HUNTINGTON BANCSHARES INC/MD
Form 10-Q
October 30, 2015
Table of Contents

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, 2015
Commission File Number 1-34073
Huntington Bancshares Incorporated

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

41 South High Street, Columbus, Ohio 43287
Registrant's telephone number (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. x Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No
There were 796,659,440 shares of Registrant's common stock ($0.01 par value) outstanding on September 30, 2015 .

Table of Contents

HUNTINGTON BANCSHARES INCORPORATED
INDEX

Table of Contents

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

ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
AFS	Available-for-Sale
ALCO	Asset-Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
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
C&I	Commercial and Industrial
Camco Financial	Camco Financial Corp.
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized Debt Obligations
CDs	Certificate of Deposit
CET1	Common equity tier 1 on a transitional Basel III basis
CFPB	Bureau of Consumer Financial Protection
CFTC	Commodity Futures Trading Commission
CMO	Collateralized Mortgage Obligations
CRE	Commercial Real Estate

Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DTA/DTL	Deferred Tax Asset/Deferred Tax Liability
EFT	Electronic Fund Transfer
EPS	Earnings Per Share
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
Fannie Mae	(see FNMA)
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation

Table of Contents

FNMA	Federal National Mortgage Association
FRB	Federal Reserve Bank
Freddie Mac	(see FHLMC)
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
GNMA	Government National Mortgage Association, or Ginnie Mae
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HIP	Huntington Investment and Tax Savings Plan
HQLA	High Quality Liquid Asset
HTM	Held-to-Maturity
IRS	Internal Revenue Service
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered Rate
LGD	Loss-Given-Default
LIHTC	Low Income Housing Tax Credit
LTV	Loan to Value
Macquarie	Macquarie Equipment Finance, Inc. (U.S. operations)
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
NII	Net Interest Income

NIM	Net Interest Margin
NCO	Net Charge-off
NPA	Nonperforming Asset
N.R.	Not relevant. Denominator of calculation is a gain in the current period compared with a loss in the prior period, or vice-versa
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
Plan	Huntington Bancshares Retirement Plan
Problem Loans	Includes nonaccrual loans and leases (Table 15), troubled debt restructured loans (Table 16), accruing loans and leases past due 90 days or more (aging analysis section of Footnote 3), and Criticized commercial loans (credit quality indicators section of Footnote 3).

RBHPCG	Regional Banking and The Huntington Private Client Group
RCSA	Risk and Control Self-Assessments
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
SERP	Supplemental Executive Retirement Plan
SRIP	Supplemental Retirement Income Plan
SSFA	Simplified Supervisory Formula Approach
TCE	Tangible Common Equity
TDR	Troubled Debt Restructured Loan
TRUPS	Trust Preferred Securities
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
UDAP	Unfair or Deceptive Acts or Practices
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VIE	Variable Interest Entity
XBRL	eXtensible Business Reporting Language

Table of Contents

PART I. FINANCIAL INFORMATION

When we refer to "we", "our", and "us" 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 149 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, equipment leasing, investment management, trust services, brokerage services, insurance service programs, and other financial products and services. Our 756 branches are located in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. Selected financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio and a limited purpose office located in the Cayman Islands and another limited purpose office located in Hong Kong. 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 2014 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2014 Form 10-K. This MD&A should also be read in conjunction with the Unaudited Condensed Consolidated Financial Statements, Notes to Unaudited Condensed Consolidated Financial Statements, and other information contained in this report.

Our discussion is divided into key segments:

- Executive Overview—Provides a summary of our current financial performance and business overview, including our thoughts on the impact of the economy, legislative and regulatory initiatives, and recent industry developments. This section also provides our outlook regarding our expectations for 2015 fourth quarter.
- Discussion of Results of Operations—Reviews financial performance from a consolidated Company perspective. It also includes a Significant Items section that summarizes key issues helpful for understanding performance trends. Key consolidated average balance sheet and income statement trends are also discussed in this section.
- Risk Management and Capital—Discusses credit, market, liquidity, operational, and compliance risks, including how these are managed, as well as performance trends. It also includes a discussion of liquidity policies, how we obtain funding, and related performance. In addition, there is a discussion of guarantees and / or commitments made for items such as standby letters of credit and commitments to sell loans, and a discussion that reviews the adequacy of capital, including regulatory capital requirements.
- Business Segment Discussion—Provides an overview of financial performance for each of our major business segments and provides additional discussion of trends underlying consolidated financial performance.
- Additional Disclosures—Provides comments on important matters including forward-looking statements, critical accounting policies and use of significant estimates, and recent accounting pronouncements and developments.

A reading of each section is important to understand fully the nature of our financial performance and prospects.

Table of Contents

EXECUTIVE OVERVIEW

Summary of 2015 Third Quarter Results Compared to 2014 Third Quarter

For the quarter, we reported net income of $152.6 million, or $0.18 per common share, compared with $155.0 million, or $0.18 per common share, in the year-ago quarter (see Table 1).

Fully-taxable equivalent net interest income was $503.6 million, up $29.8 million, or 6%. The results reflected the benefit from a $4.6 billion, or 8%, increase in average earning assets, partially offset by a 4 basis point reduction in the net interest margin to 3.16%. Average earning asset growth included a $2.9 billion, or 6%, increase in average loans and leases and a $1.6 billion, or 13%, increase in average securities. The net interest margin contraction reflected a 2 basis point decrease related to the mix and yield of earning assets and a 6 basis point increase in funding costs, partially offset by a 4 basis point increase in the benefit from noninterest-bearing funds.

The provision for credit losses was $22.5 million, down $2.0 million, or 8%. Net charge-offs decreased $13.9 million, or 46%, to $16.2 million. NCOs represented an annualized 0.13% of average loans and leases in the current quarter, down from 0.26%. Current quarter results were positively impacted by several recoveries in the C&I and CRE portfolios, as a result of successful workout strategies. We continue to be pleased with the net charge-off performance across the entire portfolio, as consumer charge-offs remain within our expected range. Overall consumer credit metrics continue to show an improving trend while the commercial portfolios continue to experience some quarter-to-quarter volatility based on the absolute low level of problem loans.

Noninterest income was $253.1 million, up $5.8 million, or 2%. This reflected an increase in other income of $10.0 million, or 33%, primarily due to equipment operating lease income earned by Huntington Technology Finance. In addition, service charges on deposit accounts increased $6.0 million, or 9%, reflecting the benefit of continued new customer acquisition. Electronic banking increased $3.6 million, or 13%, due to higher card related income and underlying customer growth. These increases were partially offset by a decrease in mortgage banking income of $6.1 million, or 24%, including a decrease from net MSR hedging-related activities, and a decrease in trust services of $3.1 million, or 11%.

Noninterest expense was $526.5 million, up $46.2 million, or 10%. This reflected an increase in other expense of $42.3 million, or 107%, primarily due to the $38.2 million increase to litigation reserves, as well as $5.5 million related to Huntington Technology Finance operating lease expense. In addition, personnel costs increased $10.9 million, or 4%, reflecting a $24.2 million increase in salaries related to both annual merit increases and a 4% increase in the number of average full-time equivalent employees, partially offset by the $12.5 million change in Significant Items. Also, outside data processing increased $5.5 million, or 10%, primarily related to technology investments. These increases were partially offset by a decrease in amortization expense of $5.9 million, or 60%, reflecting the full amortization of the core deposit intangible from the Sky Financial acquisition and a decrease in net occupancy costs of $5.3 million, or 16%, reflecting Significant Items in the year ago quarter related to franchise repositioning actions.

The tangible common equity to tangible assets ratio was 7.89% at September 30, 2015, down 46 basis points. On a Basel III basis, the CET1 risk-based capital ratio was 9.72% at September 30, 2015, and the regulatory tier 1 risk-based capital ratio was 10.49%. All capital ratios were impacted by the repurchase of 24.2 million common shares over the last four quarters. On a Basel I basis, the tier 1 common risk-based capital ratio was 10.31% at September 30, 2014, and the regulatory tier 1 risk-based capital ratio was 11.61%.

Business Overview

General

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

Our fundamentals remain solid as a result of our strategic investments, innovative products, and improved sales management and productivity. The quarter was in line with our expectations. We remained disciplined in lending, and we continued to experience strong average core deposit growth in the quarter. Our focus on growing noninterest bearing checking accounts from both consumers and businesses and cross-selling other products is working.

We drove year-over-year revenue growth through ongoing focus on our net interest margin and notable loan growth primarily within equipment finance and auto finance. We have also carefully managed expenses within the current revenue environment, while materially investing in the business.

Table of Contents

Economy

Since the economic recovery began in 2008, economic activity in the key footprint states of Ohio, Michigan, and Indiana, which account for approximately 90% of our business as measured by deposits, has grown faster than the national average. This outperformance has persisted through the past three months and, based on the Philadelphia Federal Reserve Bank's state leading indices, is expected to continue for the next six months.

Unemployment rates in most of our footprint states continue to trend positively, and most are in line with or better than the national average. The one outlier is the state of West Virginia, which continues to struggle with the impact of lower coal prices. The current and year-ago unemployment rates for our ten largest deposit markets, which account for more than 80% of our total deposit franchise, continue to trend favorably.

Legislative and Regulatory

Regulatory reforms continue to be adopted, including the 2015 first quarter implementation of the Basel III regulatory capital requirements.

Basel III Regulatory Capital Requirements—In 2013, the Federal Reserve voted to adopt final capital rules implementing Basel III requirements for U.S. Banking organizations, which were effective for us beginning January 1, 2015. The final rules establish an integrated regulatory capital framework and implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Act. Consistent with the international Basel framework, the final rule includes a new regulatory minimum ratio of common equity tier 1 capital to risk-weighted assets. The rule also raises the minimum ratio of tier 1 capital to risk-weighted assets and includes a minimum leverage ratio of 4%. The Basel III capital rules establish two methodologies for calculating risk-weighted assets, the advanced and standardized approaches. We are subject to the standardized approach for calculating risk-weighted assets. The implementation of the Basel III capital requirements is transitional and phases-in through the end of 2018.

Conforming Covered Activities to Implement the Volcker Rule—On December 10, 2013, the Federal Reserve, the OCC, the FDIC, the CFTC and the SEC issued final rules to implement the Volcker Rule contained in section 619 of the Dodd-Frank Act, and established July 21, 2015, as the end of the conformance period. The Volcker Rule prohibits an insured depository institution and any company that controls an insured depository institution (such as a bank holding company), and any of their subsidiaries and affiliates (referred to as “banking entities”) from: (i) engaging in “proprietary trading” and (ii) investing in or sponsoring certain types of funds (“covered funds”) subject to certain limited exceptions. These prohibitions impact the ability of U.S. banking entities to provide investment management products and services that are competitive with nonbanking firms generally and with non-U.S. banking organizations in overseas markets. The rule also effectively prohibits short-term trading strategies by any U.S. banking entity if those strategies involve instruments other than those specifically permitted for trading. Because the Company has over $50 billion in assets, it is subject to Volcker enhanced compliance requirements. As such the company has completed Volcker Rule due diligence, built its compliance program, and implemented training and on-going reporting requirements. Huntington believes it has achieved required conformance and will deliver the required attestation on or before March 31, 2016.

Expectations – 2015

We remain committed to delivering positive operating leverage for the full year. We anticipate that modest performance improvement within the fourth quarter will contribute to positive operating leverage. We will remain highly disciplined with expense management to achieve our goal.

The commitment to positive operating leverage for full-year 2015, excluding Significant Items and net MSR activity, is both inclusive and exclusive of the impact of Huntington Technology Finance. We continue to expect noninterest expense growth of 2% to 4% for the year, excluding Significant Items and the recurring expense related to Huntington Technology Finance. We expect 2015 fourth quarter noninterest expense, excluding Significant Items, will remain consistent with the 2015 second and third quarters' adjusted noninterest expense levels.

Overall, asset quality metrics are expected to remain near current levels across the portfolio. Moderate quarterly volatility is expected given the absolute low level of problem assets and credit costs. We anticipate NCOs will remain within or below our long-term normalized range of 35 to 55 basis points.

The effective tax rate for the remainder of 2015 is expected to be in the range of 24% to 27%.

Table of Contents

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."

Table of Contents

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

	Three months ended				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Interest income	$538,477	$529,795	$502,096	$507,625	$501,060
Interest expense	43,022	39,109	34,411	34,373	34,725
Net interest income	495,455	490,686	467,685	473,252	466,335
Provision for credit losses	22,476	20,419	20,591	2,494	24,480
Net interest income after provision for credit losses	472,979	470,267	447,094	470,758	441,855
Service charges on deposit accounts	75,157	70,118	62,220	67,408	69,118
Trust services	24,972	26,550	29,039	28,781	28,045
Electronic banking	30,832	30,259	27,398	27,993	27,275
Mortgage banking income	18,956	38,518	22,961	14,030	25,051
Brokerage income	15,059	15,184	15,500	16,050	17,155
Insurance income	16,204	17,637	15,895	16,252	16,729
Bank owned life insurance income	12,719	13,215	13,025	14,988	14,888
Capital markets fees	12,741	13,192	13,905	13,791	10,246
Gain on sale of loans	5,873	12,453	4,589	5,408	8,199
Securities gains (losses)	188	82	—	(104)	198
Other income	40,418	44,565	27,091	28,681	30,445
Total noninterest income	253,119	281,773	231,623	233,278	247,349
Personnel costs	286,270	282,135	264,916	263,289	275,409
Outside data processing and other services	58,535	58,508	50,535	53,685	53,073
Net occupancy	29,061	28,861	31,020	31,565	34,405
Equipment	31,303	31,694	30,249	31,981	30,183
Professional services	11,961	12,593	12,727	15,665	13,763
Marketing	12,179	15,024	12,975	12,466	12,576
Deposit and other insurance expense	11,550	11,787	10,167	13,099	11,628
Amortization of intangibles	3,913	9,960	10,206	10,653	9,813
Other expense	81,736	41,215	36,062	50,868	39,468
Total noninterest expense	526,508	491,777	458,857	483,271	480,318
Income before income taxes	199,590	260,263	219,860	220,765	208,886
Provision for income taxes	47,002	64,057	54,006	57,151	53,870
Net income	152,588	196,206	165,854	163,614	155,016
Dividends on preferred shares	7,968	7,968	7,965	7,963	7,964
Net income applicable to common shares	$144,620	$188,238	$157,889	$155,651	$147,052
Average common shares—basic	800,883	806,891	809,778	811,967	816,497
Average common shares—diluted	814,326	820,238	823,809	825,338	829,623
Net income per common share—basic	$0.18	$0.23	$0.19	$0.19	$0.18
	0.18	0.23	0.19	0.19	0.18

Net income per common share—diluted										
Cash dividends declared per common share	0.06		0.06		0.06		0.06		0.05	
Return on average total assets	0.87	%	1.16	%	1.02	%	1.00	%	0.97	%
Return on average common shareholders' equity	9.3		12.3		10.6		10.3		9.9	
Return on average tangible common shareholders' equity (2)	10.7		14.4		12.2		11.9		11.4	
Net interest margin (3)	3.16		3.20		3.15		3.18		3.20	
Efficiency ratio (4)	69.1		61.7		63.5		66.2		65.3	
Effective tax rate	23.5		24.6		24.6		25.9		25.8	
Revenue—FTE										
Net interest income	$495,455		$490,686		$467,685		$473,252		$466,335	
FTE adjustment	8,168		7,962		7,560		7,522		7,506	

Table of Contents

Net interest income (3)	503,623	498,648	475,245	480,774	473,841
Noninterest income	253,119	281,773	231,623	233,278	247,349
Total revenue (3)	$756,742	$780,421	$706,868	$714,052	$721,190

(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.

Table of Contents

Table 2 - Selected Year to Date Income Statement Data (1)
(dollar amounts in thousands, except per share amounts)

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percent
Interest income	$1,570,368	$1,468,837	$101,531	7 %
Interest expense	116,542	104,948	11,594	11
Net interest income	1,453,826	1,363,889	89,937	7
Provision for credit losses	63,486	78,495	(15,009)	(19)
Net interest income after provision for credit losses	1,390,340	1,285,394	104,946	8
Service charges on deposit accounts	207,495	206,333	1,162	1
Trust services	80,561	87,191	(6,630)	(8)
Electronic banking	88,489	77,408	11,081	14
Mortgage banking income	80,435	70,857	9,578	14
Brokerage income	45,743	52,227	(6,484)	(12)
Insurance income	49,736	49,221	515	1
Bank owned life insurance income	38,959	42,060	(3,101)	(7)
Capital markets fees	39,838	29,940	9,898	33
Gain on sale of loans	22,915	15,683	7,232	46
Securities gains (losses)	270	17,658	(17,388)	(98)
Other income	112,074	97,323	14,751	15
Total noninterest income	766,515	745,901	20,614	3
Personnel costs	833,321	785,486	47,835	6
Outside data processing and other services	167,578	158,901	8,677	5
Net occupancy	88,942	96,511	(7,569)	(8)
Equipment	93,246	87,682	5,564	6
Professional services	37,281	43,890	(6,609)	(15)
Marketing	40,178	38,094	2,084	5
Deposit and other insurance expense	33,504	35,945	(2,441)	(7)
Amortization of intangibles	24,079	28,624	(4,545)	(16)
Other expense	159,013	123,942	35,071	28
Total noninterest expense	1,477,142	1,399,075	78,067	6
Income before income taxes	679,713	632,220	47,493	8
Provision for income taxes	165,065	163,442	1,623	1
Net income	514,648	468,778	45,870	10
Dividends declared on preferred shares	23,901	23,891	10	—
Net income applicable to common shares	$490,747	$444,887	$45,860	10 %
Average common shares—basic	805,851	820,884	(15,033)	(2)%
Average common shares—diluted	819,458	833,927	(14,469)	(2)
Per common share				
Net income per common share—basic	$0.61	$0.54	$0.07	13 %
Net income per common share—diluted	0.60	0.53	0.07	13
Cash dividends declared	0.18	0.15	0.03	20
Revenue—FTE				
Net interest income	$1,453,826	$1,363,889	$89,937	7 %
FTE adjustment	23,690	20,028	3,662	18
Net interest income (2)	1,477,516	1,383,917	93,599	7

Noninterest income	766,515	745,901	20,614	3	
Total revenue (2)	$2,244,031	$2,129,818	$114,213	5	%

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

Table of Contents

Significant Items

Definition of Significant Items

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

Even though certain revenue and expense items are naturally subject to more volatility than others due to changes in market and economic environment conditions, as a general rule volatility alone does not define a Significant Item. For example, changes in the provision for credit losses, gains / losses from investment activities, asset valuation writedowns, etc., reflect ordinary banking activities and are, therefore, typically excluded from consideration as a Significant Item.

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

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

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons were impacted by the Significant Items summarized below:

1. Franchise Repositioning Related Expense. During the 2014 third quarter, $19.3 million of franchise repositioning related expense was recorded for the consolidation of 26 branches and organizational actions. This resulted in a negative impact of $0.02 per common share.

2. Merger and Acquisition. Significant events relating to mergers and acquisitions, and the impacts of those events on our reported results, were as follows:

- During the 2015 third quarter, $4.8 million of noninterest expense was recorded related to the acquisition of Huntington Technology Finance and the pending transition of the Huntington Funds and the sale of Huntington Asset Advisors, which is expected to be completed during the 2015 fourth quarter.

- As previously disclosed, the 2015 second quarter and 2015 first quarter included $1.5 million and $3.4 million, respectively, of Huntington Technology Finance merger-related noninterest expense that was not originally reported as a Significant Item for the quarter. As a result of 2015 third quarter activity, merger related expense has been identified as a Significant Item for the 2015 full year and, as such, these amounts are now included as Significant Items.

- During the 2014 third quarter, $3.5 million of noninterest expense was recorded related to the acquisition of 24 Bank of America branches and Camco Financial.

- During the 2014 second quarter, $0.8 million of noninterest expense was recorded related to the acquisition of 24 Bank of America branches.

-

During the 2014 first quarter, $12.6 million of noninterest expense and $0.8 million of noninterest income was recorded related to the acquisition of Camco Financial. This net $11.8 million resulted in a negative impact of $0.01 per common share.

3. Litigation Reserve. $38.2 million and $9.0 million of net additions to litigation reserves were recorded as other noninterest expense during the 2015 third quarter and 2014 first quarter, respectively. This resulted in a negative impact of $0.03 and $0.01 per common share during the 2015 third quarter and 2014 first quarter, respectively.

Table of Contents

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

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

	Three Months Ended					
	September 30, 2015		June 30, 2015		September 30, 2014	
	After-tax	EPS (2)(3)	After-tax	EPS (2)(3)	After-tax	EPS (2)(3)
Net income	$152,588		$196,206		$155,016	
Earnings per share, after-tax		$0.18		$0.23		$0.18
Significant Items—favorable (unfavorable) impact:	Earnings (1)	EPS (2)(3)	Earnings (1)	EPS (2)(3)	Earnings (1)	EPS (2)(3)
Net additions to litigation reserves	$(38,186)	$(0.03)	$—	$—	$—	$—
Mergers and acquisitions, net	(4,839)	—	(1,501)	—	(3,490)	—
Franchise repositioning related expense	—	—	—	—	(19,333)	(0.02)

	Nine Months Ended			
	September 30, 2015		September 30, 2014	
	After-tax	EPS (2)(3)	After-tax	EPS (2)(3)
Net income	$514,648		$468,778	
Earnings per share, after-tax		$0.60		$0.53
Significant Items—favorable (unfavorable) impact:	Earnings (1)	EPS (2)(3)	Earnings (1)	EPS (2)(3)
Net additions to litigation reserves	$(38,186)	$(0.03)	$(9,000)	$(0.01)
Merger and acquisition, net	(9,691)	(0.01)	(16,088)	(0.01)
Franchise repositioning related expense	—	—	(19,333)	(0.02)

(1) Pretax unless otherwise noted.
(2) Based on average outstanding diluted common shares.
(3) After-tax.

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 Quarterly Average Balance Sheets
(dollar amounts in millions)

	Average Balances						
	Three Months Ended					Change	
	September 30,	June 30,	March 31,	December 31,	September 30,	3Q15 vs. 3Q14	
	2015	2015	2015	2014	2014	Amount	Percent
Assets:							
Interest-bearing deposits in banks	$89	$89	$94	$85	$82	$7	9 %
Loans held for sale	464	1,272	381	374	351	113	32
Securities:							
Available-for-sale and other securities:							
Taxable	8,310	7,916	7,664	7,291	6,935	1,375	20

Tax-exempt	2,136	2,028	1,874	1,684	1,620	516	32
Total available-for-sale and other securities	10,446	9,944	9,538	8,975	8,555	1,891	22
Trading account securities	52	41	53	49	50	2	4
Held-to-maturity securities—taxable	3,226	3,324	3,347	3,435	3,556	(330)	(9)
Total securities	13,724	13,309	12,938	12,459	12,161	1,563	13
Loans and leases: (1)							

Table of Contents

Commercial:							
Commercial and industrial	19,802	19,819	19,116	18,880	18,581	1,221	7
Commercial real estate:							
Construction	1,101	970	887	822	775	326	42
Commercial	4,193	4,214	4,275	4,262	4,188	5	—
Commercial real estate	5,294	5,184	5,162	5,084	4,963	331	7
Total commercial	25,096	25,003	24,278	23,964	23,544	1,552	7
Consumer:							
Automobile	8,879	8,083	8,783	8,512	8,012	867	11
Home equity	8,526	8,503	8,484	8,452	8,412	114	1
Residential mortgage	6,048	5,859	5,810	5,751	5,747	301	5
Other consumer	497	451	425	413	398	99	25
Total consumer	23,950	22,896	23,502	23,128	22,569	1,381	6
Total loans and leases	49,046	47,899	47,780	47,092	46,113	2,933	6
Allowance for loan and lease losses	(609)	(608)	(612)	(631)	(633)	24	(4)
Net loans and leases	48,437	47,291	47,168	46,461	45,480	2,957	7
Total earning assets	63,323	62,569	61,193	60,010	58,707	4,616	8
Cash and due from banks	1,555	926	935	929	887	668	75
Intangible assets	739	745	593	602	583	156	27
All other assets	4,296	4,251	4,142	4,022	3,929	367	9
Total assets	$69,304	$67,883	$66,251	$64,932	$63,473	$5,831	9 %
Liabilities and Shareholders' Equity:							
Deposits:							
Demand deposits—noninterest-bearing	$17,017	$15,893	$15,253	$15,179	$14,090	$2,927	21 %
Demand deposits—interest-bearing	6,604	6,584	6,173	5,948	5,913	691	12
Total demand deposits	23,621	22,477	21,426	21,127	20,003	3,618	18
Money market deposits	19,512	18,803	19,368	18,401	17,929	1,583	9
Savings and other domestic deposits	5,224	5,273	5,169	5,052	5,020	204	4
Core certificates of deposit	2,534	2,639	2,814	3,058	3,167	(633)	(20)
Total core deposits	50,891	49,192	48,777	47,638	46,119	4,772	10
Other domestic time deposits of $250,000 or more	217	184	195	201	223	(6)	(3)
Brokered deposits and negotiable CDs	2,779	2,701	2,600	2,434	2,262	517	23
Deposits in foreign offices	492	562	557	479	374	118	32
Total deposits	54,379	52,639	52,129	50,752	48,978	5,401	11
Short-term borrowings	844	2,153	1,882	2,683	3,193	(2,349)	(74)
Long-term debt	6,066	5,139	4,374	3,956	3,967	2,099	53
Total interest-bearing liabilities	44,272	44,038	43,132	42,212	42,048	2,224	5
All other liabilities	1,442	1,435	1,450	1,167	1,043	399	38
Shareholders' equity	6,573	6,517	6,416	6,374	6,292	281	4
Total liabilities and shareholders' equity	$69,304	$67,883	$66,251	$64,932	$63,473	$5,831	9 %

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

Table of Contents

Table 5 - Consolidated Quarterly Net Interest Margin Analysis

	Average Yield Rates (2) Three Months Ended				
Fully-taxable equivalent basis (1)	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Assets:					
Interest-bearing deposits in banks	0.06 %	0.08 %	0.18 %	0.23 %	0.19 %
Loans held for sale	3.81	3.32	3.69	3.82	3.98
Securities:					
Available-for-sale and other securities:					
Taxable	2.51	2.60	2.50	2.61	2.48
Tax-exempt	3.12	3.13	3.05	3.26	3.02
Total available-for-sale and other securities	2.63	2.71	2.61	2.73	2.59
Trading account securities	0.97	1.00	1.17	1.05	0.85
Held-to-maturity securities—taxable	2.46	2.50	2.47	2.45	2.45
Total securities	2.59	2.65	2.57	2.65	2.54
Loans and leases: (3)					
Commercial:					
Commercial and industrial	3.58	3.61	3.33	3.35	3.45
Commercial real estate:					
Construction	3.52	3.60	3.81	4.30	4.38
Commercial	3.43	3.41	3.57	3.47	3.60
Commercial real estate	3.45	3.45	3.62	3.60	3.72
Total commercial	3.55	3.58	3.39	3.40	3.51
Consumer:					
Automobile	3.23	3.20	3.24	3.33	3.41
Home equity	4.01	3.97	4.03	4.05	4.07
Residential mortgage	3.71	3.72	3.75	3.84	3.78
Other consumer	8.88	8.45	8.20	7.68	7.31
Total consumer	3.75	3.73	3.74	3.80	3.82
Total loans and leases	3.65	3.65	3.56	3.60	3.66
Total earning assets	3.42	3.45	3.38	3.41	3.44
Liabilities:					
Deposits:					
Demand deposits—noninterest-bearing	—	—	—	—	—
Demand deposits—interest-bearing	0.07	0.06	0.05	0.04	0.04
Total demand deposits	0.02	0.02	0.01	0.01	0.01
Money market deposits	0.23	0.22	0.21	0.22	0.23
Savings and other domestic deposits	0.14	0.14	0.15	0.16	0.16
Core certificates of deposit	0.80	0.78	0.76	0.75	0.74
Total core deposits	0.23	0.22	0.22	0.23	0.23
Other domestic time deposits of $250,000 or more	0.43	0.44	0.42	0.43	0.44
Brokered deposits and negotiable CDs	0.17	0.17	0.17	0.18	0.20
Deposits in foreign offices	0.13	0.13	0.13	0.13	0.13
Total deposits	0.22	0.22	0.22	0.23	0.23
Short-term borrowings	0.09	0.14	0.12	0.12	0.11
Long-term debt	1.44	1.44	1.31	1.35	1.35

Total interest-bearing liabilities	0.39	0.36	0.32	0.32	0.33
Net interest rate spread	3.03	3.09	3.06	3.09	3.11
Impact of noninterest-bearing funds on margin	0.13	0.11	0.09	0.09	0.09
Net interest margin	3.16 %	3.20 %	3.15 %	3.18 %	3.20 %

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

16

Table of Contents

(2) Loan, lease, and deposit average rates include impact of applicable derivatives, non-deferrable fees, and amortized fees.
(3) For purposes of this analysis, NALs are reflected in the average balances of loans.

2015 Third Quarter versus 2014 Third Quarter

Fully-taxable equivalent net interest income for the 2015 third quarter increased $29.8 million, or 6%, from the 2014 third quarter. This reflected the benefit from the $4.6 billion, or 8%, increase in average earning assets partially offset by a 4 basis point reduction in the FTE net interest margin to 3.16%. Average earning asset growth included a $2.9 billion, or 6%, increase in average loans and leases and a $1.6 billion, or 13%, increase in average securities. The NIM contraction reflected a 2 basis point decrease related to the mix and yield of earning assets and 6 basis point increase in funding costs, partially offset by the 4 basis point increase in the benefit from noninterest-bearing funds.

Average earning assets for the 2015 third quarter increased $4.6 billion, or 8%, from the year-ago quarter, driven by:

- $1.6 billion, or 13%, increase in average securities, primarily reflecting the reinvestment of cash flows and additional investment in LCR Level 1 qualifying securities. The 2015 third quarter average balance also included $1.8 billion of direct purchase municipal instruments originated by our Commercial segment, up from $1.2 billion in the year-ago quarter.
- $1.2 billion, or 7%, increase in average C&I loans and leases, primarily reflecting the $0.8 billion of equipment finance leases acquired in the Huntington Technology Finance transaction at the end of the 2015 first quarter, as well as growth in corporate banking and automobile dealer floorplan lending.
- $0.9 billion, or 11%, increase in average Automobile loans. The 2015 third quarter represented the seventh consecutive quarter of greater than $1.0 billion in originations.
- $0.3 billion, or 7%, increase in average Commercial Real Estate loans, primarily Construction loans.

Average total deposits for the 2015 third quarter increased $5.4 billion, or 11%, from the year-ago quarter, including a $4.8 billion, or 10%, increase in average total core deposits. The growth in average total core deposits more than fully funded the year-over-year increase in average earning assets. The increase in average total deposits included $0.7 billion of deposits acquired in the Bank of America branch acquisition late in the 2014 third quarter. Average total interest-bearing liabilities increased $2.2 billion, or 5%, from the year-ago quarter. Year-over-year changes in total liabilities reflected:

- $3.6 billion, or 18%, increase in demand deposits, reflecting a $2.7 billion, or 22%, increase in commercial demand deposits and a $0.9 billion, or 12%, increase in consumer demand deposits.
- $1.6 billion, or 9%, increase in money market deposits, reflecting continued banker focus across all segments on obtaining our customers’ full deposit relationship.
- $0.5 billion, or 23%, increase in brokered deposits and negotiable CDs, which were used to efficiently finance balance sheet growth while continuing to manage the overall cost of funds.

Partially offset by:

- $0.6 billion, or 20%, decrease in average core certificates of deposit due to the strategic focus on changing the funding sources to low- and no-cost demand deposits and money market deposits.
- $0.3 billion, or 3%, decrease in average short- and long-term borrowings, reflecting a $2.3 billion, or 74%, reduction in short-term borrowings partially offset by a $2.1 billion, or 53%, increase in long-term debt. The increase in long-term debt reflected the issuance of $1.0 billion, $0.8 billion, and $0.5 billion of bank-level senior debt during the 2015 first quarter, 2015 second quarter, and 2015 third quarter, respectively, as well as $0.5 billion of debt assumed in the Huntington Technology Finance acquisition at the end of the 2015 first quarter.

2015 Third Quarter versus 2015 Second Quarter

Compared to the 2015 second quarter, FTE net interest income increased $5.0 million, or 1%. Average earning assets increased $0.8 billion, or 1%, sequentially, while the NIM decreased 4 basis points. The decrease in the NIM reflected a 3 basis point decrease in earning asset yields due to continued pricing pressure across several asset classes and a 3 basis point increase in the cost of interest-bearing liabilities, partially offset by a 2 basis point increase in the benefit from noninterest bearing funds.

17

Table of Contents

Compared to the 2015 second quarter, average earning assets increased $0.8 billion, or 1%. This increase reflected a $0.8 billion increase in automobile loans and a $0.4 billion increase in average securities, partially offset by a $0.8 billion decrease in loans held-for-sale. The decrease in loans held-for-sale was impacted by the securitization and sale of $750 million of automobile loans in the last month of the 2015 second quarter.
Compared to the 2015 second quarter, average noninterest bearing deposits increased $1.1 billion, or 7%, and while average total interest-bearing liabilities increased $0.2 billion, or 1%, reflecting a $1.3 billion, or 61%, decrease in short-term borrowings partially offset by a $0.9 billion, or 18%, increase in long-term debt related to the 2015 second quarter and 2015 third quarter bank-level senior debt issuances.

Table 6 - Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis
(dollar amounts in millions)

	YTD Average Balances Nine Months Ended September 30,		Change		YTD Average Rates (2) Nine Months Ended September 30,	
Fully-taxable equivalent basis (1)	2015	2014	Amount	Percent	2015	2014
Assets:						
Interest-bearing deposits in banks	$90	$85	$5	6 %	0.11 %	0.08 %
Loans held for sale	706	306	400	131	3.49	3.99
Securities:						
Available-for-sale and other securities:						
Taxable	7,966	6,615	1,351	20	2.54	2.49
Tax-exempt	2,014	1,344	670	50	3.10	3.06
Total available-for-sale and other securities	9,980	7,959	2,021	25	2.65	2.59
Trading account securities	49	45	4	9	1.06	0.87
Held-to-maturity securities—taxable	3,299	3,671	(372)	(10)	2.47	2.46
Total securities	13,328	11,675	1,653	14	2.60	2.54
Loans and leases: (3)						
Commercial:						
Commercial and industrial	19,581	18,161	1,420	8	3.51	3.50
Commercial real estate:						
Construction	987	697	290	42	3.64	4.24
Commercial	4,227	4,274	(47)	(1)	3.47	3.87
Commercial real estate	5,214	4,971	243	5	3.50	3.92
Total commercial	24,795	23,132	1,663	7	3.51	3.59
Consumer:						
Automobile	8,582	7,387	1,195	16	3.23	3.47
Home equity	8,504	8,376	128	2	4.01	4.10
Residential mortgage	5,906	5,579	327	6	3.72	3.78
Other consumer	458	389	69	18	8.53	7.16
Total consumer	23,450	21,731	1,719	8	3.74	3.86
Total loans and leases	48,245	44,863	3,382	8	3.62	3.72
Allowance for loan and lease losses	(610)	(641)	31	(5)		
Net loans and leases	47,635	44,222	3,413	8		

Total earning assets	62,369	56,929	5,440	10	3.42 %	3.50 %
Cash and due from banks	1,140	888	252	28		

18

Table of Contents

Intangible assets	693	570	123	22		
All other assets	4,231	3,934	297	8		
Total assets	$67,823	$61,680	$6,143	10 %		
Liabilities and Shareholders' Equity:						
Deposits:						
Demand deposits—noninterest-bearing	$16,061	$13,586	$2,475	18 %	— %	— %
Demand deposits—interest-bearing	6,455	5,878	577	10	0.06	0.04
Total demand deposits	22,516	19,464	3,052	16	0.02	0.01
Money market deposits	19,228	17,753	1,475	8	0.22	0.24
Savings and other domestic deposits	5,222	5,025	197	4	0.14	0.18
Core certificates of deposit	2,661	3,403	(742)	(22)	0.78	0.83
Total core deposits	49,627	45,645	3,982	9	0.22	0.26
Other domestic time deposits of $250,000 or more	199	256	(57)	(22)	0.43	0.43
Brokered deposits and negotiable CDs	2,694	2,040	654	32	0.17	0.24
Deposits in foreign offices	537	339	198	58	0.13	0.13
Total deposits	53,057	48,280	4,777	10	0.22	0.26
Short-term borrowings	1,623	2,787	(1,164)	(42)	0.12	0.10
Long-term debt	5,199	3,340	1,859	56	1.40	1.46
Total interest-bearing liabilities	43,818	40,821	2,997	7	0.36	0.34
All other liabilities	1,442	1,038	404	39		
Shareholders' equity	6,502	6,235	267	4		
Total liabilities and shareholders' equity	$67,823	$61,680	$6,143	10 %		
Net interest rate spread					3.06	3.15
Impact of noninterest-bearing funds on margin					0.11	0.10
Net interest margin					3.17 %	3.25 %

(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.

2015 First Nine Months versus 2014 First Nine Months

Fully-taxable equivalent net interest income for the first nine-month period of 2015 increased $93.6 million, or 7%, reflecting the benefit of a $5.4 billion, or 10%, increase in average total earning assets. The fully-taxable equivalent net interest margin decreased to 3.17% from 3.25%. The increase in average earning assets reflected:

- $3.4 billion, or 8%, increase in average total loans and leases, reflecting the equipment finance leases acquired in the Huntington Technology Finance transaction at the end of the 2015 first quarter and ongoing strong automobile loan originations.
- $1.7 billion, or 14%, increase in average securities reflecting additional investment in LCR Level 1 qualifying securities.
- $0.4 billion, or 131%, increase in average loans held for sale, reflecting the 2015 second quarter securitization and sale of automobile loans.

Provision for Credit Losses

19

Table of Contents

(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 2015 third quarter was $22.5 million compared with $20.4 million for the 2015 second quarter and $24.5 million for the 2014 third quarter. On a year-to-date basis, provision for credit losses for the first nine-month period of 2015 was $63.5 million, a decrease of $15.0 million, or 19%, compared to year-ago period (See Credit Quality discussion). Given the low level of the provision for credit losses and the uneven nature of commercial charge-offs and recoveries, some degree of volatility on a quarter-to-quarter basis is expected.

Noninterest Income
The following table reflects noninterest income for each of the past five quarters:

Table 7 - Noninterest Income
(dollar amounts in thousands)

	Three Months Ended					3Q15 vs 3Q14		3Q15 vs 2Q15	
	September 30,	June 30,	March 31,	December 31,	September 30,	Change		Change	
	2015	2015	2015	2014	2014	Amount	Percent	Amount	Percent
Service charges on deposit accounts	$75,157	$70,118	$62,220	$67,408	$69,118	$6,039	9 %	$5,039	7 %
Trust services	24,972	26,550	29,039	28,781	28,045	(3,073)	(11)	(1,578)	(6)
Electronic banking	30,832	30,259	27,398	27,993	27,275	3,557	13	573	2
Mortgage banking income	18,956	38,518	22,961	14,030	25,051	(6,095)	(24)	(19,562)	(51)
Brokerage income	15,059	15,184	15,500	16,050	17,155	(2,096)	(12)	(125)	(1)
Insurance income	16,204	17,637	15,895	16,252	16,729	(525)	(3)	(1,433)	(8)
Bank owned life insurance income	12,719	13,215	13,025	14,988	14,888	(2,169)	(15)	(496)	(4)
Capital markets fees	12,741	13,192	13,905	13,791	10,246	2,495	24	(451)	(3)
Gain on sale of loans	5,873	12,453	4,589	5,408	8,199	(2,326)	(28)	(6,580)	(53)
Securities gains (losses)	188	82	—	(104)	198	(10)	(5)	106	129
	40,418	44,565	27,091	28,681	30,445	9,973	33	(4,147)	(9)

Other income										
Total noninterest income	$253,119	$281,773	$231,623	$233,278	$247,349	$5,770	2	%	$(28,654)	(10)%

2015 Third Quarter versus 2014 Third Quarter

Noninterest income increased $5.8 million, or 2%, from the year-ago quarter. The year-over-year increase primarily reflected:

- $10.0 million, or 33%, increase in other income, primarily reflecting equipment operating lease income related to Huntington Technology Finance.
- $6.0 million, or 9%, increase in service charges on deposit accounts, reflecting the benefit of continued new customer acquisition including a 3.1% increase in commercial checking relationships and a 3.8% increase in consumer checking households.
- $3.6 million, or 13%, increase in electronic banking, due to higher card related income and underlying customer growth.

Partially offset by:

- $6.1 million, or 24%, decrease in mortgage banking income, reflecting a $9.2 million decrease from MSR hedging-related activities partially offset by a $4.5 million increase in origination and secondary marketing revenues.
- $3.1 million, or 11%, decrease in trust services, primarily related to our fiduciary trust businesses moving to a more open architecture platform and a decline in assets under management in proprietary mutual funds. While not affecting results, during the 2015 third quarter, we entered into agreements to transition the remaining Huntington Funds and to sell Huntington Asset Advisors in transactions expected to close in the 2015 fourth quarter.

Table of Contents

2015 Third Quarter versus 2015 Second Quarter

Compared to the 2015 second quarter, total noninterest income decreased $28.7 million, or 10%. Mortgage banking income decreased $19.6 million, or 51%, primarily driven by a $14.4 million decrease in net MSR hedging-related activities and a $6.3 million, or 24%, decrease in origination and secondary marketing income. Gain on sale of loans decreased $6.6 million, or 53%, primarily reflecting a $5.3 million automobile loan securitization gain during the 2015 second quarter. Service charges on deposit accounts increased $5.0 million, or 7%, as the quarter benefited from continued growth in consumer households and commercial relationships.

Table 8 - Noninterest Income—2015 First Nine Months vs. 2014 First Nine Months
(dollar amounts in thousands)

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percent
Service charges on deposit accounts	$207,495	$206,333	$1,162	1 %
Trust services	80,561	87,191	(6,630)	(8)
Electronic banking	88,489	77,408	11,081	14
Mortgage banking income	80,435	70,857	9,578	14
Brokerage income	45,743	52,227	(6,484)	(12)
Insurance income	49,736	49,221	515	1
Bank owned life insurance income	38,959	42,060	(3,101)	(7)
Capital markets fees	39,838	29,940	9,898	33
Gain on sale of loans	22,915	15,683	7,232	46
Securities gains (losses)	270	17,658	(17,388)	(98)
Other income	112,074	97,323	14,751	15
Total noninterest income	$766,515	$745,901	$20,614	3 %

The $20.6 million, or 3%, increase in total noninterest income reflected:

- $14.8 million, or 15%, increase in other income, primarily reflecting equipment operating lease income related to Huntington Technology Finance.
- $11.1 million, or 14%, increase in electronic banking income, primarily due to higher card-related income and underlying customer growth.
- $9.9 million, or 33%, increase in capital market fees, primarily related to an increase in foreign exchange fees, underwriting fees, commodities revenue, and customer interest rate derivatives.
- $9.6 million, or 14%, increase in mortgage banking income. The increase reflected a $22.0 million increase in origination and secondary marketing revenues offset by a $7.0 million decrease from MSR hedging-related activities, a $3.1 million decrease in other mortgage banking income, and a $2.0 million increase in amortization of capitalized servicing.
- $7.2 million, or 46%, increase in gain on sale of loans, including the $5.3 million automobile loan securitization gain in the 2015 second quarter.

Partially offset by:

- $17.4 million, or 98%, decrease in securities gains.
- $6.6 million, or 8%, decrease in trust services, primarily related to our fiduciary trust businesses moving to a more open architecture platform and a decline in assets under management in proprietary mutual funds following the 2014 second quarter transition of the fixed income Huntington Funds to a third party.
- $6.5 million, or 12%, decrease in brokerage income, primarily reflecting a shift from upfront commission income to trailing commissions and an increase in the sale of new open architecture advisory products.

Noninterest Expense

(This section should be read in conjunction with Significant Item 1, 2, and 3.)

The following table reflects noninterest expense for each of the past five quarters:

21

Table of Contents

Table 9 - Noninterest Expense
(dollar amounts in thousands)

	Three Months Ended					3Q15 vs 3Q14		3Q15 vs 2Q15	
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	Change Amount	Percent	Change Amount	Percent
Personnel costs	$286,270	$282,135	$264,916	$263,289	$275,409	$10,861	4 %	$4,135	1 %
Outside data processing and other services	58,535	58,508	50,535	53,685	53,073	5,462	10	27	—
Net occupancy	29,061	28,861	31,020	31,565	34,405	(5,344)	(16)	200	1
Equipment	31,303	31,694	30,249	31,981	30,183	1,120	4	(391)	(1)
Professional services	11,961	12,593	12,727	15,665	13,763	(1,802)	(13)	(632)	(5)
Marketing	12,179	15,024	12,975	12,466	12,576	(397)	(3)	(2,845)	(19)
Deposit and other insurance expense	11,550	11,787	10,167	13,099	11,628	(78)	(1)	(237)	(2)
Amortization of intangibles	3,913	9,960	10,206	10,653	9,813	(5,900)	(60)	(6,047)	(61)
Other expense	81,736	41,215	36,062	50,868	39,468	42,268	107	40,521	98
Total noninterest expense	$526,508	$491,777	$458,857	$483,271	$480,318	$46,190	10 %	$34,731	7 %
Number of employees (average full-time equivalent)	12,367	12,274	11,914	11,875	11,946	421	4 %	93	1 %

Impacts of Significant Items:

	Three Months Ended		
	September 30, 2015	June 30, 2015	September 30, 2014
Personnel costs	$2,806	$319	$15,344
Outside data processing and other services	1,569	755	292
Net occupancy	—	—	5,202
Equipment	—	—	110
Professional services	273	374	6
Marketing	—	27	783
Other expense	38,377	26	1,086
Total noninterest expense adjustments	$43,025	$1,501	$22,823

Adjusted Noninterest Expense (Non-GAAP):

	Three Months Ended			3Q15 vs 3Q14		3Q15 vs 2Q15	
	September 30,	June 30,	September 30,	Change		Change	
	2015	2015	2014	Amount	Percent	Amount	Percent
Personnel costs	$283,464	$281,816	$260,065	$23,399	9 %	$1,648	1 %
Outside data processing and other services	56,966	57,753	52,781	4,185	8	(787)	(1)
Net occupancy	29,061	28,861	29,203	(142)	—	200	1
Equipment	31,303	31,694	30,073	1,230	4	(391)	(1)
Professional services	11,688	12,219	13,757	(2,069)	(15)	(531)	(4)
Marketing	12,179	14,997	11,793	386	3	(2,818)	(19)
Deposit and other insurance expense	11,550	11,787	11,628	(78)	(1)	(237)	(2)
Amortization of intangibles	3,913	9,960	9,813	(5,900)	(60)	(6,047)	(61)
Other expense	43,359	41,189	38,382	4,977	13	2,170	5
Total adjusted noninterest expense	$483,483	$490,276	$457,495	$25,988	6 %	$(6,793)	(1)%

2015 Third Quarter versus 2014 Third Quarter

22

Table of Contents

Reported noninterest expense increased $46.2 million, or 10%, from the year-ago quarter. Changes in reported noninterest expense primarily reflect:

- $42.3 million, or 107%, increase in other expense, primarily reflecting the $38.2 million increase to litigation reserves as well as $5.5 million related to Huntington Technology Finance operating lease expense.
- $10.9 million, or 4%, increase in personnel costs, reflecting a $24.2 million increase in salaries related to both annual merit increases and a 4% increase in the number of average full-time equivalent employees, partially offset by the $12.5 million change in Significant Items.
- $5.5 million, or 10%, increase in outside data processing and other services expense, primarily related to technology investments.

Partially offset by

- $5.9 million, or 60%, decrease in amortization of intangibles reflecting the full amortization of the core deposit intangible from the Sky Financial acquisition.
- $5.3 million, or 16%, decrease in net occupancy costs, reflecting the Significant Item in the year ago quarter related to franchise repositioning actions.

2015 Third Quarter versus 2015 Second Quarter

Reported noninterest expense increased $34.7 million, or 7%, from the 2015 second quarter. Other expense increased $40.5 million, or 98%, from the prior quarter, primarily reflecting the $38.2 million addition to litigation reserves. Personnel costs increased $4.1 million, or 1%, as a result of a $7.4 million increase in salaries, including $2.5 million of merger and acquisition-related Significant Items, partially offset by a $3.2 million decrease in benefits expense. Amortization of intangibles decreased $6.0 million, or 61%, reflecting the full amortization of the core deposit intangible from the Sky Financial acquisition. Marketing expense decreased $2.8 million, or 19%, due to the timing of marketing campaigns.

Table 10 - Noninterest Expense—2015 First Nine Months vs. 2014 First Nine Months
(dollar amounts in thousands)

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percent
Personnel costs	$833,321	$785,486	$47,835	6 %
Outside data processing and other services	167,578	158,901	8,677	5
Net occupancy	88,942	96,511	(7,569)	(8)
Equipment	93,246	87,682	5,564	6
Professional services	37,281	43,890	(6,609)	(15)
Marketing	40,178	38,094	2,084	5
Deposit and other insurance expense	33,504	35,945	(2,441)	(7)
Amortization of intangibles	24,079	28,624	(4,545)	(16)
Other expense	159,013	123,942	35,071	28
Total noninterest expense	$1,477,142	$1,399,075	$78,067	6 %

Impacts of Significant Items:

	Nine Months Ended September 30,	
	2015	2014
Personnel costs	$3,125	$17,685
Outside data processing and other services	2,375	5,201
Net occupancy	—	7,003
Equipment	—	245
Professional services	3,934	2,228
Marketing	28	1,343
Other expense	38,415	11,496

Total noninterest expense adjustments	$47,877	$45,201

Table of Contents

Adjusted Noninterest Expense (Non-GAAP):

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percent
Personnel costs	$830,196	$767,801	$62,395	8 %
Outside data processing and other services	165,203	153,700	11,503	7
Net occupancy	88,942	89,508	(566)	(1)
Equipment	93,246	87,437	5,809	7
Professional services	33,347	41,662	(8,315)	(20)
Marketing	40,150	36,751	3,399	9
Deposit and other insurance expense	33,504	35,945	(2,441)	(7)
Amortization of intangibles	24,079	28,624	(4,545)	(16)
Other expense	120,598	112,446	8,152	7
Total noninterest expense adjustments	$1,429,265	$1,353,874	$75,391	6 %

Reported noninterest expense increased $78.1 million, or 6%. Excluding the impact of Significant Items, noninterest expense increased $75.4 million, or 6%. Changes in reported noninterest expense primarily reflect:

- $47.8 million, or 6%, increase in personnel costs. Excluding the impact of significant items, personnel costs increased $62.4 million, or 8%, primarily related to a $56.3 million increase in salaries reflecting annual merit increases, a 3% increase in the number of average full-time equivalent employees, and a $6.6 million increase in benefits expense.
- $35.1 million, or 28%, increase in other expense. Excluding the impact of significant items, other expense increased $8.2 million, or 7%, primarily reflecting an $11.3 million increase in Huntington Technology Finance operating lease expense.
- $8.7 million, or 5%, increase in outside data processing and other services. Excluding the impact of significant items, outside data processing and other services increased $11.5 million, or 7%, primarily related to technology investments.

Partially offset by

- $6.6 million, or 15%, decrease in professional services. Excluding the impact of significant items, professional services decreased $8.3 million, or 20%, as the year-ago period included $8.9 million of consulting expense related to strategic planning.
- $7.6 million, or 8%, decrease in net occupancy costs. Excluding the impact of significant items, net occupancy costs decreased $566 thousand, or 1%.

Provision for Income Taxes

The provision for income taxes in the 2015 third quarter was $47.0 million. This compared with a provision for income taxes of $53.9 million in the 2014 third quarter and $64.1 million in the 2015 second quarter. The provision for income taxes for the nine-month periods ended September 30, 2015 and September 30, 2014 was $165.1 million and $163.4 million, respectively. All periods included the benefits from tax-exempt income, tax-advantaged investments, release of capital loss carryforward valuation allowance, general business credits, and investments in qualified affordable housing projects. At September 30, 2015 there is no capital loss carryforward valuation allowance remaining. The net federal deferred tax asset was $20.4 million and the net state deferred tax asset was $41.1 million at September 30, 2015.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2009. The IRS is currently examining our 2010 and 2011 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, 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 identify primary risks, and the sources of those risks, across the Company. We utilize Risk and Control Self-Assessments (RCSA) to identify exposure risks. Through this RCSA process, we continually assess the effectiveness of controls associated with the identified risks, regularly monitor risk profiles and material exposure to losses, and identify stress events and scenarios to which we may be exposed. Our chief risk officer is responsible for ensuring that appropriate systems of controls are in place for managing and monitoring risk across the Company. Potential risk concerns are shared with the Risk Management Committee, Risk Oversight Committee, and the board of directors, as appropriate. Our internal audit department performs on-going independent reviews of the risk management process and ensures the adequacy of documentation. The results of these reviews are regularly reported to the audit committee and board of directors. In addition, our Credit Review group performs ongoing independent testing of our loan portfolio, the results of which are regularly reviewed with our Risk Oversight Committee.

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 2014 Form 10-K and subsequent filings with the SEC. The MD&A included in our 2014 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 2014 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 additional quantitative measurement capabilities utilizing external data sources, enhanced use of 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 treatment strategies for delinquent or stressed borrowers.

Loan and Lease Credit Exposure Mix

At September 30, 2015, loans and leases totaled $49.7 billion, an increase of $2.0 billion from December 31, 2014. There was continued growth in the C&I portfolio, primarily as a result of an increase in equipment leases of $0.8 billion related to the acquisition of Huntington Technology Finance. In addition, automobile increased by $0.5 billion as a result of strong originations. The CRE portfolio had modest growth over the period as the continued run-off of the non-core portfolio was more than offset by new production within the requirements associated with our internal concentration limits. At September 30, 2015, commercial loans and leases totaled $25.4 billion and represented 51% of our total loan and lease credit exposure. Our commercial portfolio is diversified along product type, customer size, and geography within our footprint, and is comprised of the following (see Commercial Credit discussion).

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

Table of Contents

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

Construction CRE—Construction CRE loans are loans to developers, companies, or individuals used for the construction of a commercial or residential property for which repayment will be generated by the sale or permanent financing of the property. Our construction CRE portfolio primarily consists of retail, multi family, office, and warehouse project types. Generally, these loans are for construction projects that have been presold or preleased, or have secured permanent financing, as well as loans to real estate companies with significant equity invested in each project. These loans are underwritten and managed by a specialized real estate lending group that actively monitors the construction phase and manages the loan disbursements according to the predetermined construction schedule.

Total consumer loans and leases were $24.2 billion at September 30, 2015, and represented 49% of our total loan and lease credit exposure. The consumer portfolio is comprised primarily of automobile loans, home equity loans and lines-of-credit, and residential mortgages (see Consumer Credit discussion). The increase from December 31, 2014, primarily relates to growth in the automobile portfolio.

Automobile—Automobile loans are comprised primarily of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. The exposure outside of our primary banking markets represents 21% of the total exposure, with no individual state representing more than 7%. Applications are underwritten using an automated underwriting system that applies consistent policies and processes across the portfolio.

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

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

Other consumer—Other consumer loans primarily consists of consumer loans not secured by real estate, including personal unsecured loans, overdraft balances, and credit cards.

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

Table of Contents

Table 11 - Loan and Lease Portfolio Composition
(dollar amounts in millions)

	September 30, 2015			June 30, 2015			March 31, 2015			December 31, 2014			September 30, 2014		
Ending Balances by Type:															
Commercial:															
Commercial and industrial	$20,040	40	%	$20,003	41	%	$20,109	42	%	$19,033	40	%	$18,791	40	%
Commercial real estate:															
Construction	1,110	2		1,021	2		910	2		875	2		850	2	
Commercial	4,294	9		4,192	9		4,157	9		4,322	9		4,141	9	
Commercial real estate	5,404	11		5,213	11		5,067	11		5,197	11		4,991	11	
Total commercial	25,444	51		25,216	52		25,176	53		24,230	51		23,782	51	
Consumer:															
Automobile	9,160	19		8,549	18		7,803	16		8,690	18		8,322	18	
Home equity	8,461	17		8,526	17		8,492	18		8,491	18		8,436	18	
Residential mortgage	6,071	12		5,987	12		5,795	12		5,831	12		5,788	12	
Other consumer	520	1		474	1		430	1		414	1		395	1	
Total consumer	24,212	49		23,536	48		22,520	47		23,426	49		22,941	49	
Total loans and leases	$49,656	100	%	$48,752	100	%	$47,696	100	%	$47,656	100	%	$46,723	100	%

Our loan portfolio is diversified by consumer and commercial credit. At the corporate level, we manage the credit exposure in part via a credit concentration policy. The policy designates specific loan types, collateral types, and loan structures to be formally tracked and assigned limits as a percentage of capital. C&I lending by NAICS categories, specific limits for CRE primary 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. Currently there are no identified concentrations that exceed the established limit. Our concentration management policy is approved by the Risk Oversight Committee and is one of the strategies used to ensure a high quality, well diversified portfolio that is consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. Changes to existing concentration limits require the approval of the ROC prior to implementation, incorporating specific information relating to the potential impact on the overall portfolio composition and performance metrics.

The table below provides our total loan and lease portfolio segregated by the type of collateral securing the loan or lease. The changes in the collateral composition from December 31, 2014 are consistent with the portfolio growth metrics.

Table of Contents

Table 12 - Loan and Lease Portfolio by Collateral Type
(dollar amounts in millions)

	September 30, 2015		June 30, 2015		March 31, 2015			December 31, 2014		September 30, 2014	
Secured loans:											
Real estate—commercial	$8,470	17 %	$8,479	17 %	$8,463		18 %	$8,631	18 %	$8,628	18 %
Real estate—consumer	14,532	29	14,513	30	14,287		30	14,322	30	14,224	30
Vehicles	11,228	23	10,527	22	9,938	(1)	21	10,932	23	10,268	22
Receivables/Inventory	6,010	12	6,064	12	6,090		13	5,968	13	6,023	13
Machinery/Equipment	4,950	10	4,779	10	4,708	(2)	10	3,863	8	3,305	7
Securities/Deposits	1,054	2	1,095	2	956		2	964	2	1,232	3
Other	1,057	2	1,076	2	1,167		2	919	2	918	2
Total secured loans and leases	47,301	95	46,533	95	45,609		96	45,599	96	44,598	95
Unsecured loans and leases	2,355	5	2,219	5	2,087		4	2,057	4	2,125	5
Total loans and leases	$49,656	100 %	$48,752	100 %	$47,696		100 %	$47,656	100 %	$46,723	100 %

(1) Reflects the transfer of approximately $1.0 billion in automobile loans to loans held-for-sale.
(2) Reflects the addition of approximately $0.8 billion in equipment leases related to the acquisition of Huntington Technology Finance.

Commercial Credit

Refer to the "Commercial Credit" section of our 2014 Form 10-K for our commercial credit underwriting and on-going credit management processes.

C&I PORTFOLIO

The C&I portfolio continues to have solid origination activity as evidenced by the growth over the past 12 months and we maintain a focus on high quality originations. Problem loans had trended downward over the last several years, reflecting a combination of proactive risk identification and effective workout strategies implemented by the SAD. However, over the past year, C&I problem loans have begun to increase as the portfolio has increased in size. We continue to maintain a proactive approach to identifying borrowers that may be facing financial difficulty in order to maximize the potential solutions. Subsequent to the origination of the loan, the Credit Review group provides an independent review and assessment of the quality of the underwriting and risk of new loan originations.

CRE PORTFOLIO

We manage the risks inherent in this portfolio specific to CRE lending, focusing on the quality of the developer and the specifics associated with each project. Generally, we: (1) limit our loans to 80% of the appraised value of the commercial real estate at origination, (2) require net operating cash flows to be 125% of required interest and principal payments, and (3) if the commercial real estate is nonowner occupied, require that at least 50% of the space of the project be preleased. We actively monitor both geographic and project-type concentrations and performance metrics of all CRE loan types, with a focus on loans identified as higher risk based on the risk rating methodology. Both macro-level and loan-level stress-test scenarios based on existing and forecast market conditions are part of the on-going portfolio management process for the CRE portfolio.

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

Appraisal values are obtained in conjunction with all originations and renewals, and on an as needed basis, in compliance with regulatory requirements and to ensure appropriate decisions regarding the on-going management of the portfolio reflect the changing market conditions. Appraisals are obtained from approved vendors and are reviewed by an internal appraisal review group comprised of certified appraisers to ensure the quality of the valuation used in the underwriting process. We

Table of Contents

continue to perform on-going portfolio level reviews within the CRE portfolio. These reviews generate action plans based on occupancy levels or sales volume associated with the projects being reviewed. This highly individualized process requires working closely with all of our borrowers, as well as an in-depth knowledge of CRE project lending and the market environment.

Consumer Credit

Refer to the “Consumer Credit” section of our 2014 Form 10-K for our consumer credit underwriting and on-going credit management processes.

AUTOMOBILE PORTFOLIO

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

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

RESIDENTIAL REAL ESTATE SECURED PORTFOLIOS

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

Table 13 - Selected Home Equity and Residential Mortgage Portfolio Data
(dollar amounts in millions)

	Home Equity				Residential Mortgage	
	Secured by first-lien		Secured by junior-lien			
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Ending balance	$5,157	$ 5,129	$3,304	$ 3,362	$6,071	$ 5,831
Portfolio weighted average LTV ratio(1)	72 %	71 %	81 %	81 %	75 %	74 %
Portfolio weighted average FICO score(2)	760	759	755	752	751	752
	Home Equity				Residential Mortgage (3)	
	Secured by first-lien		Secured by junior-lien			
	Nine Months Ended September 30,					
	2015	2014	2015	2014	2015	2014
Originations	$1,301	$ 1,139	$697	$ 654	$1,127	$ 906
Origination weighted average LTV ratio(1)	73 %	74 %	84 %	83 %	85 %	84 %
Origination weighted average FICO score(2)	779	756	767	746	754	754

(1) The LTV ratios for home equity loans and home equity lines-of-credit are cumulative and reflect the balance of any senior loans. LTV ratios reflect collateral values at the time of loan origination.

(2) Portfolio weighted average FICO scores reflect currently updated customer credit scores whereas origination weighted average FICO scores reflect the customer credit scores at the time of loan origination.

(3) Represents only owned-portfolio originations.

Home Equity Portfolio

Within the home equity portfolio, the standard product is a 10-year interest-only draw period with a 20-year fully amortizing term at the end of the draw period. Prior to 2006, the standard product was a 10-year draw period with a balloon

Table of Contents

payment. In either case, after the 10-year draw period, the borrower must reapply, subject to full underwriting guidelines, to continue with the interest only revolving structure or begin repaying the debt in a term structure.
The principal and interest payment associated with the term structure will be higher than the interest-only payment, resulting in maturity risk. Our maturity risk can be segregated into two distinct segments: (1) home equity lines-of-credit underwritten with a balloon payment at maturity and (2) home equity lines-of-credit with an automatic conversion to a 20-year amortizing loan. We manage this risk based on both the actual maturity date of the line-of-credit structure and at the end of the 10-year draw period. This maturity risk is embedded in the portfolio which we address with proactive contact strategies beginning one year prior to maturity. In certain circumstances, our Home Saver group is able to provide payment and structure relief to borrowers experiencing significant financial hardship associated with the payment adjustment. Our existing home equity line-of-credit (HELOC) maturity strategy is consistent with ongoing regulatory guidance.
The table below summarizes our home equity line-of-credit portfolio by maturity date based on the balloon structure described above:

Table 14 - Maturity Schedule of Home Equity Line-of-Credit Portfolio
(dollar amounts in millions)

	September 30, 2015					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years	Total
Secured by first-lien	$7	$1	$2	$1	$3,163	$3,174
Secured by junior-lien	119	115	22	14	2,696	2,966
Total home equity line-of-credit	$126	$116	$24	$15	$5,859	$6,140
	December 31, 2014					
Total home equity line-of-credit	$229	$123	$105	$19	$5,391	$5,867

The reduction in maturities presented in over 1-year up to 4-year categories is a result of our change to a product with a 20-year amortization period after 10-year draw period structure. Home equity lines-of-credit with balloon payment risk are essentially eliminated after 2015. The amounts maturing in more than four years primarily consist of exposure with a 20-year amortization period after the 10-year draw period.
Residential Mortgages Portfolio
Huntington underwrites all applications centrally, with a focus on higher quality borrowers. We do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options and have incorporated regulatory requirements and guidance into our underwriting process. Residential mortgages are originated based on a completed full appraisal during the credit underwriting process. We update values in compliance with applicable regulations to facilitate our portfolio management, as well as our workout and loss mitigation functions.
Several government programs continued to impact the residential mortgage portfolio, including various refinance programs such as HARP and HAMP, which positively affected the availability of credit for the industry. During the nine-month period ended September 30, 2015, we closed $164.1 million in HARP residential mortgages and $2.9 million in HAMP residential mortgages. The HARP and HAMP residential mortgage loans are part of our residential mortgage portfolio or serviced for others.
We are subject to repurchase risk associated with residential mortgage loans sold in the secondary market. An appropriate level of reserve for representations and warranties related to residential mortgage loans sold has been established to address this repurchase risk inherent in the portfolio (see Operational Risk discussion).

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.

Table of Contents

Credit quality performance in the 2015 third quarter continued to reflect overall positive results. Net charge-offs were substantially lower as a result of several large recoveries. NPA’s decreased 4% from the prior quarter to $381.4 million. Net charge-offs decreased by $9.2 million or 36% from the prior quarter. As a result of the overall continued credit quality improvement, the ACL to total loans ratio declined by 2 basis points to 1.32%.

NPAs, NALs, AND TDRs

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

NPAs and NALs

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

C&I and CRE loans (except for purchased credit impaired loans) are placed on nonaccrual status at 90-days past due, or earlier if repayment of principal and interest is in doubt.

Of the $185.4 million of CRE and C&I-related NALs at September 30, 2015, $112.5 million, or 61%, 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 and other consumer loans are generally charged-off prior to the loan reaching 120-days past due.

When loans are placed on nonaccrual, accrued interest income is reversed with current year accruals charged to interest income and prior year amounts generally charged-off as a credit loss. When, in our judgment, the borrower’s ability to make required interest and principal payments has resumed and collectability is no longer in doubt, the loan or lease could be returned to accrual status.

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

Table of Contents

Table 15 - Nonaccrual Loans and Leases and Nonperforming Assets
(dollar amounts in thousands)

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Nonaccrual loans and leases (NALs): (1)					
Commercial and industrial	$157,902	$149,713	$133,363	$71,974	$90,265
Commercial real estate	27,516	43,888	49,263	48,523	59,812
Automobile	5,551	4,190	4,448	4,623	4,834
Residential mortgage	98,908	91,198	98,093	96,564	98,139
Home equity	66,446	75,282	79,169	78,515	72,715
Other consumer	154	68	77	45	—
Total nonaccrual loans and leases	356,477	364,339	364,413	300,244	325,765
Other real estate, net:					
Residential	21,637	25,660	30,544	29,291	30,661
Commercial	3,273	3,572	3,407	5,748	5,609
Total other real estate, net	24,910	29,232	33,951	35,039	36,270
Other NPAs (2)	—	2,440	2,440	2,440	2,440
Total nonperforming assets	$381,387	$396,011	$400,804	$337,723	$364,475
Nonaccrual loans and leases as a % of total loans and leases	0.72 %	0.75 %	0.76 %	0.63 %	0.70 %
NPA ratio (3)	0.77	0.81	0.84	0.71	0.78
(NPA+90days)/(Loan+OREO) (4)	0.98	1.03	1.08	0.98	1.08

(1) Excludes loans transferred to held-for-sale.
(2) Other nonperforming assets includes certain impaired investment securities.
(3) Nonperforming assets divided by the sum of loans and leases, net other real estate owned, and other NPAs.
(4) The sum of nonperforming assets and total accruing loans and leases past due 90 days or more divided by the sum of loans and leases and other real estate.

2015 Third Quarter versus 2015 Second Quarter

Total NPAs decreased by $14.6 million, or 4% compared with June 30, 2015.

- $16.4 million, or 37%, decline in CRE NALs, reflecting improved delinquency trends and successful workout strategies implemented by our commercial loan workout group.
- $8.8 million, or 12%, decline in home equity NALs, primarily reflecting the impact of moving certain home equity TDRs from loans to loans held for sale.
- $4.3 million, or 15%, decline in OREO, specifically associated with the sale of residential properties.

Primarily offset by:

- $8.2 million, or 5%, increase in C&I NALs, primarily reflecting the addition of C&I relationships to nonaccrual status. Given the absolute low level of problem credits in the portfolio, some volatility should be expected.
- $7.7 million, or 8%, increase in residential mortgage NALs, reflecting a return to prior period levels.

2015 Third Quarter versus 2014 Fourth Quarter.

The $43.7 million, or 13%, increase in NPAs compared with December 31, 2014, represents:

- $85.9 million or 119%, increase in C&I NALs, primarily reflecting the addition of larger individual commercial credits with no specific industry or structure. Given the absolute low level of problem credits in the portfolio, some volatility should be expected.

Primarily offset by:

- $21.0 million or 43% decline in CRE NALs, reflecting improved delinquency trends and successful workout strategies implemented by our commercial loan workout group.

Table of Contents

- $12.1 million or 15% decline in home equity NALs, reflecting improved delinquency trends and moving $98.6 million of home equity TDRs from loans to loans held for sale.
- $10.1 million or 29% decline in OREO, specifically associated with the sale of residential properties.

TDR Loans

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

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. TDRs can be classified as either accrual or nonaccrual loans. Nonaccrual TDRs are included in NALs whereas accruing TDRs are excluded from NALs, as it is probable that all contractual principal and interest due under the restructured terms will be collected. TDRs primarily reflect our loss mitigation efforts to proactively work with borrowers in financial difficulty or regulatory regulations regarding the treatment of certain bankruptcy filing situations.

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

Table 16 - Accruing and Nonaccruing Troubled Debt Restructured Loans
(dollar amounts in thousands)

	September 30, 2015		June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Troubled debt restructured loans—accruing:						
Commercial and industrial	$241,327		$233,346	$162,207	$116,331	$89,783
Commercial real estate	103,767		158,056	161,515	177,156	186,542
Automobile	24,537		24,774	25,876	26,060	31,480
Home equity	192,356	(1)	279,864	265,207	252,084	229,500
Residential mortgage	277,154		266,986	268,441	265,084	271,762
Other consumer	4,569		4,722	4,879	4,018	3,313
Total troubled debt restructured loans—accruing	843,710		967,748	888,125	840,733	812,380
Troubled debt restructured loans—nonaccruing:						
Commercial and industrial	54,933		46,303	21,246	20,580	19,110
Commercial real estate	12,806		19,490	28,676	24,964	28,618
Automobile	5,400		4,030	4,283	4,552	4,817
Home equity	19,188	(2)	26,568	26,379	27,224	25,149
Residential mortgage	68,577		65,415	69,799	69,305	72,729
Other consumer	152		160	165	70	74
Total troubled debt restructured loans—nonaccruing	161,056		161,966	150,548	146,695	150,497
Total troubled debt restructured loans	$1,004,766		$1,129,714	$1,038,673	$987,428	$962,877

(1) Excludes approximately $87.9 million in accruing home equity TDRs transferred from loans to loans held for sale.
(2) Excludes approximately $8.9 million in nonaccruing home equity TDRs transferred from loans to loans held for sale.

Our strategy is to structure TDRs in a manner that avoids new concessions subsequent to the initial TDR terms. However, there are times when subsequent modifications are required, such as when the modified loan matures. Often the loans are performing in accordance with the TDR terms, and a new note is originated with similar modified terms. These loans are subjected to the normal underwriting standards and processes for other similar credit extensions, both new and existing. If the loan is not performing in accordance with the existing TDR terms, typically an individualized approach to repayment is established. In accordance with ASC 310-20-35, the refinanced note is evaluated to determine if it is considered a new loan or a continuation of the prior loan. A new loan is considered for removal of the TDR designation. A continuation of the prior note requires the continuation of the TDR designation, and because the refinanced note constitutes a new or amended debt instrument, it is included in our TDR activity table (below) as a new TDR and a restructured TDR removal during the period. The types of concessions granted are consistent with those granted on new TDRs and include interest rate reductions,

Table of Contents

amortization or maturity date changes beyond what the collateral supports, and principal forgiveness based on the borrower's specific needs at a point in time. Our policy does not limit the number of times a loan may be modified. A loan may be modified multiple times if it is considered to be in the best interest of both the borrower and Huntington. Commercial loans are not automatically considered to be accruing TDRs upon the granting of a new concession. If the loan is in accruing status and no loss is expected based on the modified terms, the modified TDR remains in accruing status. For loans that are on nonaccrual status before the modification, collection of both principal and interest must not be in doubt, and the borrower must be able to exhibit sufficient cash flows for at least a six-month period of time to service the debt in order to return to accruing status. This six-month period could extend before or after the restructure date.

Any granted change in terms or conditions that are not readily available in the market for that borrower requires the designation as a TDR. There are no provisions for the removal of the TDR designation based on payment activity for consumer loans. A loan may be returned to accrual status when all contractually due interest and principal has been paid and the borrower demonstrates the financial capacity to continue to pay as agreed, with the risk of loss diminished. During the 2015 third quarter, Huntington transferred $96.8 million of home equity TDRs from loans to loans held for sale in anticipation of a sale.

The following table reflects TDR activity for each of the past five quarters:

Table 17 - Troubled Debt Restructured Loan Activity
(dollar amounts in thousands)

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
TDRs, beginning of period	$ 1,129,714	$ 1,038,673	$ 987,428	$ 962,877	$ 988,737
New TDRs	231,991	259,911	209,376	137,397	126,238
Payments	(117,822)	(64,468)	(35,272)	(51,908)	(78,717)
Charge-offs	(15,549)	(12,307)	(8,364)	(8,611)	(10,631)
Sales	(3,332)	(4,508)	(5,148)	(3,303)	(1,951)
Transfer to held-for-sale	(96,786)	—	—	—	—
Transfer to OREO	(2,278)	(3,383)	(2,369)	(2,978)	(3,554)
Restructured TDRs—accruing (1)	(96,336)	(61,570)	(85,700)	(26,350)	(47,277)
Restructured TDRs—nonaccruing (1)	(17,398)	(20,456)	(20,849)	(16,309)	(2,212)
Other	(7,438)	(2,178)	(429)	(3,387)	(7,756)
TDRs, end of period	$ 1,004,766	$ 1,129,714	$ 1,038,673	$ 987,428	$ 962,877

(1) Represents existing TDRs that were re-underwritten with new terms providing a concession. A corresponding amount is included in the New TDRs amount above.

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 loan losses or increased risk levels resulting from loan risk-rating downgrades, while reductions reflect charge-offs (net of recoveries), decreased risk levels resulting from loan risk-rating upgrades, or the sale of loans. The AULC is determined by applying the transaction reserve process to the unfunded portion of the loan exposures adjusted by an applicable funding expectation.

During the 2015 first quarter, we reviewed our existing commercial and consumer credit models and enhanced certain processes and methods of ACL estimation. During this review, we analyzed the loss emergence periods used for consumer receivables collectively evaluated for impairment and, as a result, extended our loss emergence periods for products within these portfolios. As part of these enhancements to our credit reserve process, we evaluated the methods used to separately estimate economic risks inherent in our portfolios and decided to no longer utilize these separate estimation techniques.

Table of Contents

Economic risks are now incorporated in our loss estimates elsewhere in our reserve calculation. The enhancements made to our credit reserve processes during the 2015 first quarter allow for increased segmentation and analysis of the estimated incurred losses within our loan portfolios. The net ACL impact of these enhancements was immaterial. During the 2015 third quarter, we reviewed our existing commercial and consumer credit models and completed a periodic reassessment of certain ACL assumptions. Specifically, we updated our analysis of the loss emergence periods used for commercial receivables collectively evaluated for impairment. Based on our observed portfolio experience, we extended our loss emergence periods for the C&I portfolio and CRE portfolios. We also updated loss factors in our consumer home equity and residential mortgage portfolios based on more recently observed portfolio experience. The net ACL impact of these enhancements was immaterial.

We regularly evaluate the appropriateness of the ACL by performing on-going evaluations of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or other documented support. We evaluate the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet their financial obligations when quantifying our exposure to credit losses and assessing the appropriateness of our ACL at each reporting date. In addition to general economic conditions and the other factors described above, additional factors also considered include: the impact of increasing or decreasing residential real estate values; the diversification of CRE loans; the development of new or expanded Commercial business verticals such as healthcare, ABL, and energy. A provision for credit losses is recorded to adjust the ACL to the level we have determined to be appropriate to absorb credit losses inherent in our loan and lease portfolio.

Our ACL evaluation process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. While the total ACL balance has declined in recent quarters, all of the relevant benchmarks remain strong.

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

Table of Contents

Table 18 - Allocation of Allowance for Credit Losses (1)
(dollar amounts in thousands)

	September 30, 2015		June 30, 2015		March 31, 2015		December 31, 2014		September 30, 2014	
Commercial										
Commercial and industrial	$284,329	40 %	$285,041	41 %	$284,573	42 %	$286,995	40 %	$291,401	40 %
Commercial real estate	109,967	11	92,060	11	100,752	11	102,839	11	115,472	11
Total commercial	394,296	51	377,101	52	385,325	53	389,834	51	406,873	51
Consumer										
Automobile	43,949	19	39,102	18	37,125	16	33,466	18	30,732	18
Home equity	86,838	17	111,178	17	110,280	18	96,413	18	100,375	18
Residential mortgage	42,794	12	51,679	12	55,380	12	47,211	12	52,658	12
Other consumer	24,061	1	20,482	1	17,016	1	38,272	1	40,398	1
Total consumer	197,642	49	222,441	48	219,801	47	215,362	49	224,163	49
Total allowance for loan and lease losses	591,938	100 %	599,542	100 %	605,126	100 %	605,196	100 %	631,036	100 %
Allowance for unfunded loan commitments	64,223		55,371		54,742		60,806		55,449	
Total allowance for credit losses	$656,161		$654,913		$659,868		$666,002		$686,485	
Total allowance for loan and leases losses as % of:										
Total loans and leases		1.19 %		1.23 %		1.27 %		1.27 %		1.35 %
Nonaccrual loans and leases		1.66		1.65		1.66		2.02		1.94
Nonperforming assets		1.55		1.51		1.51		1.79		1.73
Total allowance for credit losses as % of:										
Total loans and leases		1.32 %		1.34 %		1.38 %		1.40 %		1.47 %
Nonaccrual loans and leases		1.84		1.80		1.81		2.22		2.11
Nonperforming assets		1.72		1.65		1.65		1.97		1.88

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

2015 Third Quarter versus 2014 Fourth Quarter

The $9.8 million, or 1%, decline in the ACL compared with December 31, 2014, was driven by:

- $14.2 million, or 37%, decline in the ALLL of the other consumer portfolio. The decline was primarily driven by our assessment of consumer overdraft reserve factors, and the impact of no longer utilizing separate qualitative methods to estimate economic risks inherent in our portfolios.
-

$9.6 million, or 10%, decline in the ALLL of the home equity portfolio. Continued improvement in the residential real estate market led to improved expected loss factors in the portfolio, along with no longer utilizing separate qualitative methods to estimate economic risks inherent in the portfolio. These reductions were partially offset by the extension of loss emergence periods utilized in the reserve factors for the portfolio.

Table of Contents

- $4.4 million, or 9%, decline in the ALLL of the residential mortgage portfolio. Continued improvement in the residential real estate market led to improved expected loss factors in the portfolio, along with no longer utilizing separate qualitative methods to estimate economic risks inherent in the portfolio. These reductions were partially offset by the extension of loss emergence periods utilized in the reserve factors for the portfolio.
- $2.7 million, or 1%, decline in the ALLL of the C&I portfolio. The decline was primarily driven by the decision to no longer utilize separate qualitative methods to estimate economic risks inherent in our portfolio, as well as improved performance on the Pass Graded portfolio over the past year. However, the impacts were largely offset by increases to our reserve factors for high dollar value C&I credits, along with extended loss emergence periods utilized in establishing the portfolio's reserve factors.

Partially offset by:

- $10.5 million, or 31%, increase in the ALLL of the automobile portfolio. The increase was driven by growth in loan balances, along with the extension of loss emergence periods embedded within the portfolio's reserve factors. It was partially offset by the impact of no longer utilizing separate qualitative methods to estimate economic risks inherent in our portfolio.
- $7.1 million, or 7%, increase in the ALLL of the CRE portfolio. The increase was driven by the extension of loss emergence periods utilized in the reserve factors, along with increases to our reserve factors of high dollar value CRE credits. However, the increases in allowances were largely offset by management's decision to no longer utilize separate qualitative methods to estimate economic risks inherent in our portfolio.
- $3.4 million, or 6%, increase in the AULC driven primarily by an 6% increase in criticized unfunded exposures within the Commercial portfolios.

The ACL to total loans ratio declined to 1.32% at September 30, 2015, compared to 1.40% at December 31, 2014. Management believes the decline in the ratio is appropriate given the continued improvement in the risk profile of our loan portfolio. Further, the continued focus on early identification of loans with changes in credit metrics and proactive action plans for these loans, originating high quality new loans, and SAD resolutions is expected to contribute to maintaining our strong key credit quality metrics.

Given the combination of these noted positive and negative factors, we believe that our ACL is appropriate and its coverage level is reflective of the quality of our portfolio and the current operating environment.

NCOs

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

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 administrative small ticket lease delinquencies. Automobile loans 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.

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

Table of Contents

Table 19 - Quarterly Net Charge-off Analysis
(dollar amounts in thousands)

	Three months ended				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Net charge-offs (recoveries) by loan and lease type (1):					
Commercial:					
Commercial and industrial	$9,858	$4,411	$11,403	$333	$12,587
Commercial real estate:					
Construction	(309)	164	(383)	(1,747)	2,171
Commercial	(13,512)	5,361	(3,629)	1,565	(8,178)
Commercial real estate	(13,821)	5,525	(4,012)	(182)	(6,007)
Total commercial	(3,963)	9,936	7,391	151	6,580
Consumer:					
Automobile	4,908	3,442	4,248	6,024	3,976
Home equity	5,869	4,650	4,625	6,321	6,448
Residential mortgage	2,010	2,142	2,816	3,059	5,428
Other consumer	7,339	5,205	5,352	7,420	7,591
Total consumer	20,126	15,439	17,041	22,824	23,443
Total net charge-offs	$16,163	$25,375	$24,432	$22,975	$30,023
Net charge-offs (recoveries)—annualized percentages:					
Commercial:					
Commercial and industrial	0.20 %	0.09 %	0.24 %	0.01 %	0.27 %
Commercial real estate:					
Construction	(0.11)	0.07	(0.17)	(0.85)	1.12
Commercial	(1.29)	0.51	(0.34)	0.15	(0.78)
Commercial real estate	(1.04)	0.43	(0.31)	(0.01)	(0.48)
Total commercial	(0.06)	0.16	0.12	—	0.11
Consumer:					
Automobile	0.22	0.17	0.19	0.28	0.20
Home equity	0.28	0.22	0.22	0.30	0.31
Residential mortgage	0.13	0.15	0.19	0.21	0.38
Other consumer	5.91	4.61	5.03	7.20	7.61
Total consumer	0.34	0.27	0.29	0.39	0.42
Net charge-offs as a % of average loans	0.13 %	0.21 %	0.20 %	0.20 %	0.26 %

(1) Amounts presented above exclude write-downs of $5.1 million in home equity loans for the three months ended September 30, 2015 and $2.3 million in automobile loans for the three months ended March 31, 2015 arising from transfers to loans held for sale.

The ALLL established is consistent with the level of risk associated with the original underwriting. As a part of our normal portfolio management process for commercial loans, the loan is periodically reviewed and the ALLL is increased or decreased based on the updated risk rating. In certain cases, the standard ALLL is determined to not be appropriate, and a specific reserve is established based on the projected cash flow or collateral value of the specific loan. Charge-offs, if necessary, are generally recognized in a period after the specific ALLL was established. If the previously established ALLL exceeds that necessary to satisfactorily resolve the problem loan, a reduction in the overall level of the ALLL could be recognized. Consumer loans are treated in much the same manner as commercial loans, with increasing reserve factors applied based on the risk characteristics of the loan, although specific reserves are not identified for consumer loans. In summary, if loan quality deteriorates, the typical credit sequence would be periods of reserve building, followed by periods of higher NCOs

Table of Contents

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.

All residential mortgage loans greater than 150-days past due are charged-down to the estimated value of the collateral, less anticipated selling costs. The remaining balance is in delinquent status until a modification can be completed, or the loan goes through the foreclosure process. For the home equity portfolio, some defaults represent full charge-offs, as there is no remaining equity, creating a lower delinquency rate but a higher NCO impact.

2015 Third Quarter versus 2015 Second Quarter

NCOs were an annualized 0.13% of average loans and leases in the current quarter, a decline from 0.21% in the 2015 second quarter, and still below our long-term expectation of 0.35% - 0.55%. Commercial charge-offs decreased in the quarter, partially offset by an increase in the other consumer, automobile and home equity portfolios. Given the low level of C&I and CRE NCO's, there will continue to be some volatility on a quarter-to-quarter comparison basis.

The table below reflects NCO detail for the nine-month periods ended September 30, 2015 and 2014:

Table 20 - Year to Date Net Charge-off Analysis
(dollar amounts in thousands)

	Nine Months Ended September 30,	
	2015	2014
Net charge-offs (recoveries) by loan and lease type (1):		
Commercial:		
Commercial and industrial	$25,672	$31,790
Commercial real estate:		
Construction	(528)	2,918
Commercial	(11,780)	(12,103)
Commercial real estate	(12,308)	(9,185)
Total commercial	13,364	22,605
Consumer:		
Automobile	12,598	11,544
Home equity	15,144	30,626
Residential mortgage	6,968	16,693
Other consumer	17,896	20,184
Total consumer	52,606	79,047
Total net charge-offs	$65,970	$101,652
Net charge-offs (recoveries) - annualized percentages:		
Commercial:		
Commercial and industrial	0.17 %	0.23 %
Commercial real estate:		
Construction	(0.07)	0.56
Commercial	(0.37)	(0.38)
Commercial real estate	(0.31)	(0.25)
Total commercial	0.07	0.13
Consumer:		
Automobile	0.20	0.21
Home equity	0.24	0.49
Residential mortgage	0.16	0.40
Other consumer	5.21	6.91

Total consumer	0.30		0.48	
Net charge-offs as a % of average loans	0.18	%	0.30	%

39

Table of Contents

(1) Amounts presented above exclude write-downs arising from transfers to loans held for sale.

2015 First Nine Months versus 2014 First Nine Months

NCOs decreased $35.7 million in the first nine-month period of 2015 to $66.0 million primarily as a result of continued credit quality improvement in the home equity and residential mortgage portfolios. 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.

Market Risk

Market risk represents the risk of loss due to changes in market values of assets and liabilities. We incur market risk in the normal course of business through exposures to market interest rates, foreign exchange rates, equity prices, and credit spreads. We have identified two primary sources of market risk: interest rate risk and price risk.

Interest Rate Risk

OVERVIEW

Huntington actively manages interest rate risk, as changes in market interest rates can have a significant impact on reported earnings. The interest rate risk process is designed to compare income simulations in market scenarios designed to alter the direction, magnitude, and speed of interest rate changes, as well as the slope of the yield curve. These scenarios are designed to illustrate the embedded optionality in the balance sheet from, among other things, faster or slower mortgage, and mortgage backed securities prepayments, and changes in funding mix.

INCOME SIMULATION AND ECONOMIC VALUE ANALYSIS

Interest rate risk measurement is calculated and reported to the ALCO monthly and ROC at least quarterly. The information reported includes period-end results and identifies any policy limits exceeded, along with an assessment of the policy limit breach and the action plan and timeline for resolution, mitigation, or assumption of the risk.

Huntington uses two approaches to model interest rate risk: Net Interest Income at Risk (NII at Risk) and Economic Value of Equity at Risk (EVE). Under NII at Risk, net interest income is modeled utilizing various assumptions for assets, liabilities, and derivative positions under various interest rate scenarios over a one-year time horizon. EVE measures the period end market value of assets minus the market value of liabilities and the change in this value as rates change. EVE is a period end measurement.

Table 21 - Net Interest Income at Risk

	Net Interest Income at Risk (%)					
Basis point change scenario	-25		+100		+200	
Board policy limits	—	%	-2.0	%	-4.0	%
September 30, 2015	-0.2	%	0.4	%	0.2	%
December 31, 2014	-0.2	%	0.5	%	0.2	%

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 one-year period. 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.

Huntington is within board of director 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 reported at September 30, 2015, shows that Huntington’s earnings are not particularly sensitive to these types of changes in interest rates over the next year. In the recent period, while the amount of fixed rate assets, primarily auto loans and securities, increased, NII at Risk was not meaningfully impacted.

As of September 30, 2015, Huntington had $9.0 billion of notional value in receive fixed-generic asset conversion swaps used for asset and liability management purposes. These derivative instruments mature from 2015 through 2018, in the amount of $0.8 billion, $3.5 billion, $4.6 billion, and $0.1 billion, in each year, respectively.

Table of Contents

Table 22 - Economic Value of Equity at Risk

	Economic Value of Equity at Risk (%)		
Basis point change scenario	-25	+100	+200
Board policy limits	— %	-5.0 %	-12.0 %
September 30, 2015	-0.6 %	-0.6 %	-2.5 %
December 31, 2014	-0.6 %	0.4 %	-1.5 %

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 many assets and liabilities reach zero percent.

Huntington is within board of director policy limits for the +100 and +200 basis point scenarios. There is no policy limit for the -25 basis point scenario. The EVE reported at September 30, 2015 shows that as interest rates increase (decrease) immediately, the economic value of equity position will decrease (increase). When interest rates rise, fixed rate assets generally lose economic value; the longer the duration, the greater the value lost. The opposite is true when interest rates fall. When interest rates rise, fixed rate liabilities generally increase economic value; the longer the duration, the greater the value gained. The opposite is true when interest rates fall. The EVE at risk reported as of September 30, 2015 for the +200 basis points scenario shows a more liability sensitive position compared with December 31, 2014. The primary factors contributing to this change were the growth of longer duration HQLA in preparation for LCR compliance and an increase in Automobile loans, offset somewhat by the growth of both Consumer and Commercial deposit balances.

MSRs

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

At September 30, 2015, we had a total of $153.5 million of capitalized MSRs representing the right to service $15.9 billion in mortgage loans. Of this $153.5 million, $18.1 million was recorded using the fair value method and $135.4 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 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 MSR fair value adjustments net of hedge-related trading activity in the mortgage banking income category of noninterest income. Changes in fair value between reporting dates are recorded as an increase or a decrease in mortgage banking income.

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

Price Risk

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

Liquidity Risk

Liquidity risk is the risk of loss due to the possibility that funds may not be available to satisfy current or future commitments. Please see the Liquidity Risk section in Item 1A of our 2014 Form 10-K for more details. In addition, the mix and maturity structure of Huntington's balance sheet, the amount of on-hand cash, unencumbered securities, and the availability

41

Table of Contents

of contingent sources of funding can have an impact on Huntington's ability to satisfy current or future funding commitments. We manage liquidity risk at both the Bank and the parent company.

The overall objective of liquidity risk management is to ensure that we can obtain cost-effective funding to meet current and future obligations, and can maintain sufficient levels of on-hand liquidity, under both normal business-as-usual and unanticipated stressed circumstances. The ALCO was appointed by the ROC to oversee liquidity risk management and the establishment of liquidity risk policies and limits. Contingency funding plans are in place, which measure forecasted sources and uses of funds under various scenarios in order to prepare for unexpected liquidity shortages. Liquidity risk is reviewed monthly for the Bank and the parent company, as well as its subsidiaries. In addition, liquidity working groups meet regularly to identify and monitor liquidity positions, provide policy guidance, review funding strategies, and oversee the adherence to, and maintenance of, the contingency funding plans.

Investment Securities Portfolio

The expected weighted average maturities of our AFS and HTM portfolios are significantly shorter than their contractual maturities as reflected in Note 4 and Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements. Particularly regarding the mortgage-backed securities and asset-backed securities, prepayments of principal and interest that historically occur in advance of scheduled maturities will shorten the expected life of these portfolios. The expected weighted average maturities, which take into account expected prepayments of principal and interest under existing interest rate conditions, are shown in the following table:

Table 23 - Expected Life of Investment Securities

	September 30, 2015			
	Available-for-Sale & Other Securities		Held-to-Maturity Securities	
(dollar amounts in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year or less	$599,900	$592,247	$—	$—
After 1 year through 5 years	4,222,930	4,291,202	991,645	997,415
After 5 years through 10 years (1)	5,253,020	5,291,526	2,166,043	2,194,492
After 10 years	561,386	574,973	—	—
Other securities	344,327	344,920	—	—
Total	$10,981,563	$11,094,868	$3,157,688	$3,191,907

(1) The average duration of the securities with an average life of 5 years to 10 years is 5.15 years.

Bank Liquidity and Sources of Funding

Our primary sources of funding for the Bank are retail and commercial core deposits. At September 30, 2015, these core deposits funded 72% of total assets (102% 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 $20.9 million and $18.7 million at September 30, 2015 and December 31, 2014, respectively.

The following tables reflect deposit composition and short-term borrowings detail for each of the last five quarters:

Table 24 - Deposit Composition

(dollar amounts in millions)

	September 30, 2015		June 30, 2015		March 31, 2015		December 31, 2014		September 30, 2014	
By Type:										
Demand deposits—noninterest-bearing	$16,935	31 %	$17,011	32 %	$15,960	30 %	$15,393	30 %	$14,754	29 %
Demand deposits—interest-bearing	6,574	12	6,627	12	6,537	13	6,248	12	6,052	12

Money market deposits	19,494	36	18,580	35	18,933	36	18,986	37	18,174	36

Table of Contents

Savings and other domestic deposits	5,189	10		5,240	10		5,288	10		5,048	10		5,038	10	
Core certificates of deposit	2,483	5		2,580	5		2,709	5		2,936	5		3,150	6	
Total core deposits:	50,675	94		50,038	94		49,427	94		48,611	94		47,168	93	
Other domestic deposits of $250,000 or more	263	—		178	—		189	—		198	—		202	—	
Brokered deposits and negotiable CDs	2,904	5		2,705	5		2,682	5		2,522	5		2,357	5	
Deposits in foreign offices	403	1		552	1		535	1		401	1		402	1	
Total deposits	$54,245	100	%	$53,473	100	%	$52,833	100	%	$51,732	100	%	$50,129	100	%
Total core deposits:															
Commercial	$24,886	49	%	$24,103	48	%	$23,061	47	%	$22,725	47	%	$21,753	46	%
Consumer	25,789	51		25,935	52		26,366	53		25,886	53		25,415	54	
Total core deposits	$50,675	100	%	$50,038	100	%	$49,427	100	%	$48,611	100	%	$47,168	100	%

Table 25 - Federal Funds Purchased and Repurchase Agreements
(dollar amounts in millions)

	September 30, 2015		June 30, 2015		March 31, 2015		December 31, 2014		September 30, 2014	
Balance at period-end										
Federal Funds purchased and securities sold under agreements to repurchase	$1,051		$1,101		$1,112		$1,058		$1,491	
Federal Home Loan Bank advances	400		375		875		1,325		1,650	
Other short-term borrowings	3		35		20		14		40	
Weighted average interest rate at period-end										
Federal Funds purchased and securities sold under agreements to repurchase	0.05	%	0.05	%	0.06	%	0.08	%	0.05	%
Federal Home Loan Bank advances	0.19		0.15		0.15		0.15		0.22	
Other short-term borrowings	0.19		0.17		0.15		1.11		1.06	
Maximum amount outstanding at month-end during the period										
Federal Funds purchased and securities sold under agreements to repurchase	$1,051		$1,101		$1,120		$1,176		$1,491	
Federal Home Loan Bank advances	400		1,850		1,450		1,325		1,975	
Other short-term borrowings	3		35		43		26		40	
Average amount outstanding during the period										
Federal Funds purchased and securities sold under agreements to repurchase	$685		$898		$1,057		$1,089		$1,072	
Federal Home Loan Bank advances	136		1,236		796		1,569		2,101	
Other short-term borrowings	23		19		29		25		20	
Weighted average interest rate during the period										
Federal Funds purchased and securities sold under agreements to repurchase	0.05	%	0.07	%	0.07	%	0.08	%	0.07	%
Federal Home Loan Bank advances	0.16		0.16		0.15		0.17		0.29	

Other short-term borrowings	0.78	1.94	0.75	1.37	2.22

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

Table of Contents

and securities pledged to the Federal Reserve Discount Window and the FHLB are $17.2 billion and $18.0 billion at September 30, 2015 and December 31, 2014, respectively.

For further information related to debt issuances please see Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements.

At September 30, 2015, total wholesale funding was $11.1 billion, an increase from $9.9 billion at December 31, 2014. The increase from prior year-end primarily relates to an increase in other long-term debt, partially offset by a decrease in FHLB advances and short-term borrowings.

Liquidity Coverage Ratio

On October 24, 2013, the U.S. banking regulators jointly issued a proposal that would implement a quantitative liquidity requirement consistent with the Liquidity Coverage Ratio (LCR) standard established by the Basel Committee on Banking Supervision. The LCR is designed to promote the short-term resilience of the liquidity risk profile of banks to which it applies.

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 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 begins on January 1, 2016, with Huntington required to maintain HQLA equal to 90 percent of the stated requirement. The ratio increases to 100 percent on January 1, 2017. Huntington expects to be compliant with the Modified LCR requirement within the transition periods established in the Modified LCR rule.

At September 30, 2015, we believe the Bank had sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Parent Company Liquidity

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

At September 30, 2015 and December 31, 2014, the parent company had $0.9 billion and $0.7 billion, respectively, in cash and cash equivalents.

On October 21, 2015, the board of directors declared a quarterly common stock cash dividend of $0.07 per common share. The dividend is payable on January 4, 2016, to shareholders of record on December 21, 2015. Based on the current quarterly dividend of $0.07 per common share, cash demands required for common stock dividends are estimated to be approximately $55.8 million per quarter. On October 21, 2015, the board of directors declared a quarterly Series A and Series B Preferred Stock dividend payable on January 15, 2016 to shareholders of record on January 1, 2016. Based on the current dividend, cash demands required for Series A Preferred Stock are estimated to be approximately $7.7 million per quarter. Cash demands required for Series B Preferred Stock are expected to be approximately $0.3 million per quarter.

During the third quarter, the Bank paid dividends of $187.0 million to the holding company. The Bank declared a dividend to the holding company of $154.0 million in the fourth quarter of 2015. To help meet any additional liquidity needs, we have an open-ended, automatic shelf registration statement filed and effective with the SEC, which permits the parent company to issue an unspecified amount of debt or equity securities.

With the exception of the items discussed above, the parent company does not have any significant cash demands. It is our policy to keep operating cash on hand at the parent company to satisfy expected cash demands for at least the next 18 months. Considering the factors discussed above, and other analyses that we have performed, we believe the parent company has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Off-Balance Sheet Arrangements

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

Table of Contents

COMMITMENTS TO EXTEND CREDIT

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. The interest rate risk arising from these financial instruments is insignificant as a result of their predominantly short-term, variable-rate nature. See Note 17 for more information.

INTEREST RATE SWAPS

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 deposits and long-term debt from fixed-rate obligations to floating rate. Cash flow hedges are also used to convert floating rate loans made to customers into fixed rate loans. See Note 15 for more information.

STANDBY LETTERS-OF-CREDIT

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 and are expected to expire without being drawn upon. Standby letters-of-credit are included in the determination of the amount of risk-based capital that the parent company and the Bank are required to hold. Through our credit process, we monitor the credit risks of outstanding standby letters-of-credit. When it is probable that a standby letter-of-credit will be drawn and not repaid in full, a loss is recognized in the provision for credit losses. See Note 17 for more information.

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. In addition, we have commitments to sell residential real estate loans. These contracts mature in less than one year. See Note 17 for more information.

We believe that off-balance sheet arrangements are properly considered in our liquidity risk management process.

Operational Risk

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

Our objective for managing cyber security risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate our systems. We work to achieve this objective by hardening networks and systems against attack, and by diligently managing visibility and monitoring controls within our data and communications environment to recognize events and respond before the attacker has the opportunity to plan and execute on its own goals. To this end we employ a set of defense in-depth strategies, which include efforts to make Huntington 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.

Table of Contents

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 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.

Representation and Warranty Reserve

We primarily conduct our mortgage loan sale and securitization activity with FNMA and FHLMC. In connection with these and other securitization transactions, we make certain representations and warranties that the loans meet certain criteria, such as collateral type and underwriting standards. We may be required to repurchase individual loans and / or indemnify these organizations against losses due to a loan not meeting the established criteria. We have a reserve for such losses and exposure, which is included in accrued expenses and other liabilities. The reserves are estimated based on historical and expected repurchase activity, average loss rates, and current economic trends. The level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions containing a level of uncertainty and risk that may change over the life of the underlying loans. We currently do not have sufficient information to estimate the range of reasonably possible loss related to representation and warranty exposure.

The tables below reflect activity in the representations and warranties reserve:

Table 26 - Summary of Reserve for Representations and Warranties on Mortgage Loans Serviced for Others

	Three Months Ended				
(dollar amounts in thousands)	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Reserve for representations and warranties, beginning of period	$10,599	$11,520	$12,677	$13,816	$15,249
Reserve charges	(551)	(536)	(1,359)	(518)	(499)
Provision for representations and warranties	(311)	(385)	202	(621)	(934)
Reserve for representations and warranties, end of period	$9,737	$10,599	$11,520	$12,677	$13,816

Table 27 - Mortgage Loan Repurchase Statistics

	Three Months Ended				
(dollar amounts in thousands)	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Number of loans sold	6,735	6,802	4,421	4,544	4,880
Amount of loans sold (UPB)	$975,150	$1,022,202	$651,161	$633,837	$660,133
Number of loans repurchased (1)	20	23	32	19	18
Amount of loans repurchased (UPB) (1)	$2,764	$2,754	$3,883	$1,935	$2,224

Number of claims received	17	64	60	33	38
Successful dispute rate (2)	37 %	59 %	6 %	30 %	25 %
Number of make whole payments (3)	3	4	11	7	4
Amount of make whole payments (3)	$212	$221	$625	$197	$119

(1) Loans repurchased are loans that fail to meet the purchaser's terms.
(2) Successful disputes are a percent of close out requests.

Table of Contents

(3) Make whole payments are payments to reimburse for losses on foreclosed properties.

Compliance Risk

Financial institutions are subject to many laws, rules, and regulations at both the federal and state levels. In September 2014, for example, the Office of the Comptroller of the Currency issued its final rule formalizing its "heightened expectations" supervisory regime for the largest federally chartered depository institutions, including Huntington, to improve risk management and ensure boards can challenge decisions made by management. These broad-based laws, rules, and regulations include, but are not limited to, expectations relating to anti-money laundering, lending limits, client privacy, fair lending, prohibitions against unfair, deceptive or abusive acts or practices, protections for military members as they enter active duty, and community reinvestment. Additionally, the volume and complexity of recent regulatory changes have increased our overall compliance risk. As such, we utilize various resources to help ensure expectations are met, including a team of compliance experts dedicated to ensuring our conformance with all applicable laws, rules, and regulations. Our colleagues receive training for several broad-based laws and regulations including, but not limited to, anti-money laundering and customer privacy. Additionally, colleagues engaged in lending activities receive training for laws and regulations related to flood disaster protection, equal credit opportunity, fair lending, and / or other courses related to the extension of credit. We set a high standard of expectation for adherence to compliance management and seek to continuously enhance our performance.

Capital

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

Regulatory Capital

Beginning in the 2015 first quarter, we became subject to the Basel III capital requirements including the standardized approach for calculating risk-weighted assets in accordance with subpart D of the final capital rule. The following table presents risk-weighted assets and other financial data necessary to calculate certain financial ratios, including the common equity tier 1 ratio on a Basel III basis, which we use to measure capital adequacy. The implementation of the Basel III capital requirements is transitional and phases-in from January 1, 2015 through the end of 2018.

The Basel III capital requirements emphasize common equity tier 1 capital, the most loss-absorbing form of capital, and implement strict eligibility criteria for regulatory capital instruments. Common equity tier 1 capital primarily includes common shareholders' equity less certain deductions for goodwill and other intangibles net of related taxes, MSRs net of related taxes and DTAs that arise from tax loss and credit carryforwards. Tier 1 capital is primarily comprised of common equity tier 1 capital, perpetual preferred stock and certain qualifying capital instruments (TRUPS) that are subject to phase-out from tier 1 capital. Tier 2 capital primarily includes qualifying subordinated debt and qualifying ALLL.

Table of Contents

Table 28 - Capital Under Current Regulatory Standards (transitional Basel III basis)
(dollar amounts in millions except per share amounts)

	September 30, 2015	June 30, 2015	March 31, 2015
Common equity tier 1 risk-based capital ratio:			
Total shareholders' equity	$6,583	$6,496	$6,462
Regulatory capital adjustments:			
Shareholders' preferred equity	(386)	(386)	(386)
Accumulated other comprehensive income offset	140	186	161
Goodwill and other intangibles, net of taxes	(697)	(701)	(700)
Deferred tax assets that arise from tax loss and credit carryforwards	(15)	(15)	(36)
Common equity tier 1 capital	5,625	5,580	5,501
Additional tier 1 capital			
Shareholders' preferred equity	386	386	386
Qualifying capital instruments subject to phase-out	76	76	76
Other	(22)	(22)	(53)
Tier 1 capital	6,065	6,020	5,910
LTD and other tier 2 qualifying instruments	623	623	648
Qualifying allowance for loan and lease losses	656	655	660
Tier 2 capital	1,279	1,278	1,308
Total risk-based capital	$7,344	$7,298	$7,218
Risk-weighted assets (RWA)	$57,839	$57,850	$57,840
Common equity tier 1 risk-based capital ratio	9.72 %	9.65 %	9.51 %
Other regulatory capital data:			
Tier 1 leverage ratio	8.85	8.98	9.04
Tier 1 risk-based capital ratio	10.49	10.41	10.22
Total risk-based capital ratio	12.70	12.62	12.48

Table of Contents

Table 29 - Capital Adequacy-Non-Regulatory
(dollar amounts in millions)

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Consolidated capital calculations:					
Common shareholders' equity	$6,197	$6,110	$6,076	$5,942	$5,898
Preferred shareholders' equity	386	386	386	386	386
Total shareholders' equity	6,583	6,496	6,462	6,328	6,284
Goodwill	(677)	(678)	(678)	(523)	(523)
Other intangible assets	(59)	(63)	(73)	(75)	(85)
Other intangible assets deferred tax liability (1)	21	22	25	26	30
Total tangible equity	5,868	5,777	5,736	5,756	5,706
Preferred shareholders' equity	(386)	(386)	(386)	(386)	(386)
Total tangible common equity	$5,482	$5,391	$5,350	$5,370	$5,320
Total assets	$70,210	$68,846	$68,003	$66,298	$64,331
Goodwill	(677)	(678)	(678)	(523)	(523)
Other intangible assets	(59)	(63)	(73)	(75)	(85)
Other intangible assets deferred tax liability (1)	21	22	25	26	30
Total tangible assets	$69,495	$68,127	$67,277	$65,726	$63,753
Tier 1 capital (2)	N.A.	N.A.	N.A.	$6,266	$6,180
Preferred shareholders' equity	N.A.	N.A.	N.A.	(386)	(386)
Trust preferred securities	N.A.	N.A.	N.A.	(304)	(304)
Tier 1 common equity (2)	N.A.	N.A.	N.A.	$5,576	$5,490
Risk-weighted assets (RWA) (2)	N.A.	N.A.	N.A.	$54,479	$53,239
Tier 1 common equity / RWA ratio (2)	N.A.	N.A.	N.A.	10.23 %	10.31 %
Tangible equity / tangible asset ratio	8.44 %	8.48 %	8.53 %	8.76	8.95
Tangible common equity / tangible asset ratio	7.89	7.91	7.95	8.17	8.35

(1) Other intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.
(2) Ratios are calculated on a Basel I basis.
N.A. On January 1, 2015, we became subject to the Basel III capital requirements including the standardized approach for calculating risk-weighted assets in accordance with subpart D of the final capital rule.

Table of Contents

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

Table 30 - Regulatory Capital Data (1)
(dollar amounts in millions)

		Basel III			Basel I	
		September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Total risk-weighted assets	Consolidated	$57,839	$57,850	$57,840	$54,479	$53,239
	Bank	57,750	57,772	57,752	54,387	53,132
Common equity tier I risk-based capital	Consolidated	5,625	5,580	5,501	N.A.	N.A.
	Bank	5,475	5,497	5,448	N.A.	N.A.
Tier 1 risk-based capital	Consolidated	6,065	6,020	5,910	6,266	6,180
	Bank	5,692	5,716	5,664	6,136	5,963
Tier 2 risk-based capital	Consolidated	1,279	1,278	1,308	1,122	1,122
	Bank	1,101	747	776	820	821
Total risk-based capital	Consolidated	7,344	7,298	7,218	7,388	7,302
	Bank	6,793	6,463	6,440	6,956	6,784
Tier 1 leverage ratio	Consolidated	8.85 %	8.98 %	9.04 %	9.74 %	9.83 %
	Bank	8.33	8.54	8.67	9.56	9.49
Common equity tier I risk-based capital ratio	Consolidated	9.72	9.65	9.51	N.A.	N.A.
	Bank	9.48	9.51	9.43	N.A.	N.A.
Tier 1 risk-based capital ratio	Consolidated	10.49	10.41	10.22	11.50	11.61
	Bank	9.86	9.89	9.81	11.28	11.22
Total risk-based capital ratio	Consolidated	12.70	12.62	12.48	13.56	13.72
	Bank	11.76	11.19	11.15	12.79	12.77

(1) On January 1, 2015, we became subject to the Basel III capital requirements including the standardized approach for calculating risk-weighted assets in accordance with subpart D of the final capital rule. Amounts presented prior to January 1, 2015 are calculated using the Basel I capital requirements.

At September 30, 2015, we maintained Basel III transitional capital ratios in excess of the well-capitalized standards established by the FRB. All capital ratios were impacted by the repurchase of 20.5 million common shares in 2015.

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 $6.6 billion at September 30, 2015, an increase of $0.3 billion when compared with December 31, 2014.

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.

On October 21, 2015, our board of directors declared a quarterly cash dividend of $0.07 per common share, payable on January 4, 2016. Also, cash dividends of $0.06 per share were declared on July 22, 2015, April 21, 2015 and January 22, 2015.

Table of Contents

On October 21, 2015, our board of directors also declared a quarterly cash dividend on our 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock of $21.25 per share. The dividend is payable on January 15, 2016. Also, cash dividends of $21.25 per share were declared on July 22, 2015, April 21, 2015 and January 22, 2015.

On October 21, 2015, our board of directors also declared a quarterly cash dividend on our Floating Rate Series B Non-Cumulative Perpetual Preferred Stock of $7.55 per share. The dividend is payable on January 15, 2016. Also, cash dividends of $7.47 per share, $7.44 per share and $7.38 per share were declared on July 22, 2015, April 21, 2015 and January 22, 2015, respectively.

Share Repurchases

From time to time the board of directors authorizes the Company to repurchase shares of our common stock. Although we announce when the board of directors authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward transactions, and similar transactions. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including the FRB's response to our annual capital plan.

On March 11, 2015, Huntington announced that the Federal Reserve did not object to the proposed capital actions included in Huntington's capital plan submitted to the FRB in January 2015. These actions included a 17% increase in the quarterly dividend per common share to $0.07, starting in the fourth quarter of 2015, and the potential repurchase of up to $366 million of common stock over the five-quarter period through the second quarter of 2016. During the 2015 third quarter, we repurchased 6.8 million shares, with a weighted average price of $10.66. Total share repurchases during the nine-month period ended September 30, 2015 were 20.5 million shares, with a weighted average price of $10.76. We have approximately $194.9 million remaining under the current authorization.

Fair Value

Fair Value Measurements

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. We estimate the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. We characterize active markets as those where transaction volumes are sufficient to provide objective pricing information, with reasonably narrow bid/ask spreads, and where received quoted prices do not vary widely. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. Inactive markets are characterized by low transaction volumes, price quotations that vary substantially among market participants, or in which minimal information is released publicly. When observable market prices do not exist, we estimate fair value primarily by using cash flow and other financial modeling methods. Our valuation methods consider factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk. Other factors such as model assumptions, market dislocations, and unexpected correlations can affect estimates of fair value. Changes in these underlying factors, assumptions, or estimates in any of these areas could materially impact the amount of revenue or loss recorded.

The FASB ASC Topic 820, Fair Value Measurements, establishes a framework for measuring the fair value of financial instruments that considers the attributes specific to particular assets or liabilities and establishes a three-level hierarchy for determining fair value based on the transparency of inputs to each valuation as of the fair value measurement date. The three levels are defined as follows:

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs include quoted prices for similar assets and liabilities in active markets, quoted prices of identical or similar assets or liabilities in markets that are not active, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
-

Level 3 – inputs that are unobservable and significant to the fair value measurement. Financial instruments are considered Level 3 when values are determined using pricing models, discounted cash flow methodologies, or similar techniques, and at least one significant model assumption or input is unobservable.

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

Table of Contents

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 14 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 five major business segments: Retail and Business Banking, Commercial Banking, Automobile Finance and Commercial Real Estate (AFCRE), Regional Banking and The Huntington Private Client Group (RBHPCG), and Home Lending. A Treasury / Other function includes 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.

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 five 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 five business segments.

Funds Transfer Pricing (FTP)

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

Net Income by Business Segment

The segregation of net income by business segment for the first nine-month period of September 30, 2015 and September 30, 2014 is presented in the following table:

Table of Contents

Table 31 - Net Income (Loss) by Business Segment
(dollar amounts in thousands)

	Nine Months Ended September 30,	
	2015	2014
Retail and Business Banking	$192,229	$122,383
Commercial Banking	153,578	105,022
AFCRE	117,345	149,621
RBHPCG	877	17,245
Home Lending	(8,272)	(12,906)
Treasury/Other	58,891	87,413
Total net income	$514,648	$468,778

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 five business segments. Other assets include investment securities and bank owned life insurance. The financial impact associated with our FTP methodology, as described above, is also included.

Net interest income includes the impact of administering our investment securities portfolios and the net impact of derivatives used to hedge interest rate sensitivity. Noninterest income includes miscellaneous fee income not allocated to other business segments, such as bank owned life insurance income and any investment security and trading asset gains or losses. Noninterest expense includes certain corporate administrative, merger, 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.

Optimal Customer Relationship (OCR)

Our OCR strategy is focused on building and deepening relationships with our customers through superior interactions, product penetration, and quality of service. We will deliver high-quality customer and prospect interactions through a fully integrated sales culture which will include all partners necessary to deliver a total Huntington solution. The quality of our relationships will lead to our ability to be the primary bank for our customers, yielding quality, annuitized revenue and profitable share of customers overall financial services. We believe our relationship oriented approach will drive a competitive advantage through our local market delivery channels.

CONSUMER OCR PERFORMANCE

For consumer OCR performance, there are three key performance metrics: (1) the number of checking account households, (2) the number of product penetration per consumer checking household, and (3) the revenue generated from the consumer households of all business segments.

The growth in consumer checking account number of households is a result of both new sales of checking accounts and improved retention of existing checking account households. The overall objective is to grow the number of households, along with an increase in product penetration.

We use the checking account as a measure since it typically represents the primary banking relationship product. We count additional services by type, not number, of services. For example, a household that has one checking account and one mortgage, we count as having two services. A household with four checking accounts, we count as having one service. The household relationship utilizing 6+ services is viewed to be more profitable and loyal. The overall objective, therefore, is to decrease the percentage of 1-5 services per consumer checking account household, while increasing the percentage of those with 6+ services.

The following table presents consumer checking account household OCR metrics:

Table of Contents

Table 32 - Consumer Checking Household OCR Cross-sell Report

	Three Months Ended				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Number of households (1) (2)	1,508,209	1,491,967	1,475,241	1,454,402	1,453,584
Product Penetration by Number of Services (3)					
1 Service	2.6 %	2.5 %	2.8 %	2.8 %	3.3 %
2-3 Services	16.8	17.0	17.3	17.9	18.4
4-5 Services	29.2	29.5	29.7	29.9	29.6
6+ Services	51.4	51.0	50.2	49.4	48.7
Total revenue (in millions)	$289.0	$279.8	$260.5	$260.5	$260.0

(1) Checking account required.
(2) On September 12, 2014, Huntington acquired 37,939 Bank of America households.
(3) The definitions and measurements used in our OCR process are periodically reviewed and updated prospectively.

Our emphasis on cross-sell, coupled with customers being attracted to the benefits offered through our “Fair Play” banking philosophy with programs such as 24-Hour Grace® on overdrafts and Asterisk-Free Checking ™, are having a positive effect. The percent of consumer households with 6 or more product services at the end of the 2015 third quarter was 51.4%, up from 48.7% from the year-ago quarter due to increased product sales and services provided.

COMMERCIAL OCR PERFORMANCE

For commercial OCR performance, there are three key performance metrics: (1) the number of commercial relationships, (2) the number of services penetration per commercial relationship, and (3) the revenue generated. Commercial relationships include relationships from all business segments.

The growth in the number of commercial relationships is a result of both new sales of checking accounts and improved retention of existing commercial accounts. The overall objective is to grow the number of relationships, along with an increase in product service distribution.

The commercial relationship is defined as a business banking or commercial banking customer with a checking account relationship. We use this metric because we believe that the checking account anchors a business relationship and creates the opportunity to increase our cross-sell activity. Multiple sales of the same type of service are counted as one service, which is the same methodology described above for consumer.

The following table presents commercial relationship OCR metrics:

Table 33 - Commercial Relationship OCR Cross-sell Report

	Three Months Ended				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Commercial Relationships (1)	169,152	168,088	166,710	164,726	164,079
Product Penetration by Number of Services (2)					
1 Service	14.0 %	14.3 %	15.3 %	15.7 %	16.6 %
2-3 Services	42.3	42.3	42.0	42.4	42.2
4+ Services	43.7	43.4	42.7	41.9	41.2
Total revenue (in millions)	$229.4	$222.0	$216.9	$212.8	$213.1

(1) Checking account required.
(2) The definitions and measurements used in our OCR process are periodically reviewed and updated prospectively.

54

Table of Contents

By focusing on targeted relationships, we are able to achieve higher product service penetration among our commercial relationships and leverage these relationships to generate a deeper share of wallet. The percent of commercial relationships with 4 or more product services at the end of the 2015 third quarter was 43.7%, up from 41.2% from the year-ago quarter. Total commercial relationship revenue for the 2015 third quarter was $229.4 million, up $16.3 million, or 8%, from the year-ago quarter.

Table of Contents

Table 34 - Average Loans/Leases and Deposits by Business Segment
(dollar amounts in millions)

	Nine Months Ended September 30, 2015						
	Retail and Business Banking	Commercial Banking	AFCRE	RBHPCG	Home Lending	Treasury / Other	Total
Average Loans/Leases							
Commercial and industrial	$3,970	$ 12,288	$2,571	$643	$—	$109	$19,581
Commercial real estate	316	340	4,412	148	—	(2)	5,214
Total commercial	4,286	12,628	6,983	791	—	107	24,795
Automobile	—	—	8,582	—	—	—	8,582
Home equity	7,649	—	1	704	159	(9)	8,504
Residential mortgage	1,273	—	—	1,428	3,205	—	5,906
Other consumer	415	3	16	11	6	7	458
Total consumer	9,337	3	8,599	2,143	3,370	(2)	23,450
Total loans and leases	$13,623	$ 12,631	$15,582	$2,934	$3,370	$105	$48,245
Average Deposits							
Demand deposits—noninterest-bearing	$6,936	$ 5,497	$963	$1,997	$346	$322	$16,061
Demand deposits—interest-bearing	4,966	871	75	517	—	26	6,455
Money market deposits	10,316	4,209	249	4,447	—	7	19,228
Savings and other domestic deposits	5,076	63	6	75	3	(1)	5,222
Core certificates of deposit	2,619	8	1	33	—	—	2,661
Total core deposits	29,913	10,648	1,294	7,069	349	354	49,627
Other deposits	89	518	159	3	1	2,660	3,430
Total deposits	$30,002	$ 11,166	$1,453	$7,072	$350	$3,014	$53,057

	Nine Months Ended September 30, 2014						
	Retail and Business Banking	Commercial Banking	AFCRE	RBHPCG	Home Lending	Treasury / Other	Total
Average Loans/Leases							
Commercial and industrial	$3,623	$ 11,425	$2,396	$620	$—	$97	$18,161
Commercial real estate	355	308	4,093	214	—	1	4,971
Total commercial	3,978	11,733	6,489	834	—	98	23,132
Automobile	—	—	7,388	—	—	(1)	7,387
Home equity	7,484	2	1	732	166	(9)	8,376
Residential mortgage	1,174	—	—	1,297	3,108	—	5,579
Other consumer	353	3	31	12	14	(24)	389
Total consumer	9,011	5	7,420	2,041	3,288	(34)	21,731
Total loans and leases	$12,989	$ 11,738	$13,909	$2,875	$3,288	$64	$44,863
Average Deposits							
Demand deposits—noninterest-bearing	$5,965	$ 4,706	$726	$1,614	$282	$293	$13,586
Demand deposits—interest-bearing	4,703	780	68	312	—	15	5,878
Money market deposits	9,900	3,735	258	3,853	—	7	17,753

Savings and other domestic deposits	4,856	85	5	80	—	(1)	5,025
Core certificates of deposit	3,341	13	—	46	—	3	3,403
Total core deposits	28,765	9,319	1,057	5,905	282	317	45,645
Other deposits	105	746	112	3	—	1,669	2,635
Total deposits	$28,870	$ 10,065	$1,169	$5,908	$282	$1,986	$48,280

56

Table of Contents

Retail and Business Banking

Table 35 - Key Performance Indicators for Retail and Business Banking
(dollar amounts in thousands unless otherwise noted)

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percent
Net interest income	$766,188	$678,502	$87,686	13 %
Provision for credit losses	22,664	63,962	(41,298)	(65)
Noninterest income	323,552	306,364	17,188	6
Noninterest expense	771,339	732,623	38,716	5
Provision for income taxes	103,508	65,898	37,610	57
Net income	$192,229	$122,383	$69,846	57 %
Number of employees (average full-time equivalent)	5,288	5,099	189	4 %
Total average assets (in millions)	$15,590	$14,784	$806	5
Total average loans/leases (in millions)	13,623	12,989	634	5
Total average deposits (in millions)	30,002	28,870	1,132	4
Net interest margin	3.49 %	3.18 %	0.31 %	10
NCOs	$46,555	$68,733	$(22,178)	(32)
NCOs as a % of average loans and leases	0.46 %	0.71 %	(0.25)%	(35)
Return on average common equity	20.2	12.0	8.2	68

2015 First Nine Months vs. 2014 First Nine Months

Retail and Business Banking reported net income of $192.2 million in the first nine-month period of 2015. This was an increase of $69.8 million, or 57%, compared to the year-ago period. The increase in net income reflected a combination of factors described below.

The increase in net interest income from the year-ago period reflected:

- $1.1 billion, or 4%, increase in total average deposits and the 23 basis point increase in deposit spreads, as a result of an increase in the funds transfer price rates assigned to deposits.
- $0.6 billion, or 5%, increase in total average loans combined with a 10 basis point increase in loan spreads, as a result of a reduction in the funds transfer price rates assigned to loans and improved effective rates.

The decrease in the provision for credit losses from the year-ago period reflected:

- $22.2 million, or 32%, decrease in NCOs, and updated assumptions made to the ACL estimation process.

The increase in total average loans and leases from the year-ago period reflected:

- $0.3 billion, or 8%, increase in commercial loans, primarily due to the impact of core portfolio growth.
- $0.3 billion, or 4%, increase in consumer loans, primarily due to growth in home equity lines of credit, credit card, and residential mortgages, as well as the impact of the Camco acquisition in the 2014 first quarter.

The increase in total average deposits from the year-ago period reflected:

- $0.8 billion in combined deposit growth from the Camco acquisition in the 2014 first quarter and the Bank of America branch acquisition in the 2014 third quarter.
- $0.2 billion deposit growth from our In-store branch network.

The increase in noninterest income from the year-ago period reflected:

- $11.1 million, or 14%, increase in electronic banking income, primarily due to higher debit card-related transaction volumes and an increase in the number of households.
- $6.5 million, or 63%, increase in mortgage banking income, primarily driven by increased referrals to Home Lending due to an improved mortgage refinance market in the first nine months of 2015 compared to the same period in 2014.

Table of Contents

- $2.9 million, or 23%, increase in gain on sale of loans, primarily due to increased SBA loan sale volumes.

Partially offset by:

- $1.8 million, or 10%, decrease in brokerage income, the result of reduced investment sales in the first nine months of 2015 compared to 2014.
- $1.2 million, or 1%, decrease in service charges on deposit accounts, primarily reflecting the decline from the late July 2014 implementation of changes in consumer fees and changing customer usage patterns, partially offset by an increase in consumer households.

The increase in noninterest expense from the year-ago period reflected:

- $19.0 million, or 9%, increase in personnel costs, primarily due to the Bank of America branch acquisition in the 2014 third quarter and the Camco acquisition in the 2014 first quarter, along with the expansion of our In-store branch network. The increase also reflects additional cost from increased employee benefit expense and annual merit salary adjustments and incentives.
- $16.0 million, or 5%, increase in other noninterest expense, primarily reflecting an increase in allocated overhead expense and additional expense related to the Bank of America branch and the Camco acquisitions.
- $4.7 million, or 15%, increase in outside data processing and other services expense, mainly the result of transaction volumes associated with debit and credit card activity.
- $3.9 million, or 11%, increase in marketing, primarily due to direct mail campaigns in 2015.

Partially offset by:

- $5.0 million, or 25%, decrease in amortization of intangibles, reflecting the full amortization of the core deposit intangible from the Sky Financial acquisition.

Commercial Banking

Table 36 - Key Performance Indicators for Commercial Banking
(dollar amounts in thousands unless otherwise noted)

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percent
Net interest income	$266,638	$226,316	$40,322	18 %
Provision for credit losses	13,167	33,681	(20,514)	(61)
Noninterest income	191,039	157,107	33,932	22
Noninterest expense	208,236	188,170	20,066	11
Provision for income taxes	82,696	56,550	26,146	46
Net income	$153,578	$105,022	$48,556	46 %
Number of employees (average full-time equivalent)	1,125	1,045	80	8 %
Total average assets (in millions)	$15,817	$13,847	$1,970	14
Total average loans/leases (in millions)	12,631	11,738	893	8
Total average deposits (in millions)	11,166	10,065	1,101	11
Net interest margin	2.67 %	2.55 %	0.12 %	5
NCOs	$15,602	$10,647	$4,955	47
NCOs as a % of average loans and leases	0.16 %	0.12 %	0.04 %	33
Return on average common equity	15.2	9.9	5.3	54

2015 First Nine Months vs. 2014 First Nine Months

Commercial Banking reported net income of $153.6 million in the first nine-month period of 2015. This was an increase of $48.6 million, or 46%, compared to the year-ago period. The increase in net income reflected a combination of factors described below.

The increase in net interest income from the year-ago period reflected:

- $0.9 billion, or 8%, increase in average loans/leases.

Table of Contents

- $0.7 billion, or 86%, increase in average available-for-sale securities, primarily related to direct purchase municipal instruments.
- $1.1 billion, or 11%, increase in average total deposits.
- 12 basis point increase in the net interest margin, due to a 16 basis point increase in the mix and yield on earning assets, primarily related to the Huntington Technology Finance acquisition, partially offset by a 1 basis point increase in the mix and yield on total deposits.

The decrease in the provision for credit losses from the year-ago period reflected:

- Updated assumptions made to the ACL estimation process, partially offset by a $5.0 million, or 47%, increase in NCOs.

The increase in total average assets from the year-ago period reflected:

- $1.3 billion, or 38%, increase in the Equipment Finance loan and bond financing portfolio, which primarily reflected our focus on developing vertical strategies in Huntington Public Capital, business aircraft, rail industry, lender finance, and syndications, as well as the late 2015 first quarter acquisition of Huntington Technology Finance.
- $0.3 billion, or 10%, increase in the specialty verticals loan and bond financing portfolio, driven primarily by $0.3 billion, or 46%, increase in the international loan portfolio consisting of discounted bankers acceptances and foreign insured receivables, and $0.1 billion, or 5%, increase in the Healthcare loan and bond financing portfolio due to a strategic focus on the banking needs of the healthcare industry, specifically targeting alternate site real estate, seniors' real estate, medical technology, community hospitals, metro hospitals, and health care services.
- $0.3 billion, or 17%, increase in the Corporate Banking and Energy loan portfolio due to establishing relationships with targeted prospects within our footprint.

The increase in total average deposits from the year-ago period reflected:

- $1.3 billion, or 14%, increase in core deposits, which primarily reflected a $0.8 billion, or 17%, increase in noninterest-bearing demand deposits. Middle market accounts, such as healthcare, contributed $0.7 billion of the overall balance growth, while large corporate accounts contributed $0.6 billion.

The increase in noninterest income from the year-ago period reflected:

- $24.2 million, or 64%, increase in other income, primarily reflecting the late 2015 first quarter acquisition of Huntington Technology Finance and an increase in other treasury management related revenue.
- $3.9 million, or 13%, increase in capital market fees, primarily reflecting a $2.3 million, or 32%, increase in foreign exchange revenue, $2.0 million, or 193%, increase in commodities revenue, partially offset by a $0.5 million, or 5%, decrease in customer interest rate derivatives.
- $1.8 million, or 5%, increase in service charges on deposit accounts, primarily due to growth in commercial relationships.

The increase in noninterest expense from the year-ago period reflected:

- $17.1 million, or 15%, increase in personnel expense, primarily reflecting the 2015 first quarter acquisition of Huntington Technology Finance. The increase also reflects additional cost from annual merit salary adjustments and incentives.
- $10.1 million increase in operating lease expense, primarily reflecting the 2015 first quarter acquisition of Huntington Technology Finance.

Partially offset by:

- $8.6 million, or 29%, decrease in allocated overhead expense.

Table of Contents

Automobile Finance and Commercial Real Estate

Table 37 - Key Performance Indicators for Automobile Finance and Commercial Real Estate
(dollar amounts in thousands unless otherwise noted)

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percent
Net interest income	$286,042	$282,239	$3,803	1 %
Provision (reduction in allowance) for credit losses	14,733	(44,809)	59,542	N.R.
Noninterest income	22,024	19,706	2,318	12
Noninterest expense	112,802	116,568	(3,766)	(3)
Provision for income taxes	63,186	80,565	(17,379)	(22)
Net income	$117,345	$149,621	$(32,276)	(22)%
Number of employees (average full-time equivalent)	294	268	26	10 %
Total average assets (in millions)	$16,718	$14,268	$2,450	17
Total average loans/leases (in millions)	15,582	13,909	1,673	12
Total average deposits (in millions)	1,453	1,169	284	24
Net interest margin	2.37 %	2.65 %	(0.28)%	(11)
NCOs	$(4,859)	$877	$(5,736)	N.R.
NCOs as a % of average loans and leases	(0.04)%	0.01 %	(0.05)%	N.R.
Return on average common equity	23.1	33.1	(10.0)	(30)

N.R.—Not relevant.

2015 First Nine Months vs. 2014 First Nine Months

AFCRE reported net income of $117.3 million in the first nine-month period of 2015. This was a decrease of $32.3 million, or 22%, compared to the year-ago period. The decrease in net income reflected a combination of factors described below.

The increase in net interest income from the year-ago period reflected:

- $1.2 billion, or 16%, increase in average automobile loans, primarily due to continued strong origination volume, which has exceeded $1.0 billion for each of the last 7 quarters. This increase was partially offset by the $0.8 billion automobile loan securitization and sale that was completed in the 2015 second quarter.

Partially offset by:

- 28 basis point decrease in the net interest margin, primarily due to a 26 basis point reduction in loan spreads. This decline continues to reflect the impact of competitive pricing pressures. Also, the prior year results included a $5.1 million, or 5 basis points, recovery from the unexpected pay-off of an acquired commercial real estate loan.

The increase in the provision for credit losses from the year-ago period reflected:

- Less improvement in credit quality than what was experienced in the year-ago period and updated assumptions made to the ACL estimation process, partially offset by lower NCOs.

The increase in noninterest income from the year-ago period reflected:

- $5.3 million increase in gain on sale of loans, primarily due to the $0.8 billion automobile loan securitization and sale completed in the 2015 second quarter.

Partially offset by:

- $3.1 million, or 18%, decrease in other income, primarily due to lower market related gains associated with certain loans and investments and lower auto loan servicing income.

The decrease in noninterest expense from the year-ago period reflected:

60

Table of Contents

- $7.0 million, or 9%, decrease in other noninterest expense, primarily due to a decrease in allocated expenses.

Partially offset by:

- $3.0 million, or 14%, increase in personnel costs, primarily due to a higher number of employees, resulting from community development activities.

Regional Banking and The Huntington Private Client Group

Table 38 - 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	
	2015	2014	Amount	Percent
Net interest income	$84,843	$76,399	$8,444	11 %
Provision for credit losses	7,791	5,353	2,438	46
Noninterest income	114,198	132,080	(17,882)	(14)
Noninterest expense	189,901	176,595	13,306	8
Provision for income taxes	472	9,286	(8,814)	(95)
Net income	$877	$17,245	$(16,368)	(95)%
Number of employees (average full-time equivalent)	963	1,037	(74)	(7)%
Total average assets (in millions)	$3,399	$3,789	$(390)	(10)
Total average loans/leases (in millions)	2,934	2,875	59	2
Total average deposits (in millions)	7,072	5,908	1,164	20
Net interest margin	1.62 %	1.79 %	(0.17)%	(9)
NCOs	$4,644	$7,232	$(2,588)	(36)
NCOs as a % of average loans and leases	0.21 %	0.34 %	(0.13)%	(38)
Return on average common equity	0.4	4.6	(4.2)	(91)
Total assets under management (in billions)—eop	$13.3	$15.5	$(2.2)	(14)
Total trust assets (in billions)—eop	80.2	81.6	(1.4)	(2)%

eop - End of Period.

2015 First Nine Months vs. 2014 First Nine Months

RBHPCG reported net income of $0.9 million in the first nine-month period of 2015. This was a decrease of $16.4 million, or 95%, compared to the year-ago period. The decrease in net income reflected a combination of factors described below.

The increase in net interest income from the year-ago period reflected:

- $1.2 billion, or 20%, increase in average total deposits, primarily due to growth in commercial money market deposits.

The increase in the provision for credit losses from the year-ago period reflected:

- Updated assumptions made to the ACL process, partially offset by a $2.6 million, or 36%, decrease in NCOs.

The decrease in noninterest income from the year-ago period reflected:

- $6.8 million, or 8%, decrease in trust services income, primarily related to a decline in assets under management mainly from the decline in proprietary mutual funds following the 2014 second quarter transition of the fixed income Huntington Funds to a third party and the movement of the fiduciary trust business to a more open architecture platform.
- $6.0 million, or 73%, decrease in other income, primarily related to 2014 Huntington Community Development Corporation activity.

- $4.0 million, or 13%, decrease in brokerage income, primarily reflecting a shift from upfront commission income to trailing commissions and an increase in the sale of new open architecture advisory products.

The increase in noninterest expense from the year-ago period reflected:

- $19.4 million, or 45%, increase in other noninterest expense, primarily due to increased allocated product costs, losses, and proprietary mutual fund expense reimbursements.

Partially offset by:

- $1.9 million, or 35%, decrease in professional services, primarily due to reduction in consulting expense.
- $1.7 million, or 12%, decrease in outside data processing and other services, primarily due to movement of trust system expenses to corporate operations.
- $1.1 million, or 1%, decrease in personnel costs, primarily due to movement of certain trust colleagues to corporate operations.

Home Lending

Table 39 - Key Performance Indicators for Home Lending
(dollar amounts in thousands unless otherwise noted)

	Nine Months Ended September 30,				Change			
	2015		2014		Amount		Percent	
Net interest income	$48,545		$41,997		$6,548		16	%
Provision for credit losses	5,131		20,308		(15,177	)	(75	)
Noninterest income	62,274		59,946		2,328		4	
Noninterest expense	118,414		101,490		16,924		17	
Provision for income taxes	(4,454	)	(6,949	)	2,495		36	
Net income (loss)	$(8,272	)	$(12,906	)	$4,634		36	%
Number of employees (average full-time equivalent)	953		975		(22	)	(2	)%
Total average assets (in millions)	$3,968		$3,795		$173		5	
Total average loans/leases (in millions)	3,370		3,288		82		2	
Total average deposits (in millions)	350		282		68		24	
Net interest margin	1.72	%	1.57	%	0.15	%	10	
NCOs	$3,729		$14,163		$(10,434	)	(74	)
NCOs as a % of average loans and leases	0.15	%	0.57	%	(0.42	)%	(74	)
Return on average common equity	(6.5	)	(9.9	)	3.4		34	
Mortgage banking origination volume (in millions)	$3,693		$2,637		$1,056		40	

2015 First Nine Months vs. 2014 First Nine Months

Home Lending reported a net loss of $8.3 million in the first nine-month period of 2015 compared to a net loss of $12.9 million in the year-ago period. Home Lending supports the origination and servicing of mortgage loans across all segments. The results reflected a combination of factors described below.

The increase in net interest income from the year-ago period reflected:

- 15 basis point increase in the net interest margin, primarily due to an increase in loan spreads on consumer loans driven by lower funding costs.
- $0.1 billion, or 2%, increase in average loans.

The decrease in provision for credit losses reflected:

- $10.4 million, or 74%, decrease in NCOs and updated assumptions made to the ACL estimation process.

The increase in noninterest income from the year-ago period reflected:

- $1.7 million, or 3%, increase in mortgage banking income, primarily related to an increase in origination and secondary marketing revenues, partially offset by the impact of the net MSR hedge activity.

Table of Contents

The increase in noninterest expense from the year-ago period reflected:

- $9.0 million, or 14%, increase in personnel costs, primarily due to commission expense related to higher origination volume.
- $8.4 million, or 50%, increase in other noninterest expense, primarily due to higher allocated expenses related to volumes.

ADDITIONAL DISCLOSURES

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including certain plans, expectations, goals, projections, and statements, which 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: (1) worsening of credit quality performance due to a number of factors such as the underlying value of collateral that could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected, (2) 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, (3) movements in interest rates, (4) competitive pressures on product pricing and services, (5) success, impact, and timing of our business strategies, including market acceptance of any new products or services implementing our “Fair Play” banking philosophy, (6) changes in accounting policies and principles and the accuracy of our assumptions and estimates used to prepare our financial statements, (7) extended disruption of vital infrastructure, (8) the final outcome of significant litigation or adverse legal developments in the proceedings, (9) the nature, extent, timing, and results of governmental actions, examinations, reviews, reforms, regulations, and interpretations, including those related to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Basel III regulatory capital reforms, as well as those involving the OCC, Federal Reserve, FDIC, and CFPB, and (10) the outcome of judicial and regulatory decisions regarding practices in the residential mortgage industry, including among other things the processes followed for foreclosing residential mortgages. Additional factors that could cause results to differ materially from those described above can be found in our 2014 Annual Report on Form 10-K and documents subsequently filed by us with the Securities and Exchange Commission.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. We assume no 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-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,
- Tier 1 common equity to risk-weighted assets using Basel I definitions, and
- Tangible common equity to risk-weighted assets using Basel I and Basel III definitions.

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

Because there are no standardized definitions for these non-regulatory capital ratios, the Company’s calculation methods may differ from those used by other financial services companies. Also, there may be limits in the usefulness of these measures

Table of Contents

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 2014 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, 2014 Form 10-K, as supplemented by this report, lists significant accounting policies we use in the development and presentation of our financial statements. This MD&A, the significant accounting policies, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors necessary for an understanding and evaluation of our company, financial position, results of operations, and cash flows.

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

Our most significant accounting estimates relate to our ACL, income taxes and deferred tax assets, and fair value measurements of investment securities, goodwill, pension, and other real estate owned. These significant accounting estimates and their related application are discussed in our December 31, 2014 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 2015 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.

Table of Contents

Item 1: Financial Statements
Huntington Bancshares Incorporated
Condensed Consolidated Balance Sheets
(Unaudited)
(dollar amounts in thousands, except number of shares)

	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$1,024,358	$1,220,565
Interest-bearing deposits in banks	65,805	64,559
Trading account securities	38,609	42,191
Loans held for sale (includes $393,473 and $354,888 respectively, measured at fair value) [(1)]	675,636	416,327
Available-for-sale and other securities	11,094,868	9,384,670
Held-to-maturity securities	3,157,688	3,379,905
Loans and leases (includes $36,582 and $50,617 respectively, measured at fair value) [(1)]	49,655,909	47,655,726
Allowance for loan and lease losses	(591,938)	(605,196)
Net loans and leases	49,063,971	47,050,530
Bank owned life insurance	1,748,328	1,718,436
Premises and equipment	620,515	616,407
Goodwill	676,869	522,541
Other intangible assets	58,793	74,671
Accrued income and other assets	1,984,738	1,807,208
Total assets	$70,210,178	$66,298,010
Liabilities and shareholders' equity		
Liabilities		
Deposits	$54,244,711	$51,732,151
Short-term borrowings	1,453,812	2,397,101
Long-term debt	6,359,445	4,335,962
Accrued expenses and other liabilities	1,569,573	1,504,626
Total liabilities	63,627,541	59,969,840
Shareholders' equity		
Preferred stock—authorized 6,617,808 shares:		
Series A, 8.50% fixed rate, non-cumulative perpetual convertible preferred stock, par value of $0.01, and liquidation value per share of $1,000	362,507	362,507
Series B, floating rate, non-voting, non-cumulative perpetual preferred stock, par value of $0.01, and liquidation value per share of $1,000	23,785	23,785
Common stock	7,987	8,131
Capital surplus	7,053,902	7,221,745
Less treasury shares, at cost	(17,464)	(13,382)
Accumulated other comprehensive loss	(139,739)	(222,292)
Retained (deficit) earnings	(708,341)	(1,052,324)
Total shareholders' equity	6,582,637	6,328,170
Total liabilities and shareholders' equity	$70,210,178	$66,298,010
Common shares authorized (par value of $0.01)	1,500,000,000	1,500,000,000
Common shares issued	798,663,649	813,136,321
Common shares outstanding	796,659,440	811,454,676
Treasury shares outstanding	2,004,209	1,681,645

Preferred shares issued	1,967,071	1,967,071
Preferred shares outstanding	398,007	398,007

(1) Amounts represent loans for which Huntington has elected the fair value option.

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest and fee income:				
Loans and leases	$451,161	$424,658	$1,308,339	$1,248,104
Available-for-sale and other securities				
Taxable	52,141	43,065	151,522	123,549
Tax-exempt	10,835	7,959	30,441	20,049
Held-to-maturity securities—taxable	19,811	21,777	61,220	67,711
Other	4,529	3,601	18,846	9,424
Total interest income	538,477	501,060	1,570,368	1,468,837
Interest expense:				
Deposits	20,964	20,461	60,396	66,244
Short-term borrowings	192	878	1,465	2,122
Federal Home Loan Bank advances	69	395	517	647
Subordinated notes and other long-term debt	21,797	12,991	54,164	35,935
Total interest expense	43,022	34,725	116,542	104,948
Net interest income	495,455	466,335	1,453,826	1,363,889
Provision for credit losses	22,476	24,480	63,486	78,495
Net interest income after provision for credit losses	472,979	441,855	1,390,340	1,285,394
Service charges on deposit accounts	75,157	69,118	207,495	206,333
Trust services	24,972	28,045	80,561	87,191
Electronic banking	30,832	27,275	88,489	77,408
Mortgage banking income	18,956	25,051	80,435	70,857
Brokerage income	15,059	17,155	45,743	52,227
Insurance income	16,204	16,729	49,736	49,221
Bank owned life insurance income	12,719	14,888	38,959	42,060
Capital markets fees	12,741	10,246	39,838	29,940
Gain on sale of loans	5,873	8,199	22,915	15,683
Net gains on sales of securities	2,628	198	2,710	17,658
Impairment losses recognized in earnings on available-for-sale securities	(2,440)	—	(2,440)	—
Other noninterest income	40,418	30,445	112,074	97,323
Total noninterest income	253,119	247,349	766,515	745,901
Personnel costs	286,270	275,409	833,321	785,486
Outside data processing and other services	58,535	53,073	167,578	158,901
Net occupancy	29,061	34,405	88,942	96,511
Equipment	31,303	30,183	93,246	87,682
Professional services	11,961	13,763	37,281	43,890
Marketing	12,179	12,576	40,178	38,094
Deposit and other insurance expense	11,550	11,628	33,504	35,945
Amortization of intangibles	3,913	9,813	24,079	28,624
Other noninterest expense	81,736	39,468	159,013	123,942

Total noninterest expense	526,508	480,318	1,477,142	1,399,075
Income before income taxes	199,590	208,886	679,713	632,220
Provision for income taxes	47,002	53,870	165,065	163,442
Net income	152,588	155,016	514,648	468,778
Dividends on preferred shares	7,968	7,964	23,901	23,891
Net income applicable to common shares	$144,620	$147,052	$490,747	$444,887

Table of Contents

Average common shares—basic	800,883	816,497	805,851	820,884
Average common shares—diluted	814,326	829,623	819,458	833,927
Per common share:				
Net income—basic	$0.18	$0.18	$0.61	$0.54
Net income—diluted	0.18	0.18	0.60	0.53
Cash dividends declared	0.06	0.05	0.18	0.15
OTTI losses for the periods presented:				
Total OTTI losses	$(3,144)	$—	$(3,144)	$—
Noncredit-related portion of loss recognized in OCI	704	—	704	—
Impairment losses recognized in earnings on available-for-sale securities	$(2,440)	$—	$(2,440)	$—

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	2015	2014	2015	2014
Net income	$152,588	$155,016	$514,648	$468,778
Other comprehensive income, net of tax:				
Unrealized gains on available-for-sale and other securities:				
Non-credit-related impairment recoveries on debt securities not expected to be sold	85	2,126	12,195	7,724
Unrealized net gains (losses) on available-for-sale and other securities arising during the period, net of reclassification for net realized gains	39,721	(8,918)	44,861	21,483
Total unrealized gains (losses) on available-for-sale and other securities	39,806	(6,792)	57,056	29,207
Unrealized gains (losses) on cash flow hedging derivatives	8,254	(21,229)	25,840	(4,100)
Change in accumulated unrealized losses for pension and other post-retirement obligations	(2,148)	5,732	(343)	6,886
Other comprehensive income (loss), net of tax	45,912	(22,289)	82,553	31,993
Comprehensive income	$198,500	$132,727	$597,201	$500,771

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

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

(All amounts in thousands, except for per share amounts)	Preferred Stock Series A		Series B Floating Rate		Common Stock		Capital Surplus	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	To
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount			
Nine Months Ended September 30, 2014												
Balance, beginning of period	363	$362,507	35	$23,785	832,217	$8,322	$7,398,515	(1,331)	$(9,643)	$(214,009)	$(1,479,324)	$6
Net income											468,778	46
Other comprehensive income (loss)										31,993		31
Shares issued pursuant to acquisition					8,694	87	91,577					91
Shares issued to HIP					276	3	2,594					2,
Repurchase of common stock					(32,103)	(321)	(299,399)					(29
Cash dividends declared:												
Common ($0.15 per share)											(122,984)	(12
Preferred Series A ($63.75 per share)											(23,110)	(23
Preferred Series B ($22.00 per share)											(781)	(78
Share-based compensation expense							33,656					33
Other share-based compensation activity					6,162	62	14,897				(1,710)	13
Other					846	8	2,039	(307)	(3,295)		(37)	(1,
	363	$362,507	35	$23,785	816,092	$8,161	$7,243,879	(1,638)	$(12,938)	$(182,016)	$(1,159,168)	$6

Balance, end of period												
Nine Months Ended September 30, 2015												
Balance, beginning of period	363	$362,507	35	$23,785	813,136	$8,131	$7,221,745	(1,682)	$(13,382)	$(222,292)	$(1,052,324)	$6
Net income											514,648	51
Other comprehensive income (loss)										82,553		82
Repurchases of common stock					(20,547)	(205)	(222,778)					(22
Cash dividends declared:												
Common ($0.18 per share)											(144,527)	(14
Preferred Series A ($63.75 per share)											(23,110)	(23
Preferred Series B ($22.32 per share)											(791)	(79
Share-based compensation expense							39,136					39
Other share-based compensation activity					5,990	60	14,990				(2,220)	12
Other					85	1	809	(322)	(4,082)		(17)	(3,
Balance, end of period	363	$362,507	35	$23,785	798,664	$7,987	$7,053,902	(2,004)	$(17,464)	$(139,739)	$(708,341)	$6

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

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

	Nine Months Ended September 30,	
(dollar amounts in thousands)	2015	2014
Operating activities		
Net income	$514,648	$468,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment of goodwill	—	3,000
Provision for credit losses	63,486	78,495
Depreciation and amortization	262,788	238,974
Share-based compensation expense	39,136	33,656
Net gain on sales of securities	(270)	(17,658)
Net change in:		
Trading account securities	3,582	(30,887)
Loans held for sale	(267,494)	(61,895)
Accrued income and other assets	(215,692)	(157,163)
Deferred income taxes	10,957	12,266
Accrued expense and other liabilities	10,344	61,660
Other, net	(20,659)	—
Net cash provided by (used for) operating activities	400,826	629,226
Investing activities		
Change in interest bearing deposits in banks	(1,246)	(15,855)
Cash paid for acquisition of a business, net of cash received	(457,836)	691,637
Proceeds from:		
Maturities and calls of available-for-sale and other securities	1,477,446	1,056,833
Maturities of held-to-maturity securities	434,192	337,175
Sales of available-for-sale and other securities	151,326	1,093,176
Purchases of available-for-sale and other securities	(3,272,586)	(3,436,111)
Purchases of held-to-maturity securities	(215,447)	—
Net proceeds from securitization	780,117	—
Net proceeds from sales of portfolio loans	307,726	254,663
Net loan and lease activity, excluding sales and purchases	(2,181,839)	(3,229,382)
Proceeds from sale of operating lease assets	—	362
Purchases of premises and equipment	(69,021)	(31,559)
Proceeds from sales of other real estate	28,056	29,741
Purchases of loans and leases	(241,141)	(286,819)
Purchase of customer list	—	(946)
Other, net	581	3,495
Net cash provided by (used for) investing activities	(3,259,672)	(3,533,590)
Financing activities		
Increase (decrease) in deposits	2,616,219	1,321,398
Increase (decrease) in short-term borrowings	(966,928)	833,741
Sale of deposits	(47,521)	—
Proceeds from issuance of long-term debt	2,327,041	1,255,499
Maturity/redemption of long-term debt	(895,441)	(204,346)
Dividends paid on preferred stock	(23,901)	(23,891)
Dividends paid on common stock	(145,572)	(121,253)

Repurchases of common stock	(222,983)	(299,720)
Proceeds from stock options exercised	4,647	16,700

Table of Contents

Net proceeds from issuance of common stock	—	2,597
Other, net	17,078	2,369
Net cash provided by (used for) financing activities	2,662,639	2,783,094
Increase (decrease) in cash and cash equivalents	(196,207)	(121,270)
Cash and cash equivalents at beginning of period	1,220,565	1,001,132
Cash and cash equivalents at end of period	$1,024,358	$879,862
Supplemental disclosures:		
Income taxes paid (refunded)	$117,225	$87,454
Interest paid	54,409	98,080
Non-cash activities		
Loans transferred to held-for-sale from portfolio	347,656	85,022
Loans transferred to portfolio from held-for-sale	16,425	45,240
Transfer of loans to OREO	17,789	30,721
Dividends accrued, paid in subsequent quarter	53,436	46,580

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

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 presentation 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 2014 Form 10-K, which include descriptions of significant accounting policies, as updated by the information contained in this report, should be read in conjunction with these interim financial statements.
For statement of cash flows purposes, cash and cash equivalents are defined as the sum of "Cash and due from banks" which includes amounts on deposit with the Federal Reserve and "Federal funds sold and securities purchased under resale agreements."
In conjunction with applicable accounting standards, all material subsequent events have been either recognized in the Unaudited Condensed Consolidated Financial Statements or disclosed in the Notes to Unaudited Condensed Consolidated Financial Statements.
2. ACCOUNTING STANDARDS UPDATE
ASU 2014-04—Receivables (Topic 310): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The ASU clarifies that an in substance repossession or foreclosure occurs upon either the creditor obtaining legal title to the residential real estate property or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments were effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The amendment did not have a material impact on Huntington's Unaudited Condensed Consolidated Financial Statements.
ASU 2014-09—Revenue from Contracts with Customers (Topic 606): The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The general principle of the amendments require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five step approach to be utilized for revenue recognition. The amendments were originally effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Subsequently, the FASB issued a one-year deferral for implementation, which results in new guidance being effective for annual and interim reporting periods beginning after December 15, 2017. The FASB, however, permitted adoption of the new guidance on the original effective date. Management is currently assessing the impact on Huntington's Consolidated Financial Statements.
ASU 2014-11—Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The amendments in the ASU require repurchase-to-maturity transactions to be recorded and accounted for as secured borrowings. Amendments to Topic 860 also require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (i.e., a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement, as well as additional required disclosures. The accounting amendments and disclosures are effective for interim and annual periods beginning after December 15, 2014. The disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings are required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The amendments did not have a material impact on Huntington's Unaudited Condensed Consolidated Financial Statements.
ASU 2014-12—Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The

amendments require that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. Specifically, if the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The amendments are effective for annual periods and interim periods within those annual

Table of Contents

periods beginning after December 15, 2015. Management is currently assessing the impact on Huntington's Consolidated Financial Statements.

ASU 2014-14—Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure. The amendments require a mortgage loan to be derecognized and a separate receivable to be recognized upon foreclosure if the loan has a government guarantee that is non-separable from the loan before foreclosure, the creditor has the ability and intent to convey the real estate property to the guarantor, and any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Additionally, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor upon foreclosure. The amendments were effective for annual periods and interim periods within those annual periods beginning after December 15, 2014. The amendments did not have a material impact on Huntington's Unaudited Condensed Consolidated Financial Statements.

ASU 2015-02—Consolidation (Topic 810)—Amendments to the Consolidation Analysis. The amendment applies to entities in all industries and provides a new scope exception for registered money market funds and similar unregistered money market funds. It also makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the variable interest entity accounting guidance. The amendments are effective for annual periods beginning after December 15, 2015. Management is currently assessing the impact on Huntington's Consolidated Financial Statements.

ASU 2015-03—Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs. This ASU was issued to simplify presentation of debt issuance costs. The amendments in this ASU require debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Subsequently, the FASB issued ASU 2015-15 to amend the SEC paragraph related to debt issuance cost. The amendment applies to debt issuance costs related to a line-of-credit arrangement which may be presented as an asset. The cost related to the line-of credit should be subsequently amortized ratably over the term of the line-of-credit arrangement. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendment is not expected to have a material impact on Huntington's Consolidated Financial Statements.

ASU 2015-10—Technical Corrections and Improvements. The technical corrections and improvements included in the ASU are issued in June 2015 with an objective to clarify the Accounting Standards Codification ("Codification"), correct unintended application of guidance, or make minor improvements to the Codification that are minor in nature. One of the corrections is related to disclosure of fair value for non-recurring items. The ASU requires disclosure of fair value for non-recurring items at the relevant measurement date where the fair value is not measured at the end of the reporting period. Also, for nonrecurring measurements estimated at a date during the reporting period other than the end of the reporting period, a reporting entity shall clearly indicate that the fair value information presented is not as of the period's end as well as the date or period that the measurement was taken. The technical correction is effective upon issuance. The correction in the ASU does not have a significant impact on Huntington's Unaudited Condensed Consolidated Financial Statements.

ASU 2015-16 - Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer is required to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Update is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted.

3. LOANS / LEASES AND ALLOWANCE FOR CREDIT LOSSES

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

Table of Contents

and deferred loan fees and costs, which resulted in a net premium of $246.6 million and $230.2 million at September 30, 2015 and December 31, 2014, respectively.

Loan and Lease Portfolio Compositioln

The following table provides a detailed listing of Huntington's loan and lease portfolio at September 30, 2015 and December 31, 2014:

(dollar amounts in thousands)	September 30, 2015	December 31, 2014
Loans and leases:		
Commercial and industrial	$20,039,429	$19,033,146
Commercial real estate	5,404,274	5,197,403
Automobile	9,160,241	8,689,902
Home equity	8,460,989	8,490,915
Residential mortgage	6,071,356	5,830,609
Other consumer	519,620	413,751
Loans and leases	49,655,909	47,655,726
Allowance for loan and lease losses	(591,938)	(605,196)
Net loans and leases	$49,063,971	$47,050,530

As shown in the table above, the primary loan and lease portfolios are: C&I, CRE, automobile, home equity, residential mortgage, and other consumer. For ACL purposes, these portfolios are further disaggregated into classes. The classes within each portfolio are as follows:

Portfolio	Class
Commercial and industrial	Owner occupied
	Purchased credit-impaired
	Other commercial and industrial
Commercial real estate	Retail properties
	Multi family
	Office
	Industrial and warehouse
	Purchased credit-impaired
	Other commercial real estate
Automobile	NA (1)
Home equity	Secured by first-lien
	Secured by junior-lien
Residential mortgage	Residential mortgage
	Purchased credit-impaired
Other consumer	Other consumer
	Purchased credit-impaired

(1) Not applicable. The automobile loan portfolio is not further segregated into classes.

Huntington Technology Finance acquisition

On March 31, 2015, Huntington completed its acquisition of Macquarie Equipment Finance, which was re-branded Huntington Technology Finance. Lease receivables with a fair value of $838.6 million, including a lease residual value of approximately $200 million, were acquired by Huntington. These leases were recorded at fair value. The fair values for the leases were estimated using discounted cash flow analyses using interest rates currently being offered for leases with similar terms (Level 3), and reflected an estimate of credit and other risk associated with the leases.

Table of Contents

Camco Financial acquisition
On March 1, 2014, Huntington completed its acquisition of Camco Financial. Loans with a fair value of $559.4 million were transferred to Huntington.
Fidelity Bank acquisition
On March 30, 2012, Huntington acquired the loans of Fidelity Bank located in Dearborn, Michigan from the FDIC. Under the agreement, loans with a fair value of $523.9 million were acquired by Huntington.
Purchased Credit-Impaired Loans
Purchased loans with evidence of deterioration in credit quality since origination for which it is probable at acquisition that we will be unable to collect all contractually required payments are considered to be credit impaired. Purchased credit-impaired loans are initially recorded at fair value, which is estimated by discounting the cash flows expected to be collected at the acquisition date. Because the estimate of expected cash flows reflects an estimate of future credit losses expected to be incurred over the life of the loans, an allowance for credit losses is not recorded at the acquisition date. The excess of cash flows expected at acquisition over the estimated fair value, referred to as the accretable yield, is recognized in interest income over the remaining life of the loan, or pool of loans, on a level-yield basis. The difference between the contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. A subsequent decrease in the estimate of cash flows expected to be received on purchased credit-impaired loans generally results in the recognition of an allowance for credit losses. Subsequent increases in cash flows result in reversal of any nonaccretable difference (or allowance for loan and lease losses to the extent any has been recorded) with a positive impact on interest income subsequently recognized. The measurement of cash flows involves assumptions and judgments for interest rates, prepayments, default rates, loss severity, and collateral values. All of these factors are inherently subjective and significant changes in the cash flow estimates over the life of the loan can result.
The following table presents a rollforward of the accretable yield for purchased credit impaired loans by acquisition for the three-month and nine-month periods ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	2015	2014	2015	2014
Fidelity Bank				
Balance, beginning of period	$19,312	$24,596	$19,388	$27,995
Accretion	(2,818)	(3,070)	(8,682)	(10,722)
Reclassification (to) from nonaccretable difference	1,089	(6)	6,877	4,247
Balance, end of period	$17,583	$21,520	$17,583	$21,520
Camco Financial				
Balance, beginning of period	$681	$154	$824	$—
Impact of acquisition/purchase on March 1, 2014	—	—	—	143
Accretion	(106)	(153)	(1,357)	(5,335)
Reclassification (to) from nonaccretable difference	(393)	816	715	6,009
Balance, end of period	$182	$817	$182	$817

Table of Contents

The allowance for loan losses recorded on the purchased credit-impaired loan portfolio at September 30, 2015 and December 31, 2014 was $0.7 million and $4.1 million, respectively. The following table reflects the ending and unpaid balances of all contractually required payments and carrying amounts of the acquired loans by acquisition at September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
(dollar amounts in thousands)	Ending Balance	Unpaid Balance	Ending Balance	Unpaid Balance
Fidelity Bank				
Commercial and industrial	$19,484	$28,812	$22,405	$33,622
Commercial real estate	24,619	67,413	36,663	87,250
Residential mortgage	1,513	2,292	1,912	3,096
Other consumer	50	107	51	123
Total	$45,666	$98,624	$61,031	$124,091
Camco Financial				
Commercial and industrial	$—	$—	$823	$1,685
Commercial real estate	1,156	1,499	1,708	3,826
Residential mortgage	—	—	—	—
Other consumer	—	—	—	—
Total	$1,156	$1,499	$2,531	$5,511

Loan Purchases and Sales

The following table summarizes portfolio loan purchase and sale activity for the three-month and nine-month periods ended September 30, 2015 and 2014. The table below excludes mortgage loans originated for sale.

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Portfolio loans and leases purchased or transferred from held for sale during the:							
Three-month period ended September 30, 2015	$ 180,036	$ —	$—	$—	$ 57,388	$ —	$237,424
Nine-month period ended September 30, 2015	224,532	—	262,037 (2)	—	164,425	$ —	650,994
Three-month period ended September 30, 2014	64,668	—	—	—	2,224	$ —	66,892
Nine-month period ended September 30, 2014	$ 270,272	$ —	$—	$—	$ 16,547	$ —	$286,819
Portfolio loans and leases sold or transferred to loans held for sale during the:							
Three-month period ended September 30, 2015	$ 98,117	$ —	$—	$96,786 (3)	$—	$ —	$194,903
Nine-month period ended September 30, 2015	284,019	—	1,026,195 (1)	96,786	—	—	1,407,000
Three-month period ended September 30, 2014	179,065	—	—	—	—	—	179,065
Nine-month period ended September 30,	$ 283,796	$ 7,434	$—	$—	$—	$ 7,592	$298,822

2014

(1) Reflects the transfer of approximately $1.0 billion automobile loans to loans held-for-sale at March 31, 2015.

Table of Contents

(2) Includes loans Huntington no longer has the intent to sell and, therefore transferred back to the portfolio in the 2015 second quarter.

(3) Reflects the transfer of approximately $96.8 million home equity TDRs from loans to loans held for sale at September 30, 2015.

NALs and Past Due Loans

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date.

Any loan in any portfolio may be placed on nonaccrual status prior to the policies described below when collection of principal or interest is in doubt. When a borrower with debt is discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower, the loan is determined to be collateral dependent and placed on nonaccrual status.

All classes within the C&I and CRE portfolios (except for purchased credit-impaired loans) are placed on nonaccrual status at 90-days past due. Residential mortgage loans are placed on nonaccrual status at 150-days past due, with the exception of residential mortgages guaranteed by government organizations. First-lien home equity loans 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 and other consumer loans are generally charged-off when the loan is 120-days past due.

For all classes within all loan portfolios, when a loan is placed on nonaccrual status, any accrued interest income is reversed with current year accruals charged to interest income, and prior year amounts are recognized as a credit loss.

For all classes within all loan portfolios, cash receipts received on NALs are applied entirely against principal until the loan or lease has been collected in full, after which time any additional cash receipts are recognized as interest income. However, for secured non-reaffirmed debt in a Chapter 7 bankruptcy, payments are applied to principal and interest when the borrower has demonstrated a capacity to continue payment of the debt and collection of the debt is reasonably assured. For unsecured non-reaffirmed debt in a Chapter 7 bankruptcy where the carrying value has been fully charged-off, payments are recorded as loan recoveries.

Regarding all classes within the C&I and CRE portfolios, the determination of a borrower's ability to make the required principal and interest payments is based on an examination of the borrower's current financial statements, industry, management capabilities, and other qualitative measures. For all classes within the consumer loan portfolio, the determination of a borrower's ability to make the required principal and interest payments is based on multiple factors, including number of days past due and, in some instances, an evaluation of the borrower's financial condition. When, in Management's judgment, the borrower's ability to make required principal and interest payments resumes and collectability is no longer in doubt, supported by sustained repayment history, the loan or lease is returned to accrual status. For these loans that have been returned to accrual status, cash receipts are applied according to the contractual terms of the loan.

The following table presents NALs by loan class at September 30, 2015 and December 31, 2014:

(dollar amounts in thousands)	September 30, 2015	December 31, 2014
Commercial and industrial:		
Owner occupied	$42,231	$41,285
Other commercial and industrial	115,671	30,689
Total commercial and industrial	157,902	71,974
Commercial real estate:		
Retail properties	$7,887	$21,385
Multi family	9,183	9,743
Office	5,414	7,707
Industrial and warehouse	1,147	3,928
Other commercial real estate	3,885	5,760
Total commercial real estate	27,516	48,523
Automobile	5,551	4,623
Home equity:		
Secured by first-lien	33,974	46,938
Secured by junior-lien	32,472	31,577
Total home equity	66,446	78,515
Residential mortgage	98,908	96,609
Other consumer	154	—
Total nonaccrual loans	$356,477	$300,244

Table of Contents

The following table presents an aging analysis of loans and leases, including past due loans, by loan class at September 30, 2015 and December 31, 2014: (1)

	September 30, 2015							
	Past Due							
(dollar amounts in thousands)	30-59 Days	60-89 Days	90 or more days	Total	Current	Total Loans and Leases	90 or more days past due and accruing	
Commercial and industrial:								
Owner occupied	$5,500	$3,742	$11,195	$20,437	$4,056,263	$4,076,700	$—	
Purchased credit-impaired	802	1,622	3,412	5,836	13,648	19,484	3,412	(3)
Other commercial and industrial	54,302	21,742	17,901	93,945	15,849,300	15,943,245	3,159	(2)
Total commercial and industrial	60,604	27,106	32,508	120,218	19,919,211	20,039,429	6,571	
Commercial real estate:								
Retail properties	10,095	297	3,769	14,161	1,408,479	1,422,640	$—	
Multi family	1,078	3,620	2,605	7,303	1,210,792	1,218,095	—	
Office	5,889	1,094	2,211	9,194	916,636	925,830	—	
Industrial and warehouse	22	146	369	537	535,228	535,765	—	
Purchased credit-impaired	364	1,052	12,178	13,594	12,181	25,775	12,178	(3)
Other commercial real estate	188	—	3,137	3,325	1,272,844	1,276,169	—	
Total commercial real estate	17,636	6,209	24,269	48,114	5,356,160	5,404,274	12,178	
Automobile	58,391	14,051	6,934	79,376	9,080,865	9,160,241	6,873	
Home equity:								
Secured by first-lien	13,269	7,241	26,321	46,831	5,110,070	5,156,901	4,207	
Secured by junior-lien	21,693	10,523	32,952	65,168	3,238,920	3,304,088	6,557	
Total home equity	34,962	17,764	59,273	111,999	8,348,990	8,460,989	10,764	
Residential mortgage:								
Residential mortgage	92,163	37,313	123,097	252,573	5,817,270	6,069,843	68,135	(4)
Purchased credit-impaired	—	—	—	—	1,513	1,513	—	
Total residential mortgage	92,163	37,313	123,097	252,573	5,818,783	6,071,356	68,135	
Other consumer:								
Other consumer	6,411	1,547	1,241	9,199	510,371	519,570	1,087	
Purchased credit-impaired	—	—	—	—	50	50	—	
Total other consumer	6,411	1,547	1,241	9,199	510,421	519,620	1,087	
Total loans and leases	$270,167	$103,990	$247,322	$621,479	$49,034,430	$49,655,909	$105,608	

Table of Contents

(dollar amounts in thousands)	December 31, 2014 Past Due 30-59 Days	60-89 Days	90 or more days	Total	Current	Total Loans and Leases	90 or more days past due and accruing	
Commercial and industrial:								
Owner occupied	$5,232	$2,981	$ 18,222	$26,435	$4,228,440	$4,254,875	$ —	
Purchased credit-impaired	846	—	4,937	5,783	17,445	23,228	4,937	(3)
Other commercial and industrial	15,330	1,536	9,101	25,967	14,729,076	14,755,043	—	
Total commercial and industrial	21,408	4,517	32,260	58,185	18,974,961	19,033,146	4,937	
Commercial real estate:								
Retail properties	7,866	—	4,021	11,887	1,345,859	1,357,746	$ —	
Multi family	1,517	312	3,337	5,166	1,085,250	1,090,416	—	
Office	464	1,167	4,415	6,046	974,257	980,303	—	
Industrial and warehouse	688	—	2,649	3,337	510,064	513,401	—	
Purchased credit-impaired	89	289	18,793	19,171	19,200	38,371	18,793	(3)
Other commercial real estate	847	1,281	3,966	6,094	1,211,072	1,217,166	—	
Total commercial real estate	11,471	3,049	37,181	51,701	5,145,702	5,197,403	18,793	
Automobile	56,272	10,427	5,963	72,662	8,617,240	8,689,902	5,703	
Home equity								
Secured by first-lien	15,036	8,085	33,014	56,135	5,072,669	5,128,804	4,471	
Secured by junior-lien	22,473	12,297	33,406	68,176	3,293,935	3,362,111	7,688	
Total home equity	37,509	20,382	66,420	124,311	8,366,604	8,490,915	12,159	
Residential mortgage								
Residential mortgage	102,702	42,009	139,379	284,090	5,544,607	5,828,697	88,052	(5)
Purchased credit-impaired	—	—	—	—	1,912	1,912	—	
Total residential mortgage	102,702	42,009	139,379	284,090	5,546,519	5,830,609	88,052	
Other consumer								
Other consumer	5,491	1,086	837	7,414	406,286	413,700	837	
Purchased credit-impaired	—	—	—	—	51	51	—	
Total other consumer	5,491	1,086	837	7,414	406,337	413,751	837	
Total loans and leases	$234,853	$81,470	$ 282,040	$598,363	$47,057,363	$47,655,726	$ 130,481	

(1) NALs are included in this aging analysis based on the loan's past due status.
(2) Amounts include Huntington Technology Finance administrative lease delinquencies.
(3)

Amounts represent accruing purchased impaired loans related to acquisitions. Under the applicable accounting guidance (ASC 310-30), the loans were recorded at fair value upon acquisition and remain in accruing status.

(4) Includes $50,643 thousand guaranteed by the U.S. government.

(5) Includes $55,012 thousand guaranteed by the U.S. government.

Table of Contents

Allowance for Credit Losses

Huntington maintains two reserves, both of which reflect Management's judgment regarding the appropriate level necessary to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. The determination of the ACL requires significant estimates, including the timing and amounts of expected future cash flows on impaired loans and leases, consideration of current economic conditions, and historical loss experience pertaining to pools of homogeneous loans and leases, all of which may be susceptible to change.

The appropriateness of the ACL is based on Management's current judgments about the credit quality of the loan portfolio. These judgments consider on-going evaluations of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or other documented support. Further, Management evaluates the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet their financial obligations when quantifying our exposure to credit losses and assessing the appropriateness of our ACL at each reporting date. In addition to general economic conditions and the other factors described above, additional factors also considered include: the impact of increasing or decreasing residential real estate values; the diversification of CRE loans; the development of new or expanded Commercial business segments such as healthcare, ABL, and energy, and the overall condition of the manufacturing industry. Management's determinations regarding the appropriateness of the ACL are reviewed and approved by the Company's board of directors.

The ALLL consists of two components: (1) the transaction reserve, which includes a loan level allocation, specific reserves related to loans considered to be impaired, and loans involved in troubled debt restructurings, and (2) the general reserve. The transaction reserve component includes both (1) an estimate of loss based on pools of commercial and consumer loans and leases with similar characteristics and (2) an estimate of loss based on an impairment review of each impaired C&I and CRE loan greater than $1.0 million. For the C&I and CRE portfolios, the estimate of loss based on pools of loans and leases with similar characteristics is made by applying a PD factor and a LGD factor to each individual loan based on a regularly updated loan grade, using a standardized loan grading system. The PD factor and an LGD factor are determined for each loan grade using statistical models based on historical performance data. The PD factor considers on-going reviews of the financial performance of the specific borrower, including cash flow, debt-service coverage ratio, earnings power, debt level, and equity position, in conjunction with an assessment of the borrower's industry and future prospects. The LGD factor considers analysis of the type of collateral and the relative LTV ratio. These reserve factors are developed and updated periodically based on credit migration models that track historical movements of loans between loan ratings over time and a combination of long-term average loss experience of our own portfolio and external industry data.

In the case of other homogeneous portfolios, such as automobile loans, home equity loans, and residential mortgage loans, the determination of the transaction reserve also incorporates PD and LGD factors. The estimate of loss is based on pools of loans and leases with similar characteristics. The PD factor considers current credit scores unless the account is delinquent, in which case a higher PD factor is used. The credit score provides a basis for understanding the borrower's past and current payment performance, and this information is used to estimate expected losses over the emergence period. The performance of first-lien loans ahead of our junior-lien loans is available to use as part of our updated score process. The LGD factor considers analysis of the type of collateral and the relative LTV ratio. Credit scores, models, analyses, and other factors used to determine both the PD and LGD factors are updated frequently to capture the recent behavioral characteristics of the subject portfolios, as well as any changes in loss mitigation or credit origination strategies, and adjustments to the reserve factors are made as required. Models utilized in the ALLL estimation process are subject to the Company's model validation policies.

The general reserve consists of our risk-profile reserve components, which includes items unique to our structure, policies, processes, and portfolio composition, as well as qualitative measurements and assessments of the loan portfolios including, but not limited to, management quality, concentrations, portfolio composition, industry comparisons, and internal review functions.

The estimate for the AULC is determined using the same procedures and methodologies as used for the ALLL. The loss factors used in the AULC are the same as the loss factors used in the ALLL while also considering a historical utilization of unused commitments. The AULC is reflected in accrued expenses and other liabilities in the Unaudited Condensed Consolidated Balance Sheet.

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

During the 2015 first quarter, we reviewed our existing commercial and consumer credit models and enhanced certain processes and methods of ACL estimation. During this review, we analyzed the loss emergence periods used for consumer

Table of Contents

receivables collectively evaluated for impairment and, as a result, extended our loss emergence periods for products within these portfolios. As part of these enhancements to our credit reserve process, we evaluated the methods used to separately estimate economic risks inherent in our portfolios and decided to no longer utilize these separate estimation techniques. Economic risks are incorporated in our loss estimates elsewhere in our reserve calculation. The enhancements made to our credit reserve processes during the quarter allow for increased segmentation and analysis of the estimated incurred losses within our loan portfolios. The net ACL impact of these enhancements was immaterial.

During the 2015 third quarter, we reviewed our existing commercial and consumer credit models and completed a periodic reassessment of certain ACL assumptions. Specifically, we updated our analysis of the loss emergence periods used for commercial receivables collectively evaluated for impairment. Based on our observed portfolio experience, we extended our loss emergence periods for the C&I portfolio and CRE portfolios. We also updated loss factors in our consumer home equity and residential mortgage portfolios based on more recently observed portfolio experience. The net ACL impact of these enhancements was immaterial.

The following table presents ALLL and AULC activity by portfolio segment for the three-month and nine-month periods ended September 30, 2015 and 2014:

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Three-month period ended September 30, 2015:							
ALLL balance, beginning of period	$ 285,041	$ 92,060	$ 39,102	$ 111,178	$ 51,679	$ 20,482	$ 599,542
Loan charge-offs	(26,016)	(3,976)	(9,084)	(10,164)	(3,192)	(8,443)	(60,875)
Recoveries of loans previously charged-off	16,158	17,797	4,176	4,295	1,182	1,104	44,712
Provision (reduction in allowance) for loan and lease losses	9,146	4,086	9,755	(13,406)	(6,875)	10,918	13,624
Write-downs of loans sold or transferred to loans held for sale	—	—	—	(5,065)	—		