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Huntington Bancshares Incorporated Reports Record Quarterly Earnings

Results Include 56% Year-Over-Year Increase in Net Income and 21% Year-Over-Year Increase in EPS

COLUMBUS, Ohio, July 21, 2017 /PRNewswire/ -- Huntington Bancshares Incorporated (NASDAQ: HBAN; www.huntington.com) reported net income for the 2017 second quarter of \$272 million, a \$97 million, or 56%, increase from the year-ago quarter. Earnings per common share for the 2017 second quarter were \$0.23, up \$0.04, or 21%, from the year-ago quarter. Excluding approximately \$50 million pretax of FirstMerit acquisition-related net expenses, or \$0.03 per common share after tax, adjusted earnings per common share were \$0.26. Tangible book value per share as of 2017 second quarter-end was \$6.74, an 8% year-over-year decrease and a 3% increase from 2017 first quarter-end. Return on average assets was 1.09%, return on average common equity was 10.6%, and return on average tangible common equity was 14.4%. Total revenue increased 37% over the year-ago quarter.

"We are very pleased with our record second quarter earnings, which illustrates tangible progress to deliver top tier regional bank performance," said Steve Steinour, chairman, president, and CEO. "The improved earnings power of the company is a result of the successful integration combined with organic growth. The recent results of the annual DFAST and CCAR exercises demonstrate our disciplined underwriting and risk management to maintain our aggregate moderate-to-low risk profile."

"We remain focused on core deposit growth, and actively manage our balance sheet in the face of rising short-term interest rates. Loan growth in the second quarter benefited from strong consumer loan production, particularly residential mortgage and auto," Steinour said.

"With the FirstMerit integration nearly complete, we are focused on growing revenues through deepening existing customer relationships, gaining market share via new customer acquisition, and executing on the revenue enhancement opportunities from the acquisition. The successful conversion, particularly with respect to consumer deposit retention, positioned us to re-examine our physical distribution network for additional efficiencies, resulting in the recently-announced consolidation of 38 branches and 7 drive-through convenience locations to be completed during the 2017 third quarter."

Huntington today also announced the Board authorized the repurchase of up to \$308 million of common shares over the four quarters through the 2018 second quarter. The share repurchase plan was proposed in the 2017 CCAR capital plan, which received no objections from the Federal Reserve. Purchases of common stock under the authorization may include open market purchases, privately negotiated transactions, and accelerated repurchase programs.

Specific 2017 Second Quarter Highlights:

- \$295 million, or 37%, year-over-year increase in fully-taxable equivalent revenue, comprised of a \$241 million, or 47%, increase in fully-taxable equivalent net interest income and a \$54 million, or 20%, increase in noninterest income
- Net interest margin of 3.31%, an increase of 25 basis points from the year-ago quarter
- \$171 million, or 33%, year-over-year increase in noninterest expense, including a net increase of \$29 million of FirstMerit acquisition-related expense
- \$15.4 billion, or 30%, year-over-year increase in average loans and leases, comprised on an \$8.5 billion, or 32%, increase in commercial loans and a \$6.9 billion, or 27%, increase in consumer loans
- \$8.5 billion, or 56%, year-over-year increase in average securities, including a net increase of \$0.6 billion of direct purchase municipal instruments in our Commercial Banking segment
- \$20.4 billion, or 39%, year-over-year increase in average core deposits, driven by a \$9.0 billion, or 107%, increase in interest-bearing demand deposits, a \$6.5 billion, or 120%, increase in savings and other domestic deposits, and a \$5.1 billion, or 31%, increase in noninterest-bearing demand deposits
 - Consumer deposits from FirstMerit customers and branches increased 2% between August 2016 and June 2017
- Net charge-offs equated to 0.21% of average loans and leases, representing the thirteenth consecutive quarter below the long-term target range of 0.35% to 0.55%
- Nonperforming asset ratio of 0.61%, down from 0.68% a quarter ago and 0.93% a year ago
 - Automobile loans continue to perform well, with net charge-offs down 16 basis points sequentially to 0.29% and nonaccrual loans down 22% to \$4 million, or 0.03% of Automobile loans
- \$0.55, or 8%, year-over-year decrease, but \$0.19, or 3%, linked-quarter increase in tangible book value per common share (TBVPS) to \$6.74

Table 1 – Earnings Performance Summary

<u>(\$ in millions, except per share data)</u>	2017		2016		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Net Income	\$ 272	\$ 208	\$ 239	\$ 127	\$ 175
Diluted earnings per common share	0.23	0.17	0.20	0.11	0.19
Return on average assets	1.09 %	0.84 %	0.95 %	0.58 %	0.96 %
Return on average common equity	10.6	8.2	9.4	5.4	9.6
Return on average tangible common equity	14.4	11.3	12.9	7.0	11.0
Net interest margin	3.31	3.30	3.25	3.18	3.06
Efficiency ratio	62.9	65.7	61.6	75.0	66.1

Tangible book value per common share	\$ 6.74	\$ 6.55	\$ 6.43	\$ 6.48	\$ 7.29
Cash dividends declared per common share	0.08	0.08	0.08	0.07	0.07
Average diluted shares outstanding (000's)	1,108,527	1,108,617	1,104,358	952,081	810,371
Average earning assets	\$ 91,728	\$ 91,139	\$ 91,463	\$ 79,687	\$ 67,863
Average loans and leases	67,345	66,981	66,405	60,722	51,932
Average core deposits	72,291	71,500	72,070	62,022	51,895
Tangible common equity / tangible assets ratio	7.41 %	7.28 %	7.16 %	7.14 %	7.96 %
Common equity Tier 1 risk-based capital ratio	9.88	9.74	9.56	9.09	9.80
NCOs as a % of average loans and leases	0.21 %	0.24 %	0.26 %	0.26 %	0.13 %
NAL ratio	0.54	0.60	0.63	0.61	0.88
ACL as a % of total loans and leases	1.11	1.14	1.10	1.06	1.33

Table 2 lists certain items that we believe are significant in understanding corporate performance and trends (see Basis of Presentation). There was one Significant Item in the 2017 second quarter: \$50 million of FirstMerit acquisition-related net expense.

Table 2 – Significant Items Influencing Earnings

Three Months Ended <i>(\$ in millions, except per share)</i>	Pre-Tax Impact	After-Tax Impact	
	Amount	Amount ⁽¹⁾	EPS ⁽²⁾
June 30, 2017 – net income		\$ 272	\$ 0.23
• Merger and acquisition-related net expenses	\$ (50)	(33)	(0.03)
March 31, 2017 – net income		\$ 208	\$ 0.17
• Merger and acquisition-related net expenses	\$ (71)	(46)	(0.04)
December 31, 2016 – net income		\$ 239	\$ 0.20
• Merger and acquisition-related net expenses	\$ (96)	(63)	(0.06)
• Reduction to litigation reserves	\$ 42	27	0.02
September 30, 2016 – net income		\$ 127	\$ 0.11
• Merger and acquisition-related net expenses	\$ (159)	(107)	(0.11)
June 30, 2016 – net income		\$ 175	\$ 0.19
• Merger and acquisition-related net expenses	\$ (21)	(14)	(0.02)

Favorable (unfavorable) impact on net income.

(1) income.
(2) EPS reflected on a fully diluted basis.

Net Interest Income, Net Interest Margin, and Average Balance Sheet

Table 3 – Net Interest Income and Net Interest Margin Performance Summary – Purchase Accounting Accretion Aids Year-over-Year NIM Expansion

(\$ in millions)	2017		2016			Change (%)	
	Second	First	Fourth	Third	Second	LQ	
	Quarter	Quarter	Quarter	Quarter	Quarter		
Net interest income	\$ 745	\$ 730	\$ 735	\$ 625	\$ 506	2	%
FTE adjustment	12	12	13	11	10	(0)	
Net interest income - FTE	757	742	748	636	516	2	
Noninterest income	325	312	334	302	271	4	
Total revenue - FTE	\$ 1,082	\$ 1,054	\$ 1,082	\$ 938	\$ 787	3	%

									Change bp			
<u>Yield / Cost</u>									LQ	YOY		
Total earning assets	3.75	%	3.70	%	3.60	%	3.52	%	3.41	%	5	34
Total loans and leases	4.15		4.07		3.95		3.81		3.63		8	52
Total securities	2.55		2.54		2.58		2.47		2.56		1	(1)
Total interest-bearing liabilities	0.61		0.54		0.48		0.49		0.50		7	11
Total interest-bearing deposits	0.31		0.26		0.23		0.22		0.23		5	8
Net interest rate spread	3.14		3.16		3.12		3.03		2.91		(2)	23
Impact of noninterest-bearing funds on margin	0.17		0.14		0.13		0.15		0.15		3	2
Net interest margin	3.31	%	3.30	%	3.25	%	3.18	%	3.06	%	1	25

See Pages 7-9 of Quarterly Financial Supplement for additional detail.

Note: 2016 third quarter results reflect inclusion of FirstMerit since August 16, 2016.

Fully-taxable equivalent (FTE) net interest income for the 2017 second quarter increased \$241 million, or 47%, from the 2016 second quarter. This reflected the benefit from the \$23.9 billion, or 35%, increase in average earning assets coupled with a 25 basis point improvement in the FTE net interest margin (NIM) to 3.31%. Average earning asset growth included a \$15.4 billion, or 30%, increase in average loans and leases and an \$8.5 billion, or 56%, increase in average securities. The NIM expansion reflected a 34 basis point increase in earning asset yields and a 2 basis point increase in the benefit from noninterest-bearing funds, partially offset by an 11 basis point increase in funding costs. FTE net interest income during the 2017 second quarter included \$34 million, or approximately 15 basis points, of purchase accounting impact.

Compared to the 2017 first quarter, FTE net interest income increased \$15 million, or 2%. Average earning assets increased \$0.6 billion, or less than 1%, sequentially, while the NIM increased 1 basis point. The increase in the NIM reflected a 5 basis point increase in earning asset yields and a 3 basis point increase in the benefit from noninterest-bearing

funds, partially offset by a 7 basis point increase in the cost of interest-bearing liabilities. The purchase accounting impact on the net interest margin was approximately 15 basis points in the 2017 second quarter compared to approximately 16 basis points in the prior quarter.

Table 4 – Average Earning Assets – Residential Mortgage, Automobile, and RV and Marine Drive Linked-quarter Loan Growth

(\$ in billions)	2017		2016			Change LQ
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	
Commercial and industrial	\$ 28.0	\$ 27.9	\$ 27.7	\$ 25.0	\$ 21.3	0 %
Commercial real estate	7.1	7.4	7.2	6.4	5.2	(4)
Total commercial	35.1	35.3	34.9	31.3	26.6	(1)
Automobile	11.3	11.1	10.9	11.4	10.1	2
Home equity	10.0	10.1	10.1	9.3	8.4	(1)
Residential mortgage	8.0	7.8	7.7	7.0	6.2	3
RV and marine finance	2.0	1.9	1.8	0.9	—	9
Other consumer	1.0	0.9	1.0	0.8	0.6	7
Total consumer	32.3	31.7	31.5	29.4	25.4	2
Total loans and leases	67.3	67.0	66.4	60.7	51.9	1
Total securities	23.8	23.6	22.4	18.2	15.3	0
Held-for-sale and other earning assets	0.6	0.5	2.6	0.8	0.7	22
Total earning assets	\$ 91.7	\$ 91.1	\$ 91.5	\$ 79.7	\$ 67.9	1 %

See Page 7 of Quarterly Financial Supplement for additional detail.

Note: 2016 third quarter results reflect inclusion of FirstMerit since August 16, 2016.

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

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

Table 5 – Average Liabilities – Interest-bearing Demand and Money Market Deposits Drive Linked-quarter Core Deposit Growth

(\$ in billions)	2017		2016			Chang	
	Second	First	Fourth	Third	Second		
	Quarter	Quarter	Quarter	Quarter	Quarter	LQ	
Demand deposits - noninterest-bearing	\$ 21.6	\$ 21.7	\$ 23.2	\$ 20.0	\$ 16.5	(1)	%
Demand deposits - interest-bearing	17.4	16.8	15.3	12.4	8.4	4	
Total demand deposits	39.0	38.5	38.5	32.4	24.9	1	
Money market deposits	19.2	18.7	18.6	18.5	19.5	3	
Savings and other domestic deposits	11.9	12.0	12.3	8.9	5.4	(1)	
Core certificates of deposit	2.1	2.3	2.6	2.3	2.0	(8)	
Total core deposits	72.2	71.5	72.0	62.1	51.8	1	
Other domestic deposits of \$250,000 or more	0.5	0.5	0.4	0.4	0.4	2	
Brokered deposits and negotiable CDs	3.8	4.0	4.3	3.9	2.9	(5)	
Deposits in foreign offices	—	—	0.2	0.2	0.2	—	
Total deposits	\$ 76.5	\$ 76.0	\$ 76.9	\$ 66.6	\$ 55.3	1	%
Short-term borrowings	\$ 2.7	\$ 3.8	\$ 2.6	\$ 1.3	\$ 1.0	(29)	%
Long-term debt	8.7	8.5	8.6	8.5	7.9	2	
Total debt	\$ 11.4	\$ 12.3	\$ 11.2	\$ 9.8	\$ 8.9	(7)	%
Total interest-bearing liabilities	\$ 66.4	\$ 66.5	\$ 64.9	\$ 56.3	\$ 47.8	(0)	%

See Page 7 of Quarterly Financial Supplement for additional detail.

Note: 2016 third quarter results reflect inclusion of FirstMerit since August 16, 2016.

Average total deposits for the 2017 second quarter increased \$21.1 billion, or 38%, from the year-ago quarter, while average total core deposits increased \$20.4 billion, or 39%.

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

Compared to the 2017 first quarter, average total core deposits increased \$0.8 billion, or

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

Noninterest Income (see Basis of Presentation)

Table 6 – Noninterest Income (GAAP) – Deposit Service Charges and Card and Payment Processing Income Continue to Drive Fee Income Growth

(\$ in millions)	2017		2016			Change (%)	
	Second	First	Fourth	Third	Second		
	Quarter	Quarter	Quarter	Quarter	Quarter	LQ	Y
Service charges on deposit accounts	\$ 88	\$ 83	\$ 92	\$ 87	\$ 76	5 %	16
Cards and payment processing income	52	47	49	44	39	11	34
Mortgage banking income	32	32	38	41	32	2	2
Trust and investment management services	32	34	34	29	22	(5)	43
Insurance income	16	15	16	16	16	4	(1)
Brokerage income	16	16	17	15	15	3	12
Capital markets fees	17	14	19	15	13	19	29
Bank owned life insurance income	15	18	17	14	13	(13)	22
Gain on sale of loans	12	13	25	8	9	(6)	30
Securities gains (losses)	0	(0)	(2)	1	1	NM	NM
Other Income	44	41	30	33	36	9	22
Total noninterest income	\$ 325	\$ 312	\$ 334	\$ 302	\$ 271	4 %	20

Table 7 - Impact of Significant Items

(\$ in millions)	2017		2016		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Service charges on deposit accounts	\$ —	\$ —	\$ —	\$ —	\$ —
Cards and payment processing income	—	—	—	—	—
Mortgage banking income	—	—	—	—	—
Trust and investment management services	—	—	—	—	—

Insurance income	—	—	—	—	—
Brokerage income	—	—	—	—	—
Capital markets fees	—	—	—	—	—
Bank owned life insurance income	—	—	—	—	—
Gain on sale of loans	—	—	—	—	—
Securities gains (losses)	—	—	—	—	—
Other Income	—	2	(1)	—	—
Total noninterest income	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>

Table 8 - Adjusted Noninterest Income (Non-GAAP)

(\$ in millions)	2017		2016			Change (%)	
	Second	First	Fourth	Third	Second		
	Quarter	Quarter	Quarter	Quarter	Quarter	LQ	Y
Service charges on deposit accounts	\$ 88	\$ 83	\$ 92	\$ 87	\$ 76	5 %	16
Cards and payment processing income	52	47	49	44	39	11	34
Mortgage banking income	32	32	38	41	32	2	2
Trust and investment management services	32	34	34	29	22	(5)	43
Insurance income	16	15	16	16	16	4	(1)
Brokerage income	16	16	17	15	15	3	12
Capital markets fees	17	14	19	15	13	19	29
Bank owned life insurance income	15	18	17	14	13	(13)	22
Gain on sale of loans	12	13	25	8	9	(6)	30
Securities gains (losses)	—	—	(2)	1	1	NM	NM
Other Income	44	39	31	33	36	13	22
Total noninterest income	<u>\$ 325</u>	<u>\$ 310</u>	<u>\$ 335</u>	<u>\$ 302</u>	<u>\$ 271</u>	<u>5 %</u>	<u>20</u>

See Pages 10-11 of Quarterly Financial Supplement for additional detail.

Note: 2016 third quarter results reflect inclusion of FirstMerit since August 16, 2016.

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

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

Noninterest Expense (see Basis of Presentation)

Table 9 – Noninterest Expense (GAAP) – Continued Focus on Implementation of FirstMerit-Related Cost Savings

<u>(\$ in millions)</u>	2017		2016			Change (%)	
	Second	First	Fourth	Third	Second		
	Quarter	Quarter	Quarter	Quarter	Quarter	LQ	Y
Personnel costs	\$ 392	\$ 382	\$ 360	\$ 405	\$ 299	3	% 31
Outside data processing and other services	75	87	89	91	63	(14)	19
Equipment	43	47	60	41	32	(8)	35
Net occupancy	53	68	49	41	31	(22)	71
Professional services	18	18	23	47	21	(1)	(15)
Marketing	19	14	21	14	15	35	28
Deposit and other insurance expense	20	20	16	15	12	2	68
Amortization of intangibles	14	14	14	9	4	(1)	296
Other expense	60	57	49	48	47	5	27
Total noninterest expense	<u>\$ 694</u>	<u>\$ 707</u>	<u>\$ 681</u>	<u>\$ 712</u>	<u>\$ 524</u>	<u>(2)</u>	<u>% 33</u>
<u>(in thousands)</u>							
Number of employees (Average full-time equivalent)	16.1	16.3	16.0	14.5	12.4	(1)	% 30

Table 10 - Impacts of Significant Items

<u>(\$ in millions)</u>	2017		2016		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Personnel costs	\$ 18	\$ 20	\$ (5)	\$ 76	\$ 5
Outside data processing and other services	6	14	15	28	3
Equipment	4	6	20	5	—
Net occupancy	14	23	7	7	—
Professional services	4	4	9	34	11
Marketing	—	1	4	1	—
Deposit and other insurance expense	—	—	—	—	—
Amortization of intangibles	—	—	—	—	—

Other expense	4	5	3	8	2
Total noninterest expense	\$ 50	\$ 73	\$ 53	\$ 159	\$ 21

Table 11 - Adjusted Noninterest Expense (Non-GAAP)

(\$ in millions)	2017		2016			Change (%)	
	Second	First	Fourth	Third	Second		
	Quarter	Quarter	Quarter	Quarter	Quarter	LQ	Y
Personnel costs	\$ 374	\$ 362	\$ 365	\$ 329	\$ 294	3 %	27
Outside data processing and other services	69	73	73	63	60	(5)	15
Equipment	39	41	40	36	32	(5)	22
Net occupancy	38	44	42	34	30	(14)	27
Professional services	14	14	14	13	11	0	27
Marketing	19	13	17	14	15	46	27
Deposit and other insurance expense	20	20	16	15	12	2	68
Amortization of intangibles	14	14	14	9	4	(1)	296
Other expense	56	52	47	40	46	8	22
Total noninterest expense	\$ 644	\$ 634	\$ 628	\$ 553	\$ 503	2 %	28

See Page 10 of Quarterly Financial Supplement for additional detail.

Note: 2016 third quarter results reflect inclusion of FirstMerit since August 16, 2016.

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

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

Credit Quality

Table 12 – Credit Quality Metrics – NALs and NPAs Decrease Sequentially, while NCOs Remain Better Than Long-Term Expectations

(\$ in millions)	2017		2016		
	June 30,	March 31,	December 31,	September 30,	June 30,
Total nonaccrual loans and leases	\$ 364	\$ 401	\$ 423	\$ 404	\$ 461
Total other real estate	44	50	51	71	29
Other NPAs ⁽¹⁾	7	7	7	—	—
Total nonperforming assets	415	458	481	475	490
Accruing loans and leases past due 90 days or more	136	128	129	135	99
NPAs + accruing loans and lease past due 90 days or more	\$ 551	\$ 586	\$ 610	\$ 610	\$ 589
NAL ratio ⁽²⁾	0.54 %	0.60 %	0.63 %	0.61 %	0.88 %
NPA ratio ⁽³⁾	0.61	0.68	0.72	0.72	0.93
(NPAs+90 days)/(Loans+OREO)	0.81	0.87	0.91	0.92	1.12
Provision for credit losses	\$ 25	\$ 68	\$ 75	\$ 64	\$ 25
Net charge-offs	36	39	44	40	17
Net charge-offs / Average total loans	0.21 %	0.24 %	0.26 %	0.26 %	0.13 %
Allowance for loans and lease losses	\$ 668	\$ 673	\$ 638	\$ 617	\$ 623
Allowance for unfunded loan commitments and letters of credit	85	92	98	88	74
Allowance for credit losses (ACL)	\$ 753	\$ 765	\$ 736	\$ 705	\$ 697
ACL as a % of:					
Total loans and leases	1.11 %	1.14 %	1.10 %	1.06 %	1.33 %
NALs	207	190	174	174	151
NPAs	181	167	153	148	142

Other nonperforming assets include certain impaired investment

(1) securities.

(2) Total NALs as a % of total loans and leases.

(3) Total NPAs as a % of sum of loans and leases and other real estate.

See Pages 12-15 of Quarterly Financial Supplement for additional detail.

Overall asset quality remains strong. The overall consumer credit metrics continue to perform as expected, with improvement in the Indirect Auto portfolio compared to the prior quarter mostly due to seasonality. The commercial portfolios have performed consistently, with some quarter to quarter volatility as a result of the absolute low level of problem loans.

Nonaccrual loans and leases (NALs) decreased \$96 million, or 21%, from the year-ago quarter to \$364 million, or 0.54% of total loans and leases. The year-over-year decrease was centered in the Commercial portfolio, primarily associated with the improved performance of a small number of energy sector loan relationships that were added to NALs in the 2016 first quarter. While the energy portfolio was a primary driver of the decrease in NALs over the past year, that portfolio continues to represent less than 1% of total loans outstanding. Nonperforming assets (NPAs) decreased \$75 million, or 15%, from the year-ago quarter to \$415 million, or 0.61% of total loans and leases and OREO. NALs decreased \$37 million, or 9%, from the prior quarter, while NPAs decreased \$43 million, or 9%, from the prior quarter. The linked-quarter decreases primarily resulted from pay-downs and NALs that returned to accruing status.

The provision for credit losses of \$25 million in the 2017 second quarter was consistent with the \$25 million provision in the year ago quarter. Net charge-offs (NCOs) increased \$19 million to \$36 million primarily as a result of Consumer charge-offs on the acquired FirstMerit portfolio. NCOs represented an annualized 0.21% of average loans and leases in the

current quarter, down from 0.24% in the prior quarter but up from 0.13% in the year-ago quarter. We continue to be pleased with the net charge-off performance within each portfolio and in total.

The period-end allowance for credit losses (ACL) as a percentage of total loans and leases decreased to 1.11% from 1.33% a year ago, while the ACL as a percentage of period-end total NALs increased to 207% from 151% over the same period. We believe the level of the ACL is appropriate given the consistent improvement in the credit quality metrics and the current composition of the overall loan and lease portfolio. The year-over-year decline in the coverage ratios is primarily a function of the purchase accounting impact associated with the FirstMerit acquisition.

Capital

Table 13 – Capital Ratios – Reinstating Share Repurchase as Capital Ratios Within Targeted Ranges

(\$ in millions)	2017		2016	
	June 30,	March 31,	December 31,	September 30,
Tangible common equity / tangible assets ratio	7.41 %	7.28 %	7.16 %	7.14 %
Common equity tier 1 risk-based capital ratio ⁽¹⁾	9.88 %	9.74 %	9.56 %	9.09 %
Regulatory Tier 1 risk-based capital ratio ⁽¹⁾	11.24 %	11.11 %	10.92 %	10.40 %
Regulatory Total risk-based capital ratio ⁽¹⁾	13.33 %	13.26 %	13.05 %	12.56 %
Total risk-weighted assets ⁽¹⁾	\$ 78,369	\$ 77,559	\$ 78,263	\$ 80,513
				\$ 60,721

Figures are estimated and are presented on a Basel III standardized approach

(1) basis.

See Pages 16-17 of Quarterly Financial Supplement for additional detail.

The tangible common equity to tangible assets ratio was 7.41% at June 30, 2017, down 55 basis points from a year ago. Common Equity Tier 1 (CET1) risk-based capital ratio was 9.88% at June 30, 2017, up from 9.80% a year ago. The regulatory Tier 1 risk-based capital ratio was 11.24% compared to 11.37% at June 30, 2016. Capital ratios were impacted by the \$1.3 billion of goodwill created and the issuance of \$2.8 billion of common stock as part of the FirstMerit acquisition. The regulatory Tier 1 risk-based and total risk-based capital ratios benefited from the issuance of \$100 million of Class C preferred equity during the 2016 third quarter in exchange for FirstMerit preferred equity in conjunction with the acquisition. The total risk-based capital ratio was impacted by the repurchase of \$20 million of trust preferred securities during the 2016 third quarter and \$40 million of trust preferred securities during the 2016 fourth quarter, both of which were executed under the *de minimis* clause of the Federal Reserve's CCAR rules. In addition, \$5 million of trust preferred

securities were acquired in the FirstMerit acquisition and subsequently were redeemed. There were no common shares repurchased over the past five quarters.

Income Taxes

The provision for income taxes in the 2017 second quarter was \$79 million, compared to \$54 million in the 2016 second quarter. The effective tax rates for the 2017 second quarter and 2016 second quarter were 22.4% and 23.7%, respectively. At June 30, 2017, we had a net federal deferred tax asset of \$41 million and a net state deferred tax asset of \$37 million.

Expectations - 2017

"Economic activity remained relatively steady across our markets over the first half of the year, and we expect economic activity will modestly improve during the second half as ongoing consumer and business confidence fuel private sector investment," Steinour said. "The interest rate environment also remains favorable given the recent short-term interest rate hikes by the Federal Reserve, although the flattening seen on the intermediate term portion of the yield curve has dampened some of the benefits from the rate increases."

"Irrespective of the macroeconomic backdrop, our focus for the second half of the year is continuing to drive improved returns as we execute on core fundamentals across the Company. In addition, we will realize the remaining cost savings from the FirstMerit acquisition, and continue to capitalize on acquisition-related revenue enhancement opportunities."

We expect full-year revenue growth to be in excess of 20%. While continuing to proactively invest in the franchise, we will manage the expense base consistent with our economic outlook. We remain committed to our annual goal to deliver positive operating leverage. We also remain on track to implement all FirstMerit-related cost savings by the end of the 2017 third quarter.

We expect average balance sheet growth, driven largely by the FirstMerit acquisition, to be in excess of 20%. On a period-end basis, we expect loan growth of 4% to 6%.

Overall, asset quality metrics are expected to remain near current levels, although moderate quarterly volatility also is expected, given the current low level of problem assets and credit costs. We anticipate NCOs will remain below our long-term normalized range of 35 to 55 basis points, while provision expense will continue to normalize.

The effective tax rate for 2017 is expected to be in the range of 24% to 27%, excluding Significant Items.

Conference Call / Webcast Information

Huntington's senior management will host an earnings conference call on July 21, 2017, at 9:00 a.m. (Eastern Daylight Time). The call may be accessed via a live Internet webcast at the Investor Relations section of Huntington's website, www.huntington.com, or through a dial-in telephone number at (877) 407-8029; Conference ID #13664890. Slides will be available in the Investor Relations section of Huntington's website about an hour prior to the call. A replay of the webcast will be archived in the Investor Relations section of Huntington's website. A telephone replay will be available approximately two hours after the

completion of the call through August 4, 2017 at (877) 660-6853 or (201) 612-7415; conference ID #13664890.

Please see the 2017 Second Quarter Quarterly Financial Supplement for additional detailed financial performance metrics. This document can be found on the Investor Relations section of Huntington's website, <http://www.huntington.com>.

Caution regarding Forward-Looking Statements

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

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

All forward-looking statements speak only as of the date they are made and are based on information available at that time. We do not assume any obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as

required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

Basis of Presentation

Use of Non-GAAP Financial Measures

This document contains GAAP financial measures and non-GAAP financial measures where management believes it to be helpful in understanding Huntington's results of operations or financial position. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in this document, conference call slides, or the Form 8-K related to this document, all of which can be found on Huntington's website at www.huntington-ir.com.

Annualized Data

Certain returns, yields, performance ratios, or quarterly growth rates are presented on an "annualized" basis. This is done for analytical and decision-making purposes to better discern underlying performance trends when compared to full-year or year-over-year amounts. For example, loan and deposit growth rates, as well as net charge-off percentages, are most often expressed in terms of an annual rate like 8%. As such, a 2% growth rate for a quarter would represent an annualized 8% growth rate.

Fully-Taxable Equivalent Interest Income and Net Interest Margin

Income from tax-exempt earning assets is increased by an amount equivalent to the taxes that would have been paid if this income had been taxable at statutory rates. This adjustment puts all earning assets, most notably tax-exempt municipal securities and certain lease assets, on a common basis that facilitates comparison of results to results of competitors.

Earnings per Share Equivalent Data

Significant income or expense items may be expressed on a per common share basis. This is done for analytical and decision-making purposes to better discern underlying trends in total corporate earnings per share performance excluding the impact of such items. Investors may also find this information helpful in their evaluation of the company's financial performance against published earnings per share mean estimate amounts, which typically exclude the impact of Significant Items. Earnings per share equivalents are usually calculated by applying an effective tax rate to a pre-tax amount to derive an after-tax amount, which is divided by the average shares outstanding during the respective reporting period. Occasionally, when the item involves special tax treatment, the after-tax amount is disclosed separately, with this then being the amount used to calculate the earnings per share equivalent.

Rounding

Please note that columns of data in this document may not add due to rounding.

Significant Items

From time to time, revenue, expenses, or taxes are impacted by items judged by Management 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 Management 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 Management decisions associated with significant corporate actions out 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 write-downs, etc., reflect ordinary banking activities and are, therefore, typically excluded from consideration as a Significant Item.

Management believes the disclosure of "Significant Items", when appropriate, aids analysts/investors in better understanding corporate performance and trends so that they can ascertain which of such items, if any, they may wish to include/exclude from their analysis of the company's performance - i.e., within the context of determining how that performance differed from their expectations, as well as how, if at all, to adjust their estimates of future performance accordingly. To this end, Management has adopted a practice of listing "Significant Items" in its external disclosure documents (e.g., earnings press releases, quarterly performance discussions, 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. A number of items could materially impact these periods, including those described in Huntington's 2016 Annual Report on Form 10-K and other factors described from time to time in Huntington's other filings with the Securities and Exchange Commission.

About Huntington

Huntington Bancshares Incorporated is a regional bank holding company headquartered in Columbus, Ohio, with \$101 billion of assets and a network of 996 branches and 1,860 ATMs across eight Midwestern states. Founded in 1866, The Huntington National Bank and its affiliates provide consumer, small business, commercial, treasury management, wealth management, brokerage, trust, and insurance services. Huntington also provides auto dealer, equipment finance, national settlement and capital market services that extend beyond its core states. Visit huntington.com for more information.

View original content: <http://www.prnewswire.com/news-releases/huntington-bancshares-incorporated-reports-record-quarterly-earnings-300492193.html>

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