non-Regulatory Capital Ratios

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

• Tangible common equity to tangible assets, and

• Tangible common equity to risk-weighted assets using Basel III definitions.

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

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

Risk Factors

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

Critical Accounting Policies and Use of Significant Estimates

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

variables and other qualitative and quantitative factors necessary for an understanding and evaluation of our company, financial position, results of operations, and cash flows.

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

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

Recent Accounting Pronouncements and Developments

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

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Item 1: Financial Statements

Huntington Bancshares Incorporated
Condensed Consolidated Balance Sheets
(Unaudited)

(dollar amounts in thousands, except number of shares)

| | September 30, 2017 | December 31, 2016 |
|--|-----------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$1,193,738 | \$1,384,770 |
| Interest-bearing deposits in banks | 50,090 | 58,267 |
| Trading account securities | 88,488 | 133,295 |
| Loans held for sale (includes \$584,829 and \$438,224 respectively, measured at fair value)(1) | 651,734 | 512,951 |
| Available-for-sale and other securities | 15,453,061 | 15,562,837 |
| Held-to-maturity securities | 8,688,399 | 7,806,939 |
| Loans and leases (includes \$99,191 and \$82,319 respectively, measured at fair value)(1) | 68,587,296 | 66,961,996 |
| Allowance for loan and lease losses | (675,486 |) (638,413 |
| Net loans and leases | 67,911,810 | 66,323,583 |
| Bank owned life insurance | 2,459,807 | 2,432,086 |
| Premises and equipment | 853,290 | 815,508 |
| Goodwill | 1,992,849 | 1,992,849 |
| Other intangible assets | 359,844 | 402,458 |
| Servicing rights | 229,746 | 225,578 |
| Accrued income and other assets | 2,055,270 | 2,062,976 |
| Total assets | \$101,988,126 | \$99,714,097 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Deposits | \$78,445,113 | \$75,607,717 |
| Short-term borrowings | 1,829,549 | 3,692,654 |
| Long-term debt | 9,200,707 | 8,309,159 |
| Accrued expenses and other liabilities | 1,813,908 | 1,796,421 |
| Total liabilities | 91,289,277 | 89,405,951 |
| Commitments and contingencies (Note 14) | | |
| Shareholders' equity | | |
| Preferred stock | 1,071,286 | 1,071,227 |
| Common stock | 10,844 | 10,886 |
| Capital surplus | 9,820,600 | 9,881,277 |
| Less treasury shares, at cost | (35,133 |) (27,384 |
| Accumulated other comprehensive loss | (369,963 |) (401,016 |
| Retained earnings (deficit) | 201,215 | (226,844 |
| Total shareholders' equity | 10,698,849 | 10,308,146 |
| Total liabilities and shareholders' equity | \$101,988,126 | \$99,714,097 |
| Common shares authorized (par value of \$0.01) | 1,500,000,000 | 1,500,000,000 |
| Common shares issued | 1,084,366,589 | 1,088,641,251 |
| Common shares outstanding | 1,080,946,315 | 1,085,688,538 |
| Treasury shares outstanding | 3,420,274 | 2,952,713 |
| Preferred stock, authorized shares | 6,617,808 | 6,617,808 |
| Preferred shares issued | 2,702,571 | 2,702,571 |
| Preferred shares outstanding | 1,098,006 | 1,098,006 |

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

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Huntington Bancshares Incorporated
Condensed Consolidated Statements of Income
(Unaudited)

| (dollar amounts in thousands, except per share amounts) | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------|-----------------------|-------------|
| | September 30, 2017 | 2016 | September 30, 2017 | 2016 |
| Interest and fee income: | | | | |
| Loans and leases | \$724,284 | \$583,653 | \$2,100,056 | \$1,516,849 |
| Available-for-sale and other securities | | | | |
| Taxable | 74,409 | 57,572 | 228,986 | 138,178 |
| Tax-exempt | 18,579 | 13,687 | 55,961 | 40,499 |
| Held-to-maturity securities—taxable | 48,743 | 33,098 | 138,214 | 105,307 |
| Other | 6,972 | 6,336 | 16,554 | 16,422 |
| Total interest income | 872,987 | 694,346 | 2,539,771 | 1,817,255 |
| Interest expense: | | | | |
| Deposits | 49,611 | 26,233 | 126,688 | 71,575 |
| Short-term borrowings | 5,713 | 959 | 16,782 | 2,770 |
| Federal Home Loan Bank advances | 65 | 66 | 197 | 207 |
| Subordinated notes and other long-term debt | 59,165 | 41,698 | 163,184 | 108,366 |
| Total interest expense | 114,554 | 68,956 | 306,851 | 182,918 |
| Net interest income | 758,433 | 625,390 | 2,232,920 | 1,634,337 |
| Provision for credit losses | 43,590 | 63,805 | 136,206 | 115,896 |
| Net interest income after provision for credit losses | 714,843 | 561,585 | 2,096,714 | 1,518,441 |
| Service charges on deposit accounts | 90,681 | 86,847 | 261,683 | 232,722 |
| Cards and payment processing income | 53,647 | 44,320 | 153,301 | 119,951 |
| Mortgage banking income | 33,615 | 40,603 | 97,575 | 90,737 |
| Trust and investment management services | 33,531 | 28,923 | 99,633 | 74,258 |
| Insurance income | 13,992 | 15,865 | 45,099 | 48,037 |
| Brokerage income | 14,458 | 14,719 | 46,510 | 44,819 |
| Capital markets fees | 21,719 | 14,750 | 52,755 | 40,797 |
| Bank owned life insurance income | 16,453 | 14,452 | 49,317 | 40,500 |
| Gain on sale of loans | 13,877 | 7,506 | 38,701 | 22,166 |
| Net gains on sales of securities | 71 | 1,031 | 3,781 | 1,763 |
| Impairment losses on available-for-sale securities | (104 |) — | (3,687 |) (76 |
| Other noninterest income | 38,157 | 33,399 | 123,110 | 99,720 |
| Total noninterest income | 330,097 | 302,415 | 967,778 | 815,394 |
| Personnel costs | 377,088 | 405,024 | 1,151,085 | 989,369 |
| Outside data processing and other services | 79,586 | 91,133 | 241,957 | 216,047 |
| Equipment | 45,458 | 40,792 | 135,082 | 105,173 |
| Net occupancy | 55,124 | 41,460 | 175,437 | 103,640 |
| Professional services | 15,227 | 47,075 | 51,712 | 82,101 |
| Marketing | 16,970 | 14,438 | 49,736 | 41,479 |
| Deposit and other insurance expense | 18,514 | 14,940 | 59,031 | 38,335 |
| Amortization of intangibles | 14,017 | 9,046 | 42,614 | 16,357 |
| Other noninterest expense | 58,444 | 48,339 | 175,560 | 134,487 |
| Total noninterest expense | 680,428 | 712,247 | 2,082,214 | 1,726,988 |
| Income before income taxes | 364,512 | 151,753 | 982,278 | 606,847 |
| Provision for income taxes | 89,944 | 24,749 | 227,875 | 133,989 |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Net income | 274,568 | 127,004 | 754,403 | 472,858 |
| Dividends on preferred shares | 18,903 | 18,537 | 56,670 | 46,409 |
| Net income applicable to common shares | \$255,665 | \$108,467 | \$697,733 | \$426,449 |

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| | Three Months | | Nine Months | |
|---|---------------|-----------|---------------|-----------|
| | Ended | | Ended | |
| (dollar amounts in thousands, except per share amounts) | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Average common shares—basic | 1,086,033 | 1,088,578 | 1,087,115 | 1,158,441 |
| Average common shares—diluted | 1,106,499 | 1,152,081 | 1,107,878 | 1,156,934 |
| Per common share: | | | | |
| Net income—basic | \$0.24 | \$ 0.12 | \$0.64 | \$0.51 |
| Net income—diluted | 0.23 | 0.11 | 0.63 | 0.50 |
| Cash dividends declared | 0.08 | 0.07 | 0.24 | 0.21 |
| OTTI losses for the periods presented: | | | | |
| Total OTTI losses | \$(104) | \$ — | \$(3,693) | \$(3,809) |
| Noncredit-related portion of loss recognized in OCI | — | — | 6 | 3,733 |
| Impairment losses recognized in earnings on available-for-sale securities | \$(104) | \$ — | \$(3,687) | \$(76) |

See Notes to Unaudited Condensed Consolidated Financial Statements

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

| (dollar amounts in thousands) | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------|-----------------------|-----------|
| | September 30, 2017 | 2016 | September 30, 2017 | 2016 |
| Net income | \$274,568 | \$127,004 | \$754,403 | \$472,858 |
| Other comprehensive income, net of tax: | | | | |
| Unrealized gains (losses) on available-for-sale and other securities: | | | | |
| Non-credit-related impairment recoveries (losses) on debt securities not expected to be sold | 265 | 1,294 | 2,391 | (388) |
| Unrealized net gains (losses) on available-for-sale and other securities arising during the period, net of reclassification for net realized gains and losses | (21,968) | (35,036) | 25,081 | 47,118 |
| Total unrealized gains (losses) on available-for-sale and other securities | (21,703) | (33,742) | 27,472 | 46,730 |
| Unrealized gains (losses) on cash flow hedging derivatives, net of reclassifications to income | 1,318 | (5,232) | 1,563 | 4,731 |
| Change in accumulated unrealized losses for pension and other post-retirement obligations | 779 | 841 | 2,018 | 2,522 |
| Other comprehensive income (loss), net of tax | (19,606) | (38,133) | 31,053 | 53,983 |
| Comprehensive income | \$254,962 | \$88,871 | \$785,456 | \$526,841 |
| See Notes to Unaudited Condensed Consolidated Financial Statements | | | | |

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

| (dollar amounts in thousands, except per share amounts) | Preferred Stock | Common Stock | | Capital Surplus | Treasury Stock | | Accumulated Other Comprehensive Gain (Loss) | Retained Earnings (Deficit) | Total |
|---|-----------------|--------------|---------|-----------------|----------------|------------|---|-----------------------------|-------------|
| | Amount | Shares | Amount | | Shares | Amount | | | |
| Nine Months Ended September 30, 2016 | | | | | | | | | |
| Balance, beginning of period | \$386,291 | 796,970 | \$7,970 | \$7,038,502 | (2,041) | \$(17,932) | \$(226,158) | \$(594,067) | \$6,594,606 |
| Net income | | | | | | | | 472,858 | 472,858 |
| Other comprehensive income (loss) | | | | | | | 53,983 | | 53,983 |
| FirstMerit Acquisition: | | | | | | | | | |
| Issuance of common stock | | 285,425 | 2,854 | 2,764,044 | | | | | 2,766,898 |
| Issuance of Series C preferred stock | 100,000 | | | 4,320 | | | | | 104,320 |
| Net proceeds from issuance of Series D preferred stock | 584,936 | | | | | | | | 584,936 |
| Cash dividends declared: | | | | | | | | | |
| Common (\$0.21 per share) | | | | | | | | (187,710) | (187,710) |
| Preferred Series A (\$63.75 per share) | | | | | | | | (23,110) | (23,110) |
| Preferred Series B (\$25.08 per share) | | | | | | | | (890) | (890) |
| Preferred Series C (\$11.59 per share) | | | | | | | | (1,159) | (1,159) |
| Preferred Series D | | | | | | | | (21,250) | (21,250) |

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| | | | | | | | | | |
|---|-------------|-----------|----------|-------------|---------|------------|-------------|-------------|--------------|
| (\$35.42 per share) | | | | | | | | | |
| Recognition of the fair value of share-based compensation | | | 48,568 | | | | | 48,568 | |
| Other share-based compensation activity | 5,014 | 50 | 4,389 | | | | (3,823) | 616 | |
| Shares sold to HIP | 322 | 3 | 3,207 | | | | | 3,210 | |
| Other | | | 119 | (908) | (9,001) | | (229) | (9,111) | |
| Balance, end of period | \$1,071,227 | 1,087,731 | \$10,877 | \$9,863,149 | (2,949) | \$(26,933) | \$(172,175) | \$(359,380) | \$10,386,765 |

Nine Months Ended September 30, 2017

| | | | | | | | | | |
|--|-------------|-----------|-----------|-------------|---------|------------|-------------|-------------|--------------|
| Balance, beginning of period | \$1,071,227 | 1,088,641 | \$10,886 | \$9,881,277 | (2,953) | \$(27,384) | \$(401,016) | \$(226,844) | \$10,308,146 |
| Net income | | | | | | | | 754,403 | 754,403 |
| Other comprehensive income (loss) | | | | | | | 31,053 | | 31,053 |
| Repurchases of common stock | (9,645) | (96) | (123,108) | | | | | | (123,204) |
| Cash dividends declared: | | | | | | | | | |
| Common (\$0.24 per share) | | | | | | | | (260,919) | (260,919) |
| Preferred Series A (\$63.75 per share) | | | | | | | | (23,110) | (23,110) |
| Preferred Series B (\$28.96 per share) | | | | | | | | (1,028) | (1,028) |
| Preferred Series C (\$44.07 per share) | | | | | | | | (4,407) | (4,407) |
| Preferred Series D (\$46.88 per share) | | | | | | | | (28,125) | (28,125) |
| | | | | 72,747 | | | | | 72,747 |

| | | | | | | | | | |
|---|-------------|-----------|----------|-------------|---------|------------|-------------|-----------|--------------|
| Recognition of the fair value of share-based compensation | | | | | | | | | |
| Other share-based compensation activity | | 5,361 | 53 | (11,928 |) | | (8,499 |) | (20,374 |
| Other | 59 | 10 | 1 | 1,612 | (468 |) | (7,749 |) | (256 |
| Balance, end of period | \$1,071,286 | 1,084,367 | \$10,844 | \$9,820,600 | (3,421) | \$(35,133) | \$(369,963) | \$201,215 | \$10,698,849 |

See Notes to Unaudited Condensed Consolidated Financial Statements

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

| (dollar amounts in thousands) | Nine Months Ended | |
|---|-----------------------|--------------|
| | September 30, 2017 | 2016 |
| Operating activities | | |
| Net income | \$754,403 | \$472,858 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 136,206 | 115,896 |
| Depreciation and amortization | 307,063 | 299,444 |
| Share-based compensation expense | 72,747 | 48,568 |
| Deferred income tax expense (benefit) | 36,244 | (18,094) |
| Net gains on sales of securities | (3,781) | (1,763) |
| Impairment losses recognized in earnings on available-for-sale securities | 3,687 | 76 |
| Net change in: | | |
| Trading account securities | 44,807 | 926 |
| Loans held for sale | (164,405) | (194,735) |
| Accrued income and other assets | (136,485) | (169,453) |
| Accrued expense and other liabilities | 42,162 | 144,496 |
| Other, net | 13,647 | (12,413) |
| Net cash provided by (used for) operating activities | 1,106,295 | 685,806 |
| Investing activities | | |
| Change in interest bearing deposits in banks | 20,688 | 33,221 |
| Cash paid for acquisition of a business, net of cash received | — | (133,218) |
| Proceeds from: | | |
| Maturities and calls of available-for-sale and other securities | 1,081,091 | 1,266,031 |
| Maturities of held-to-maturity securities | 792,996 | 850,170 |
| Sales of available-for-sale and other securities | 1,255,152 | 3,893,482 |
| Purchases of available-for-sale and other securities | (3,208,608) | (5,434,332) |
| Purchases of held-to-maturity securities | (689,670) | — |
| Net proceeds from sales of portfolio loans | 427,142 | 352,277 |
| Net loan and lease activity, excluding sales and purchases | (2,159,966) | (3,286,238) |
| Purchases of premises and equipment | (144,637) | (63,688) |
| Proceeds from sales of other real estate | 25,156 | 21,765 |
| Purchases of loans and leases | (112,859) | (359,208) |
| Other, net | 11,556 | (249) |
| Net cash provided by (used for) investing activities | (2,701,959) | (2,859,987) |
| Financing activities | | |
| Increase (decrease) in deposits | 2,837,396 | 853,806 |
| Increase (decrease) in short-term borrowings | (1,865,157) | 363,518 |
| Net proceeds from issuance of long-term debt | 1,773,096 | 2,081,643 |
| Maturity/redemption of long-term debt | (882,977) | (684,746) |
| Dividends paid on preferred stock | (56,632) | (46,409) |
| Dividends paid on common stock | (261,593) | (168,656) |
| Repurchases of common stock | (123,204) | — |
| Proceeds from stock options exercised | 9,316 | 6,084 |
| Net proceeds from issuance of preferred stock | — | 584,936 |
| Payments related to tax-withholding for share based compensation awards | (25,613) | — |

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| | | |
|--|-------------|-------------|
| Other, net | — | (1,212) |
| Net cash provided by (used for) financing activities | 1,404,632 | 2,988,964 |
| Increase (decrease) in cash and cash equivalents | (191,032) | 814,783 |
| Cash and cash equivalents at beginning of period | 1,384,770 | 847,156 |
| Cash and cash equivalents at end of period | \$1,193,738 | \$1,661,939 |

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| (dollar amounts in thousands) | Nine Months Ended | |
|--|-------------------|-----------|
| | 2017 | 2016 |
| Supplemental disclosures: | | |
| Interest paid | \$307,493 | \$159,357 |
| Income taxes paid | 71,165 | 3,869 |
| Non-cash activities | | |
| Loans transferred to held-for-sale from portfolio | 446,152 | 3,204,732 |
| Loans transferred to portfolio from held-for-sale | 4,751 | 92,585 |
| Transfer of loans to OREO | 23,691 | 18,678 |
| Transfer of securities to held-to-maturity from available-for-sale | 992,760 | — |

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated
Notes to Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

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

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

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

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

2. ACCOUNTING STANDARDS UPDATE

| Standard | Summary of guidance | Effects on financial statements |
|---|---|---|
| ASU 2014-09 - Revenue from Contracts with Customers (Topic 606): Issued May 2014 | <ul style="list-style-type: none"> - Topic 606 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. - Requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. - Also requires additional qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers - Guidance sets forth a five step approach for revenue recognition. | <ul style="list-style-type: none"> - Effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Management intends to adopt the new guidance on January 1, 2018 using the modified retrospective approach. - Management's analysis includes: <ul style="list-style-type: none"> (a) Identification of all revenue streams included in the financial statements; (b) Determination of scope exclusions to identify ‘in-scope’ revenue streams; (c) Determination of size, timing, and amount of revenue recognition for in-scope items; (d) Identification of contracts for further analysis; and (e) Completion of review of certain contracts to evaluate the potential impact of the new guidance. - Key revenue streams identified include service charges, credit card and payment processing fees, trust services fees, insurance income, brokerage services, and mortgage banking income. |

- The new guidance is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

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| Standard | Summary of guidance | Effects on financial statements |
|---|--|--|
| <p>ASU 2016-01 - Recognition and Measurement of Financial Assets and Financial Liabilities. Issued January 2016</p> | <p>- Improvements to GAAP disclosures including requiring an entity to:</p> <p>(a) Measure its equity investments with changes in the fair value recognized in the income statement.</p> <p>(b) Present separately in OCI the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments (i.e., FVO liability).</p> <p>(c) Use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.</p> <p>(d) Assess deferred tax assets related to a net unrealized loss on AFS securities in combination with the entity's other deferred tax assets.</p> | <p>- Effective for the fiscal period beginning after December 15, 2017, including interim periods within those fiscal years.</p> <p>- Amendments are applied as a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption.</p> <p>- The amendment is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.</p> <p>- Effective for the fiscal period beginning after December 15, 2018, with early application permitted.</p> |
| <p>ASU 2016-02 - Leases. Issued February 2016</p> | <p>- New lease accounting model for lessors and lessees. For lessees, virtually all leases will be required to be recognized on the balance sheet by recording a right-of-use asset and lease liability. Subsequent accounting for leases varies depending on whether the lease is an operating lease or a finance lease.</p> <p>- Accounting applied by a lessor is largely unchanged from that applied under the existing guidance.</p> <p>- Requires additional qualitative and quantitative disclosures with the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.</p> | <p>- Management intends to adopt the guidance on January 1, 2019, and has formed a working group comprised of associates from different disciplines, including Procurement, Real Estate, and Credit Administration, to evaluate the impact of the standard where Huntington is a lessee or lessor, as well as any impact to borrower's financial statements.</p> <p>- Management is currently assessing the impact of the new guidance on Huntington's Unaudited Consolidated Financial Statements, including working with associates engaged in the procurement of goods and services used in the entity's operations, and reviewing contractual arrangements for embedded leases in an effort to identify Huntington's full lease population.</p> <p>- Huntington will recognize right-of-use assets and lease liabilities for virtually all of its operating lease commitments.</p> |
| <p>ASU 2016-13 - Financial Instruments - Credit Losses.</p> | <p>- Eliminates the probable recognition threshold for credit losses on financial assets measured at amortized cost.</p> | <p>- Effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is</p> |

Issued June 2016

- Requires those financial assets 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 about effective past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount.
- permitted for fiscal years beginning after December 15, 2018.
- 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 intends to adopt the guidance on January 1, 2020 and has formed a working group comprised of teams from different disciplines including credit and finance to evaluate the requirements of the new standard and the impact it will have on our processes.
 - The early stages of this evaluation include a review of existing credit models to identify areas where existing credit models used to comply with other regulatory requirements may be leveraged and areas where new impairment models may be required.

ASU 2016-15 -
Classification of
Certain Cash
Receipts and Cash
Payments.
Issued August 2016

- Clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows.
 - Provides consistent principles for evaluating the classification of cash payments and receipts in the statement of cash flows to reduce diversity in practice with respect to several types of cash flows.
- Effective using a retrospective transition approach for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period.
- If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.
 - This Update is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

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| Standard | Summary of guidance | Effects on financial statements |
|--|---|---|
| ASU 2017-04 - Simplifying the Test for Goodwill Impairment. Issued January 2017 | <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. - Requires that an employer report the | <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 significant impact on Huntington's Unaudited Consolidated Financial Statements. |
| ASU 2017-07 - Improving the Presentation of Net Periodic Pension Cost and Periodic Postretirement Benefit Cost. Issued March 2017 | <ul style="list-style-type: none"> - Requires that an employer report the service cost component of the pension in the same line items as other compensation costs arising from services rendered by the pertinent employees during the period. - Other components of the net benefit cost should be presented in the income statement separately from the service cost component. - Reduces the current diversity in practice and provides explicit guidance pertaining to the provisions of modification accounting. | <ul style="list-style-type: none"> - Effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued or made available for issuance. - This Update is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements. |
| ASU 2017-09 - Stock Compensation Modification Accounting. Issued May 2017 | <ul style="list-style-type: none"> - Clarifies that an entity should account for effects of modification unless the fair value, vesting conditions and the classification of the modified award are the same as the original awards immediately before the original award is modified. | <ul style="list-style-type: none"> - Effective prospectively for annual periods and interim periods within those annual periods, beginning after December 15, 2017. Earlier application is permitted. - The Update is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements. |
| ASU 2017-12 - Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities. Issued August 2017 | <ul style="list-style-type: none"> - Aligns the entity's risk management activities and financial reporting for hedging relationships. - Requires an entity to present the earnings effect of the hedging | <ul style="list-style-type: none"> - Effective for annual periods and interim periods within those annual periods, beginning after December 15, 2018. For cash flow and net investment hedges, cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness should be recognized in AOCI with a |

- instrument in the same income statement line item in which the earnings effect of the hedged item is reported.
- Refines measurement techniques for hedges of benchmark interest rate risk.
- Eliminates the separate measurement and reporting of hedge ineffectiveness.
- Allows stated amount of assets in a closed portfolio to be fair value hedged by excluding proportion of hedged item related to prepayments, defaults and other events.
- Eases hedge effectiveness testing including an option to perform qualitative testing.
- corresponding adjustment to retained earnings. Earlier application is permitted.
- Huntington is considering adopting the new guidance on January 1, 2018. The Update is not expected to have a significant impact on Huntington's Unaudited Consolidated Financial Statements.

3. LOANS / LEASES AND ALLOWANCE FOR CREDIT LOSSES

Loans and leases which Huntington has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified in the Unaudited Condensed Consolidated Balance Sheets as loans and leases. Except for loans which are accounted for at fair value, loans are carried at the principal amount outstanding, net of unamortized premiums and discounts and deferred loan fees and costs and purchase accounting adjustments, which resulted in a net premium of \$295 million and \$120 million at September 30, 2017 and December 31, 2016, respectively.

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Loan and Lease Portfolio Composition

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

| (dollar amounts in thousands) | September 30, 2017 | December 31, 2016 |
|-------------------------------------|-----------------------|----------------------|
| Loans and leases: | | |
| Commercial and industrial | \$27,469,344 | \$28,058,712 |
| Commercial real estate | 7,206,096 | 7,300,901 |
| Automobile | 11,876,033 | 10,968,782 |
| Home equity | 9,984,728 | 10,105,774 |
| Residential mortgage | 8,616,059 | 7,724,961 |
| RV and marine finance | 2,371,065 | 1,846,447 |
| Other consumer | 1,063,971 | 956,419 |
| Loans and leases | 68,587,296 | 66,961,996 |
| Allowance for loan and lease losses | (675,486) | (638,413) |
| Net loans and leases | \$67,911,810 | \$66,323,583 |

FirstMerit Purchased Credit-Impaired Loans

The following table presents a rollforward of the accretable yield for purchased credit impaired loans for the three-month and nine-month period ended September 30, 2017.

| (dollar amounts in thousands) | Three Months Ended September 30, 2017 | Nine Months Ended September 30, 2017 |
|---|--|---|
| Balance, beginning of period | \$36,509 | \$36,669 |
| Accretion | (4,343) | (13,833) |
| Reclassification (to) from nonaccretable difference | 3,044 | 12,374 |
| Balance, end of period | \$35,210 | \$35,210 |

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

| (dollar amounts in thousands) | September 30, 2017 | | December 31, 2016 | |
|-------------------------------|-----------------------|--------------------------------|-------------------|--------------------------------|
| | Ending Balance | Unpaid Principal Balance | Ending Balance | Unpaid Principal Balance |
| Commercial and industrial | \$48,606 | \$72,117 | \$68,338 | \$100,031 |
| Commercial real estate | 16,383 | 29,689 | 34,042 | 56,320 |
| Total | \$64,989 | \$101,806 | \$102,380 | \$156,351 |

There was no allowance for loan losses recorded on the purchased credit-impaired loan portfolio at September 30, 2017 and December 31, 2016.

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, 2016 for a description of the accounting policies related to the NALs.

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The following table presents nonaccrual loans (NALs) by loan class at September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | September 30, 2017 | December 31, 2016 |
|-------------------------------|-----------------------|----------------------|
| Commercial and industrial | \$ 169,751 | \$ 234,184 |
| Commercial real estate | 17,397 | 20,508 |
| Automobile | 4,076 | 5,766 |
| Home equity | 71,353 | 71,798 |
| Residential mortgage | 75,251 | 90,502 |
| RV and marine finance | 309 | 245 |
| Other consumer | 108 | — |
| Total nonaccrual loans | \$ 338,245 | \$ 423,003 |

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

| (dollar amounts in thousands) | September 30, 2017 | | | Total | Current | Purchased for Credit Impaired | Loans Accounted for Under the Fair Value Option | Total Loans and Leases | 90 or more days past due and accruing | |
|-------------------------------|--------------------|------------|------------|-----------|--------------|-------------------------------|---|------------------------|---------------------------------------|-----|
| | Past Due | 30-59 Days | 60-89 Days | | | | | | | |
| Commercial and industrial | \$36,505 | \$10,654 | \$77,835 | \$124,994 | \$27,295,744 | \$48,606 | \$— | \$27,469,344 | \$14,083 | (2) |
| Commercial real estate | 35,444 | 2,586 | 20,010 | 58,040 | 7,131,673 | 16,383 | — | 7,206,096 | 9,550 | |
| Automobile | 79,457 | 17,167 | 10,449 | 107,073 | 11,767,782 | — | 1,178 | 11,876,033 | 10,239 | |
| Home equity | 41,748 | 19,601 | 63,747 | 125,096 | 9,857,359 | — | 2,273 | 9,984,728 | 16,150 | |
| Residential mortgage | 111,722 | 45,041 | 104,167 | 260,930 | 8,260,742 | — | 94,387 | 8,616,059 | 62,832 | (3) |
| RV and marine finance | 10,303 | 2,184 | 2,134 | 14,621 | 2,355,309 | — | 1,135 | 2,371,065 | 2,063 | |
| Other consumer | 10,180 | 4,394 | 3,752 | 18,326 | 1,045,427 | — | 218 | 1,063,971 | 3,752 | |
| Total loans and leases | \$325,359 | \$101,627 | \$282,094 | \$709,080 | \$67,714,036 | \$64,989 | \$99,191 | \$68,587,296 | \$118,669 | |
| (dollar amounts in thousands) | December 31, 2016 | | | Total | Current | Purchased for Credit Impaired | Loans Accounted for Under the Fair Value Option | Total Loans and Leases | 90 or more days past due and accruing | |
| | Past Due | 30-59 Days | 60-89 Days | | | | | | | |
| Commercial and industrial | 42,052 | 20,136 | 74,174 | 136,362 | 27,854,012 | 68,338 | — | 28,058,712 | 18,148 | (2) |
| Commercial real estate | 21,187 | 3,202 | 29,659 | 54,048 | 7,212,811 | 34,042 | — | 7,300,901 | 17,215 | |
| Automobile | 76,283 | 17,188 | 10,442 | 103,913 | 10,862,715 | — | 2,154 | 10,968,782 | 10,182 | |
| Home equity | 38,899 | 23,903 | 53,002 | 115,804 | 9,986,697 | — | 3,273 | 10,105,774 | 11,508 | |

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| | | | | | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|--------------|-----------|----------|--------------|-----------|-----|
| Residential mortgage | 122,469 | 37,460 | 116,682 | 276,611 | 7,373,414 | — | 74,936 | 7,724,961 | 66,952 | (3) |
| RV and marine finance | 10,009 | 2,230 | 1,566 | 13,805 | 1,831,123 | — | 1,519 | 1,846,447 | 1,462 | |
| Other consumer | 9,442 | 4,324 | 3,894 | 17,660 | 938,322 | — | 437 | 956,419 | 3,895 | |
| Total loans and leases | \$320,341 | \$108,443 | \$289,419 | \$718,203 | \$66,059,094 | \$102,380 | \$82,319 | \$66,961,996 | \$129,362 | |

(1) NALs are included in this aging analysis based on their past due status.

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

(3) Amounts include loans guaranteed by government organizations.

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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, 2016 for a description of the accounting policies related to the ACL.

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

The following table presents ALLL and AULC activity by portfolio segment for the three-month and nine-month periods ended September 30, 2017 and 2016.

(dollar amounts in thousands)

| | Commercial | Consumer | Total |
|--|------------|------------|------------|
| Three-month period ended September 30, 2017: | | | |
| ALLL balance, beginning of period | \$ 474,576 | \$ 193,420 | \$ 667,996 |
| Loan charge-offs | (19,278) | (45,494) | (64,772) |
| Recoveries of loans previously charged-off | 10,015 | 11,865 | 21,880 |
| Provision for (reduction in allowance) loan and lease losses | 8,810 | 41,573 | 50,383 |
| Allowance for loans sold or transferred to loans held for sale | (1) | — | (1) |
| ALLL balance, end of period | \$ 474,122 | \$ 201,364 | \$ 675,486 |
| AULC balance, beginning of period | \$ 82,827 | \$ 2,532 | \$ 85,359 |
| Provision for (reduction in allowance) unfunded loan commitments and letters of credit | (6,528) | (265) | (6,793) |
| AULC balance, end of period | \$ 76,299 | \$ 2,267 | \$ 78,566 |
| ACL balance, end of period | \$ 550,421 | \$ 203,631 | \$ 754,052 |
| Nine-month period ended September 30, 2017: | | | |
| ALLL balance, beginning of period | \$ 451,091 | \$ 187,322 | \$ 638,413 |
| Loan charge-offs | (58,051) | (133,884) | (191,935) |
| Recoveries of loans previously charged-off | 33,619 | 39,946 | 73,565 |
| Provision for (reduction in allowance) loan and lease losses | 47,539 | 107,980 | 155,519 |
| Allowance for loans sold or transferred to loans held for sale | (76) | — | (76) |
| ALLL balance, end of period | \$ 474,122 | \$ 201,364 | \$ 675,486 |
| AULC balance, beginning of period | \$ 86,543 | \$ 11,336 | \$ 97,879 |
| Provision for (reduction in allowance) unfunded loan commitments and letters of credit | (10,244) | (9,069) | (19,313) |
| AULC balance, end of period | \$ 76,299 | \$ 2,267 | \$ 78,566 |
| ACL balance, end of period | \$ 550,421 | \$ 203,631 | \$ 754,052 |

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| (dollar amounts in thousands) | Commercial | Consumer | Total |
|--|------------|------------|------------|
| Three-month period ended September 30, 2016: | | | |
| ALLL balance, beginning of period | \$ 424,507 | \$ 198,557 | \$ 623,064 |
| Loan charge-offs | (24,839) | (34,429) | (59,268) |
| Recoveries of loans previously charged-off | 8,312 | 10,891 | 19,203 |
| Provision for (reduction in allowance) loan and lease losses | 36,689 | 16,834 | 53,523 |
| Allowance for loans sold or transferred to loans held for sale | (12,874) | (6,750) | (19,624) |
| ALLL balance, end of period | \$ 431,795 | \$ 185,103 | \$ 616,898 |
| AULC balance, beginning of period | \$ 63,717 | \$ 10,031 | \$ 73,748 |
| Provision for (reduction in allowance) unfunded loan commitments and letters of credit | 9,739 | 543 | 10,282 |
| AULC recorded at acquisition | 4,403 | — | 4,403 |
| AULC balance, end of period | \$ 77,859 | \$ 10,574 | \$ 88,433 |
| ACL balance, end of period | \$ 509,654 | \$ 195,677 | \$ 705,331 |
| Nine-month period ended September 30, 2016: | | | |
| ALLL balance, beginning of period | \$ 398,753 | \$ 199,090 | \$ 597,843 |
| Loan charge-offs | (70,721) | (91,784) | (162,505) |
| Recoveries of loans previously charged-off | 62,127 | 35,006 | 97,133 |
| Provision for (reduction in allowance) loan and lease losses | 54,510 | 49,437 | 103,947 |
| Allowance for loans sold or transferred to loans held for sale | (12,874) | (6,646) | (19,520) |
| ALLL balance, end of period | \$ 431,795 | \$ 185,103 | \$ 616,898 |
| AULC balance, beginning of period | \$ 63,448 | \$ 8,633 | \$ 72,081 |
| Provision for (reduction in allowance) unfunded loan commitments and letters of credit | 10,008 | 1,941 | 11,949 |
| AULC recorded at acquisition | 4,403 | — | 4,403 |
| AULC balance, end of period | \$ 77,859 | \$ 10,574 | \$ 88,433 |
| ACL balance, end of period | \$ 509,654 | \$ 195,677 | \$ 705,331 |

Credit Quality Indicators

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

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

| September 30, 2017 | | | | | |
|--|--------------|-------------|-------------|-----------|--------------|
| Credit Risk Profile by UCS Classification | | | | | |
| (dollar amounts in thousands) | Pass | OLEM | Substandard | Doubtful | Total |
| Commercial | | | | | |
| Commercial and industrial | \$25,447,805 | \$803,540 | \$1,189,789 | \$28,210 | \$27,469,344 |
| Commercial real estate | 6,934,670 | 144,122 | 126,352 | 952 | 7,206,096 |
| Credit Risk Profile by FICO Score (1), (2) | | | | | |
| | 750+ | 650-749 | <650 | Other (3) | Total |
| Consumer | | | | | |
| Automobile | \$5,939,409 | \$4,278,062 | \$1,371,574 | \$285,810 | \$11,874,855 |
| Home equity | 6,359,778 | 2,985,933 | 621,817 | 14,927 | 9,982,455 |
| Residential mortgage | 5,311,993 | 2,479,820 | 599,055 | 130,804 | 8,521,672 |
| RV and marine finance | 1,385,176 | 853,545 | 91,302 | 39,907 | 2,369,930 |
| Other consumer | 404,047 | 510,804 | 136,346 | 12,556 | 1,063,753 |
| December 31, 2016 | | | | | |
| Credit Risk Profile by UCS Classification | | | | | |
| (dollar amounts in thousands) | Pass | OLEM | Substandard | Doubtful | Total |
| Commercial | | | | | |
| Commercial and industrial | \$26,211,885 | \$810,287 | \$1,028,819 | \$7,721 | \$28,058,712 |
| Commercial real estate | 7,042,304 | 96,975 | 159,098 | 2,524 | 7,300,901 |
| Credit Risk Profile by FICO Score (1), (2) | | | | | |
| | 750+ | 650-749 | <650 | Other (3) | Total |
| Consumer | | | | | |
| Automobile | \$5,369,085 | \$4,043,611 | \$1,298,460 | \$255,472 | \$10,966,628 |
| Home equity | 6,280,328 | 2,891,330 | 637,560 | 293,283 | 10,102,501 |
| Residential mortgage | 4,662,777 | 2,285,121 | 615,067 | 87,060 | 7,650,025 |
| RV and marine finance | 1,064,143 | 644,039 | 72,995 | 63,751 | 1,844,928 |
| Other consumer | 346,867 | 455,959 | 133,243 | 19,913 | 955,982 |

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

(2) Reflects most recent customer credit scores.

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

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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, 2016 for a description of accounting policies related to impaired loans.

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

| (dollar amounts in thousands) | Commercial | Consumer | Total |
|---|--------------|--------------|--------------|
| ALLL at September 30, 2017: | | | |
| Portion of ALLL balance: | | | |
| Purchased credit-impaired loans | \$— | \$— | \$— |
| Attributable to loans individually evaluated for impairment | 22,838 | 13,874 | 36,712 |
| Attributable to loans collectively evaluated for impairment | 451,284 | 187,490 | 638,774 |
| Total ALLL balance | \$474,122 | \$201,364 | \$675,486 |
| Loan and Lease Ending Balances at September 30, 2017: (1) | | | |
| Portion of loan and lease ending balance: | | | |
| Purchased credit-impaired loans | \$64,989 | \$— | \$64,989 |
| Individually evaluated for impairment | 566,340 | 621,808 | 1,188,148 |
| Collectively evaluated for impairment | 34,044,110 | 33,190,856 | 67,234,966 |
| Total loans and leases evaluated for impairment | \$34,675,439 | \$33,812,664 | \$68,488,103 |
| (dollar amounts in thousands) | Commercial | Consumer | Total |
| ALLL at December 31, 2016 | | | |
| Portion of ALLL balance: | | | |
| Purchased credit-impaired loans | \$— | \$— | \$— |
| Attributable to loans individually evaluated for impairment | \$10,525 | \$11,021 | \$21,546 |
| Attributable to loans collectively evaluated for impairment | 440,566 | 176,301 | 616,867 |
| Total ALLL balance: | \$451,091 | \$187,322 | \$638,413 |
| Loan and Lease Ending Balances at December 31, 2016 (1) | | | |
| Portion of loan and lease ending balances: | | | |
| Purchased credit-impaired loans | \$102,380 | \$— | \$102,380 |
| Individually evaluated for impairment | 415,624 | 457,890 | 873,514 |
| Collectively evaluated for impairment | 34,841,609 | 31,062,174 | 65,903,783 |
| Total loans and leases evaluated for impairment | \$35,359,613 | \$31,520,064 | \$66,879,677 |

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

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

| (dollar amounts in thousands) | September 30, 2017 | | | Three Months Ended September 30, 2017 | | Nine Months Ended September 30, 2017 | |
|-------------------------------------|--------------------|------------------------------------|----------------------|--|----------------------------------|---|----------------------------------|
| | Ending Balance | Unpaid Principal Balance (6) | Related Allowance | Average Balance | Interest Income Recognized | Average Balance | Interest Income Recognized |
| With no related allowance recorded: | | | | | | | |
| Commercial and industrial | \$299,349 | \$324,474 | \$ | —\$294,513 | \$4,969 | \$227,611 | \$7,467 |
| Commercial real estate | 65,382 | 92,215 | — | 71,277 | 1,825 | 80,388 | 5,762 |
| Automobile | — | — | — | — | — | — | — |
| Home equity | — | — | — | — | — | — | — |
| Residential mortgage | — | — | — | — | — | — | — |
| RV and marine finance | — | — | — | — | — | — | — |
| Other consumer | — | — | — | — | — | — | — |
| With an allowance recorded: | | | | | | | |
| Commercial and industrial | 213,520 | 245,328 | 19,958 | 222,745 | 1,950 | 334,297 | 12,712 |
| Commercial real estate | 53,078 | 60,366 | 2,880 | 40,672 | 468 | 54,352 | 1,388 |
| Automobile | 33,049 | 33,049 | 1,683 | 32,740 | 496 | 32,293 | 1,576 |
| Home equity | 335,763 | 367,870 | 14,486 | 330,784 | 3,713 | 326,932 | 11,639 |
| Residential mortgage | 310,440 | 341,724 | 8,060 | 319,745 | 2,837 | 329,193 | 8,851 |
| RV and marine finance | 1,520 | 1,520 | 88 | 1,425 | 23 | 884 | 58 |
| Other consumer | 6,456 | 6,456 | 1,288 | 6,944 | 47 | 7,117 | 184 |
| Total | | | | | | | |
| Commercial and industrial (3) | 512,869 | 569,802 | 19,958 | 517,258 | 6,919 | 561,908 | 20,179 |
| Commercial real estate (4) | 118,460 | 152,581 | 2,880 | 111,949 | 2,293 | 134,740 | 7,150 |
| Automobile (2) | 33,049 | 33,049 | 1,683 | 32,740 | 496 | 32,293 | 1,576 |
| Home equity (5) | 335,763 | 367,870 | 14,486 | 330,784 | 3,713 | 326,932 | 11,639 |
| Residential mortgage (5) | 310,440 | 341,724 | 8,060 | 319,745 | 2,837 | 329,193 | 8,851 |
| RV and marine finance (2) | 1,520 | 1,520 | 88 | 1,425 | 23 | 884 | 58 |
| Other consumer (2) | 6,456 | 6,456 | 1,288 | 6,944 | 47 | 7,117 | 184 |

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| (dollar amounts in thousands) | December 31, 2016 | | | Three Months Ended September 30, 2016 | | Nine Months Ended September 30, 2016 | |
|-------------------------------------|-------------------|------------------------------------|----------------------|--|----------------------------------|---|----------------------------------|
| | Ending Balance | Unpaid Principal Balance (6) | Related Allowance | Average Balance | Interest Income Recognized | Average Balance | Interest Income Recognized |
| With no related allowance recorded: | | | | | | | |
| Commercial and industrial | \$299,606 | \$358,712 | \$ | —\$305,956 | \$2,235 | \$290,163 | \$4,858 |
| Commercial real estate | 88,817 | 126,152 | — | 80,000 | 907 | 58,666 | 2,257 |
| Automobile | — | — | — | — | — | — | — |
| Home equity | — | — | — | — | — | — | — |
| Residential mortgage | — | — | — | — | — | — | — |
| RV and marine finance | — | — | — | — | — | — | — |
| Other consumer | — | — | — | — | — | — | — |
| With an allowance recorded: | | | | | | | |
| Commercial and industrial | 406,243 | 448,121 | 22,259 | 281,934 | 1,631 | 274,262 | 5,460 |
| Commercial real estate | 97,238 | 107,512 | 3,434 | 49,140 | 521 | 49,587 | 1,895 |
| Automobile | 30,961 | 31,298 | 1,850 | 31,540 | 541 | 31,912 | 1,643 |
| Home equity | 319,404 | 352,722 | 15,032 | 284,512 | 3,453 | 267,264 | 9,382 |
| Residential mortgage | 327,753 | 363,099 | 12,849 | 344,237 | 2,978 | 353,259 | 9,041 |
| RV and marine finance | — | — | — | — | — | — | — |
| Other consumer | 3,897 | 3,897 | 260 | 4,454 | 58 | 4,627 | 178 |
| Total | | | | | | | |
| Commercial and industrial (3) | 705,849 | 806,833 | 22,259 | 587,890 | 3,866 | 564,425 | 10,318 |
| Commercial real estate (4) | 186,055 | 233,664 | 3,434 | 129,140 | 1,428 | 108,253 | 4,152 |
| Automobile (2) | 30,961 | 31,298 | 1,850 | 31,540 | 541 | 31,912 | 1,643 |
| Home equity (5) | 319,404 | 352,722 | 15,032 | 284,512 | 3,453 | 267,264 | 9,382 |
| Residential mortgage (5) | 327,753 | 363,099 | 12,849 | 344,237 | 2,978 | 353,259 | 9,041 |
| RV and marine finance (2) | — | — | — | — | — | — | — |
| Other consumer (2) | 3,897 | 3,897 | 260 | 4,454 | 58 | 4,627 | 178 |

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

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

(3) At September 30, 2017 and December 31, 2016, commercial and industrial loans of \$365 million and \$317 million, respectively, were considered impaired due to their status as a TDR.

(4) At September 30, 2017 and December 31, 2016, commercial real estate loans of \$84 million and \$81 million, respectively, were considered impaired due to their status as a TDR.

(5) Includes home equity and residential mortgages considered to be collateral dependent due to 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 represent partial charge-offs.

TDR Loans

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

Form 10-K for the year ended December 31, 2016 for an additional discussion of TDRs.

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

| (dollar amounts in thousands) | New Troubled Debt Restructurings During The Three-Month Period Ended (1) | | | | | |
|--------------------------------------|--|--|---------------------------------------|---------------------|--|---------------------------------------|
| | September 30, 2017 | | | September 30, 2016 | | |
| | Number of Contracts | Post-modification Outstanding Ending Balance | Financial effects of modification (2) | Number of Contracts | Post-modification Outstanding Ending Balance | Financial effects of modification (2) |
| Commercial and industrial: | | | | | | |
| Interest rate reduction | 6 | \$ 817 | \$ — | 2 | \$ 122 | \$ 6 |
| Amortization or maturity date change | 271 | 138,381 | (837) | 246 | 89,100 | (1,450) |
| Other | — | — | — | 6 | 711 | (2) |
| Total Commercial and industrial | 277 | 139,198 | (837) | 254 | 89,933 | (1,446) |
| Commercial real estate: | | | | | | |
| Interest rate reduction | — | — | — | — | — | — |
| Amortization or maturity date change | 28 | 17,811 | 133 | 30 | 11,183 | (546) |
| Other | — | — | — | — | — | — |
| Total commercial real estate: | 28 | 17,811 | 133 | 30 | 11,183 | (546) |
| Automobile: | | | | | | |
| Interest rate reduction | 5 | 72 | 3 | 4 | 26 | 3 |
| Amortization or maturity date change | 487 | 3,943 | 124 | 452 | 4,438 | 559 |
| Chapter 7 bankruptcy | 305 | 2,562 | 69 | 236 | 1,840 | 157 |
| Other | — | — | — | — | — | — |
| Total Automobile | 797 | 6,577 | 196 | 692 | 6,304 | 719 |
| Home equity: | | | | | | |
| Interest rate reduction | 8 | 376 | 11 | 14 | 352 | 10 |
| Amortization or maturity date change | 160 | 11,676 | (1,131) | 110 | 6,740 | (574) |
| Chapter 7 bankruptcy | 79 | 2,728 | 647 | 70 | 2,395 | 1,327 |
| Other | — | — | — | — | — | — |
| Total Home equity | 247 | 14,780 | (473) | 194 | 9,487 | 763 |
| Residential mortgage: | | | | | | |
| Interest rate reduction | — | — | — | 2 | 134 | (2) |
| Amortization or maturity date change | 102 | 11,282 | (272) | 77 | 7,988 | (220) |
| Chapter 7 bankruptcy | 20 | 1,656 | (2) | 17 | 1,105 | (63) |
| Other | 1 | 64 | 2 | 3 | 260 | — |
| Total Residential mortgage | 123 | 13,002 | (272) | 99 | 9,487 | (285) |
| RV and marine finance: | | | | | | |
| Interest rate reduction | — | — | — | — | — | — |
| Amortization or maturity date change | 10 | 84 | 3 | — | — | — |
| Chapter 7 bankruptcy | 22 | 492 | 15 | — | — | — |
| Other | — | — | — | — | — | — |
| Total RV and marine finance | 32 | 576 | 18 | — | — | — |

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Other consumer:

| | | | | | | |
|--|-------|------------|-----------|---------|------------|-----------|
| Interest rate reduction | 18 | 52 | — | — | — | — |
| Amortization or maturity date change | 677 | 3,106 | 1 | 1 | 16 | — |
| Chapter 7 bankruptcy | 4 | 24 | 1 | 1 | 6 | — |
| Other | — | — | — | — | — | — |
| Total Other consumer | 699 | 3,182 | 2 | 2 | 22 | — |
| Total new troubled debt restructurings | 2,203 | \$ 195,126 | \$ (1,233 |) 1,271 | \$ 126,416 | \$ (795) |

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| (dollar amounts in thousands) | New Troubled Debt Restructurings During The Nine-Month Period Ended (1) | | | | | |
|--------------------------------------|---|--|---------------------------------------|---------------------|--|---------------------------------------|
| | September 30, 2017 | | | September 30, 2016 | | |
| | Number of Contracts | Post-modification Outstanding Ending Balance | Financial effects of modification (2) | Number of Contracts | Post-modification Outstanding Ending Balance | Financial effects of modification (2) |
| Commercial and industrial: | | | | | | |
| Interest rate reduction | 8 | \$ 854 | \$ 6 | 4 | \$ 161 | \$ 5 |
| Amortization or maturity date change | 735 | 418,924 | (8,695) |) 629 | 345,691 | (4,368) |
| Other | 4 | 380 | (27) |) 16 | 1,801 | (4) |
| Total Commercial and industrial | 747 | 420,158 | (8,716) |) 649 | 347,653 | (4,367) |
| Commercial real estate: | | | | | | |
| Interest rate reduction | — | — | — | 1 | 84 | — |
| Amortization or maturity date change | 71 | 74,101 | (682) |) 90 | 60,995 | (1,828) |
| Other | — | — | — | 4 | 315 | 16 |
| Total commercial real estate: | 71 | 74,101 | (682) |) 95 | 61,394 | (1,812) |
| Automobile: | | | | | | |
| Interest rate reduction | 24 | 308 | 9 | 11 | 132 | 10 |
| Amortization or maturity date change | 1,298 | 11,097 | 302 | 1,159 | 11,002 | 981 |
| Chapter 7 bankruptcy | 743 | 5,878 | 116 | 797 | 6,384 | 386 |
| Other | — | — | — | — | — | — |
| Total Automobile | 2,065 | 17,283 | 427 | 1,967 | 17,518 | 1,377 |
| Home equity: | | | | | | |
| Interest rate reduction | 25 | 1,444 | 24 | 43 | 2,363 | 103 |
| Amortization or maturity date change | 401 | 25,544 | (2,559) |) 466 | 25,031 | (2,592) |
| Chapter 7 bankruptcy | 243 | 8,764 | 2,049 | 215 | 8,106 | 2,327 |
| Other | 70 | 4,241 | (326) |) — | — | — |
| Total Home equity | 739 | 39,993 | (812) |) 724 | 35,500 | (162) |
| Residential mortgage: | | | | | | |
| Interest rate reduction | 2 | 110 | (9) |) 12 | 1,195 | (17) |
| Amortization or maturity date change | 282 | 30,649 | (761) |) 277 | 29,388 | (1,217) |
| Chapter 7 bankruptcy | 69 | 6,328 | (139) |) 40 | 3,788 | (42) |
| Other | 22 | 2,448 | 19 | 4 | 424 | — |
| Total Residential mortgage | 375 | 39,535 | (890) |) 333 | 34,795 | (1,276) |
| RV and marine finance: | | | | | | |
| Interest rate reduction | — | — | — | — | — | — |
| Amortization or maturity date change | 34 | 710 | 19 | — | — | — |
| Chapter 7 bankruptcy | 71 | 1,246 | 25 | — | — | — |
| Other | — | — | — | — | — | — |
| Total RV and marine finance | 105 | 1,956 | 44 | — | — | — |
| Other consumer: | | | | | | |
| Interest rate reduction | 19 | 130 | 2 | — | — | — |
| | 681 | 3,394 | 8 | 6 | 575 | 24 |

Amortization or maturity date
change

| | | | | | | |
|---|-------|------------|------------|---------|------------|-----------|
| Chapter 7 bankruptcy | 7 | 36 | 1 | 8 | 72 | 7 |
| Other | — | — | — | — | — | — |
| Total Other consumer | 707 | 3,560 | 11 | 14 | 647 | 31 |
| Total new troubled debt restructurings | 4,809 | \$ 596,586 | \$ (10,618 |) 3,782 | \$ 497,507 | \$ (6,209 |

(1) TDRs may include multiple concessions and the disclosure classifications are based on the primary concession provided to the borrower.

(2) Amount represents the financial impact via provision for loan and lease losses as a result of the modification.

Pledged Loans and Leases

At September 30, 2017, the Bank has access to the Federal Reserve's discount window and advances from the FHLB – Cincinnati. As of September 30, 2017, these borrowings and advances are secured by \$32.0 billion of loans and securities.

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4. AVAILABLE-FOR-SALE AND OTHER SECURITIES

Listed below are the contractual maturities of available-for-sale and other securities at September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | September 30, 2017 | | December 31, 2016 | |
|--|--------------------|------------|-------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| U.S. Treasury and Federal agency securities: | | | | |
| U.S. Treasury: | | | | |
| 1 year or less | \$11,256 | \$11,260 | \$4,978 | \$4,988 |
| After 1 year through 5 years | — | — | 502 | 509 |
| After 5 years through 10 years | — | — | — | — |
| After 10 years | — | — | — | — |
| Total U.S. Treasury | 11,256 | 11,260 | 5,480 | 5,497 |
| Federal agencies: mortgage-backed securities: | | | | |
| 1 year or less | — | — | — | — |
| After 1 year through 5 years | 32,749 | 32,515 | 46,591 | 46,762 |
| After 5 years through 10 years | 257,032 | 255,488 | 173,941 | 176,404 |
| After 10 years | 10,496,277 | 10,351,747 | 10,630,929 | 10,450,176 |
| Total Federal agencies: mortgage-backed securities | 10,786,058 | 10,639,750 | 10,851,461 | 10,673,342 |
| Other agencies: | | | | |
| 1 year or less | 4,201 | 4,223 | 4,302 | 4,367 |
| After 1 year through 5 years | 8,892 | 9,034 | 5,092 | 5,247 |
| After 5 years through 10 years | 82,692 | 83,194 | 63,618 | 63,928 |
| After 10 years | — | — | — | — |
| Total other agencies | 95,785 | 96,451 | 73,012 | 73,542 |
| Total U.S. Treasury and Federal agency securities | 10,893,099 | 10,747,461 | 10,929,953 | 10,752,381 |
| Municipal securities: | | | | |
| 1 year or less | 163,747 | 160,032 | 169,636 | 166,887 |
| After 1 year through 5 years | 905,872 | 905,075 | 933,893 | 933,903 |
| After 5 years through 10 years | 1,656,860 | 1,655,384 | 1,463,459 | 1,464,583 |
| After 10 years | 703,350 | 705,618 | 693,440 | 684,684 |
| Total municipal securities | 3,429,829 | 3,426,109 | 3,260,428 | 3,250,057 |
| Asset-backed securities: | | | | |
| 1 year or less | — | — | — | — |
| After 1 year through 5 years | 80,003 | 80,330 | 80,700 | 80,560 |
| After 5 years through 10 years | 162,079 | 163,439 | 223,352 | 224,565 |
| After 10 years | 326,724 | 311,422 | 520,072 | 488,356 |
| Total asset-backed securities | 568,806 | 555,191 | 824,124 | 793,481 |
| Corporate debt: | | | | |
| 1 year or less | 3,143 | 3,157 | 43,223 | 43,603 |
| After 1 year through 5 years | 66,878 | 68,450 | 78,430 | 80,196 |
| After 5 years through 10 years | 38,471 | 39,902 | 32,523 | 32,865 |
| After 10 years | 13,211 | 14,120 | 40,361 | 42,019 |
| Total corporate debt | 121,703 | 125,629 | 194,537 | 198,683 |
| Other: | | | | |
| 1 year or less | 3,150 | 3,144 | 1,650 | 1,650 |
| After 1 year through 5 years | 800 | 791 | 2,302 | 2,283 |
| After 5 years through 10 years | — | — | — | — |
| After 10 years | — | — | 10 | 10 |

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| | | | | |
|---|--------------|--------------|--------------|--------------|
| Nonmarketable equity securities | 583,019 | 583,019 | 547,704 | 547,704 |
| Mutual funds | 10,416 | 10,416 | 15,286 | 15,286 |
| Marketable equity securities | 861 | 1,301 | 861 | 1,302 |
| Total other | 598,246 | 598,671 | 567,813 | 568,235 |
| Total available-for-sale and other securities | \$15,611,683 | \$15,453,061 | \$15,776,855 | \$15,562,837 |

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Other securities at September 30, 2017 and December 31, 2016 include non-marketable equity securities of \$287 million and \$249 million of stock issued by the FHLB and \$296 million and \$299 million of Federal Reserve Bank stock, respectively. Non-marketable equity securities are recorded at amortized cost.

The following tables provide amortized cost, fair value, and gross unrealized gains and losses recognized in OCI by investment category at September 30, 2017 and December 31, 2016:

| (dollar amounts in thousands) | Amortized Cost | Unrealized | | Fair Value |
|--|-------------------|----------------|-----------------|--------------|
| | | Gross Gains | Gross Losses | |
| September 30, 2017 | | | | |
| U.S. Treasury | \$11,256 | \$4 | \$— | \$11,260 |
| Federal agencies: | | | | |
| Mortgage-backed securities | 10,786,058 | 5,851 | (152,159) | 10,639,750 |
| Other agencies | 95,785 | 722 | (56) | 96,451 |
| Total U.S. Treasury, Federal agency securities | 10,893,099 | 6,577 | (152,215) | 10,747,461 |
| Municipal securities | 3,429,829 | 31,043 | (34,763) | 3,426,109 |
| Asset-backed securities | 568,806 | 2,409 | (16,024) | 555,191 |
| Corporate debt | 121,703 | 3,927 | (1) | 125,629 |
| Other securities | 598,246 | 439 | (14) | 598,671 |
| Total available-for-sale and other securities | \$15,611,683 | \$44,395 | \$(203,017) | \$15,453,061 |

| (dollar amounts in thousands) | Amortized Cost | Unrealized | | Fair Value |
|--|-------------------|----------------|-----------------|--------------|
| | | Gross Gains | Gross Losses | |
| December 31, 2016 | | | | |
| U.S. Treasury | \$5,480 | \$17 | \$— | \$5,497 |
| Federal agencies: | | | | |
| Mortgage-backed securities | 10,851,461 | 12,548 | (190,667) | 10,673,342 |
| Other agencies | 73,012 | 536 | (6) | 73,542 |
| Total U.S. Treasury, Federal agency securities | 10,929,953 | 13,101 | (190,673) | 10,752,381 |
| Municipal securities | 3,260,428 | 28,431 | (38,802) | 3,250,057 |
| Asset-backed securities | 824,124 | 1,492 | (32,135) | 793,481 |
| Corporate debt | 194,537 | 4,161 | (15) | 198,683 |
| Other securities | 567,813 | 441 | (19) | 568,235 |
| Total available-for-sale and other securities | \$15,776,855 | \$47,626 | \$(261,644) | \$15,562,837 |

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The following tables provide detail on investment securities with unrealized gross losses aggregated by investment category and the length of time the individual securities have been in a continuous loss position as of September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | Less than 12 Months | | Over 12 Months | | Total | Unrealized Losses |
|---------------------------------------|---------------------|----------------------|----------------|----------------------|--------------|----------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | |
| September 30, 2017 | | | | | | |
| Federal agencies: | | | | | | |
| Mortgage-backed securities | \$8,283,266 | \$(125,950) | \$1,003,097 | \$(26,209) | \$9,286,363 | \$(152,159) |
| Other agencies | 11,607 | (56) | — | — | 11,607 | (56) |
| Total Federal agency securities | 8,294,873 | (126,006) | 1,003,097 | (26,209) | 9,297,970 | (152,215) |
| Municipal securities | 1,293,344 | (23,995) | 277,157 | (10,768) | 1,570,501 | (34,763) |
| Asset-backed securities | 199,109 | (1,471) | 122,568 | (14,553) | 321,677 | (16,024) |
| Corporate debt | 200 | (1) | — | — | 200 | (1) |
| Other securities | 791 | (8) | 1,494 | (6) | 2,285 | (14) |
| Total temporarily impaired securities | \$9,788,317 | \$(151,481) | \$1,404,316 | \$(51,536) | \$11,192,633 | \$(203,017) |

| (dollar amounts in thousands) | Less than 12 Months | | Over 12 Months | | Total | Unrealized Losses |
|-------------------------------|---------------------|----------------------|----------------|----------------------|------------|----------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | |

December 31, 2016

Federal agencies:

| | | | | | | |
|---------------------------------------|--------------|-------------|-----------|------------|--------------|-------------|
| Mortgage-backed securities | \$8,908,470 | \$(189,318) | \$41,706 | \$(1,349) | \$8,950,176 | \$(190,667) |
| Other agencies | 924 | (6) | — | — | 924 | (6) |
| Total Federal agency securities | 8,909,394 | (189,324) | 41,706 | (1,349) | 8,951,100 | (190,673) |
| Municipal securities | 1,412,152 | (29,175) | 272,292 | (9,627) | 1,684,444 | (38,802) |
| Asset-backed securities | 361,185 | (3,043) | 178,924 | (29,092) | 540,109 | (32,135) |
| Corporate debt | 3,567 | (15) | 200 | — | 3,767 | (15) |
| Other securities | 790 | (11) | 1,492 | (8) | 2,282 | (19) |
| Total temporarily impaired securities | \$10,687,088 | \$(221,568) | \$494,614 | \$(40,076) | \$11,181,702 | \$(261,644) |

At September 30, 2017 and December 31, 2016, the carrying value of investment securities pledged to secure public and trust deposits, trading account liabilities, U.S. Treasury demand notes, and security repurchase agreements totaled \$6.2 billion and \$5.0 billion, respectively. There were no securities of a single issuer, which are not governmental or government-sponsored, that exceeded 10% of shareholders' equity at either September 30, 2017 or December 31, 2016.

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The following table is a summary of realized securities gains and losses for the three-month and nine-month periods ended September 30, 2017 and 2016, respectively.

| | Three Months | | Nine Months | |
|---------------------------------------|---------------|----------|---------------|----------|
| | Ended | | Ended | |
| | September 30, | | September 30, | |
| (dollar amounts in thousands) | 2017 | 2016 | 2017 | 2016 |
| Gross gains on sales of securities | \$4,201 | \$3,770 | \$8,311 | \$7,161 |
| Gross (losses) on sales of securities | (4,130) | (2,739) | (4,530) | (5,398) |
| Net gain on sales of securities | \$71 | \$1,031 | \$3,781 | \$1,763 |
| OTTI recognized in earnings | (104) | — | (3,687) | (76) |
| Net securities gains (losses) | \$(33) | \$1,031 | \$94 | \$1,687 |

Security Impairment

Huntington evaluates the available-for-sale securities portfolio on a quarterly basis for impairment and conducts a comprehensive security-level assessment on all available-for-sale securities. Impairment exists when the present value of the expected cash flows are not sufficient to recover the entire amortized cost basis at the balance sheet date. Under these circumstances, any credit impairment would be recognized in earnings. At the end of the second quarter of 2017, Huntington changed its intent from able and willing to hold to sell sometime in the near future prior to final maturity for the two Reg Diversified CDO securities. Related to this change in intent, Huntington estimated the fair value of these bonds by obtaining bids. As a result of this analysis, Huntington recognized \$3.6 million of OTTI on these two securities. In addition, Huntington recognized an additional \$0.1 million of OTTI in the 2017 third quarter relating an investment in the Municipal Securities portfolio. For all other securities, Huntington does not intend to sell, nor does it believe it will be required to sell these securities until the amortized cost is recovered, which may be at maturity. The highest risk investments in the portfolio are the trust-preferred CDO securities which are in the asset-backed securities portfolio. This portfolio is in runoff, and the Company has not purchased these types of securities since 2005. The fair values of the CDO assets have been impacted by various market conditions. The unrealized losses are primarily the result of wider liquidity spreads on asset-backed securities and the longer expected average lives of the trust-preferred CDO securities, due to changes in the expectations of when the underlying securities will be repaid. Collateralized Debt Obligations are backed by a pool of debt securities issued by financial institutions. The collateral generally consists of trust-preferred securities and subordinated debt securities issued by banks, bank holding companies, and insurance companies. Many collateral issuers have the option of deferring interest payments on their debt for up to five years. A full cash flow analysis is used to estimate fair values and assess impairment for each security within this portfolio. A third-party pricing specialist with direct industry experience in pooled-trust-preferred security evaluations is engaged to provide assistance estimating the fair value and expected cash flows on this portfolio. The full cash flow analysis is completed by evaluating the relevant credit and structural aspects of each pooled-trust-preferred security in the portfolio, including collateral performance projections for each piece of collateral in the security and terms of the security's structure. The credit review includes an analysis of profitability, credit quality, operating efficiency, leverage, and liquidity using available financial and regulatory information for each underlying collateral issuer. The analysis also includes a review of historical industry default data, current / near-term operating conditions, and the impact of macroeconomic and regulatory changes. Using the results of the analysis, the Company estimates appropriate default and recovery probabilities for each piece of collateral, then estimates the expected cash flows for each security. The fair value of each security is obtained by discounting the expected cash flows at a market discount rate. The market discount rate is determined by reference to yields observed in the market for similarly rated collateralized debt obligations, specifically high-yield collateralized loan obligations. The relatively high market discount rate is reflective of the uncertainty of the cash flows and illiquid nature of these securities. The large differential between the fair value and amortized cost of some of the securities reflects the high market discount rate and the expectation that the majority of the cash flows will not be received until near the final maturity of the security (the final maturities range from 2032 to 2035).

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The following table summarizes the relevant characteristics of the Company's CDO securities portfolio, which are included in asset-backed securities, at September 30, 2017. Each security is part of a pool of issuers and supports a more senior tranche of securities except for the MM Comm III securities, which are the most senior class.

Collateralized Debt Obligation Securities

(dollar amounts in thousands)

| Deal Name | Par Value | Amortized Cost | Fair Value | Unrealized Loss (1) | Lowest Credit Rating (2) | # of Issuers Currently Performing/ Remaining (3) | Actual Deferrals and Defaults as a % of Original Collateral | Expected Defaults as a % of Remaining Performing Collateral | Excess Subordination (4) |
|-----------------------------|-----------|----------------|------------|---------------------|--------------------------|--|---|---|--------------------------|
| MM Comm III | 4,509 | 4,308 | 3,641 | (667) | BB+ | 5/8 | 5 | 7 | 34 |
| Reg Diversified | 25,500 | 100 | 510 | 410 | D | | — | — | — |
| Tropic III | 31,000 | 30,989 | 19,976 | (11,013) | BB | 27/36 | 16 | 6 | 41 |
| Total at September 30, 2017 | \$61,009 | \$35,397 | \$24,127 | \$(11,270) | | | | | |
| Total at December 31, 2016 | \$137,197 | \$101,210 | \$76,003 | \$(25,207) | | | | | |

(1) The majority of securities have been in a continuous loss position for 12 months or longer.

(2) For purposes of comparability, the lowest credit rating expressed is equivalent to Fitch ratings even where the lowest rating is based on another nationally recognized credit rating agency.

(3) Includes both banks and/or insurance companies.

Excess subordination percentage represents the additional defaults in excess of both current and projected defaults that the CDO can absorb before the bond experiences credit impairment. Excess subordinated percentage is

(4) calculated by (a) determining what percentage of defaults a deal can experience before the bond has credit impairment, and (b) subtracting from this default breakage percentage both total current and expected future default percentages.

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For the three-month and nine-month periods ended September 30, 2017 and 2016, the following table summarizes by security type the total OTTI losses recognized in the Unaudited Condensed Consolidated Statements of Income for securities evaluated for impairment as described above.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------|---------------------------------|-------|
| (dollar amounts in thousands) | 2017 | 2016 | 2017 | 2016 |
| Available-for-sale and other securities: | | | | |
| Collateralized Debt Obligations | \$ — | \$ — | -\$3,559 | \$ — |
| Municipal Securities | 104 | — | 128 | 76 |
| Total available-for-sale and other securities | \$ 104 | \$ — | -\$3,687 | \$ 76 |

The following table presents the OTTI recognized in earnings on debt securities held by Huntington for the three-month and nine-month periods ended September 30, 2017 and 2016, respectively.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------|----------------------------------|---------|---------------------------------|----------|
| (dollar amounts in thousands) | 2017 | 2016 | 2017 | 2016 |
| Balance, beginning of period | \$10,821 | \$9,831 | \$11,796 | \$18,368 |
| Reductions from sales | (5,373) | (76) | (9,931) | (8,689) |
| Additional credit losses | 104 | — | 3,687 | 76 |
| Balance, end of period | \$5,552 | \$9,755 | \$5,552 | \$9,755 |

5. HELD-TO-MATURITY SECURITIES

Held-to-maturity securities are debt securities that Huntington has the intent and ability to hold until maturity. The debt securities are carried at amortized cost and adjusted for amortization of premiums and accretion of discounts using the interest method.

During the second quarter of 2017, Huntington transferred \$1.0 billion of mortgage-backed and other agency securities from the available-for-sale securities portfolio to the held-to-maturity securities portfolio. The securities were reclassified at fair value at the date of transfer. At the time of the transfer, \$13.5 million of unrealized net losses were recognized in OCI. The amounts in OCI will be recognized in earnings over the remaining life of the securities as an offset to the adjustment of yield in a manner consistent with the amortization of the premium on the same transferred securities, resulting in an immaterial impact on net income.

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Listed below are the contractual maturities of held-to-maturity securities at September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | September 30, 2017 | | December 31, 2016 | |
|---|--------------------|-------------|-------------------|-------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Federal agencies mortgage-backed securities: | | | | |
| 1 year or less | \$— | \$— | \$— | \$— |
| After 1 year through 5 years | — | — | — | — |
| After 5 years through 10 years | 68,668 | 68,478 | 41,261 | 40,791 |
| After 10 years | 8,067,957 | 8,035,777 | 7,157,083 | 7,139,943 |
| Total Federal agencies mortgage-backed securities | 8,136,625 | 8,104,255 | 7,198,344 | 7,180,734 |
| Other agencies: | | | | |
| 1 year or less | — | — | — | — |
| After 1 year through 5 years | — | — | — | — |
| After 5 years through 10 years | 375,580 | 376,393 | 398,341 | 399,452 |
| After 10 years | 170,628 | 169,741 | 204,083 | 201,180 |
| Total other agencies | 546,208 | 546,134 | 602,424 | 600,632 |
| Total Federal agencies | 8,682,833 | 8,650,389 | 7,800,768 | 7,781,366 |
| Municipal securities: | | | | |
| 1 year or less | — | — | — | — |
| After 1 year through 5 years | — | — | — | — |
| After 5 years through 10 years | — | — | — | — |
| After 10 years | 5,566 | 5,416 | 6,171 | 5,902 |
| Total municipal securities | 5,566 | 5,416 | 6,171 | 5,902 |
| Total held-to-maturity securities | \$8,688,399 | \$8,655,805 | \$7,806,939 | \$7,787,268 |

The following table provides amortized cost, gross unrealized gains and losses, and fair value by investment category at September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | Amortized Cost | Unrealized | | Fair Value |
|-----------------------------------|----------------|-------------|--------------|-------------|
| | | Gross Gains | Gross Losses | |
| September 30, 2017 | | | | |
| Federal agencies: | | | | |
| Mortgage-backed securities | \$8,136,625 | \$14,868 | \$(47,238) | \$8,104,255 |
| Other agencies | 546,208 | 1,697 | (1,771) | 546,134 |
| Total Federal agencies | 8,682,833 | 16,565 | (49,009) | 8,650,389 |
| Municipal securities | 5,566 | — | (150) | 5,416 |
| Total held-to-maturity securities | \$8,688,399 | \$16,565 | \$(49,159) | \$8,655,805 |
| December 31, 2016 | | | | |
| Federal agencies: | | | | |
| Mortgage-backed securities | \$7,198,344 | \$20,883 | \$(38,493) | \$7,180,734 |
| Other agencies | 602,424 | 1,690 | (3,482) | 600,632 |
| Total Federal agencies | 7,800,768 | 22,573 | (41,975) | 7,781,366 |
| Municipal securities | 6,171 | — | (269) | 5,902 |
| Total held-to-maturity securities | \$7,806,939 | \$22,573 | \$(42,244) | \$7,787,268 |

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The following tables provide detail on held-to-maturity securities with unrealized gross losses aggregated by investment category and the length of time the individual securities have been in a continuous loss position, at September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | Less than 12 Months | | Over 12 Months | | Total | |
|---------------------------------------|---------------------|-------------------|----------------|-------------------|-------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| September 30, 2017 | | | | | | |
| Federal agencies: | | | | | | |
| Mortgage-backed securities | \$5,729,896 | \$(38,204) | \$301,637 | \$(9,034) | \$6,031,533 | \$(47,238) |
| Other agencies | 248,109 | (1,771) | — | — | 248,109 | (1,771) |
| Total Federal agencies | 5,978,005 | (39,975) | 301,637 | (9,034) | 6,279,642 | (49,009) |
| Municipal securities | — | — | 5,416 | (150) | 5,416 | (150) |
| Total temporarily impaired securities | \$5,978,005 | \$(39,975) | \$307,053 | \$(9,184) | \$6,285,058 | \$(49,159) |

| (dollar amounts in thousands) | Less than 12 Months | | Over 12 Months | | Total | |
|---------------------------------------|---------------------|-------------------|----------------|-------------------|-------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| December 31, 2016 | | | | | | |
| Federal agencies: | | | | | | |
| Mortgage-backed securities | \$2,855,360 | \$(31,470) | \$186,226 | \$(7,023) | \$3,041,586 | \$(38,493) |
| Other agencies | 413,207 | (3,482) | — | — | 413,207 | (3,482) |
| Total Federal agencies | 3,268,567 | (34,952) | 186,226 | (7,023) | 3,454,793 | (41,975) |
| Municipal securities | 5,902 | (269) | — | — | 5,902 | (269) |
| Total temporarily impaired securities | \$3,274,469 | \$(35,221) | \$186,226 | \$(7,023) | \$3,460,695 | \$(42,244) |

Security Impairment

Huntington evaluates the held-to-maturity securities portfolio on a quarterly basis for impairment. Impairment exists when the present value of the expected cash flows is not sufficient to recover the entire amortized cost basis at the balance sheet date. Under these circumstances, any impairment would be recognized in earnings. As of September 30, 2017, Management has evaluated held-to-maturity securities with unrealized losses for impairment and concluded no OTTI is required.

6. LOAN SALES AND SECURITIZATIONS

Residential Mortgage Loans

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, 2017 and 2016.

| (dollar amounts in thousands) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| Residential mortgage loans sold with servicing retained | \$1,178,955 | \$1,204,547 | \$2,824,707 | \$2,552,602 |
| Pretax gains resulting from above loan sales (1) | 26,880 | 32,073 | 66,014 | 64,804 |

(1) Recorded in mortgage banking income.

A mortgage servicing right (MSR) is established only when the servicing is contractually separated from the underlying mortgage loans by sale or securitization of the loans with servicing rights retained. At initial recognition, the MSR asset is established at its fair value using assumptions consistent with assumptions used to estimate the fair value of existing MSRs. Subsequent to the initial recognition, MSRs may be measured using either the fair value method or the amortization method. The election of the fair value method or amortization method is made at the time each servicing class is established. Subsequently, servicing rights are accounted for based on the methodology chosen for each respective servicing class. Any

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increase or decrease in the fair value of MSR's carried under the fair value method, as well as amortization or impairment of MSR's recorded using the amortization method, during the period is recorded as an increase or decrease in mortgage banking income, which is reflected in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

The following tables summarize the changes in MSR's recorded using either the fair value method or the amortization method for the three-month and nine-month periods ended September 30, 2017 and 2016.

| Fair Value Method: | Three Months | | Nine Months | |
|--|---------------|----------|---------------|----------|
| | Ended | | Ended | |
| (dollar amounts in thousands) | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Fair value, beginning of period | \$12,528 | \$13,105 | \$13,747 | \$17,585 |
| Change in fair value during the period due to: | | | | |
| Time decay (1) | (202) | (217) | (649) | (734) |
| Payoffs (2) | (295) | (423) | (876) | (1,392) |
| Changes in valuation inputs or assumptions (3) | (278) | (37) | (469) | (3,031) |
| Fair value, end of period: | \$11,753 | \$12,428 | \$11,753 | \$12,428 |
| Weighted-average life (years) | 5.5 | 5.1 | 5.5 | 5.1 |

(1) Represents decrease in value due to passage of time, including the impact from both regularly scheduled loan principal payments and partial loan paydowns.

(2) Represents decrease in value associated with loans that paid off during the period.

(3) Represents change in value resulting primarily from market-driven changes in interest rates and prepayment speeds.

| Amortization Method: | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| (dollar amounts in thousands) | 2017 | 2016 | 2017 | 2016 |
| Carrying value, beginning of period | \$176,491 | \$121,292 | \$172,466 | \$143,133 |
| New servicing assets created | 12,841 | 12,434 | 30,694 | 25,820 |
| Servicing assets acquired | — | 15,317 | — | 15,317 |
| Impairment (charge) / recovery | 688 | 2,543 | (318) | (21,093) |
| Amortization and other | (6,995) | (7,194) | (19,817) | (18,785) |
| Carrying value, end of period | \$183,025 | \$144,392 | \$183,025 | \$144,392 |
| Fair value, end of period | \$183,583 | \$144,623 | \$183,583 | \$144,623 |
| Weighted-average life (years) | 7.0 | 6.1 | 7.0 | 6.1 |

MSR's do not trade in an active, open market with readily-observable prices. While sales of MSR's occur, the precise terms and conditions are typically not readily available. Therefore, the fair value of MSR's is estimated using a discounted future cash flow model. The model considers portfolio characteristics, contractually-specified servicing fees and assumptions related to prepayments, delinquency rates, late charges, other ancillary revenues, costs to service, and other economic factors. Changes in the assumptions used may have a significant impact on the valuation of MSR's.

MSR 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 greatly impacted by the level of prepayments. Huntington hedges the value of the MSR's against changes in value attributable to changes in interest rates using a combination of derivative instruments and trading securities.

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For MSR's under the fair value method, a summary of key assumptions and the sensitivity of the MSR value at September 30, 2017 and December 31, 2016, to changes in these assumptions is shown in the table below.

| (dollar amounts in thousands) | September 30, 2017 | | | December 31, 2016 | | |
|--|--------------------|------------------------------|--------------------|-------------------|------------------------------|--------------------|
| | 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 |
| Constant prepayment rate (annualized) | 12.10% | \$ (472) | \$ (910) | 10.90% | \$ (501) | \$ (970) |
| Spread over forward interest rate swap rates | 813 bps | (436) | (823) | 536 bps | (454) | (879) |

For MSR's under the amortization method, a summary of key assumptions and the sensitivity of the MSR value at September 30, 2017 and December 31, 2016, to changes in these assumptions is shown in the table below.

| (dollar amounts in thousands) | September 30, 2017 | | | December 31, 2016 | | |
|--|--------------------|------------------------------|--------------------|-------------------|------------------------------|--------------------|
| | 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 |
| Constant prepayment rate (annualized) | 8.40 % | \$ (5,172) | \$ (10,038) | 7.80 % | \$ (4,510) | \$ (8,763) |
| Spread over forward interest rate swap rates | 1,041 bps | (6,866) | (12,934) | 1,173 bps | (5,259) | (10,195) |

Total servicing, late and other ancillary fees included in mortgage banking income amounted to \$14 million and \$13 million for the three-month periods ended September 30, 2017 and 2016. For the nine-month periods ended September 30, 2017 and 2016, total net servicing fees included in mortgage banking income were \$42 million and \$36 million. The unpaid principal balance of residential mortgage loans serviced for third parties was \$19.3 billion and \$18.9 billion at September 30, 2017 and December 31, 2016, respectively.

Automobile Loans

Huntington has retained servicing responsibilities on sold automobile loans and receives annual servicing fees and other ancillary fees on the outstanding loan balances. Automobile loan servicing rights are accounted for using the amortization method. A servicing asset is established at fair value at the time of the sale. The servicing asset is then amortized against servicing income. Impairment, if any, is recognized when carrying value exceeds the fair value as determined by calculating the present value of expected net future cash flows. The primary risk characteristic for measuring servicing assets is payoff rates of the underlying loan pools. Valuation calculations rely on the predicted payoff assumption and, if actual payoff is quicker than expected, then future value would be impaired.

Changes in the carrying value of automobile loan servicing rights for the three-month and nine-month periods ended September 30, 2017 and 2016, and the fair value at the end of each period were as shown in the table below.

| (dollar amounts in thousands) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|----------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Carrying value, beginning of period | \$12,524 | \$5,458 | \$18,285 | \$8,771 |
| Amortization and other | (2,338) | (1,087) | (8,099) | (4,400) |
| Carrying value, end of period | \$10,186 | \$4,371 | \$10,186 | \$4,371 |
| Fair value, end of period | \$10,398 | \$4,366 | \$10,398 | \$4,366 |
| Weighted-average contractual life (years) | 3.7 | 3.2 | 3.7 | 3.2 |

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A summary of key assumptions and the sensitivity of the automobile loan servicing rights value to changes in these assumptions at September 30, 2017 and December 31, 2016 is shown in the table below.

| (dollar amounts in thousands) | September 30, 2017 | | | December 31, 2016 | | |
|--|--------------------|---|---|-------------------|---|---|
| | Actual | Decline in fair value due to 10% adverse change | Decline in fair value due to 20% adverse change | Actual | Decline in fair value due to 10% adverse change | Decline in fair value due to 20% adverse change |
| Constant prepayment rate (annualized) | 23.66% | \$ (586) | \$ (1,112) | 19.98% | \$ (1,047) | \$ (2,026) |
| Spread over forward interest rate swap rates | 500 bps | (14) | (27) | 500 bps | (26) | (53) |

Servicing income amounted to \$4 million and \$2 million for the three-month periods ending September 30, 2017, and 2016. For the nine-month periods ended September 30, 2017 and 2016, total servicing income was \$14 million and \$6 million, respectively. The unpaid principal balance of automobile loans serviced for third parties was \$1.2 billion and \$1.7 billion at September 30, 2017 and December 31, 2016, respectively.

Small Business Administration (SBA) Portfolio

The following table summarizes activity relating to SBA loans sold with servicing retained for the three-month and nine-month periods ended September 30, 2017 and 2016.

| (dollar amounts in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|----------|---------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| SBA loans sold with servicing retained | \$107,259 | \$62,803 | \$272,635 | \$167,321 |
| Pretax gains resulting from above loan sales (1) | 8,508 | 4,679 | 21,435 | 12,862 |

(1)Recorded in gain on sale of loans.

Huntington has retained servicing responsibilities on sold SBA loans and receives annual servicing fees on the outstanding loan balances. SBA loan servicing rights are accounted for using the amortization method. A servicing asset is established at fair value at the time of the sale using a discounted future cash flow model. The servicing asset is then amortized against servicing income. Impairment, if any, is recognized when carrying value exceeds the fair value as determined by calculating the present value of expected net future cash flows.

The following tables summarize the changes in the carrying value of the servicing asset for the three-month and nine-month periods ended September 30, 2017 and 2016. The fair value at the end of each period is shown in the table below.

| (dollar amounts in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------|----------------------------------|----------|---------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Carrying value, beginning of period | \$23,113 | \$19,612 | \$21,080 | \$19,747 |
| New servicing assets created | 3,591 | 1,879 | 9,187 | 5,259 |
| Amortization and other | (1,923) | (1,745) | (5,486) | (5,260) |
| Carrying value, end of period | \$24,781 | \$19,746 | \$24,781 | \$19,746 |
| Fair value, end of period | \$28,822 | \$24,065 | \$28,822 | \$24,065 |
| Weighted-average life (years) | 3.3 | 3.3 | 3.3 | 3.3 |

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A summary of key assumptions and the sensitivity of the SBA loan servicing rights value to changes in these assumptions at September 30, 2017 and December 31, 2016 is shown in the table below.

| (dollar amounts in thousands) | September 30, 2017 | | | December 31, 2016 | | |
|---------------------------------------|--------------------|---|--------------------|-------------------|---|--------------------|
| | Actual | Decline in fair value due to 10% adverse change | 20% adverse change | Actual | Decline in fair value due to 10% adverse change | 20% adverse change |
| Constant prepayment rate (annualized) | 7.50 % | \$ (385) | \$ (764) | 7.40 % | \$ (324) | \$ (644) |
| Discount rate | 15.00 | (774) | (1,516) | 15.00 | (1,270) | (1,870) |

Servicing income amounted to \$3 million and \$2 million for the three-month periods ending September 30, 2017, and 2016, respectively. For the nine-month periods ended September 30, 2017 and 2016, total servicing income was \$8 million and \$7 million, respectively. The unpaid principal balance of SBA loans serviced for third parties was \$1.3 billion and \$1.1 billion at September 30, 2017 and December 31, 2016, respectively.

7. LONG-TERM DEBT

In March 2017, the Bank issued \$0.7 billion of senior notes at 99.994% of face value. The senior notes mature on March 10, 2020 and have a fixed coupon rate of 2.375%. The senior notes may be redeemed one month prior to the maturity date at 100% of principal plus accrued and unpaid interest. Also, in March 2017, the Bank issued \$0.3 billion of senior notes at 100% of face value. The senior notes mature on March 10, 2020 and have a variable coupon rate of three month LIBOR + 51 basis points.

In August 2017, the Bank issued \$0.7 billion of senior notes at 99.762% of face value. The senior notes mature on August 7, 2022 and have a fixed coupon rate of 2.50%. 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 other comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, were as shown in the following table.

| (dollar amounts in thousands) | Three Months Ended September 30, 2017 | | |
|--|---------------------------------------|-----------------------|-------------|
| | Pretax | Tax (Expense) Benefit | After-tax |
| Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold | \$410 | \$ (145) | \$265 |
| Unrealized holding gains (losses) on available-for-sale debt securities arising during the period | (42,429) | 14,828 | (27,601) |
| Less: Reclassification adjustment for net losses (gains) included in net income | 8,715 | (3,082) | 5,633 |
| Net change in unrealized holding gains (losses) on available-for-sale debt securities | (33,304) | 11,601 | (21,703) |
| Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period | 1,885 | (660) | 1,225 |
| Less: Reclassification adjustment for net (gains) losses included in net income | 144 | (51) | 93 |
| Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships | 2,029 | (711) | 1,318 |
| Net change in pension and other post-retirement obligations | 1,198 | (419) | 779 |
| Total other comprehensive income (loss) | \$ (30,077) | \$ 10,471 | \$ (19,606) |

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| (dollar amounts in thousands) | Three Months Ended September 30, 2016 | | |
|--|--|------------------|------------|
| | Tax (Expense) | | |
| | Pretax | Benefit | After-tax |
| Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold | \$2,002 | \$(708) | \$1,294 |
| Unrealized holding gains (losses) on available-for-sale debt securities arising during the period | (54,109) | 18,604 | (35,505) |
| Less: Reclassification adjustment for net losses (gains) included in net income | 726 | (257) | 469 |
| Net change in unrealized holding gains (losses) on available-for-sale debt securities | (51,381) | 17,639 | (33,742) |
| Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period | (8,171) | 2,860 | (5,311) |
| Less: Reclassification adjustment for net (gains) losses included in net income | 123 | (44) | 79 |
| Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships | (8,048) | 2,816 | (5,232) |
| Net change in pension and other post-retirement obligations | 1,293 | (452) | 841 |
| Total other comprehensive income (loss) | \$(58,136) | \$20,003 | \$(38,133) |
| | Nine Months Ended September 30, 2017 | | |
| | | Tax (expense) | |
| (dollar amounts in thousands) | Pretax | Benefit | After-tax |
| Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold | \$3,698 | \$(1,307) | \$2,391 |
| Unrealized holding gains (losses) on available-for-sale debt securities arising during the period | 19,853 | (6,779) | 13,074 |
| Less: Reclassification adjustment for net losses (gains) included in net income | 18,577 | (6,570) | 12,007 |
| Net change in unrealized holding gains (losses) on available-for-sale debt securities | 42,128 | (14,656) | 27,472 |
| Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period | 1,274 | (446) | 828 |
| Less: Reclassification adjustment for net (gains) losses included in net income | 1,131 | (396) | 735 |
| Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships | 2,405 | (842) | 1,563 |
| Net change in pension and other post-retirement obligations | 3,104 | (1,086) | 2,018 |
| Total other comprehensive income (loss) | \$47,637 | \$(16,584) | \$31,053 |

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| (dollar amounts in thousands) | Nine Months Ended September 30, 2016 | | |
|--|---|------------|-----------|
| | Tax (expense) | | |
| | Pretax | Benefit | After-tax |
| Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold | \$(600) | \$212 | \$(388) |
| Unrealized holding gains (losses) on available-for-sale debt securities arising during the period | 76,637 | (28,315) | 48,322 |
| Less: Reclassification adjustment for net losses (gains) included in net income | (2,032) | 718 | (1,314) |
| Net change in unrealized holding gains (losses) on available-for-sale debt securities | 74,005 | (27,385) | 46,620 |
| Net change in unrealized holding gains (losses) on available-for-sale equity securities | 170 | (60) | 110 |
| Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period | 8,047 | (2,816) | 5,231 |
| Less: Reclassification adjustment for net (gains) losses included in net income | (769) | 269 | (500) |
| Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships | 7,278 | (2,547) | 4,731 |
| Net change in pension and other post-retirement obligations | 3,879 | (1,357) | 2,522 |
| Total other comprehensive income (loss) | \$85,332 | \$(31,349) | \$53,983 |

The following table presents activity in accumulated other comprehensive income (loss), net of tax, for the nine-month periods ended September 30, 2017 and 2016.

| (dollar amounts in thousands) | Unrealized gains and losses | | | | Total |
|---|--|--|--|---|-------------|
| | Unrealized gains and losses on debt securities (1) | Unrealized gains and losses on equity securities | Unrealized gains and losses on cash flow hedging derivatives | Unrealized gains and losses for pension and other post-retirement obligations | |
| December 31, 2015 | \$ 8,361 | \$ 176 | \$(3,948) | \$(230,747) | \$(226,158) |
| Other comprehensive income before reclassifications | 47,934 | 110 | 5,231 | — | 53,275 |
| Amounts reclassified from accumulated OCI to earnings | (1,314) | — | (500) | 2,522 | 708 |
| Period change | 46,620 | 110 | 4,731 | 2,522 | 53,983 |
| September 30, 2016 | \$ 54,981 | \$ 286 | \$ 783 | \$(228,225) | \$(172,175) |
| December 31, 2016 | \$(192,764) | \$ 287 | \$(2,634) | \$(205,905) | \$(401,016) |
| Other comprehensive income before reclassifications | 15,465 | — | 828 | — | 16,293 |
| Amounts reclassified from accumulated OCI to earnings | 12,007 | — | 735 | 2,018 | 14,760 |
| Period change | 27,472 | — | 1,563 | 2,018 | 31,053 |
| September 30, 2017 | \$(165,292) | \$ 287 | \$(1,071) | \$(203,887) | \$(369,963) |

Amounts at September 30, 2017 and December 31, 2016 include \$97 million and \$82 million, respectively, of net unrealized gains on securities transferred from the available-for-sale securities portfolio to the held-to-maturity securities portfolio. The net unrealized gains 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, 2017 and 2016.

| Accumulated OCI components | Reclassifications out of accumulated OCI | | Location of net gain (loss) reclassified from accumulated OCI into earnings |
|--|---|--------------------|---|
| | Amounts reclassified from accumulated OCI | | |
| (dollar amounts in thousands) | Three Months Ended | | |
| | September 30, 2017 | September 30, 2016 | |
| Gains (losses) on debt securities: | | | |
| Amortization of unrealized gains (losses) | \$ (1,498) | \$ (726) | Interest income - held-to-maturity securities - taxable |
| Realized gain (loss) on sale of securities | (7,113) | — | Noninterest income - net gains (losses) on sale of securities |
| OTTI recorded | (104) | — | Noninterest income - net gains (losses) on sale of securities |
| | (8,715) | (726) | Total before tax |
| | 3,082 | 257 | Tax (expense) benefit |
| | \$ (5,633) | \$ (469) | Net of tax |
| Gains (losses) on cash flow hedging relationships: | | | |
| Interest rate contracts | \$ (144) | \$ (123) | Interest income - loans and leases |
| Interest rate contracts | — | — | Noninterest income - other income |
| | (144) | (123) | Total before tax |
| | 51 | 44 | Tax (expense) benefit |
| | \$ (93) | \$ (79) | Net of tax |
| Amortization of defined benefit pension and post-retirement items: | | | |
| Actuarial gains (losses) | \$ (1,690) | \$ (1,785) | Noninterest expense - personnel costs |
| Prior service credit | 492 | 492 | Noninterest expense - personnel costs |
| | (1,198) | (1,293) | Total before tax |
| | 419 | 452 | Tax (expense) benefit |
| | \$ (779) | \$ (841) | Net of tax |

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| Accumulated OCI components (dollar amounts in thousands) | Reclassifications out of accumulated OCI Amounts reclassified from accumulated OCI Nine Months Ended September September 30, 2017 30, 2016 | | Location of net gain (loss) reclassified from accumulated OCI into earnings |
|--|--|-------------|--|
| | Gains (losses) on debt securities: | | |
| Amortization of unrealized gains (losses) | \$ (7,388) | \$ 478 | Interest income - held-to-maturity securities - taxable |
| Realized gain (loss) on sale of securities | (7,502) | 1,630 | Noninterest income - net gains (losses) on sale of securities |
| OTTI recorded | (3,687) | (76) | Noninterest income - net gains (losses) on sale of securities |
| | (18,577) | 2,032 | Total before tax |
| | 6,570 | (718) | Tax (expense) benefit |
| | \$ (12,007) | \$ 1,314 | Net of tax |
| Gains (losses) on cash flow hedging relationships: | | | |
| Interest rate contracts | \$ (1,131) | \$ 770 | Interest income - loans and leases |
| Interest rate contracts | — | (1) | Noninterest income - other income |
| | (1,131) | 769 | Total before tax |
| | 396 | (269) | Tax (expense) benefit |
| | \$ (735) | \$ 500 | Net of tax |
| Amortization of defined benefit pension and post-retirement items: | | | |
| Actuarial gains (losses) | \$ (4,580) | \$ (5,355) | Noninterest expense - personnel costs |
| Prior service credit | 1,476 | 1,476 | Noninterest expense - personnel costs |
| | (3,104) | (3,879) | Total before tax |
| | 1,086 | 1,357 | Tax (expense) benefit |
| | \$ (2,018) | \$ (2,522) | Net of tax |

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, distributions from deferred compensation plans, and the conversion of the Company's convertible preferred stock. Potentially dilutive common shares are excluded from the computation of diluted earnings per share during periods in which the effect would be antidilutive. For diluted earnings per share, net income available to common shares can be affected by the conversion of the Company's convertible preferred stock. Where the effect of this conversion would be dilutive, net income available to common shareholders is adjusted by the associated preferred dividends and deemed dividend.

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The calculation of basic and diluted earnings per share for the three and nine-month periods ended September 30, 2017 and 2016, was as shown in the table.

| (dollar amounts in thousands, except per share amounts) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Basic earnings per common share: | | | | |
| Net income | \$274,568 | \$127,004 | \$754,403 | \$472,858 |
| Preferred stock dividends | (18,903) | (18,537) | (56,670) | (46,409) |
| Net income available to common shareholders | \$255,665 | \$108,467 | \$697,733 | \$426,449 |
| Average common shares issued and outstanding | 1,086,038 | 938,578 | 1,087,115 | 844,167 |
| Basic earnings per common share | \$0.24 | \$0.12 | \$0.64 | \$0.51 |
| Diluted earnings per common share: | | | | |
| Net income available to common shareholders | \$255,665 | \$108,467 | \$697,733 | \$426,449 |
| Effect of assumed preferred stock conversion | — | — | — | — |
| Net income applicable to diluted earnings per share | \$255,665 | \$108,467 | \$697,733 | \$426,449 |
| Average common shares issued and outstanding | 1,086,038 | 938,578 | 1,087,115 | 844,167 |
| Dilutive potential common shares: | | | | |
| Stock options and restricted stock units and awards | 17,079 | 10,714 | 17,515 | 10,295 |
| Shares held in deferred compensation plans | 3,228 | 2,654 | 3,096 | 2,337 |
| Other | 146 | 135 | 152 | 135 |
| Dilutive potential common shares | 20,453 | 13,503 | 20,763 | 12,767 |
| Total diluted average common shares issued and outstanding | 1,106,491 | 952,081 | 1,107,878 | 856,934 |
| Diluted earnings per common share | \$0.23 | \$0.11 | \$0.63 | \$0.50 |

For the three-month periods ended September 30, 2017 and 2016, approximately 1.5 million and 3.5 million, respectively, of options to purchase shares of common stock were not included in the computation of diluted earnings per share because the effect would be antidilutive. For the nine-month periods ended September 30, 2017 and 2016, approximately 0.9 million and 3.3 million, respectively, were not included.

10. BENEFIT PLANS

Huntington sponsors a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The plan, which was modified in 2013 and no longer accrues service benefits to participants, provides benefits based upon length of service and compensation levels. The funding policy of Huntington is to contribute an annual amount that is at least equal to the minimum funding requirements but not more than the amount deductible under the Internal Revenue Code. There is no required minimum contribution for 2017. In addition, Huntington has a defined benefit post-retirement plan that provides certain healthcare and life insurance benefits to retired employees who have attained the age of 55 and have at least 10 years of vesting service under this plan.

As part of the FirstMerit acquisition, Huntington agreed to assume and honor all FirstMerit benefit plans. The FirstMerit Pension Plan was frozen for nonvested employees and closed to new entrants after December 31, 2006. Effective December 31, 2012, the FirstMerit Pension Plan was frozen for vested employees. Additionally, FirstMerit had a post-retirement benefit plan which provided medical and life insurance for retired employees.

For additional information on benefit plans, see the Benefit Plan footnote in our 2016 Form 10-K.

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The following table shows the components of net periodic (benefit) cost for all plans.

| | Pension Benefits | | Post-Retirement Benefits | |
|------------------------------------|--------------------|----------|--------------------------|-----------|
| | Three Months Ended | | Three Months Ended | |
| | September 30, | | September 30, | |
| (dollar amounts in thousands) | 2017 | 2016 | 2017 | 2016 |
| Service cost | \$640 | \$1,425 | \$22 | \$16 |
| Interest cost | 7,478 | 7,978 | 98 | 79 |
| Expected return on plan assets | (13,803) | (12,086) | — | — |
| Amortization of prior service cost | — | — | (492) | (492) |
| Amortization of (gain) loss | 1,747 | 1,865 | (55) | (72) |
| Settlements | 5,049 | 3,400 | — | — |
| Net periodic (benefit) cost | \$1,111 | \$2,582 | \$(427) | \$(469) |
| | Pension Benefits | | Post-Retirement Benefits | |
| | Nine Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | |
| (dollar amounts in thousands) | 2017 | 2016 | 2017 | 2016 |
| Service cost | \$1,920 | \$3,475 | \$65 | \$16 |
| Interest cost | 22,433 | 21,474 | 296 | 188 |
| Expected return on plan assets | (41,409) | (32,533) | — | — |
| Amortization of prior service cost | — | — | (1,476) | (1,476) |
| Amortization of (gain) loss | 5,241 | 5,594 | (164) | (216) |
| Settlements | 10,049 | 10,200 | — | — |
| Net periodic (benefit) cost | \$(1,766) | \$8,210 | \$(1,279) | \$(1,488) |

Huntington has a defined contribution plan that is available to eligible employees. Huntington matches participant contributions, up to the first 4% of base pay that is contributed to the defined contribution plan. For 2016, a discretionary profit-sharing contribution equal to 1% of eligible participants' 2016 base pay was awarded during the 2017 first quarter. Huntington's expense related to the defined contribution plans during the third quarter 2017 and 2016 was \$5 million and \$9 million, respectively. For the nine-month periods ended September 30, 2017 and 2016, expense related to the defined contribution plans was \$26 million and \$26 million, respectively.

11. FAIR VALUES OF ASSETS AND LIABILITIES

See Note 18 "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, 2016 for a description of additional valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis. 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, 2017 and 2016.

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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, 2017 and December 31, 2016 are summarized in the table below.

| (dollar amounts in thousands) | Fair Value Measurements at Reporting Date Using | | | Netting Adjustments (1) | September 30, 2017 |
|--|---|------------|-----------|----------------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | | |
| Assets | | | | | |
| Loans held for sale | \$ — | \$ 584,829 | \$ — | \$ — | \$ 584,829 |
| Loans held for investment | — | 58,708 | 40,483 | — | 99,191 |
| Trading account securities: | | | | | |
| U.S. Treasury securities | 25 | — | — | — | 25 |
| Municipal securities | — | 1,481 | — | — | 1,481 |
| Other securities | 86,982 | — | — | — | 86,982 |
| | 87,007 | 1,481 | — | — | 88,488 |
| Available-for-sale and other securities: | | | | | |
| U.S. Treasury securities | 11,260 | — | — | — | 11,260 |
| Federal agencies: Mortgage-backed | — | 10,639,750 | — | — | 10,639,750 |
| Federal agencies: Other agencies | — | 96,451 | — | — | 96,451 |
| Municipal securities | — | 468,082 | 2,958,027 | — | 3,426,109 |
| Asset-backed securities | — | 531,064 | 24,127 | — | 555,191 |
| Corporate debt | — | 125,629 | — | — | 125,629 |
| Other securities | 11,717 | 3,935 | — | — | 15,652 |
| | 22,977 | 11,864,911 | 2,982,154 | — | 14,870,042 |
| MSRs | | | | | |
| Derivative assets | — | 312,401 | 8,425 | (154,562) | 166,264 |
| Liabilities | | | | | |
| Derivative liabilities | — | 288,191 | 5,459 | (234,526) | 59,124 |
| Short-term borrowings | 4 | — | — | — | 4 |
| Fair Value Measurements at Reporting Date Using | | | | | |
| (dollar amounts in thousands) | Fair Value Measurements at Reporting Date Using | | | Netting Adjustments (1) | December 31, 2016 |
| | Level 1 | Level 2 | Level 3 | | |
| Assets | | | | | |
| Loans held for sale | \$ — | \$ 438,224 | \$ — | \$ — | \$ 438,224 |
| Loans held for investment | — | 34,439 | 47,880 | — | 82,319 |
| Trading account securities: | | | | | |
| Municipal securities | — | 1,148 | — | — | 1,148 |
| Other securities | 132,147 | — | — | — | 132,147 |
| | 132,147 | 1,148 | — | — | 133,295 |
| Available-for-sale and other securities: | | | | | |
| U.S. Treasury securities | 5,497 | — | — | — | 5,497 |
| Federal agencies: Mortgage-backed | — | 10,673,342 | — | — | 10,673,342 |
| Federal agencies: Other agencies | — | 73,542 | — | — | 73,542 |
| Municipal securities | — | 452,013 | 2,798,044 | — | 3,250,057 |
| Asset-backed securities | — | 717,478 | 76,003 | — | 793,481 |
| Corporate debt | — | 198,683 | — | — | 198,683 |
| Other securities | 16,588 | 3,943 | — | — | 20,531 |
| | 22,085 | 12,119,001 | 2,874,047 | — | 15,015,133 |

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| | | | | | |
|------------------------|-----|---------|--------|------------|---------|
| MSRs | — | — | 13,747 | — | 13,747 |
| Derivative assets | — | 414,412 | 5,747 | (181,940) | 238,219 |
| Liabilities | | | | | |
| Derivative liabilities | — | 362,777 | 7,870 | (272,361) | 98,286 |
| Short-term borrowings | 474 | — | — | — | 474 |

(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.

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The tables below present a rollforward of the balance sheet amounts for the three-month and nine-month periods ended September 30, 2017 and 2016, 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.

| (dollar amounts in thousands) | Level 3 Fair Value Measurements Three Months Ended September 30, 2017 | | | | |
|---|--|---------------------------|-------------------------|----------------------------|---------------------------------|
| | MSRs | Derivative instruments | Municipal securities | Asset-backed securities | Loans held for investment |
| Opening balance | \$ 12,528 | \$ 3,178 | \$ 2,872,007 | \$ 42,575 | \$ 43,855 |
| Transfers out of Level 3 (1) | — | (1,376) | — | — | — |
| Total gains/losses for the period: | | | | | |
| Included in earnings | (775) | 1,164 | (637) | (1,569) | 187 |
| Included in OCI | — | — | (33,781) | 5,166 | — |
| Purchases/originations | — | — | 166,514 | — | — |
| Sales | — | — | (90) | (21,625) | — |
| Repayments | — | — | — | — | (3,559) |
| Settlements | — | — | (45,986) | (420) | — |
| Closing balance | \$ 11,753 | \$ 2,966 | \$ 2,958,027 | \$ 24,127 | \$ 40,483 |
| Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date | \$(775) | \$ 1,164 | \$(104) | \$ — | \$ — |

| (dollar amounts in thousands) | Level 3 Fair Value Measurements Three Months Ended September 30, 2016 | | | | |
|---|--|---------------------------|-------------------------|----------------------------|---------------------------------|
| | MSRs | Derivative instruments | Municipal securities | Asset-backed securities | Loans held for investment |
| Opening balance | \$ 13,105 | \$ 12,751 | \$ 2,237,975 | \$ 71,379 | \$ 925 |
| Transfers out of Level 3 (1) | — | (1,692) | — | — | — |
| Total gains/losses for the period: | | | | | |
| Included in earnings | (677) | (2,459) | 4,166 | — | (249) |
| Included in OCI | — | — | (28,272) | 2,875 | — |
| Purchases/originations | — | — | 953,639 | 10 | 56,469 |
| Sales | — | — | — | — | — |
| Repayments | — | — | — | — | (3,860) |
| Settlements | — | — | (262,235) | (445) | — |
| Closing balance | \$ 12,428 | \$ 8,600 | \$ 2,905,273 | \$ 73,819 | \$ 53,285 |
| Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date | \$(677) | \$(2,459) | \$— | \$ — | \$ — |

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

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Level 3 Fair Value Measurements
 Nine Months Ended September 30, 2017
 Available-for-sale
 securities

| (dollar amounts in thousands) | MSRs | Derivative instruments | Municipal securities | Asset-backed securities | Loans held for investment |
|---|------------|---------------------------|-------------------------|----------------------------|---------------------------------|
| Opening balance | \$13,747 | \$ (2,123) | \$2,798,044 | \$ 76,003 | \$ 47,880 |
| Transfers out of Level 3 (1) | — | (3,833) | — | — | — |
| Total gains/losses for the period: | | | | | |
| Included in earnings | (1,994) | 8,922 | (3,612) | (5,097) | 1,617 |
| Included in OCI | — | — | (887) | 13,936 | — |
| Purchases/originations | — | — | 414,123 | — | — |
| Sales | — | — | (90) | (59,353) | — |
| Repayments | — | — | — | — | (9,014) |
| Settlements | — | — | (249,551) | (1,362) | — |
| Closing balance | \$11,753 | \$ 2,966 | \$2,958,027 | \$ 24,127 | \$ 40,483 |
| Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date | \$(1,994) | \$ 8,922 | \$(128) | \$ (3,559) | \$ — |

Level 3 Fair Value Measurements
 Nine Months Ended September 30, 2016
 Available-for-sale
 securities

| (dollar amounts in thousands) | MSRs | Derivative instruments | Municipal securities | Asset- backed securities | Loans held for investment |
|---|------------|---------------------------|-------------------------|--------------------------------|---------------------------------|
| Opening balance | \$17,585 | \$ 6,056 | \$2,095,551 | \$100,337 | \$ 1,748 |
| Transfers out of Level 3 (1) | — | (5,115) | — | — | — |
| Total gains/losses for the period: | | | | | |
| Included in earnings | (5,157) | 7,659 | 4,166 | 2 | (249) |
| Included in OCI | — | — | (8,946) | 3,549 | — |
| Purchases/originations | — | — | 1,237,546 | 10 | 56,469 |
| Sales | — | — | (36,657) | (27,794) | — |
| Repayments | — | — | — | — | (4,683) |
| Settlements | — | — | (386,387) | (2,285) | — |
| Closing balance | \$12,428 | \$ 8,600 | \$2,905,273 | \$73,819 | \$ 53,285 |
| Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date | \$(5,157) | \$ 7,759 | \$— | \$2 | \$ — |

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

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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, 2017 and 2016.

| Level 3 Fair Value Measurements | | | | | |
|---|-----------|------------------------|----------------------|-------------------------|---------------------------|
| Three Months Ended September 30, 2017 | | | | | |
| Available-for-sale securities | | | | | |
| (dollar amounts in thousands) | MSRs | Derivative instruments | Municipal securities | Asset-backed securities | Loans held for investment |
| Classification of gains and losses in earnings: | | | | | |
| Mortgage banking income | \$(775) | \$ 1,164 | \$— | \$ — | \$ — |
| Securities gains (losses) | — | — | (104) | (1,569) | — |
| Interest and fee income | — | — | (533) | — | — |
| Noninterest income | — | — | — | — | 187 |
| Total | \$(775) | \$ 1,164 | \$(637) | \$(1,569) | \$ 187 |
| Level 3 Fair Value Measurements | | | | | |
| Three Months Ended September 30, 2016 | | | | | |
| Available-for-sale securities | | | | | |
| (dollar amounts in thousands) | MSRs | Derivative instruments | Municipal securities | Asset-backed securities | Loans held for investment |
| Classification of gains and losses in earnings: | | | | | |
| Mortgage banking income | \$(677) | \$(2,459) | \$ — | \$ — | —\$ — |
| Securities gains (losses) | — | — | — | — | — |
| Interest and fee income | — | — | — | — | — |
| Noninterest income | — | — | 4,166 | — | (249) |
| Total | \$(677) | \$(2,459) | \$ 4,166 | \$ — | —\$ (249) |
| Level 3 Fair Value Measurements | | | | | |
| Nine Months Ended September 30, 2017 | | | | | |
| Available-for-sale securities | | | | | |
| (dollar amounts in thousands) | MSRs | Derivative instruments | Municipal securities | Asset-backed securities | Loans held for investment |
| Classification of gains and losses in earnings: | | | | | |
| Mortgage banking income | \$(1,994) | \$ 8,922 | \$— | \$ — | \$ — |
| Securities gains (losses) | — | — | (128) | (5,100) | — |
| Interest and fee income | — | — | (3,484) | 3 | — |
| Noninterest income | — | — | — | — | 1,617 |
| Total | \$(1,994) | \$ 8,922 | \$(3,612) | \$(5,097) | \$ 1,617 |
| Level 3 Fair Value Measurements | | | | | |
| Nine Months Ended September 30, 2016 | | | | | |
| Available-for-sale securities | | | | | |
| (dollar amounts in thousands) | MSRs | Derivative instruments | Municipal securities | Asset-backed securities | Loans held for investment |
| Classification of gains and losses in earnings: | | | | | |
| Mortgage banking income | \$(5,157) | \$ 7,659 | \$ — | \$ — | \$ — |

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| | | | | | |
|---------------------------|-----------|----------|----------|------|-----------|
| Securities gains (losses) | — | — | — | — | — |
| Interest and fee income | — | — | — | — | — |
| Noninterest income | — | — | 4,166 | 2 | (249) |
| Total | \$(5,157) | \$ 7,659 | \$ 4,166 | \$ 2 | \$ (249) |

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Assets and liabilities under the fair value option

The following table presents the fair value and aggregate principal balance of certain assets and liabilities under the fair value option.

| (dollar amounts in thousands) | September 30, 2017 | | | Loans that are 90 or more days past due | | |
|-------------------------------|----------------------------|----------------------------|------------|---|----------------------------|------------|
| | Total Loans | | Difference | Fair value | | Difference |
| | Fair value carrying amount | Aggregate unpaid principal | | Fair value carrying amount | Aggregate unpaid principal | |
| Assets | | | | | | |
| Loans held for sale | \$584,829 | \$564,106 | \$20,723 | \$602 | \$608 | \$ (6) |
| Loans held for investment | 99,191 | 107,997 | (8,806) | 10,086 | 1,781 | (1,695) |

| (dollar amounts in thousands) | December 31, 2016 | | | Loans that are 90 or more days past due | | |
|-------------------------------|----------------------------|----------------------------|------------|---|----------------------------|------------|
| | Total Loans | | Difference | Fair value | | Difference |
| | Fair value carrying amount | Aggregate unpaid principal | | Fair value carrying amount | Aggregate unpaid principal | |
| Assets | | | | | | |
| Loans held for sale | \$438,224 | \$433,760 | \$4,464 | \$— | \$— | — |
| Loans held for investment | 82,319 | 91,998 | (9,679) | 8,408 | 8,082 | (2,674) |

The following tables present the net gains (losses) from fair value changes for the three-month and nine-month periods ended September 30, 2017 and 2016.

| (dollar amounts in thousands) | Net gains (losses) from fair value changes | | Net gains (losses) from fair value changes | |
|-------------------------------|--|-----------|--|---------|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | |
| Loans held for sale | \$(1,897) | \$(4,439) | \$11,719 | \$9,080 |
| Loans held for investment | 187 | — | 1,617 | — |

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. For the nine months ended September 30, 2017, assets measured at fair value on a nonrecurring basis were as shown in the table below.

| (dollar amounts in thousands) | Fair Value Measurements Using | | | | Total Gains/(Losses) Nine Months |
|-------------------------------|-------------------------------|---------------|-------------|-------|----------------------------------|
| | Fair Value | Quoted Prices | Significant | Other | |
| | | In Other | Observable | | |
| | | | | | |

| | Markets for Identical Assets (Level 1) | Inputs (Level 2) | Inputs (Level 3) | Ended September 30, 2017 |
|-------------------------|--|---------------------|---------------------|--------------------------------|
| MSRs | \$182,043 | \$— | —\$ 182,043 | \$ (318) |
| Impaired loans | 68,159 | — | 68,159 | (3,976) |
| Other real estate owned | 42,041 | — | 42,041 | (1,759) |

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

Periodically, Huntington records nonrecurring adjustments of collateral-dependent loans measured for impairment when establishing the ACL. 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

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for comparable properties and cost of construction. In cases where the carrying value exceeds the fair value of the collateral less cost to sell, an impairment charge is recognized.

Other real estate-owned properties are included in accrued income and other assets and valued based on appraisals and third-party price opinions, less estimated selling costs.

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, 2017 and December 31, 2016:

Quantitative Information about Level 3 Fair Value Measurements at September 30, 2017

| (dollar amounts in thousands) | Fair Value | Valuation Technique | Significant Unobservable Input | Range (Weighted Average) |
|---|------------|----------------------|--|--------------------------|
| Measured at fair value on a recurring basis: | | | | |
| MSRs | \$11,753 | Discounted cash flow | Constant prepayment rate | 9.0% - 31.0% (12%) |
| | | | Spread over forward interest rate swap rates | 8.0% - 10.0% (8.1%) |
| Derivative assets | 8,425 | Consensus Pricing | Net market price | -4.0% - 21.4% (1.8%) |
| Derivative liabilities | 5,459 | | Estimated Pull through % | 11.0% - 99.0% (79.0%) |
| Municipal securities | 2,958,027 | Discounted cash flow | Discount rate | 0.0% - 10.3% (4.0%) |
| | | | Cumulative default | 0.0% - 42.0% (4.9%) |
| | | | Loss given default | 5.0% - 80.0% (23.7%) |
| Asset-backed securities | 24,127 | Discounted cash flow | Discount rate | 1.3% - 6.8% (6.5%) |
| | | | Cumulative prepayment rate | 0.0% - 72% (7.3%) |
| | | | Cumulative default | 2.9% - 100% (8.6%) |
| | | | Loss given default | 90% - 100% (97.8%) |
| Loans held for investment | 40,483 | Discounted cash flow | Discount rate | 7.0% - 17.7% (8.2%) |
| Measured at fair value on a nonrecurring basis: | | | | |
| MSRs | 182,043 | Discounted cash flow | Constant prepayment rate | 6.0% - 21.0% (8%) |
| | | | Spread over forward interest rate swap rates | 1.8% - 20.0% (10.4%) |
| Impaired loans | 68,159 | Appraisal value | NA | NA |
| Other real estate owned | 42,041 | Appraisal value | NA | NA |

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| Quantitative Information about Level 3 Fair Value Measurements at December 31, 2016 | | | | |
|---|------------|----------------------|--|--------------------------|
| (dollar amounts in thousands) | Fair Value | Valuation Technique | Significant Unobservable Input | Range (Weighted Average) |
| Measured at fair value on a recurring basis: | | | | |
| MSRs | \$13,747 | Discounted cash flow | Constant prepayment rate | 5.63% - 34.4% (10.9%) |
| | | | Spread over forward interest rate swap rates | 3.0% - 9.2% (5.4%) |
| Derivative assets | 5,747 | Consensus Pricing | Net market price | -7.1% - 25.4% (1.1%) |
| Derivative liabilities | 7,870 | | Estimated Pull through % | 8.1% - 99.8% (76.9%) |
| Municipal securities | 2,798,044 | Discounted cash flow | Discount rate | 0.0% - 10.0% (3.6%) |
| | | | Cumulative default | 0.3% - 37.8% (4.0%) |
| | | | Loss given default | 5.0% - 80.0% (24.1%) |
| Asset-backed securities | 76,003 | Discounted cash flow | Discount rate | 5.0% - 12.0% (6.3%) |
| | | | Cumulative prepayment rate | 0.0% - 73% (6.5%) |
| | | | Cumulative default | 1.1% - 100% (11.2%) |
| | | | Loss given default | 85% - 100% (96.3%) |
| | | | Cure given deferral | 0.0% - 75.0% (36.2%) |
| Loans held for investment | 47,880 | Discounted cash flow | Discount rate | 5.4% - 16.2% (5.6%) |
| Measured at fair value on a nonrecurring basis: | | | | |
| MSRs | 171,309 | Discounted cash flow | Constant prepayment rate | 5.57% - 30.4% (7.8%) |
| | | | Spread over forward interest rate swap rates | 4.2% - 20.0% (11.7%) |
| Impaired loans | 53,818 | Appraisal value | NA | NA |
| Other real estate owned | 50,930 | 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. Such relationships have not been included in the discussion below.

A significant change in the unobservable inputs may result in a significant change in the ending fair value measurement of Level 3 instruments. In general, prepayment rates increase when market interest rates decline and decrease when market interest rates rise and higher prepayment rates generally result in lower fair values for MSR assets and Asset-backed securities.

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 that are carried either at fair value or cost at September 30, 2017 and December 31, 2016:

| (dollar amounts in thousands) | September 30, 2017 | | December 31, 2016 | |
|---|--------------------|--------------|-------------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | |
| Cash and short-term assets | \$ 1,243,828 | \$ 1,243,828 | \$ 1,443,037 | \$ 1,443,037 |
| Trading account securities | 88,488 | 88,488 | 133,295 | 133,295 |
| Loans held for sale | 651,734 | 657,270 | 512,951 | 515,640 |
| Available-for-sale and other securities | 15,453,061 | 15,453,061 | 15,562,837 | 15,562,837 |
| Held-to-maturity securities | 8,688,399 | 8,655,805 | 7,806,939 | 7,787,268 |
| Net loans and direct financing leases | 67,911,810 | 67,698,855 | 66,323,583 | 66,294,639 |
| Derivatives | 166,264 | 166,264 | 238,219 | 238,219 |
| Financial Liabilities | | | | |
| Deposits | 78,445,113 | 78,422,971 | 75,607,717 | 76,161,091 |
| Short-term borrowings | 1,829,549 | 1,829,549 | 3,692,654 | 3,692,654 |
| Long-term debt | 9,200,707 | 9,402,926 | 8,309,159 | 8,387,444 |
| Derivatives | 59,124 | 59,124 | 98,286 | 98,286 |

The following table presents the level in the fair value hierarchy for the estimated fair values of only Huntington's financial instruments that are not already on the Unaudited Condensed Consolidated Balance Sheets at fair value at September 30, 2017 and December 31, 2016:

| (dollar amounts in thousands) | Estimated Fair Value Measurements at Reporting Date Using | | | September 30, 2017 |
|---------------------------------------|---|--------------|------------|--------------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial Assets | | | | |
| Held-to-maturity securities | \$ — | \$ 8,655,805 | \$ — | \$8,655,805 |
| Net loans and direct financing leases | — | — | 67,698,855 | 67,698,855 |
| Financial Liabilities | | | | |
| Deposits | — | 75,230,127 | 3,192,844 | 78,422,971 |
| Short-term borrowings | 4 | — | 1,829,545 | 1,829,549 |
| Long-term debt | — | 8,992,820 | 410,106 | 9,402,926 |
| (dollar amounts in thousands) | Estimated Fair Value Measurements at Reporting Date Using | | | December 31, 2016 |
| | Level 1 | Level 2 | Level 3 | |
| Financial Assets | | | | |
| Held-to-maturity securities | \$ — | \$ 7,787,268 | \$ — | \$7,787,268 |
| Net loans and direct financing leases | — | — | 66,294,639 | 66,294,639 |
| Financial Liabilities | | | | |
| Deposits | — | 72,319,328 | 3,841,763 | 76,161,091 |
| Short-term borrowings | 474 | — | 3,692,180 | 3,692,654 |
| Long-term debt | — | 7,980,176 | 407,268 | 8,387,444 |

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, and 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.

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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.

The following methods and assumptions were used by Huntington to estimate the fair value of the remaining classes of financial instruments:

Held-to-maturity securities

Fair values are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, and interest rate spreads on relevant benchmark securities.

Loans and Direct Financing Leases

Variable-rate loans that reprice frequently are based on carrying amounts, as adjusted for estimated credit losses. The fair values for other loans and leases are estimated using discounted cash flow analyses and employ interest rates currently being offered for loans and leases with similar terms. The rates take into account the position of the yield curve, as well as an adjustment for prepayment risk, operating costs, and profit. This value is also reduced by an estimate of expected losses and the credit risk associated in the loan and lease portfolio. The valuation of the loan portfolio reflected discounts that Huntington believed are consistent with transactions occurring in the marketplace.

Deposits

Demand deposits, savings accounts, and money market deposits are, by definition, equal to the amount payable on demand. The fair values of fixed-rate time deposits are estimated by discounting cash flows using interest rates currently being offered on certificates with similar maturities.

Debt

Long-term debt is based upon quoted market prices, which are inclusive of Huntington's credit risk. In the absence of quoted market prices, discounted cash flows using market rates for similar debt with the same maturities are used in the determination of fair value.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

The following table presents the fair values of all derivative instruments included in the Unaudited Condensed Consolidated Balance Sheets at September 30, 2017 and December 31, 2016. Amounts in the table below are presented gross without the impact of any net collateral arrangements.

| (dollar amounts in thousands) | September 30, 2017 | | December 31, 2016 | |
|---|--------------------|-----------|-------------------|-----------|
| | Asset | Liability | Asset | Liability |
| Derivatives designated as Hedging Instruments | | | | |
| Interest rate contracts | \$32,837 | \$93,224 | \$46,440 | \$99,996 |
| Derivatives not designated as Hedging Instruments | | | | |
| Interest rate contracts (1) | 198,471 | 112,534 | 232,653 | 140,475 |
| Foreign exchange contracts | 22,354 | 21,020 | 23,265 | 19,576 |
| Commodities contracts | 66,133 | 61,695 | 108,026 | 104,328 |
| Equity contracts | 1,031 | 5,177 | 9,775 | 6,272 |
| Total Contracts | \$320,826 | \$293,650 | \$420,159 | \$370,647 |

(1) Includes derivative assets and liabilities used in mortgage banking activities.

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Derivatives used in asset and liability management activities

Huntington engages in balance sheet hedging activity, principally for asset and liability management purposes, to convert fixed rate assets or liabilities into floating rate, or vice versa. Balance sheet hedging activity is arranged to receive hedge accounting treatment and is classified as either fair value or cash flow hedges. Fair value hedges are purchased to convert subordinated and other long-term debt from fixed-rate obligations to floating rate. Cash flow hedges are also used to convert floating rate loans into fixed rate loans.

The following table presents the gross notional values of derivatives used in Huntington's asset and liability management activities at September 30, 2017 and December 31, 2016, identified by the underlying interest rate-sensitive instruments.

| (dollar amounts in thousands) | September 30, 2017 | | |
|--|--------------------|------------------|-------------|
| | Fair Value Hedges | Cash Flow Hedges | Total |
| Instruments associated with: | | | |
| Loans | \$— | \$1,325,000 | \$1,325,000 |
| Subordinated notes | 950,000 | — | 950,000 |
| Long-term debt | 7,425,000 | — | 7,425,000 |
| Total notional value at September 30, 2017 | \$8,375,000 | \$1,325,000 | \$9,700,000 |

| (dollar amounts in thousands) | December 31, 2016 | | |
|---|-------------------|------------------|--------------|
| | Fair Value Hedges | Cash Flow Hedges | Total |
| Instruments associated with: | | | |
| Loans | \$— | \$3,325,000 | \$3,325,000 |
| Subordinated notes | 950,000 | — | 950,000 |
| Long-term debt | 6,525,000 | — | 6,525,000 |
| Total notional value at December 31, 2016 | \$7,475,000 | \$3,325,000 | \$10,800,000 |

The following table presents additional information about the interest rate swaps used in Huntington's asset and liability management activities at September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | September 30, 2017 | | | Weighted-Average Rate | |
|--|--------------------|--------------------------|------------|-----------------------|--------|
| | Notional Value | Average Maturity (years) | Fair Value | Receive | Pay |
| Asset conversion swaps | | | | | |
| Receive fixed—generic | \$1,325,000 | 0.1 | \$(1,239) | 0.72 % | 1.23 % |
| Liability conversion swaps | | | | | |
| Receive fixed—generic | 8,375,000 | 2.8 | (59,148) | 1.56 | 1.29 |
| Total swap portfolio at September 30, 2017 | \$9,700,000 | 2.3 | \$(60,387) | | |
| | | | | | |
| | | | | | |
| (dollar amounts in thousands) | December 31, 2016 | | | Weighted-Average Rate | |
| | Notional Value | Average Maturity (years) | Fair Value | Receive | Pay |
| Asset conversion swaps | | | | | |
| Receive fixed—generic | \$3,325,000 | 0.6 | \$(2,060) | 1.04 % | 0.91 % |
| Liability conversion swaps | | | | | |

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| | | | | | |
|---|---------------|-----|------------|------|------|
| Receive fixed—generic | 7,475,000 | 3.1 | (51,496) | 1.49 | 0.88 |
| Total swap portfolio at December 31, 2016 | \$ 10,800,000 | 2.3 | \$(53,556) | | |

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These derivative financial instruments are entered into to manage the interest rate risk of assets and liabilities. Consequently, net amounts receivable or payable on contracts hedging either interest-earning assets or interest-bearing liabilities are an adjustment to either interest income or interest expense. The net amounts resulted in an increase to net interest income of \$3 million and \$18 million for the three-month periods ended September 30, 2017, and 2016, respectively. For the nine-month periods ended September 30, 2017, and 2016, the net amounts resulted in an increase to net interest income of \$20 million and \$58 million, respectively.

Fair Value Hedges

The changes in fair value of the fair value hedges are, to the extent that the hedging relationship is effective, 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, 2017 and 2016.

| | Three Months Ended September 30, 2017 | 2016 | Nine Months Ended September 30, 2017 | 2016 |
|--|--|----------|---|----------|
| (dollar amounts in thousands) | | | | |
| Interest rate contracts | | | | |
| Change in fair value of interest rate swaps hedging deposits (1) | \$ — | \$ — | \$ — | \$ (82) |
| Change in fair value of hedged deposits (1) | — | — | — | 72 |
| Change in fair value of interest rate swaps hedging subordinated notes (2) | (2,234) | (9,688) | (4,662) | (880) |
| Change in fair value of hedged subordinated notes (2) | 3,615 | 10,400 | 6,782 | 591 |
| Change in fair value of interest rate swaps hedging other long-term debt (2) | (6,431) | (45,870) | (880) | (7,179) |
| Change in fair value of hedged other long-term debt (2) | 7,152 | 42,647 | (1,228) | (187) |

Effective portion of the hedging relationship is recognized in Interest expense—deposits in the Unaudited Condensed (1) Consolidated Statements of Income. Any resulting ineffective portion of the hedging relationship is recognized in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

Effective portion of the hedging relationship is recognized in Interest expense—subordinated notes and other (2) long-term debt in the Unaudited Condensed Consolidated Statements of Income. Any resulting ineffective portion of the hedging relationship is recognized in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

Cash Flow Hedges

To the extent derivatives designated as cash flow hedges are effective in offsetting the variability of the hedged cash flows, changes in the derivatives' fair value will not be included in current earnings but are reported as a component of OCI in the Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity. These changes in fair value will be included in earnings of future periods when earnings are also affected by the changes in the hedged cash flows. To the extent these derivatives are not effective, changes in their fair values are immediately included in noninterest income.

The following table presents the gains and (losses) recognized in OCI and the location in the Unaudited Condensed Consolidated Statements of Income of gains and (losses) reclassified from OCI into earnings for derivatives designated as effective cash flow hedges for the three-month and nine-month periods ended September 30, 2017 and 2016.

| Derivatives in cash flow hedging relationships | Amount of gain or (loss) recognized in OCI on | Location of gain or (loss) reclassified from accumulated OCI into earnings (effective portion) | Amount of (gain) or loss reclassified from accumulated OCI into earnings |
|--|---|--|--|
| | | | |

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| (dollar amounts in thousands) | derivatives (effective portion) (after-tax) Three Months Ended September 30, 2017 | 2016 | (effective portion) | Three Months Ended September 30, 2017 | 2016 |
|-------------------------------|--|-----------|--|---|--------|
| Interest rate contracts | | | | | |
| Loans | \$1,225 | \$(5,311) | Interest and fee income - loans and leases | \$ 144 | \$ 123 |
| Investment Securities | — | — | Noninterest income - other income | — | — |
| Total | \$1,225 | \$(5,311) | | \$ 144 | \$ 123 |

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| Derivatives in cash flow hedging relationships | Amount of gain or (loss) recognized in OCI on derivatives (effective portion) (after-tax) Nine Months Ended September 30, | | Location of gain or (loss) reclassified from accumulated OCI into earnings (effective portion) | | Amount of (gain) or loss reclassified from accumulated OCI into earnings (effective portion) | |
|--|---|---------|--|--|--|-----------|
| | 2017 | 2016 | | | Nine Months Ended September 30, | |
| (dollar amounts in thousands) | 2017 | 2016 | | | 2017 | 2016 |
| Interest rate contracts | | | | | | |
| Loans | \$828 | \$5,231 | Interest and fee income - loans and leases | | \$ 1,131 | \$ (770) |
| Investment Securities | — | — | Noninterest income - other income | | — | 1 |
| | \$828 | \$5,231 | | | \$ 1,131 | \$ (769) |

Gains and losses on swaps related to loans and investment securities are recorded in interest income and interest expense, respectively. During the next twelve months, Huntington expects to reclassify to earnings approximately \$(1) million after-tax of unrealized gains (losses) on cash flow hedging derivatives currently in OCI.

The following table presents the gains and (losses) recognized in noninterest income for the ineffective portion of interest rate contracts for derivatives designated as cash flow hedges for the three and nine-month periods ended September 30, 2017 and 2016.

| Derivatives in cash flow hedging relationships | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|---------|---------------------------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| (dollar amounts in thousands) | | | | |
| Interest rate contracts | | | | |
| Loans | \$359 | \$(371) | \$225 | \$ 6 |

Derivatives used in mortgage banking activities

Mortgage loan origination hedging activity

Huntington's mortgage origination hedging activity is related to the hedging of the 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 interest rate lock commitments are derivative positions offset by forward commitments to sell loans.

Huntington uses two types of mortgage-backed securities in its forward commitments to sell loans. The first type of forward commitment is a "To Be Announced" (or TBA), the second is a "Specified Pool" mortgage-backed security. Huntington uses these derivatives to hedge the value of mortgage-backed securities until they are sold.

The following table summarizes the derivative assets and liabilities used in mortgage banking activities:

| Derivatives used in mortgage banking activities | September 30, 2017 | | December 31, 2016 | |
|---|--------------------|-----------|-------------------|-----------|
| | Asset | Liability | Asset | Liability |
| (dollar amounts in thousands) | | | | |
| Interest rate lock agreements | \$8,425 | \$ 282 | \$5,747 | \$ 1,598 |
| Forward trades and options | 1,562 | 1,782 | 13,319 | 1,173 |

Total derivatives used in mortgage banking activities \$9,987 \$ 2,064 \$19,066 \$ 2,771

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 total notional value of these derivative financial instruments at September 30, 2017 and December 31, 2016, was \$188 million and \$300 million, respectively. The total notional amount at September 30, 2017 corresponds to trading assets with a fair value of \$1 million and trading liabilities with a fair value of \$2 million. Net trading gains and (losses) related to MSR hedging for the three-month periods ended September 30, 2017 and 2016, were less than \$1 million and \$(1) million and \$1 million and \$17 million for the nine-month periods ended September 30, 2017 and 2016, respectively. These amounts are included in mortgage banking income in the Unaudited Condensed Consolidated Statements of Income.

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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 may enter 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 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 all transactions. The net fair values of these derivative financial instruments, for which the gross amounts are included in accrued income and other assets or accrued expenses and other liabilities at both September 30, 2017 and December 31, 2016, were \$84 million and \$80 million, respectively. The total notional values of derivative financial instruments used by Huntington on behalf of customers, including offsetting derivatives, were \$21.4 billion and \$20.6 billion at both September 30, 2017 and December 31, 2016, respectively. Huntington's credit risk from interest rate swaps used for trading purposes was \$156 million and \$196 million at the same dates, respectively.

Share Swap Economic Hedge

Huntington acquires and holds shares of Huntington common stock in a Rabbi Trust for the Executive Deferred Compensation Plan. Huntington common stock held in the Rabbi Trust is recorded at cost and the corresponding deferred compensation liability is recorded at fair value using Huntington's share price as a significant input. During the second quarter of 2017, Huntington entered into an economic hedge with a notional value of \$8 million to hedge deferred compensation expense related to the Executive Deferred Compensation Plan. During the third quarter 2017, the previous economic hedge entered into during the second quarter of 2016 of \$20 million expired. Also during the third quarter of 2017, Huntington entered into an economic hedge with notional value of \$31 million for a total of \$39 million at September 30, 2017 to hedge deferred compensation expense related to the Executive Deferred Compensation Plan. The economic hedges are recorded at fair value in other assets or liabilities. Changes in the fair value are recorded directly through other noninterest expense in the Unaudited Condensed Consolidated Statements of Income. At September 30, 2017, the fair value of the share swaps was \$1 million.

Visa®-related Swap

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 the Visa® litigation. In connection with the FirstMerit acquisition, Huntington acquired an additional Visa® related swap agreement. At September 30, 2017, the combined fair value of the swap liabilities of \$5 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.

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 bilateral collateral and master netting agreements with these counterparties, and routinely exchanges cash and high quality securities collateral. Huntington enters into transactions with 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.

At September 30, 2017 and December 31, 2016, aggregate credit risk associated with these derivatives, net of collateral that has been pledged by the counterparty, was \$30 million and \$26 million, respectively. The credit risk associated with interest rate swaps is calculated after considering master netting agreements with broker-dealers and banks.

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At September 30, 2017, Huntington pledged \$144 million of investment securities and cash collateral to counterparties, while other counterparties pledged \$78 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, 2017 and December 31, 2016.

Offsetting of Financial Liabilities and Derivative Assets

| (dollar amounts in thousands) | | Gross amounts of recognized assets | Gross amounts offset in the condensed consolidated balance sheets | Net amounts of assets presented in the condensed consolidated balance sheets | Gross amounts not offset in the condensed consolidated balance sheets | | Net amount |
|-------------------------------|-------------|------------------------------------|---|--|---|--------------------------|------------|
| | | | | | Financial instruments | Cash collateral received | |
| September 30, 2017 | Derivatives | \$ 320,826 | \$ (154,562) | \$ 166,264 | \$ (23,350) | \$ (16,895) | \$ 126,019 |
| December 31, 2016 | Derivatives | 420,159 | (181,940) | 238,219 | (34,328) | (5,428) | 198,463 |

Offsetting of Financial Liabilities and Derivative Liabilities

| (dollar amounts in thousands) | | Gross amounts of recognized liabilities | Gross amounts offset in the condensed consolidated balance sheets | Net amounts of liabilities presented in the condensed consolidated balance sheets | Gross amounts not offset in the condensed consolidated balance sheets | | Net amount |
|-------------------------------|-------------|---|---|---|---|--------------------------|------------|
| | | | | | Financial instruments | Cash collateral received | |
| September 30, 2017 | Derivatives | \$ 293,650 | \$ (234,526) | \$ 59,124 | \$ — | \$ (26,766) | \$ 32,358 |
| December 31, 2016 | Derivatives | 370,647 | (272,361) | 98,286 | (7,500) | (3,943) | 66,793 |

13. VIEs

Consolidated VIEs

Consolidated VIEs at September 30, 2017, consisted of certain loan and lease securitization trusts. Huntington has determined that the trusts are VIEs. Huntington has concluded that it is the primary beneficiary of these trusts because it has the power to direct the activities of the entity that most significantly affect the entity's economic performance and it has either the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The following tables present the carrying amount and classification of the consolidated trusts' assets and liabilities that were included in the Unaudited Condensed Consolidated Balance Sheets at September 30, 2017 and December 31, 2016.

| (dollar amounts in thousands) | September 30, 2017 | | |
|-------------------------------|--|-------------------------|----------|
| | Huntington Technology Funding Trust Series 2014A | Other Consolidated VIEs | Total |
| Assets: | | | |
| Cash | \$ 1,569 | \$ — | \$ 1,569 |
| Net loans and leases | 33,148 | — | 33,148 |

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| | | | |
|--|----------|--------|----------|
| Accrued income and other assets | — | 269 | 269 |
| Total assets | \$34,717 | \$ 269 | \$34,986 |
| Liabilities: | | | |
| Other long-term debt | \$28,120 | \$ — | \$28,120 |
| Accrued interest and other liabilities | — | 269 | 269 |
| Total liabilities | 28,120 | 269 | 28,389 |
| Equity: | | | |
| Beneficial Interest owned by third party | 6,597 | — | 6,597 |
| Total liabilities and equity | \$34,717 | \$ 269 | \$34,986 |

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| | December 31, 2016 | | |
|--|---|-------------------------------|----------|
| | Huntington Technology Funding Trust Series 2014A | Other Consolidated VIEs | Total |
| (dollar amounts in thousands) | | | |
| Assets: | | | |
| Cash | \$1,564 | \$ — | \$1,564 |
| Net loans and leases | 69,825 | — | 69,825 |
| Accrued income and other assets | — | 281 | 281 |
| Total assets | \$71,389 | \$ 281 | \$71,670 |
| Liabilities: | | | |
| Other long-term debt | \$57,494 | \$ — | \$57,494 |
| Accrued interest and other liabilities | — | 281 | 281 |
| Total liabilities | 57,494 | 281 | 57,775 |
| Equity: | | | |
| Beneficial Interest owned by third party | 13,895 | — | 13,895 |
| Total liabilities and equity | \$71,389 | \$ 281 | \$71,670 |

The loans and leases were designated to repay the securitized notes. Huntington services the loans and leases and uses the proceeds from principal and interest payments to pay the securitized notes during the amortization period. Huntington has not provided financial or other support that was not previously contractually required.

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, 2017, and December 31, 2016.

| (dollar amounts in thousands) | September 30, 2017 | | |
|--|--------------------|-------------------|-----------------------------|
| | Total Assets | Total Liabilities | Maximum Exposure to Loss |
| 2016-1 Automobile Trust | \$8,674 | \$ — | \$ 8,674 |
| 2015-1 Automobile Trust | 1,506 | — | 1,506 |
| Trust Preferred Securities | 13,919 | 252,577 | — |
| Low Income Housing Tax Credit Partnerships | 638,171 | 348,733 | 638,171 |
| Other Investments | 108,556 | 48,339 | 108,556 |
| Total | \$770,826 | \$ 649,649 | \$ 756,907 |

| (dollar amounts in thousands) | December 31, 2016 | | |
|--|-------------------|----------------------|--------------------------------|
| | Total Assets | Total Liabilities | Maximum Exposure to Loss |
| 2016-1 Automobile Trust | \$14,770 | \$— | \$14,770 |
| 2015-1 Automobile Trust | 2,227 | — | 2,227 |
| Trust Preferred Securities | 13,919 | 252,552 | — |
| Low Income Housing Tax Credit Partnerships | 576,880 | 292,721 | 576,880 |
| Other Investments | 79,195 | 42,316 | 79,195 |
| Total | \$686,991 | \$ 587,589 | \$673,072 |

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The following table provides a summary of automobile transfers to trusts in separate securitization transactions.

| (dollar amounts in millions) | Year | Amount Transferred |
|------------------------------|------|--------------------|
| 2016-1 Automobile Trust | 2016 | \$ 1,500 |
| 2015-1 Automobile Trust | 2015 | 750 |

The securitizations and the resulting sale of all underlying securities qualified for sale accounting. Huntington has concluded that it is not the primary beneficiary of these trusts because it has neither the obligation to absorb losses of the entities that could potentially be significant to the VIEs nor the right to receive benefits from the entities that could potentially be significant to the VIEs. Huntington is not required and does not currently intend to provide any additional financial support to the trusts. Investors and creditors only have recourse to the assets held by the trusts. The interest Huntington holds in the VIEs relates to servicing rights which are included in servicing rights of Huntington's Unaudited Consolidated Balance Sheets. The maximum exposure to loss is equal to the carrying value of the servicing asset. See Note 6 for more information.

Trust Preferred Securities

Huntington has certain wholly-owned trusts whose assets, liabilities, equity, income, and expenses are not included in 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 Sheets as subordinated notes. The trust securities are the obligations of the trusts, and as such, are not consolidated in Huntington's Unaudited Condensed Consolidated Financial Statements. A list of trust preferred securities outstanding at September 30, 2017 follows.

| (dollar amounts in thousands) | Rate | Principal amount of subordinated note/ debenture issued to trust (1) | Investment in unconsolidated subsidiary |
|---------------------------------|-----------|--|---|
| Huntington Capital I | 2.01% (2) | \$ 69,730 | \$ 6,186 |
| Huntington Capital II | 1.95 (3) | 32,093 | 3,093 |
| Sky Financial Capital Trust III | 2.74 (4) | 72,165 | 2,165 |
| Sky Financial Capital Trust IV | 2.70 (4) | 74,320 | 2,320 |
| Camco Financial Trust | 3.76 (5) | 4,269 | 155 |
| Total | | \$ 252,577 | \$ 13,919 |

(1) Represents the principal amount of debentures issued to each trust, including unamortized original issue discount.

(2) Variable effective rate at September 30, 2017, based on three-month LIBOR +0.70%.

(3) Variable effective rate at September 30, 2017, based on three-month LIBOR +0.625%.

(4) Variable effective rate at September 30, 2017, based on three-month LIBOR +1.40%.

(5) Variable effective rate at September 30, 2017, 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.

Low Income Housing Tax Credit Partnerships

Huntington makes certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (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 all qualified investments in these entities. These investments are included in accrued income and other assets. Investments that do not meet the requirements of the proportional

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amortization method are recognized using the equity method. Investment gains/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, 2017 and December 31, 2016.

| (dollar amounts in thousands) | September 30, 2017 | December 31, 2016 |
|---|-----------------------|----------------------|
| Affordable housing tax credit investments | \$ 980,984 | \$ 877,237 |
| Less: amortization | (342,813) | (300,357) |
| Net affordable housing tax credit investments | \$ 638,171 | \$ 576,880 |
| Unfunded commitments | \$ 348,733 | \$ 292,721 |

The following table presents other information related to Huntington's affordable housing tax credit investments for the three-month and nine-month periods ended September 30, 2017 and 2016.

| (dollar amounts in thousands) | Three Months Ended September 30, 2017 | | Nine Months Ended September 30, 2016 | |
|--|--|----------|---|----------|
| Tax credits and other tax benefits recognized | \$22,471 | \$21,200 | \$68,426 | \$57,634 |
| Proportional amortization method | | | | |
| Tax credit amortization expense included in provision for income taxes | 17,292 | 13,608 | 51,474 | 38,513 |
| Equity method | | | | |
| Tax credit investment (gains) losses included in noninterest income | — | 132 | — | 396 |

Huntington recognized immaterial impairment losses on tax credit investments during the three-month and nine-month periods ended September 30, 2017 and 2016. The impairment losses recognized related to the fair value of the tax credit investments that were less than carrying value.

Other Investments

Other investments determined to be VIEs include investments in New Market Tax Credit Investments, Historic Tax Credit Investments, Small Business Investment Companies, Rural Business Investment Companies, certain equity method investments 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, 2017 and December 31, 2016, were as listed in the following table.

| (dollar amounts in thousands) | September 30, 2017 | December 31, 2016 |
|---|-----------------------|----------------------|
| Contract amount representing credit risk: | | |
| Commitments to extend credit | | |
| Commercial | \$ 16,056,609 | \$ 15,190,056 |
| Consumer | 12,977,175 | 12,235,943 |
| Commercial real estate | 1,373,127 | 1,697,671 |
| Standby letters-of-credit | 547,689 | 637,182 |
| Commercial letters-of-credit | 16,815 | 4,610 |

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.

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The interest rate risk arising from these financial instruments is insignificant as a result of their predominantly short-term, variable-rate nature.

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 \$5 million and \$8 million at September 30, 2017 and December 31, 2016, 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 secures these instruments.

Commitments to sell loans

Activity related to our mortgage origination activity supports the hedging of the mortgage pricing commitments to customers and the secondary sale to third parties. At September 30, 2017 and December 31, 2016, Huntington had commitments to sell residential real estate loans of \$1.0 billion and \$0.8 billion, respectively. These contracts mature in less than one year.

Litigation

The nature of Huntington's business ordinarily results in a certain amount of pending as well as threatened claims, litigation, investigations, regulatory and legal and administrative cases, matters and proceedings, all of which are considered incidental to the normal conduct of business. When the Company determines it has meritorious defenses to the claims asserted, it vigorously defends itself. The Company considers settlement of cases when, in Management's judgment, it is in the best interests of both the Company and its shareholders to do so.

On at least a quarterly basis, Huntington assesses its liabilities and contingencies in connection with threatened and outstanding legal cases, matters and proceedings, utilizing the latest information available. For cases, matters and proceedings where it is both probable the Company will incur a loss and the amount can be reasonably estimated, Huntington establishes an accrual for the loss. Once established, the accrual is adjusted as appropriate to reflect any relevant developments. For cases, matters or proceedings where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established.

In certain cases, matters and proceedings, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes an estimate of the aggregate range of reasonably possible losses, in excess of amounts accrued, for current legal proceedings is up to \$65 million at September 30, 2017. For certain other cases, and matters, Management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the proceedings, and the inherent uncertainty of the various potential outcomes of such proceedings. Accordingly, Management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

While the final outcome of legal cases, matters, and proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, Management believes that the amount it has already accrued is adequate and any incremental liability arising from the Company's legal cases, matters, or proceedings will not have a material negative adverse effect on the Company's consolidated financial position as a whole. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these cases, matters, and proceedings, if unfavorable, may be material to the Company's consolidated financial position in a particular period.

Meoli v. The Huntington National Bank (Cyberco Litigation). The Bank has been named a defendant in a lawsuit arising from the Bank's commercial lending, depository, and equipment leasing relationships with Cyberco Holdings, Inc. (Cyberco), Cyberco allegedly defrauded equipment lessors and financial institutions, including Huntington, in financing the purchase of computer equipment from Teleservices Group, Inc. (Teleservices), which itself later proved to be a shell corporation. Bankruptcy proceedings for both Cyberco and Teleservices ensued.

In an adversary proceeding brought by the bankruptcy trustee for Teleservices in the U.S. District Court for the Western District of Michigan, judgment was rendered against Huntington in the amount of \$72 million plus costs and pre- and post-judgment interest. Huntington appealed the judgment to the U.S. Sixth Circuit Court of Appeals, which reversed the judgment in part and remanded the case for further proceedings. The case is currently before the bankruptcy court again. The parties have completed briefing on liability and the appropriate calculation of damages, and await the scheduling of a hearing on the issue.

Powell v. Huntington National Bank. Huntington is a defendant in a class action filed on October 15, 2013 alleging Huntington charged late fees on mortgage loans in a method that violated West Virginia law and the loan documents. Plaintiffs seek statutory civil penalties, compensatory damages and attorney's fees. Huntington filed a motion for summary judgment on

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the plaintiffs' claims, which was granted by the U.S. District Court on December 28, 2016. Plaintiffs have appealed to the U.S. Fourth Circuit Court of Appeals. Oral arguments were held on October 24, 2017.

FirstMerit Overdraft Litigation. Commencing in December 2010, two separate lawsuits were filed in the Summit County Court of Common Pleas and the Lake County Court of Common Pleas against FirstMerit. The complaints were brought as class actions on behalf of Ohio residents who maintained a checking account at FirstMerit and who incurred one or more overdraft fees as a result of the alleged re-sequencing of debit transactions. The parties have reached a global settlement for approximately \$9 million cash to a common fund plus an additional \$7 million in debt forgiveness. Attorneys' fees will be paid from the fund, with any remaining funds going to charity. FirstMerit's insurer has reimbursed Huntington 49% of the approximately \$9 million, which totals approximately \$4.4 million. The court preliminarily approved the settlement on December 5, 2016 and the cash portion of the settlement was funded on December 12, 2016. The settlement received final approval on June 2, 2017 and there has been no appeal, so the settlement is final. Huntington is in the process of issuing settlement checks, forgiving the agreed-upon debt, and taking other actions as agreed upon in the settlement agreement. Because the settlement is in the process of being concluded, we anticipate no further reporting on this matter.

15. SEGMENT REPORTING

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

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

The management accounting 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. We use an active and centralized Funds Transfer Pricing (FTP) methodology to attribute appropriate income to the business segments. The intent of the FTP methodology is to transfer interest rate risk from the business segments by providing matched duration funding of assets and liabilities. The result centralizes 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).

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

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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 and consists of approximately 254,000 businesses. 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, and government public sector customers located primarily within our geographic footprint. The segment is divided into six business units: Middle Market, Large Corporate, Specialty Banking, Asset Finance, Capital Markets and Treasury Management.

Commercial Real Estate and Vehicle Finance - This segment provides lending and other banking products and services to customers outside of our traditional retail and commercial banking segments. Our products and services include providing financing for the purchase of automobiles, light-duty trucks, recreational vehicles and marine craft at franchised dealerships, financing the acquisition of new and used vehicle inventory of franchised automotive dealerships, and financing for land, buildings, and other commercial real estate owned or constructed by real estate developers, automobile dealerships, or other customers with real estate project financing needs. 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 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 and insurance services. Listed in the table below is certain operating basis financial information reconciled to Huntington's September 30, 2017, December 31, 2016, and September 30, 2016, reported results by business segment.

| Income Statements (dollar amounts in thousands) | Three Months Ended September 30, | | | | | |
|--|-----------------------------------|-----------------------|------------|-----------|---------------------|----------------------------|
| | Consumer & Business Banking | Commercial Banking | CREVFF | RBHPCG | Treasury / Other | Huntington Consolidated |
| 2017 | | | | | | |
| Net interest income | \$426,752 | \$ 171,448 | \$ 139,870 | \$ 49,596 | \$(29,233) | \$ 758,433 |
| Provision for (reduction in allowance) credit losses | 24,089 | 9,580 | 9,705 | 216 | — | 43,590 |
| Noninterest income | 189,378 | 59,121 | 10,969 | 46,215 | 24,414 | 330,097 |
| Noninterest expense | 415,874 | 100,003 | 55,354 | 58,237 | 50,960 | 680,428 |
| Income taxes | 61,658 | 42,345 | 30,022 | 13,076 | (57,157) | 89,944 |
| Net income | \$114,509 | \$ 78,641 | \$55,758 | \$ 24,282 | \$1,378 | \$ 274,568 |
| 2016 | | | | | | |
| Net interest income | \$349,283 | \$ 143,023 | \$ 126,489 | \$ 41,971 | \$(35,376) | \$ 625,390 |
| Provision for (reduction in allowance) credit losses | 12,724 | 23,788 | 25,615 | 1,663 | 15 | 63,805 |
| Noninterest income | 177,234 | 54,744 | 8,001 | 45,339 | 17,097 | 302,415 |
| Noninterest expense | 349,470 | 87,892 | 44,331 | 57,473 | 173,081 | 712,247 |
| Income taxes | 57,513 | 30,130 | 22,590 | 9,861 | (95,345) | 24,749 |

| | | | | | | |
|------------|-----------|-----------|----------|-----------|------------|------------|
| Net income | \$106,810 | \$ 55,957 | \$41,954 | \$ 18,313 | \$(96,030) | \$ 127,004 |
|------------|-----------|-----------|----------|-----------|------------|------------|

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| Income Statements (dollar amounts in thousands) | Nine Months Ended September 30, | | | | | |
|--|-----------------------------------|-----------------------|---------------|--------------|---------------------|----------------------------|
| | Consumer & Business Banking | Commercial Banking | CREVF | RBHPCG | Treasury / Other | Huntington Consolidated |
| 2017 | | | | | | |
| Net interest income | \$1,255,617 | \$ 514,900 | \$419,556 | \$145,089 | \$(102,242) | \$ 2,232,920 |
| Provision for credit losses | 74,270 | 21,378 | 40,047 | 510 | 1 | 136,206 |
| Noninterest income | 544,445 | 176,609 | 34,750 | 140,610 | 71,364 | 967,778 |
| Noninterest expense | 1,242,152 | 301,385 | 163,989 | 182,171 | 192,517 | 2,082,214 |
| Income taxes | 169,274 | 129,061 | 87,594 | 36,056 | (194,110) | 227,875 |
| Net income | \$314,366 | \$ 239,685 | \$162,676 | \$66,962 | \$(29,286) | \$ 754,403 |
| 2016 | | | | | | |
| Net interest income | \$911,706 | \$ 355,263 | \$317,704 | \$112,473 | \$(62,809) | \$ 1,634,337 |
| Provision for credit losses | 43,474 | 53,212 | 18,706 | 490 | 14 | 115,896 |
| Noninterest income | 459,732 | 150,228 | 25,951 | 126,245 | 53,238 | 815,394 |
| Noninterest expense | 967,417 | 246,941 | 125,254 | 166,645 | 220,731 | 1,726,988 |
| Income taxes | 126,191 | 71,868 | 69,893 | 25,054 | (159,017) | 133,989 |
| Net income | \$234,356 | \$ 133,470 | \$129,802 | \$46,529 | \$(71,299) | \$ 472,858 |
| | Assets at | | Deposits at | | | |
| (dollar amounts in thousands) | September 30, | December 31, | September 30, | December 31, | | |
| | 2017 | 2016 | 2017 | 2016 | | |
| Consumer & Business Banking | \$25,989,043 | \$ 25,332,635 | \$45,694,477 | \$45,355,745 | | |
| Commercial Banking | 24,199,091 | 24,121,689 | 20,795,143 | 18,053,208 | | |
| CREVF | 24,723,324 | 23,576,832 | 2,052,274 | 1,893,072 | | |
| RBHPCG | 5,695,880 | 5,327,622 | 5,944,240 | 6,214,250 | | |
| Treasury / Other | 21,380,788 | 21,355,319 | 3,958,979 | 4,091,442 | | |
| Total | \$101,988,126 | \$99,714,097 | \$78,445,113 | \$75,607,717 | | |

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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 2016 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, 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 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 the end of the period covered by this report. Based upon such evaluation, Huntington's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, Huntington's disclosure controls and procedures were effective.

There have not been any changes in Huntington's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, Huntington's internal control over financial reporting.

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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 of the Notes to Unaudited Condensed Consolidated Financial Statements included in Item 1 of this report and incorporated herein 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)

| Period | Total Number of Shares Purchased (1) | Average Price Paid Per Share | Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (2) |
|---|---|------------------------------------|---|
| July 1, 2017 to July 31, 2017 | 1,122,116 | \$ 13.20 | \$ 293,164,850 |
| August 1, 2017 to August 31, 2017 | 6,046,079 | 12.81 | 215,621,231 |
| September 1, 2017 to September 30, 2017 | 2,476,746 | 12.43 | 184,795,094 |
| Total | 9,644,941 | \$ 12.75 | \$ 184,795,094 |

(1) The reported shares were repurchased pursuant to Huntington's publicly-announced stock repurchase authorizations.

The number shown represents, as of the end of each period, the maximum number of shares (or approximate dollar (2) value) of Common Stock that may yet be purchased under publicly-announced stock repurchase authorizations.

The shares may be purchased, from time-to-time, depending on market conditions.

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

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

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.

This information may be read and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains an Internet website 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 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 websites is not part of this report. Reports, proxy statements, and other information about us can also be inspected at the offices of the NASDAQ National Market at 33 Whitehall Street, New York, New York.

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| Exhibit Number | Document Description | Report or Registration Statement | SEC File or Registration Number | Exhibit Reference |
|----------------|---|--|---------------------------------|-------------------|
| 3.1 (P) | Articles of Restatement of Charter. | Annual Report on Form 10-K for the year ended December 31, 1993 | 000-02525 | 3 (i) |
| 3.2 | <u>Articles of Amendment to Articles of Restatement of Charter.</u> | <u>Current Report on Form 8-K dated May 31, 2007</u> | <u>000-02525</u> | <u>3.1</u> |
| 3.3 | <u>Articles of Amendment to Articles of Restatement of Charter.</u> | <u>Current Report on Form 8-K dated May 7, 2008</u> | <u>000-02525</u> | <u>3.1</u> |
| 3.4 | <u>Articles of Amendment to Articles of Restatement of Charter.</u> | <u>Current Report on Form 8-K dated April 27, 2010</u> | <u>001-34073</u> | <u>3.1</u> |
| 3.5 | <u>Articles Supplementary of Huntington Bancshares Incorporated, as of April 22, 2008.</u> | <u>Current Report on Form 8-K dated April 22, 2008</u> | <u>000-02525</u> | <u>3.1</u> |
| 3.6 | <u>Articles Supplementary of Huntington Bancshares Incorporated, as of April 22, 2008.</u> | <u>Current Report on Form 8-K dated April 22, 2008</u> | <u>000-02525</u> | <u>3.2</u> |
| 3.7 | <u>Articles Supplementary of Huntington Bancshares Incorporated, as of November 12, 2008.</u> | <u>Current Report on Form 8-K dated November 12, 2008</u> | <u>001-34073</u> | <u>3.1</u> |
| 3.8 | <u>Articles Supplementary of Huntington Bancshares Incorporated, as of December 31, 2006.</u> | <u>Annual Report on Form 10-K for the year ended December 31, 2006</u> | <u>000-02525</u> | <u>3.4</u> |
| 3.9 | <u>Articles Supplementary of Huntington Bancshares Incorporated, as of December 28, 2011.</u> | <u>Current Report on Form 8-K dated December 28, 2011</u> | <u>001-34073</u> | <u>3.1</u> |
| 3.10 | <u>Articles Supplementary of Huntington Bancshares Incorporated, as of March 18, 2016.</u> | <u>Current Report on Form 8-K dated March 21, 2016</u> | <u>001-34073</u> | <u>3.1</u> |
| 3.11 | <u>Articles Supplementary of Huntington Bancshares Incorporated, as of May 3, 2016.</u> | <u>Current Report on Form 8-K dated May 5, 2016</u> | <u>001-34073</u> | <u>3.2</u> |

| | | | | |
|--------|---|---|------------------|-------------|
| 3.12 | <u>Articles Supplementary of Huntington Bancshares Incorporated, effective as of August 15, 2016.</u> | <u>Registration Statement on Form 8-A dated August 15, 2016</u> | <u>001-34073</u> | <u>3.12</u> |
| 3.13 | <u>Bylaws of Huntington Bancshares Incorporated, as amended and restated, as of July 19, 2017.</u> | <u>Current Report on Form 8-K dated July 21, 2017</u> | <u>001-34073</u> | <u>3.1</u> |
| 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. | | | |
| 31.1 | * <u>Rule 13a-14(a) Certification – Chief Executive Officer.</u> | | | |
| 31.2 | * <u>Rule 13a-14(a) Certification – Chief Financial Officer.</u> | | | |
| 32.1 | ** <u>Section 1350 Certification – Chief Executive Officer.</u> | | | |

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32.2 ****Section 1350 Certification – Chief Financial Officer.**

101 *The following material from Huntington’s Form 10-Q Report for the quarterly period ended September 30, 2017, formatted in 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.

* Filed herewith

**Furnished herewith

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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 30, 2017 /s/ Stephen D. Steinour
Stephen D. Steinour
Chairman, Chief Executive Officer and President

Date: October 30, 2017 /s/ Howell D. McCullough III
Howell D. McCullough III
Chief Financial Officer