Huntington

2019 ANNUAL REPORT

Huntington Bancshares Incorporated is a regional bank holding company headquartered in Columbus, Ohio, with $109 billion of assets and a network of 868 full-service branches, including 12 Private Client Group offices, and 1,448 ATMs across seven 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 vehicle finance, equipment finance, national settlement, and capital market services that extend beyond its core states. Visit huntington.com for more information.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(In millions, except per share amounts)	2019	2018	Change Amount	Change Percent
NET INCOME	**$ 1,411**	$ 1,393	$ 18	1 %
PER COMMON SHARE AMOUNTS				
Net income (loss) per common share - diluted	**$ 1.27**	$ 1.20	$ 0.07	6 %
Cash dividend declared per common share	**0.58**	0.50	0.08	16 %
Tangible book value per common share [1]	**8.25**	7.34	0.91	12 %
PERFORMANCE RATIOS				
Return on average total assets	**1.31%**	1.33%		
Return on average tangible common shareholders' equity	**16.9**	17.9		
Net interest margin [2]	**3.26**	3.33		
Efficiency ratio [3]	**56.6**	56.9		
CAPITAL RATIOS				
Tangible common equity/tangible asset ratio [1] [4] [5]	**7.88%**	7.21%		
CET 1 risk-based capital ratio [1]	**9.88**	9.65		
Tier 1 risk-based capital ratio [1]	**11.26**	11.06		
Total risk-based capital ratio [1]	**13.04**	12.98		
CREDIT QUALITY MEASURES				
Net charge-offs (NCOs)	**$ 265**	$ 145	$ 120	83 %
NCOs as a % of average loans and leases	**0.35%**	0.20%	0.15%	
Non-accrual loans (NALs) [1]	**$ 468**	$ 340	$ 128	38 %
NAL ratio [1] [6]	**0.62%**	0.45%	0.17%	
Non-performing assets (NPAs) [1]	**$ 498**	$ 387	$ 111	29 %
NPA ratio [1] [7]	**0.66%**	0.52%	0.14%	
Allowance for loan and lease losses (ALLL) [1]	**$ 783**	$ 772	$ 11	1 %
ALLL as a % of total loans and leases [1]	**1.04%**	1.03%	0.01%	
ALLL as a % of NALs [1]	**167**	228	(61)	
BALANCE SHEET - DECEMBER 31,				
Total loans and leases	**$ 75,404**	$ 74,900	$ 504	1 %
Total assets	**109,002**	108,781	221	— %
Total deposits	**82,347**	84,774	(2,427)	(3)%
Total shareholders' equity	**11,795**	11,102	693	6 %

(1) At December 31.
(2) On a fully-taxable equivalent (FTE) basis assuming a 21% tax rate.
(3) Noninterest expense less amortization of intangibles and goodwill impairment divided by the sum of FTE net interest income and noninterest income excluding securities gains (losses).
(4) Tangible equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.
(5) Tangible equity (total equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax and calculated at a 21% tax rate.
(6) NALs divided by total loans and leases.
(7) NPAs divided by the sum of total loans and leases and other real estate owned.

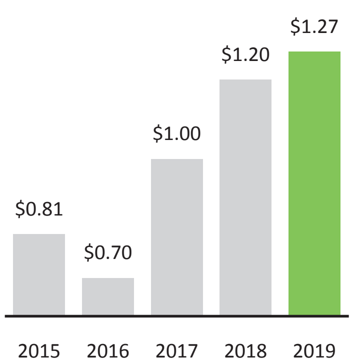
DEAR FELLOW OWNERS AND FRIENDS:

2019 was a successful year for Huntington. We met our customers' needs with our distinguished product set and with consistently good customer service. I continue to be humbled by the commitment of our colleagues, who by living our purpose, earn customer satisfaction recognition and awards on local, regional, and national levels. At Huntington, we believe that purpose drives performance. Huntington's purpose, simply stated, is to make people's lives better, help businesses thrive, and strengthen the communities we serve. We managed through a year of significant economic uncertainty, market volatility, and falling interest rates, delivering sound financial performance in the face of these headwinds while maintaining disciplined risk management.

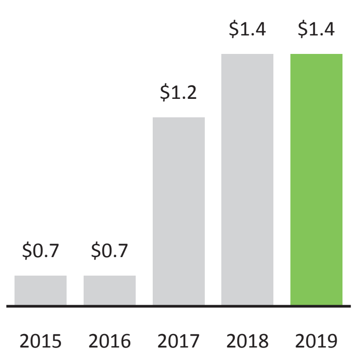
I was pleased with our share performance in 2019. Total shareholder return (TSR), which is the total share price performance assuming reinvestment of dividends, was a robust +31.7% for 2019, slightly outperforming the +31.5% TSR for the S&P 500 Index. As I have noted before, although we are highly cognizant of short-term share performance, the Board, management team, and a significant portion of our colleagues are all long-term shareholders (in fact, one of the ten largest shareholders of the Company when considered on a combined basis). We manage the Company to create shareholder value over the long term through consistent, disciplined performance.

2019 Financial Performance—Record Revenue and Record Net Income

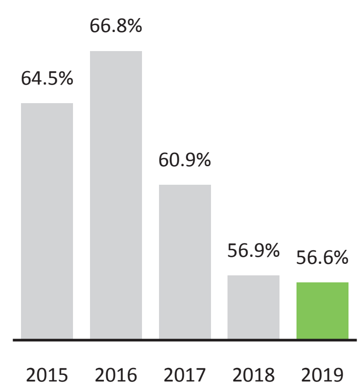
Earnings per Common Share



Net Income ($ in billions)



Efficiency Ratio



There is a historical ethos of humility and hard work in the Midwest — taking challenges head on as they present themselves without dwelling on what could have been. That was our approach as 2019 quickly transitioned to a year of substantial challenges. When writing this letter a year ago, we expected multiple interest rate increases from the Federal Reserve, a welcomed outlook given our asset sensitive balance sheet positioning. This simply means our assets would re-price more quickly than our liabilities, and thus we would see an improvement in our net interest income, the source of more than two-thirds of our total revenue. As we know now, what occurred was quite different, as the slowing global economic growth and significant market uncertainty caused the Federal Reserve to reduce interest rates three times in 2019. The impact of this swing in interest rate outlook materially lowered revenue from what we originally planned, all else equal.

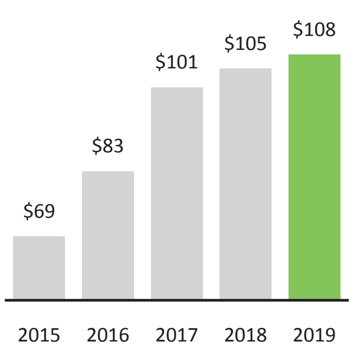
To address this more challenging interest rate and revenue outlook, we implemented a hedging strategy, sold certain loans, and took other structural actions to reduce the asset sensitivity of the balance sheet. For example, we modestly reduced pricing on new super prime indirect auto loans in order to grow these fixed rate, short duration loans. We also reduced the rate and terms of our deposits. Investments we made in our home lending business the past few years resulted in record mortgage originations in the fourth quarter. We also managed our expenses more tightly, adjusting certain investments and re-examining all discretionary spending. All told, this active management and execution across the Company delivered bottom-line results roughly in line with our budget.

2019 net income of $1.4 billion represented a record for Huntington, a 1% increase from the prior year. This is the fifth consecutive year and the eighth time in the last nine years that we have achieved record net income. Earnings per common share for the year were $1.27, up 6% from the prior year and the highest we have reported since the Global Financial Crisis. Tangible book value per common share as of 2019 year-end was $8.25, a 12% year-over-year increase. Our profitability ratios also were strong as return on average assets was 1.3%, return on average common equity was 13%, and return on average tangible common equity was 17%. We believe each of these return metrics again compare favorably with our regional bank peers.

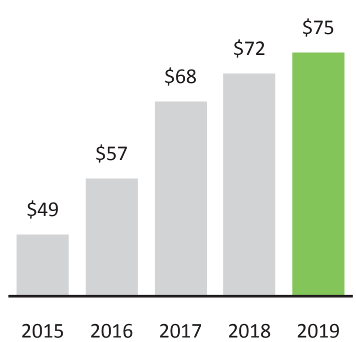
Fully taxable equivalent total revenue increased 3% to a record $4.7 billion. Fully taxable equivalent net interest income increased 1% year-over-year, reflecting 3% earning asset growth partially offset by seven basis points of compression in the net interest margin resulting from the declining interest rate environment. Noninterest income increased 10% year-over-year, as we continue to see positive momentum across our core business lines, which we have invested in significantly during the past several years. Mortgage banking income increased 55% as a result of these investments and lower interest rates. Aided by our successful fourth quarter 2018 acquisition of municipal underwriter Hutchison, Shockey, Erley & Co., capital markets fees increased 14% year-over-year. Importantly, noninterest income contributed 31% of our total revenues in 2019, and we continue to focus on increasing the revenue contribution from these noninterest income sources.

In challenging revenue environments such as 2019, disciplined expense management becomes even more important. Total overhead expense increased 3% as we thoughtfully balanced continued investments in our business with our annual goal of positive operating leverage, which means revenue growth exceeding expense growth. As a result, in 2019 we delivered positive operating leverage on an adjusted basis[1] for the seventh consecutive year. We also continued to improve our efficiency ratio, which represents the ratio of the cost to earn each dollar of revenue, decreasing to 56.6% compared to 56.9% in 2018. Our efficiency ratio remains one of the best among the regional banks.

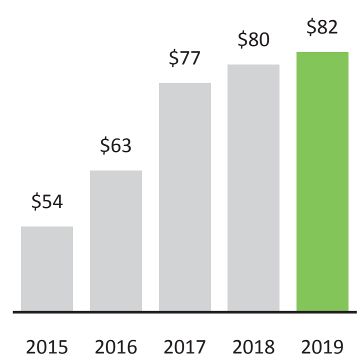
Average Total Assets ($ in billions)



Average Total Loans and Leases ($ in billions)



Average Total Deposits ($ in billions)



Balance sheet growth was modest in 2019 as average total assets increased 3%, impacted by both the economic environment and the sale of our Wisconsin branch-based operations in June 2019. Average loans and leases increased 4%, with like-sized increases in both our prime-focused consumer loans and our commercial loans. Somewhat uniquely among regional banks, we are strategically and intentionally balanced between consumer and commercial. This provides both strong risk management and the ability to maintain growth across a broader array of economic periods. Average total deposits increased 3%, including a 4% increase in average core deposits. We continue to focus on growing consumer and commercial checking relationships, the fundamental core of banking relationships.

Our credit metrics remain strong, reflective of our commitment to maintaining our aggregate moderate-to-low risk profile and our stringent underwriting standards. Net charge-offs for the year were 35 basis points, the low end of our average through-the-cycle target range of 35 to 55 basis points. The nonperforming asset ratio ended the year at 0.66%.

[1] See 2019 fourth quarter earnings conference call slides for reconciliation

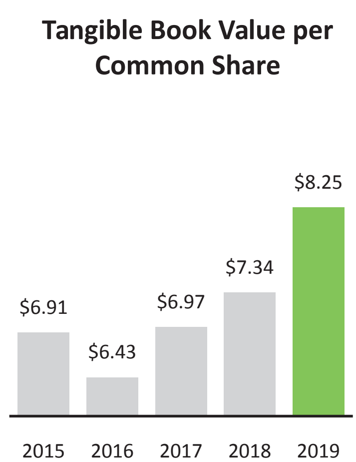
These metrics were modestly higher than anticipated as we experienced weakness in our oil and gas portfolio. While the oil and gas portfolio is small, less than 2% of total loans, the losses experienced in 2019 are unacceptable. Nonetheless, our strategy and our commitment are and have been to outperform the industry on credit quality through the cycle. The strong credit quality exhibited by the remaining 98%-plus of our loan portfolio supports this expectation.

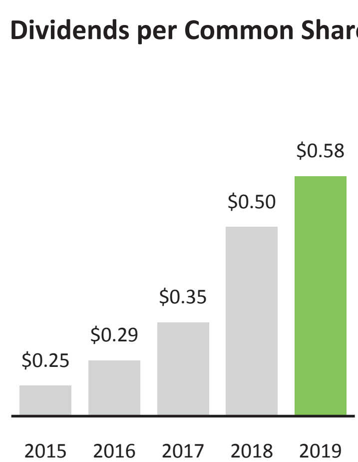
Our capital levels also remain strong. Our Common Equity Tier 1 (CET1) risk-based ratio ended 2019 at 9.88%, up from 9.65% a year earlier and consistent with our 9% to 10% operating guideline. Our tangible common equity (TCE) ratio was 7.88% at year-end, up from 7.21% a year ago.

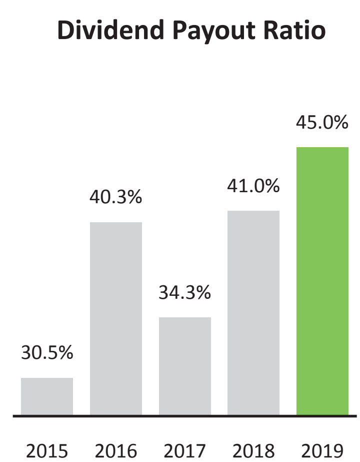
Subsequent to year-end, we implemented the new accounting standard for credit reserves called the Current Expected Credit Loss, or CECL, methodology which estimates credit loss expectations over the entire life of the loan instead of only when a loss has been incurred under the old methodology. Based on the portfolio composition as of December 31, 2019, the adoption of CECL resulted in an increase to our total Allowance for Credit Losses (ACL) of approximately $393 million, or 44%, from the 2019 year-end ACL level of $887 million. The increase in the ACL is largely attributable to the consumer portfolio, given the longer asset duration associated with many of these products, and the use of multiple economic scenarios when determining the Bank's economic forecast. As a result of the increase in the ACL, Huntington recognized a one-time downward adjustment of approximately $306 million to our retained earnings. For regulatory capital purposes, this reduction to our regulatory capital ratios will be phased in over three years; however, the full impact of the reduction will be reflected in our TCE ratio in the 2020 first quarter.

The full detail of our 2019 financial performance can be found in the Management's Discussion and Analysis section located later in the attached SEC Form 10-K. Please take the opportunity to read this, as it provides additional perspective and commentary.

Capital Management and Capital Return to Shareholders







As a result of recent regulatory reform, we were not required to formally participate in the annual Dodd-Frank Act Stress Test and Comprehensive Capital Analysis and Review (CCAR) processes with the Federal Reserve during 2019, as these were made an every-other-year requirement for regional banks with assets of $100 billion to $250 billion. The Board maintained the same diligent oversight and approval process for our 2019 capital plan (which covers the period of July 2019 through June 2020) as if we were participating in the regulatory process. We believe these processes make us, and the banking industry, better, and our commitment to robust risk and capital management is as strong as ever. We remain prudent with our allocation of capital to ensure we are earning adequate returns and taking appropriate risk, consistent with our aggregate moderate-to-low risk profile.

We also remain committed to our well-established capital priorities: (1) grow the core franchise, (2) support the cash dividend, and (3) all other uses, including share repurchases. Consistent with these priorities, we increased cash dividends to our owners for the ninth consecutive year in 2019. The $611 million of total declared common dividends represented a dividend payout ratio of 45%. We also repurchased $441 million of common stock. Combining the common dividends and the buybacks, we returned more than $1.0 billion of capital, or 79% of earnings, to our owners in 2019. Our dividend yield was an attractive 4.0% at 2019 year end.

Over the long term, our Board of Directors has established a targeted dividend payout ratio range of 40% to 45% and a total payout ratio inclusive of share repurchases of 70% to 80%. These levels represent realistic expectations for us going forward, assuming a continued positive economic outlook.

Investment and Innovation

Strategic investment is critical to the future success of any company, and as we have stated many times, Huntington is focused on creating long-term shareholder value. We are always looking at how we can best position ourselves for the future and have made investments in our colleagues and in our businesses that will allow us to drive revenue growth, deliver superior customer experiences, improve efficiency, and maintain our risk management disciplines, including adhering to our aggregate moderate-to-low risk appetite.

Two years ago, we introduced "The Hub," our digital platform designed to take our customer experience to an even higher level. We received an important accolade which highlights these strategic investments with two high profile recognitions from JD Power in 2019 for highest in customer satisfaction with Online Banking and Mobile Banking Apps. Skeptics worry that a regional bank like Huntington cannot keep pace with the industry's behemoths. I believe our customers have spoken loudly through these recognitions.

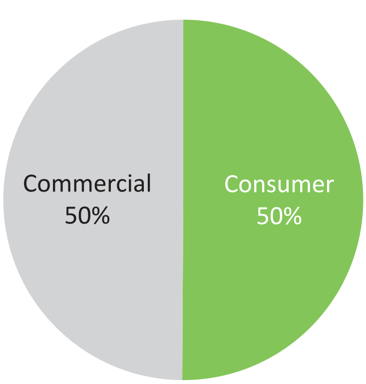
Over the past several years, our technology investments, such as The Hub, have focused on digital capabilities including products, features, and customer self-service tools and capabilities. We are also investing to protect our customers and ourselves with robust risk management technology, including data management and cyber security.

Strategic Portfolio Mix

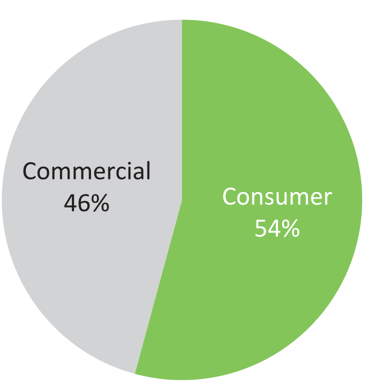
There is a perception by some in the market that regional banks have strategically abandoned consumer banking to focus exclusively on commercial banking, thus leaving consumer banking to be the domain of the mega banks and the credit card specialty banks. Huntington remains committed to the consumer. In fact, we are leaning in even deeper, capitalizing on our customer-centric "Fair Play" philosophy, our Welcome brand, and our distinguished products.

Our strategy calls for our loan portfolio to hover around roughly half consumer and half business and commercial. A relatively similar mix can be found in our deposits. This thoughtful diversification is a vital component of our credit risk management and adherence to our aggregate moderate-to-low risk appetite. Over the second half of 2019, most of our growth was driven by our super prime-focused indirect automobile lending and home lending businesses. In fact, both of these businesses produced record originations during the 2019 fourth quarter. On the deposit side, we remain focused on growing consumer checking accounts. Our 5% annual growth in average consumer noninterest bearing deposits is among the best in the industry, as most banks have struggled to grow these core deposits.

2019 Average Loan Mix



2019 Average Deposit Mix



Board and Management Additions

During 2019, we added three new directors to our Board as we proactively added depth to address an evolving industry, highlighted by rapid technological change, and the unique risks, such as cybersecurity, that come along with that change. A key component of our go-to-market strategy is the development of our omni-channel customer experience, with a particular focus on digital and mobile channels. As a result of this strategic focus and a recognition of the rapidly changing world of technology, both within and outside the banking industry, the Board added Allie Kline and Alanna Cotton, two experts in leading consumer marketing, brands, and new products. The Board also added banking and risk management expert Ken Phelan as part of our constant focus on disciplined risk management. With these three key additions, coupled with our talented existing directors, I believe we have one of the strongest, most engaged boards in corporate America.

The Executive Leadership Team also saw the addition of three new members. Last year, our long-time Chief Financial Officer Mac McCullough and Chief Credit Officer Dan Neumeyer retired. Both gentlemen enjoyed great careers in banking, and each left a lasting mark on their respective areas of expertise and oversight within Huntington. Following Mr. Neumeyer's retirement, we elevated Rich Pohle to Chief Credit Officer from his prior position as senior credit approval officer. As part of that transition, we also aligned the credit function within the Company's overall risk management organization, under the leadership of Chief Risk Officer Helga Houston. Next, Huntington welcomed risk management expert Nate Herman to the Bank as new Chief Auditor, while Harry Farver moved back into our Finance segment leadership overseeing the technological transformation of our finance processes and infrastructure. Finally, in November, Zach Wasserman joined as our new Chief Financial Officer, bringing a wide variety of experiences, along with significant financial expertise in the payments and credit card businesses.

The biographies of each of our directors and our executive leadership are located in the 2020 annual proxy statement as well as on the Investor Relations section of our website.

Advancing our Environmental, Social, and Governance (ESG) Strategy

The market's interest in Environmental, Social, and Governance, or ESG, matters continues to grow rapidly. We launched our formalized ESG efforts in late 2015, and solidified our ESG strategy in early 2017. Last year, we published our third ESG Annual Report, and efforts are currently underway on the next annual installment to be published in the 2020 second quarter. The 2019 ESG Annual Report does a good job of laying out the progress we have achieved in our ESG journey, our multi-year goals yet to be achieved, and many of the public acknowledgments of our hard work in these areas. Recently, we were honored to be named one of "America's Most Responsible Companies 2020" by *Newsweek*. As we look ahead, we will look for opportunities to advance our ESG strategy and to better illustrate how we have ingrained ESG disciplines into our corporate DNA.

If we viewed ESG as simply a business strategy, then I would be pleased with our progress; however, at Huntington, it is more than that. The underlying behaviors—strong risk management, serving the needs of our stakeholders (our owners, our customers, our colleagues, and our communities), and focusing on the long-term sustainability of our businesses—have been forefront in the minds of Huntington's Board, management, and colleagues for many years. We never called it ESG; we called it doing the right thing. Our promise is to look out for people. Huntington's purpose, simply stated, is to make people's lives better, help businesses thrive, and strengthen the communities we serve. Our values are to work with a can-do attitude, a service heart, and forward thinking approach. Our purpose and our values are deeply ingrained in our culture, our brand, and our value creation model. They provided the genesis a decade ago for our Fair Play strategy, which we believe is still the most distinctive and compelling customer proposition in U.S. banking. They also fuel the competitive advantage we enjoy today across our local communities, our deep local knowledge and our superior customer experience.

Investing in Our Colleagues

In last year's letter, I detailed many of our efforts to make important investments in our colleagues' well-being and professional development. We maintained that focus in 2019, sustaining our efforts to engage, develop, retain, and attract talent.

We continued to make investments to inform and educate our colleagues by leveraging technology platforms like Pathways and others. We established continuing education programs, including Exact Track, which offers colleagues a pre-imbursed college degree program. We invested in a Leadership Development Framework consisting of five new programs with year-long development experiences for all levels of Huntington Leaders.

At Huntington, Welcome means Welcome to All. This phrase is ingrained in our culture and is reflected in our approach to colleague engagement and customer service. We believe that employing a diverse and inclusive workforce is critical to the very success of our Company. Our colleagues draw upon different life experiences which allow us to cultivate the best ideas, as well as to innovate and continuously improve. We strive to identify and support diverse and inclusive colleagues and candidates, as well as foster economic inclusion through diverse suppliers.

Please see the 2018 ESG Annual Report and the forthcoming 2019 ESG Annual Report for additional details on our ongoing commitment to our colleagues and our human capital management.

Closing

While we take a moment here to celebrate the successes and acknowledge the challenges of 2019's performance, we also enter 2020 with eyes wide open to the continued global market volatility, challenging interest rate outlook, and the uncertainty of an upcoming national election. The consumer economy remains strong, while a sense of uncertainty and fatigue weighs on some of the nation's businesses and corporations. Our tactical plans for 2020 are informed by this challenging operating environment. Maintaining our disciplined execution and our long-term focus will be paramount to delivering another successful year of performance in 2020, and beyond. I remain confident in Huntington's ability to deliver on our promise of top-quartile, through-the-cycle financial performance.

I would like to close with a few sincere expressions of my appreciation to the many people that make the continued success of Huntington possible. To our more than 15,000 passionate and dedicated colleagues: thank you for what you do every day for our customers, for each other, and for the communities we serve. To our directors: thank you for your extraordinary commitment to Huntington. To our customers and other community stakeholders: thank you for trusting us to help meet your financial needs and allowing us to help strengthen the communities we call home. And last but certainly not least, to our shareholders: thank you for your continued confidence in and support of Huntington. We, like many of you, are long-term owners of the Company, and our interests are appropriately aligned for long-term performance.

I am proud to work with my fellow colleagues and our directors, who share a commitment to living our purpose.

Stephen D Steinour

Stephen D. Steinour
Chairman, President, and Chief Executive Officer

BOARD OF DIRECTORS

FRONT ROW, L-R: Robert S. Cubbin, Ann B. (Tanny) Crane, Richard W. Neu, Gina D. France
BACK ROW, L-R: Alanna Y. Cotton, Stephen D. Steinour, Kenneth J. Phelan, Lizabeth Ardisana, Steven G. Elliott, Katherine M. A. (Allie) Kline, John C. (Chris) Inglis, J. Michael Hochschwender, David L. Porteous, Kathleen H. Ransier (Not pictured: Peter J. Kight)

EXECUTIVE LEADERSHIP TEAM

FRONT ROW, L-R: Julie Tutkovics, Zachary Wasserman, Jana Litsey, Mark Thompson
BACK ROW, L-R: Stephen Steinour, Richard Pohle, Sandra Pierce, Andrew Harmening, Helga Houston, Paul Heller, Richard Remiker, Rajeev Syal, Nathanael Herman

COMMON STOCK AND DIVIDEND INFORMATION

2020 DIVIDEND PAYABLE DATES

QUARTER	PAYABLE DATE
1st	April 1, 2020
2nd	July 1, 2020 *
3rd	October 1, 2020 *
4th	January 4, 2021 *

*Subject to action by Board of Directors

2019 CASH DIVIDEND DECLARED DATA

QUARTER	RECORD DATE	PAYABLE DATE	PER COMMON SHARE AMOUNT
1st	March 18, 2019	April 1, 2019	$0.14
2nd	June 17, 2019	July 1, 2019	0.14
3rd	September 17, 2019	October 1, 2019	0.15
4th	December 18, 2019	January 2, 2020	0.15

COMMON STOCK PRICE

	2019	2018	2017	2016	2015	2014
High	$15.63	$16.60	$14.93	$13.64	$11.90	$10.74
Low	11.72	11.12	12.14	7.83	9.63	8.66
Close	15.08	11.92	14.56	13.22	11.06	10.52

20-YEAR DIVIDEND HISTORY

	CASH DIVIDENDS DECLARED (1)	STOCK DIVIDENDS/SPLITS	DISTRIBUTION DATE OF STOCK DIVIDEND /SPLIT
2000	$0.76	10% Stock Dividend	7/31/00
2001	0.72	—	—
2002	0.64	—	—
2003	0.67	—	—
2004	0.75	—	—
2005	0.85	—	—
2006	1.00	—	—
2007	1.06	—	—
2008	0.66	—	—
2009	0.04	—	—

	CASH DIVIDENDS DECLARED (1)	STOCK DIVIDENDS/SPLITS	DISTRIBUTION DATE OF STOCK DIVIDEND /SPLIT
2010	$0.04	—	—
2011	0.10	—	—
2012	0.16	—	—
2013	0.19	—	—
2014	0.21	—	—
2015	0.25	—	—
2016	0.29	—	—
2017	0.35	—	—
2018	0.50	—	—
2019	0.58	—	—

(1) Restated for stock dividends and stock splits as applicable.

FORWARD-LOOKING STATEMENT DISCLOSURE

This report, including the letter to shareholders, contains certain forward-looking statements, including 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. Actual results could differ materially from those contained or implied by such statements for a variety of factors. Please refer to Item 1A "Risk Factors" and the "Additional Disclosures" sections in Huntington's Form 10-K for the year ending December 31, 2019, for additional information. 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.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2019
Commission File Number 1-34073

Huntington Bancshares Incorporated
(Exact name of registrant as specified in its charter)

Maryland		**31-0724920**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
41 South High Street	**Columbus, Ohio**	**43287**
(Address of principal executive offices)		(Zip Code)

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

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

Title of class	Trading Symbol(s)	Name of exchange on which registered
Common Stock—Par Value $0.01 per Share	**HBAN**	**NASDAQ**
Depositary Shares (each representing a 1/40th interest in a share of 5.875% Series C Non-Cumulative, perpetual preferred stock)	**HBANN**	**NASDAQ**
Depositary Shares (each representing a 1/40th interest in a share of 6.250% Series D Non-Cumulative, perpetual preferred stock)	**HBANO**	**NASDAQ**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2019, determined by using a per share closing price of $13.82, as quoted by Nasdaq on that date, was $14,582,832,960. As of January 31, 2020, there were 1,019,194,130 shares of common stock with a par value of $0.01 outstanding.

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for the 2020 Annual Shareholders' Meeting.

HUNTINGTON BANCSHARES INCORPORATED
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Part I.

Glossary of Acronyms and Terms

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

ACL	Allowance for Credit Losses
AFS	Available-for-Sale
ALCO	Asset-Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
AML	Anti-Money Laundering
ANPR	Advance Notice of Proposed Rulemaking
AOCI	Accumulated Other Comprehensive Income
ASC	Accounting Standards Codification
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
Bank Secrecy Act	Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970
Basel III	Refers to the final rule issued by the FRB and OCC and published in the Federal Register on October 11, 2013
BHC	Bank Holding Company
BHC Act	Bank Holding Company Act of 1956
C&I	Commercial and Industrial
CCAR	Comprehensive Capital Analysis and Review
CCPA	California Consumer Privacy Act of 2018
CDs	Certificates of Deposit
CECL	Current Expected Credit Losses
CET1	Common equity tier 1 on a transitional Basel III basis
CFPB	Bureau of Consumer Financial Protection
CISA	Cybersecurity Information Sharing Act
CMO	Collateralized Mortgage Obligations
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Economic Growth Act	Economic Growth, Regulatory Relief and Consumer Protection Act
EPS	Earnings Per Share
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FCRA	Fair Credit Reporting Act
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHC	Financial Holding Company
FHLB	Federal Home Loan Bank of Cincinnati
FICO	Fair Isaac Corporation
FinCEN	Financial Crimes Enforcement Network
FINRA	Financial Industry Regulatory Authority, Inc.
FirstMerit	FirstMerit Corporation
FRB	Federal Reserve Bank

FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
FVO	Fair Value Option
GAAP	Generally Accepted Accounting Principles in the United States of America
GLBA	Gramm-Leach-Bliley Act
GSE	Government Sponsored Enterprise
HMDA	Home Mortgage Disclosure Act
HSE	Hutchinson, Shockey, Erley & Co.
HTM	Held-to-Maturity
IRS	Internal Revenue Service
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LFI Rating System	Large Financial Institution Rating System
LIHTC	Low Income Housing Tax Credit
LTV	Loan-to-Value
MBS	Mortgage-Backed Securities
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Right
NAICS	North American Industry Classification System
NALs	Nonaccrual Loans
NCO	Net Charge-off
NII	Noninterest Income
NIM	Net Interest Margin
NOW	Negotiable Order of Withdrawal
NPAs	Nonperforming Assets
NSF	Non-Sufficient Funds
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OFAC	Office of Foreign Assets Control
OIS	Overnight Indexed Swaps
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
Patriot Act	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001
PCD	Purchased financial assets with credit deterioration
PD	Probability of Default
Plan	Huntington Bancshares Retirement Plan
Problem Loans	Includes nonaccrual loans and leases, accruing loans and leases past due 90 days or more, troubled debt restructured loans, and criticized commercial loans
Capital and Liquidity Tailoring Rule	Refers to the changes to applicability thresholds for regulatory and capital and liquidity requirements, issued by the OCC, the Federal Reserve and the FDIC
EPS Tailoring Rule	Refers to Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding, issued by the Federal Reserve
Tailoring Rules	Refers to the Capital and Liquidity Tailoring Rule and the EPS Tailoring Rule

RBHPCG	Regional Banking and The Huntington Private Client Group
REIT	Real Estate Investment Trust
Riegle-Neal Act	The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994
ROC	Risk Oversight Committee
RWA	Risk-Weighted Assets
SAD	Special Assets Division
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SIFMA	Securities Industry and Financial Markets Association
SOFR	Secured Overnight Financing Rate
SRIP	Supplemental Retirement Income Plan
TCJA	H.R. 1, Originally known as the Tax Cuts and Jobs Act
TDR	Troubled Debt Restructuring
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
VIE	Variable Interest Entity
XBRL	eXtensible Business Reporting Language

Huntington Bancshares Incorporated

PART I

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

Item 1: Business

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. We have 15,664 average full-time equivalent employees. Through the Bank, we have over 150 years of serving the financial needs of our customers. Through our subsidiaries, we provide full-service commercial, small business, consumer banking services, mortgage banking services, automobile financing, recreational vehicle and marine financing, equipment leasing, investment management, trust services, brokerage services, insurance programs, and other financial products and services. The Bank, organized in 1866, is our only bank subsidiary. At December 31, 2019, the Bank had 12 private client group offices and 856 branches as follows:

- 424 branches in Ohio
- 277 branches in Michigan
- 45 branches in Pennsylvania
- 40 branches in Indiana
- 35 branches in Illinois
- 25 branches in West Virginia
- 10 branches in Kentucky

Select financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio. Our foreign banking activities, in total or with any individual country, are not significant.

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

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

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

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

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

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

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

Home Lending, an operating unit of Consumer and Business Banking, originates consumer loans and mortgages for customers who are generally located in our primary banking markets. Consumer and mortgage lending products are primarily distributed through the Consumer and Business Banking and Regional Banking and The Huntington Private Client Group segments, as well as through commissioned loan originators. Home Lending earns interest on portfolio loans and loans held-for-sale, earns fee income from the origination and servicing of mortgage loans, and recognizes gains or losses from the sale of mortgage loans. Home Lending supports the origination of mortgage loans across all segments.

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

Middle Market/Asset Based Lending primarily focuses on providing banking solutions to companies with annual revenues of $20 to $500 million. Through a relationship management approach, various products, capabilities, and solutions are seamlessly delivered in a client centric way. Huntington Business Credit is an asset-based lender providing financing solutions to a broad range of industries that exhibit a quick turning of working capital in a collateral controlled environment.

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

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

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

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

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

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

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

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

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

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

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

Competition

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

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

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

The table below shows our competitive ranking and market share based on deposits of FDIC-insured institutions as of June 30, 2019, in the top 10 MSAs in which we compete:

MSA	Rank	Deposits (in millions)	Market Share
Columbus, OH	1	$ 22,828	37%
Cleveland, OH	2	10,743	15
Detroit, MI	6	8,305	6
Akron, OH	1	4,186	28
Indianapolis, IN	4	3,579	7
Cincinnati, OH	5	3,403	2
Pittsburgh, PA	9	3,320	2
Toledo, OH	1	2,765	22
Grand Rapids, MI	2	2,259	11
Chicago, IL	19	2,465	1
Source: FDIC.gov, based on June 30, 2019 survey.			

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

FinTechs continue to emerge in key areas of banking. In addition, larger established technology platform companies continue to evaluate, and in some cases, create businesses focused on banking products. We are closely monitoring activity in the marketplace to ensure that our products and services are technologically competitive. Further, we continue to invest in and evolve our proactive internal innovation program to develop, incubate, and launch new products and services driving ongoing differentiated value for our customers. Our overall strategy involves an active corporate development program that seeks to identify partnership and possible investment opportunities in technology-driven companies that can augment Huntington's distribution and product capabilities.

Regulatory Matters

Regulatory Environment

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

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

On May 24, 2018, the Economic Growth Act was signed into law. Among other regulatory changes, the Economic Growth Act amends various sections of the Dodd-Frank Act, including section 165 of the Dodd-Frank Act, which was revised to raise the asset thresholds for determining the application of enhanced prudential standards for BHCs. Under the Economic Growth Act, BHCs with consolidated assets below $100 billion were immediately exempted from all of the enhanced prudential standards, except risk committee requirements, which now apply to publicly-traded BHCs with $50 billion or more of consolidated assets. BHCs with consolidated assets between $100 billion and $250 billion, including Huntington, were subject to the enhanced prudential standards that applied to them before enactment of the Economic Growth Act until December 31, 2019, when rules adopted by the Federal Reserve that tailor the applicability of enhanced prudential standards and capital and liquidity requirements became effective, as described in detail below.

In October 2019, the Federal Reserve adopted the EPS Tailoring Rule pursuant to the Economic Growth Act, which adjusts the thresholds at which certain enhanced prudential standards apply to U.S. BHCs with $100 billion or more in total consolidated assets. Also in October 2019, the Federal Reserve, OCC, and FDIC adopted the Capital and Liquidity Tailoring Rule, which similarly adjusts the thresholds at which certain other capital and liquidity standards apply to U.S. BHCs and banks with $100 billion or more in total consolidated assets. Under the Tailoring Rules, these BHCs and banks, including Huntington and the Bank, are placed into one of four risk-based categories based on the banking organization's size, status as a global systemically important bank (or not), cross-jurisdictional activity, weighted short-term wholesale funding, nonbank assets, and off-balance sheet exposure. The extent to which enhanced prudential standards and certain other capital and liquidity standards apply to these BHCs and banks depends on the banking organization's category. Under the Tailoring Rules, Huntington and the Bank each qualify as a Category IV banking organization subject to the least restrictive of the requirements applicable to firms with $100 billion or more in total consolidated assets.

As a result of the Economic Growth Act and the Tailoring Rules, Huntington and the Bank are now subject to less restrictive requirements with respect to certain enhanced prudential standards and capital and liquidity requirements than in past years, but our business will remain subject to extensive regulation and supervision. The U.S. banking agencies may issue additional rules to tailor the application of certain other regulatory requirements to BHCs and banks, including Huntington and the Bank.

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

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

Huntington as a Bank Holding Company

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

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

The Bank as a National Bank

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

Supervision, Examination and Enforcement

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

The Federal Reserve, OCC, and FDIC have broad supervisory and enforcement authority with regard to BHCs and banks, including the power to conduct examinations and investigations, impose nonpublic supervisory agreements, issue cease and desist orders, impose fines and other civil and criminal penalties, terminate deposit insurance, and appoint a conservator or receiver. In addition, Huntington, the Bank, and other Huntington subsidiaries are subject to supervision, regulation, and examination by the CFPB, which is the primary administrator of most federal consumer financial statutes and Huntington's primary consumer financial regulator. Supervision and examinations are confidential, and the outcomes of these actions may not be made public.

Bank regulators have various remedies available if they determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of a banking organization's operations are unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any law or regulation. The regulators have the power to, among other things, prohibit unsafe or unsound practices, require affirmative actions to correct any violation or practice, issue administrative orders that can be judicially enforced, direct increases in capital, direct the sale of subsidiaries or other assets, limit dividends and distributions, restrict growth, assess civil monetary penalties, remove officers and directors, and terminate deposit insurance.

Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations, and supervisory agreements could subject the Company, its subsidiaries, and their respective officers, directors, and institution-affiliated parties to the remedies described above, and other sanctions. In addition, the FDIC may terminate a bank's deposit insurance upon a finding that the bank's financial condition is unsafe or unsound or that the bank has engaged in unsafe or unsound practices or has violated an applicable rule, regulation, order, or condition enacted or imposed by the bank's regulatory agency.

In November 2018, the Federal Reserve adopted a new rating system, the LFI Rating System, to align its supervisory rating system for large financial institutions, including Huntington, with its current supervisory programs for these firms. As compared to the rating system it replaces, which will continue to be used for smaller BHCs, the LFI Rating System places a greater emphasis on capital and liquidity, including related planning and risk management practices. Huntington will receive its first rating under the LFI Rating System in 2020. These ratings will remain confidential.

Bank Acquisitions by Huntington

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

Acquisitions of Ownership of the Company

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

Interstate Banking

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

Regulatory Capital Requirements

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

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

- **CET1 Risk-Based Capital Ratio**, equal to the ratio of CET1 capital to risk-weighted assets. CET1 capital primarily includes common shareholders' equity subject to certain regulatory adjustments and deductions, including goodwill, intangible assets, certain deferred tax assets, and AOCI. In July 2019, the FDIC, the Federal Reserve, and OCC issued final rules that simplify the capital treatment of mortgage servicing assets, deferred tax assets arising from temporary differences that an institution could not realize through net operating loss carrybacks, and investments in the capital of unconsolidated financial institutions, as well as simplify the recognition and calculation of minority interests that are includable in regulatory capital, for non-advanced approaches banking organizations, including Huntington and the Bank. Banking organizations may adopt these changes beginning on January 1, 2020, and are required to adopt them for the quarter beginning April 1, 2020. In addition, in December 2018, the U.S. federal banking agencies finalized rules that permits BHCs and banks to phase-in, which Huntington and the Bank have elected, the day-one retained earnings impact of the new CECL accounting rule over a period of three years for regulatory capital purposes. For further discussion of the new CECL accounting rule, see Note 2 of the Notes to Consolidated Financial Statements.
- **Tier 1 Risk-Based Capital Ratio**, equal to the ratio of Tier 1 capital to risk-weighted assets. Tier 1 capital is primarily comprised of CET1 capital, perpetual preferred stock, and certain qualifying capital instruments.
- **Total Risk-Based Capital Ratio**, equal to the ratio of total capital, including CET1 capital, Tier 1 capital, and Tier 2 capital, to risk-weighted assets. Tier 2 capital primarily includes qualifying subordinated debt and qualifying ALLL. Tier 2 capital also includes, among other things, certain trust preferred securities.
- **Tier 1 Leverage Ratio**, equal to the ratio of Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets, and certain other deductions).

The total minimum regulatory capital ratios and well-capitalized minimum ratios are reflected on the following page. The Federal Reserve has not yet revised the well-capitalized standard for BHCs to reflect the higher capital requirements imposed under the U.S. Basel III capital rules. For purposes of the Federal Reserve's Regulation Y, including determining whether a BHC meets the requirements to be an FHC, BHCs, such as Huntington, must maintain a Tier 1 Risk-Based Capital Ratio of 6.0% or greater and a Total Risk-Based Capital Ratio of 10.0% or greater. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to BHCs as that applicable to the Bank, Huntington's capital ratios as of December 31, 2019, would exceed such revised well-capitalized standard. The Federal Reserve may require BHCs, including Huntington, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a BHC's particular condition, risk profile, and growth plans.

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

In addition to meeting the minimum capital requirements, under the U.S. Basel III capital rules, Huntington and the Bank must also maintain the required Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. The Capital Conservation Buffer is calculated as a ratio of CET1 capital to risk-weighted assets, and it effectively increases the required minimum risk-based capital ratios. The Capital Conservation Buffer requirement was phased in over a three-year period that began on January 1, 2016. The phase-in period ended on January 1, 2019, and the Capital Conservation Buffer was at its fully phased-in level of 2.5% throughout 2019. The Tier 1 Leverage Ratio is not impacted by the Capital Conservation

Buffer, and a banking institution may be considered well-capitalized while remaining out of compliance with the Capital Conservation Buffer. In April 2018, the Federal Reserve issued a proposal that would, among other things, replace the Capital Conservation Buffer with stress buffer requirements for certain large BHCs, including Huntington. Please refer to the Proposed Stress Buffer Requirements section below for further details.

The following table presents the minimum regulatory capital ratios, minimum ratio plus capital conservation buffer, and well-capitalized minimums compared with Huntington's and the Bank's regulatory capital ratios as of December 31, 2019, calculated using the regulatory capital methodology applicable during 2019.

		Minimum Regulatory Capital Ratio	Minimum Ratio + Capital Conservation Buffer (1)	Well-Capitalized Minimums (2)	At December 31, 2019
					Actual
Ratios:					
CET 1 risk-based capital ratio	Consolidated	4.50%	7.00%	N/A	9.88%
	Bank	4.50	7.00	6.50%	11.17
Tier 1 risk-based capital ratio	Consolidated	6.00	8.50	6.00	11.26
	Bank	6.00	8.50	8.00	12.17
Total risk-based capital ratio	Consolidated	8.00	10.50	10.00	13.04
	Bank	8.00	10.50	10.00	13.59
Tier 1 leverage ratio	Consolidated	4.00	N/A	N/A	9.26
	Bank	4.00	N/A	5.00	10.01

(1) Reflects the fully phased-in capital conservation buffer of 2.5% applicable during 2019.
(2) Reflects the well-capitalized standard applicable to Huntington under Federal Reserve Regulation Y and the well-capitalized standard applicable to the Bank.

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

As of December 31, 2019, Huntington's and the Bank's regulatory capital ratios were above the well-capitalized standards and met the Capital Conservation Buffer on a fully phased-in basis.

Liquidity Requirements

Under the Capital and Liquidity Tailoring Rule, Huntington, as a Category IV banking organization, is now exempt from the LCR but will continue to be subject to internal liquidity stress tests and standards.

Enhanced Prudential Standards

Under the Dodd-Frank Act, as modified by the Economic Growth Act, BHCs with consolidated assets of more than $100 billion, such as Huntington, are currently subject to certain enhanced prudential standards. As a result, Huntington is subject to more stringent standards, including liquidity and capital requirements, leverage limits, stress testing, resolution planning, and risk management standards, than those applicable to smaller institutions. Certain larger banking organizations are subject to additional enhanced prudential standards.

A rule to implement one additional enhanced prudential standard—early remediation requirements—is still under consideration by the Federal Reserve. In June 2018, the Federal Reserve adopted a final rule that established single counterparty credit limits. The single counterparty credit limits do not apply to BHCs like Huntington that do not have at least $250 billion of total consolidated assets.

As discussed in the Regulatory Environment section above, under the EPS Tailoring Rule, Huntington, as a Category IV banking organization, is subject to the least restrictive enhanced prudential standards applicable to firms with $100 billion or more in total consolidated assets. As compared to enhanced prudential standards that were applicable to Huntington, under the EPS Tailoring Rule, Huntington is no longer subject to company-run stress testing requirements and is subject to less frequent supervisory stress tests, less frequent internal liquidity stress tests, and reduced liquidity risk management requirements. Future rules to implement the Economic Growth Act may further change the enhanced prudential standards applicable to Huntington.

Capital Planning and Stress Testing

Huntington is required to develop, maintain, and submit to the Federal Reserve a capital plan on an annual basis for supervisory review in connection with its annual CCAR process. In 2019, Huntington, along with other BHCs with total assets of less than $250 billion, was temporarily exempted from the submission requirement and developed but did not submit a capital plan. Huntington is required to include within its capital plan an assessment of the expected uses and sources of capital and a description of all planned capital actions over the nine-quarter planning horizon, a detailed description of the process for assessing capital adequacy, its capital policy, and a discussion of any expected changes to its business plan that are likely to have a material impact on its capital adequacy.

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

Under revised CCAR rules that became effective on March 6, 2017, the Federal Reserve is no longer allowed to object to the capital plan of a large and non-complex BHC, such as Huntington, on a qualitative, as opposed to quantitative, basis. Instead, the Federal Reserve may evaluate the strength of Huntington's qualitative capital planning process through the regular supervisory process and targeted horizontal reviews of particular aspects of capital planning. In April 2018, the Federal Reserve issued a proposal to integrate its annual capital planning and stress testing requirements with certain ongoing regulatory capital requirements, which would make changes to capital planning and stress testing processes for BHCs subject to the proposed rule, including Huntington. Please refer to the Proposed Stress Buffer Requirements section below for further details. In addition, the Federal Reserve has stated that, as part of a future rulemaking to implement the Economic Growth Act, it may further streamline the CCAR rules and other capital planning requirements applicable to certain BHCs, including Huntington.

Effective December 31, 2019, the EPS Tailoring Rule subjects Huntington to supervisory stress tests every other year as opposed to annually. These supervisory stress tests are forward-looking quantitative evaluations to the impact of stressful economic and financial market conditions on Huntington's capital. The EPS Tailoring Rule also eliminated the requirement to conduct and file with the Federal Reserve company-run stress tests.

Proposed Stress Buffer Requirements

On April 10, 2018, the Federal Reserve issued a proposal to integrate its annual capital planning and stress testing requirements with certain ongoing regulatory capital requirements. The proposal, which would apply to certain BHCs, including Huntington, would introduce a stress capital buffer and a stress leverage buffer, or stress buffer requirements, and related changes to the capital planning and stress testing processes.

For risk-based capital requirements, the stress capital buffer has replaced the existing Capital Conservation Buffer, which is 2.5% as of January 1, 2019. The stress capital buffer would equal the greater of (i) the maximum decline in our CET1 Risk-Based Capital Ratio under the severely adverse scenario over the supervisory stress test measurement period, plus the sum of the ratios of the dollar amount of our planned common stock dividends to our projected risk-weighted assets for each of the fourth through seventh quarters of the supervisory stress test projection period, and (ii) 2.5%.

Like the stress capital buffer, the stress leverage buffer would be calculated based on the results of our most recent supervisory stress tests. The stress leverage buffer would equal the maximum decline in our Tier 1 Leverage Ratio under the severely adverse scenario, plus the sum of the ratios of the dollar amount of our planned common stock dividends to our projected leverage ratio denominator for each of the fourth through seventh quarters of the supervisory stress test projection period. No floor would be established for the stress leverage buffer, which would apply in addition to the current minimum Tier 1 Leverage Ratio of 4%.

The proposal would make related changes to capital planning and stress testing processes for BHCs subject to the stress buffer requirements. In particular, the proposal would limit projected capital actions to planned common stock dividends in the fourth through seventh quarters of the supervisory stress test projection period and would assume that BHCs maintain a constant level of assets and risk-weighted assets throughout the supervisory stress test projection period.

The Federal Reserve's Vice Chairman for Supervision stated that the Federal Reserve hopes to finalize the proposed stress buffer requirements for the 2020 stress testing cycle, and that, while the Federal Reserve expects to finalize certain elements of those requirements as proposed, other elements of the proposal will be re-proposed and again subject to public comment.

Restrictions on Dividends

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

Huntington's ability to declare and pay dividends to our shareholders is similarly limited by federal banking law and Federal Reserve regulations and policy. As discussed in the Capital Planning section above, a BHC may pay dividends and repurchase stock only in accordance with a capital plan that has been reviewed by the Federal Reserve and as to which the Federal Reserve has not objected. As also discussed above, Huntington was temporarily exempted from the requirement to submit a capital plan in 2019 and instead was authorized by the Federal Reserve to make capital distributions for the 2019 capital planning cycle up to the amount that would have allowed Huntington to remain above all minimum capital requirements in the 2018 CCAR process, subject to certain adjustments.

Huntington and the Bank must maintain the applicable CET1 Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions, including dividends. As of January 1, 2019, the fully phased in Capital Conservation Buffer is 2.5%. For more information on the Capital Conservation Buffer and the stress buffer requirements that the Federal Reserve has proposed that would replace the Capital Conservation Buffer for BHCs, see the Regulatory Capital Requirements section and Proposed Stress Buffer Requirements sections above, respectively.

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

Volcker Rule

Under the Volcker Rule, we are prohibited from (1) engaging in short-term proprietary trading for our own account and (2) having certain ownership interests in and relationships with hedge funds or private equity funds (covered funds). The Volcker Rule regulations contain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations, and also permit certain ownership interests in certain types of covered funds to be retained. They also permit the offering and sponsoring of covered funds under certain conditions. The Volcker Rule regulations impose significant compliance and reporting obligations on banking entities, such as us. We have put in place the compliance programs required by the Volcker Rule and have either divested or received extensions for any holdings in illiquid covered funds.

The five federal agencies implementing the Volcker Rule regulations have approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities if certain qualifications are met. In addition, the agencies released a non-exclusive list of issuers that meet the requirements of the interim final rule. As of December 31, 2019, we had no investments in trust preferred securities.

As of October 2019, the five federal agencies with rulemaking authority with respect to the Volcker Rule finalized amendments to the proprietary trading provisions of the Volcker Rule. These amendments tailor the Volcker Rule's compliance requirements to the amount of a firm's trading activity, revise the definition of trading account, clarify certain key provisions in the Volcker Rule, and modify the information companies are required to provide the federal agencies. These amendments to the Volcker Rule are not material to our investing and trading activities.

In early 2020, the five federal agencies proposed additional amendments to the Volcker Rule related to the restrictions on ownership interests and relationships with covered funds. The ultimate benefits or consequences of these amendments will depend on their final form, which we cannot predict.

Recovery and Resolution Planning

In past years, Huntington was required to submit annually to the Federal Reserve and the FDIC a resolution plan for the orderly resolution of Huntington and its significant legal entities under the U.S. Bankruptcy Code or other applicable insolvency laws in a rapid and orderly fashion in the event of future material financial distress or failure. In October 2019, the Federal Reserve and the FDIC adopted amendments to their resolution planning rule to adjust the thresholds at which certain resolution planning requirements apply to BHCs with $100 billion or more in total consolidated assets, including Huntington. As a result of these amendments, Huntington is no longer required to submit a resolution plan to the Federal Reserve and the FDIC.

In addition, the Bank is required to periodically file a separate resolution plan with the FDIC. The public versions of the resolution plans previously submitted by Huntington and the Bank are available on the FDIC's website and, in the case of Huntington's resolution plans, also on the Federal Reserve's website.

The Economic Growth Act did not change the FDIC's rules that require the Bank to periodically file a separate resolution plan. In April 2019, the FDIC released an advanced notice of proposed rulemaking with respect to the FDIC's bank resolution plan requirements that requested comments on how to better tailor bank resolution plans to a firm's size, complexity, and risk profile. Until the FDIC's revisions to its bank resolution plan requirement are finalized, no bank resolution plans will be required to be filed.

The Bank had previously been required to develop and maintain a recovery plan that is appropriate for its individual size, risk profile, activities, and complexity, including the complexity of its organizational and legal entity structure under OCC guidelines that establish enforceable standards for recovery planning for insured national banks. On December 27, 2018, the OCC finalized an amendment to its guidelines that, among other things, raised the threshold at which banks become subject to the OCC's recovery planning guidelines to $250 billion in total consolidated assets. This increased threshold became effective on January 28, 2019, and as a result, the Bank is no longer subject to the OCC's recovery planning guidelines.

Source of Strength

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

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

FDIC as Receiver or Conservator of Huntington

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

Depositor Preference

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

Transactions between a Bank and its Affiliates

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

Lending Standards and Guidance

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

Heightened Governance and Risk Management Standards

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

Anti-Money Laundering

The Bank Secrecy Act and the Patriot Act contain anti-money laundering and financial transparency provisions intended to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the Patriot Act, requires depository institutions and their holding companies to undertake activities including maintaining an AML program, verifying the identity of customers, verifying the identity of certain beneficial owners for legal entity customers, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. The Bank is subject to the Bank Secrecy Act and, therefore, is required to provide its employees with AML training, designate an AML compliance officer, and undergo an annual, independent audit to assess the effectiveness of its AML program. The Bank has implemented policies, procedures, and internal controls that are designed to comply with these AML requirements. Bank regulators are focusing their examinations on AML compliance, and we will continue to monitor and augment, where necessary, our AML compliance programs. The federal banking agencies are required, when reviewing bank and BHC acquisition or merger applications, to take into account the effectiveness of the AML activities of the applicant.

OFAC Regulation

OFAC is responsible for administering economic sanctions that affect transactions with designated foreign countries, nationals, and others, as defined by various Executive Orders and in various legislation. OFAC-administered sanctions take many different forms. For example, sanctions may include: (1) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (2) a blocking of assets in which the government or "specially designated nationals" of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction, including property in the possession or control of U.S. persons. OFAC also publishes lists of persons, organizations, and countries suspected of aiding, harboring, or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Blocked assets, for example property and bank deposits, cannot be paid out, withdrawn, set off, or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Data Privacy

Federal and state law contains extensive consumer privacy protection provisions. The GLBA requires financial institutions to periodically disclose their privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. Other federal and state laws and regulations impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. These security and privacy policies and procedures for the protection of personal and confidential information are in effect across all businesses and geographic locations as applicable. Federal law also makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

Data privacy and data protection are areas of increasing state legislative focus. For example, in June of 2018, the Governor of California signed into law the CCPA. The CCPA, which became effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds.

The CCPA gives consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer's personal information, and the right not to be discriminated against for exercising these rights. The CCPA contains several exemptions, including that many, but not all, requirements of the CCPA are inapplicable to information that is collected, processed, sold, or disclosed pursuant to the GLBA. The California State Legislature has amended the Act since its passage, which the Governor has signed into law, and the California Attorney General has proposed regulations implementing the CCPA that have not yet been adopted. In California the CCPA may be interpreted or applied in a manner inconsistent with our understanding or similar laws may be adopted by other states where we operate. The federal government may also pass data privacy or data protection legislation.

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

FDIC Insurance

The DIF provides insurance coverage for certain deposits, up to a standard maximum deposit insurance amount of $250,000 per depositor and is funded through assessments on insured depository institutions, based on the risk each institution poses to the DIF. The Bank accepts customer deposits that are insured by the DIF and, therefore, must pay insurance premiums. The FDIC may increase the Bank's insurance premiums based on various factors, including the FDIC's assessment of its risk profile.

The FDIC issued a rule that requires large insured depository institutions, including the Bank, to enhance their deposit account recordkeeping and related information technology system capabilities to facilitate prompt payment of insured deposits if such an institution were to fail. The FDIC has established an initial compliance date of April 1, 2020, and allows each large insured depository institution to file for an optional extension of the compliance date for up to one year, to a date no later than April 1, 2021.

Compensation

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

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

Cybersecurity

The GLBA requires financial institutions to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information.

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

In October 2016, the federal bank regulatory agencies issued an ANPR regarding enhanced cyber risk management standards which would apply to a wide range of large financial institutions and their third-party service providers, including us and the Bank. The proposed rules would expand existing cybersecurity regulations and guidance to focus on cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience, and situational awareness. In addition, the proposal contemplates more stringent standards for institutions with systems that are critical to the financial sector. The Federal Reserve announced in May 2019 that it would revisit the ANPR in the future.

Community Reinvestment Act

The CRA is intended to encourage banks to help meet the credit needs of their service areas, including low- and moderate-income neighborhoods, consistent with safe and soundness practices. The relevant federal bank regulatory agency, the OCC in the Bank’s case, examines each bank and assigns it a public CRA rating. A bank’s record of fair lending compliance is part of the resulting CRA examination report.

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

Leaders of the federal banking agencies recently have indicated their support for revising the CRA regulatory framework, and in December 2019, the OCC and FDIC issued a joint proposed rule that would amend the CRA regulatory framework. It is too early to tell whether and to what extent any changes will be made to applicable CRA requirements.

Transaction Account Reserves

Federal Reserve rules require depository institutions to maintain reserves against their transaction accounts, primarily NOW and regular checking accounts. For 2020, the first $16.9 million of covered balances are exempt from the reserve requirement, aggregate balances between $16.9 million and $127.5 million are subject to a 3% reserve requirement, and aggregate balances above $127.5 million are subject to a 10% reserve requirement. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Bank is in compliance with these requirements.

Debit Interchange Fees

We are subject to a statutory requirement that interchange fees for electronic debit transactions that are paid to or charged by payment card issuers, including the Bank, be reasonable and proportional to the cost incurred by the issuer. Interchange fees for electronic debit transactions are limited to 21 cents plus 0.05% of the transaction, plus an additional one cent per transaction fraud adjustment. These fees impose requirements regarding routing and exclusivity of electronic debit transactions, and generally require that debit cards be usable in at least two unaffiliated networks.

Consumer Protection Regulation and Supervision

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

The CFPB has promulgated many mortgage-related final rules since it was established under the Dodd-Frank Act, including rules related to the ability to repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, HMDA requirements, and appraisal and escrow standards for higher priced mortgages. The mortgage-related final rules issued by the CFPB have materially restructured the origination, servicing, and securitization of residential mortgages in the United States. These rules have impacted, and will continue to impact, the business practices of mortgage lenders, including the Company.

Available Information

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

Item 1A: Risk Factors

Huntington has formalized a holistic risk governance framework in alignment with the size, complexity, and profile of the Company. We, like other financial companies, are subject to a number of risks that may adversely affect our financial condition or results of operations, many of which are outside of our direct control. Our framework is approved by the Risk Oversight Committee (ROC) of the Huntington's Board of Directors (the Board). Key components include establishing our risk appetite, line of defense and risk pillars, governance and committee oversight and limit setting and escalation processes. Huntington classifies/aggregates risk into seven risk pillars. Huntington recognizes that risks can be interrelated or embedded within each other, and therefore managing across risk pillars is a key component of the Framework. The following defines the Company's risk pillars.

- ***Credit risk***, which is the risk of loss due to loan and lease customers or other counterparties not being able to meet their financial obligations under agreed upon terms;
- ***Market risk***, which occurs when fluctuations in interest rates impact earnings and capital. Financial impacts are realized through changes in the interest rates of balance sheet assets and liabilities (net interest margin) or directly through valuation changes of capitalized MSR and/or trading assets (noninterest income);
- ***Liquidity risk***, which is the risk to current or anticipated earnings or capital arising from an inability to meet obligations when they come due. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels. Liquidity risk also results from the failure to recognize or address changes in market conditions that affect our ability to liquidate assets quickly and with minimal loss in value;
- ***Operational risk***, which is the risk of loss arising from inadequate or failed internal processes or systems, including information security breaches or cyberattacks, human errors or misconduct, or adverse external events. Operational losses result from internal fraud, external fraud, inadequate or inappropriate employment practices and workplace safety, failure to meet professional obligations involving customers, products, and business practices, damage to physical assets, business disruption and systems failures, and failures in execution, delivery, and process management;
- ***Compliance risk***, which exposes us to money penalties, enforcement actions, or other sanctions as a result of non-conformance with laws, rules, and regulations that apply to the financial services industry;
- ***Strategic risk***, which is defined as risk to current or anticipated earnings, capital, or enterprise value arising from adverse business decisions, improper implementation of business decisions or lack of responsiveness to industry / market changes; and
- ***Reputation risk***, which is the risk that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions.

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

Credit Risks:

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

Our business depends on the creditworthiness of our customers. Our ACL of $887 million at December 31, 2019, represented management's estimate of probable losses inherent in our loan and lease portfolio (ALLL) as well as our unfunded loan commitments and letters of credit (AULC). We regularly review our ACL for appropriateness. In doing so, we consider economic conditions and trends, collateral values, and credit quality indicators, such as past charge-off experience, levels of past due loans, and NPAs. There is no certainty that our ACL will be appropriate over time to cover losses in the portfolio because of unanticipated adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries, or markets. If the credit quality of our customer base materially decreases, if the risk profile of a market, industry, or group of customers changes materially, or if the ACL is not appropriate, our net income and capital could be materially adversely affected, which could have a material adverse effect on our financial condition and results of operations.

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

Furthermore, in June 2016, the FASB issued a new CECL accounting rule, which requires banks to record, at the time of origination, credit losses expected throughout the life of the asset on loans and held-to-maturity securities, as opposed to the current practice of recording losses when it is probable that a loss event has occurred. We are required to adopt the CECL accounting rule in 2020 and will recognize a one-time cumulative effect adjustment to our ACL and retained earnings as of January 1, 2020. The CECL model could materially affect how we determine our ACL and report our financial condition and results of operations. For further discussion, see Note 2 "Accounting Standards Update" of the Notes to Consolidated Financial Statements.

Weakness in economic conditions could adversely affect our business.

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

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

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

Market Risks:

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

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

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

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

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

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

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

Industry competition may have an adverse effect on our success.

Our profitability depends on our ability to compete successfully. We operate in a highly competitive environment, and we expect competition to intensify. Certain of our competitors are larger and have more resources than we do, enabling them to be more aggressive than us in competing for loans and deposits. In our market areas, we face competition from other banks and financial service companies that offer similar services. Some of our non-bank competitors are not subject to the same extensive regulations we are and, therefore, may have greater flexibility in competing for business. Technological advances have made it possible for our non-bank competitors to offer products and services that traditionally were banking products and for financial institutions and other companies to provide electronic and internet-based financial solutions, including mobile payments, online deposit accounts, electronic payment processing, and marketplace lending, without having a physical presence where their customers are located. Legislative or regulatory changes also could lead to increased competition in the financial services sector. For example, the Economic Growth Act and the Tailoring Rules reduce the regulatory burden of certain large BHCs and raise the asset thresholds at which more onerous requirements apply, which could cause certain large BHCs to become more competitive or to more aggressively pursue expansion. Our ability to compete successfully depends on a number of factors, including customer convenience, quality of service by investing in new products and services, electronic platforms, personal contacts, pricing, and range of products. If we are unable to successfully compete for new customers and retain our current customers, our business, financial condition, or results of operations may be adversely affected. In particular, if we experience an outflow of deposits as a result of our customers seeking investments with higher yields or greater financial stability, or a desire to do business with our competitors, we may be forced to rely more heavily on borrowings and other sources of funding to operate our business and meet withdrawal demands, thereby adversely affecting our net interest margin. For more information, refer to "Competition" section of Item 1: Business.

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

LIBOR and certain other interest rate "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit information to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot be guaranteed after 2021. While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, a group of market participants convened by the Federal Reserve, the Alternative Reference Rate Committee (ARRC), has selected SOFR as its recommended alternative to LIBOR. The Federal Reserve Bank of New York started to publish SOFR in April 2018. SOFR is a broad measure of the cost of overnight borrowings collateralized by Treasury securities that was selected by the Alternative Reference Rate Committee due to the depth and robustness of the U.S. Treasury repurchase market. At this time, it is impossible to predict whether SOFR will become an accepted alternative to LIBOR. In January of 2020, Huntington was added as an ARRC member.

The market transition away from LIBOR to an alternative reference rate, such as SOFR, is complex and could have a range of adverse effects on our business, financial condition and results of operations. In particular, any such transition could:

- Adversely affect the interest rates paid or received on, the revenue and expenses associated with or the value of Huntington's LIBOR-based assets and liabilities, which include certain variable rate loans, Huntington's Series B preferred stock, certain of Huntington's junior subordinated debentures, certain of the Bank's senior notes and certain other securities or financial arrangements;
- Adversely affect the interest rates paid or received on, the revenue and expenses associated with or the value of other securities or financial arrangements, given LIBOR's role in determining market interest rates globally;
- Prompt inquiries or other actions from regulators in respect of Huntington's preparation and readiness for the replacement of LIBOR with an alternative reference rate; and
- Result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based contracts and securities.

The transition away from LIBOR to an alternative reference rate will require the transition to or development of appropriate systems and analytics to effectively transition Huntington's risk management and other processes from LIBOR-based products to those based on the applicable alternative reference rate, such as SOFR. Huntington has developed a LIBOR transition team and project plan that outlines timelines and priorities to prepare its processes, systems and people to support this transition. Timelines and priorities include assessing the impact on our customers, as well as assessing system requirements for operational processes. There can be no guarantee that these efforts will successfully mitigate the operational risks associated with the transition away from LIBOR to an alternative reference rate.

The manner and impact of the transition from LIBOR to an alternative reference rate, as well as the effect of these developments on our funding costs, loan and investment and trading securities portfolios, asset-liability management, and business, is uncertain.

Liquidity Risks:

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

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The Bank uses its liquidity to extend credit and to repay liabilities as they become due or as demanded by customers.

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

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

Huntington is an entity separate and distinct from the Bank. The Bank conducts most of our operations, and Huntington depends upon dividends from the Bank to service Huntington's debt and to pay dividends to Huntington's shareholders. The availability of dividends from the Bank is limited by various statutes and regulations. It is possible, depending upon the financial condition including liquidity and capital adequacy of the Bank and other factors, that the OCC could limit the payment of dividends or other payments to Huntington by the Bank. In addition, the payment of dividends by our other subsidiaries is also subject to the laws of the subsidiary's state of incorporation, and regulatory capital and liquidity requirements applicable to such subsidiaries. In the event that the

Bank was unable to pay dividends to us, we in turn would likely have to reduce or stop paying dividends on our Preferred and Common Stock. Our failure to pay dividends on our Preferred and Common Stock could have a material adverse effect on the market price of our Preferred and Common Stock. Additional information regarding dividend restrictions is provided in Item 1: Business - Regulatory Matters.

If we lose access to capital markets, we may not be able to meet the cash flow requirements of our depositors, creditors, and borrowers, or have the operating cash needed to fund corporate expansion and other corporate activities.

Wholesale funding sources include securitization, federal funds purchased, securities sold under repurchase agreements, non-core deposits, and long-term debt. The Bank is also a member of the FHLB, which provides members access to funding through advances collateralized with mortgage-related assets. We maintain a portfolio of highly-rated, marketable securities that is available as a source of liquidity.

Capital markets disruptions can directly impact the liquidity of Huntington and the Bank. The inability to access capital markets funding sources as needed could adversely impact our financial condition, results of operations, cash flows, and level of regulatory-qualifying capital. We may, from time-to-time, consider using our existing liquidity position to opportunistically retire outstanding securities in privately negotiated or open market transactions.

A reduction in our credit rating could adversely affect our access to capital and could increase our cost of funds.

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

Operational Risks:

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

The potential for operational risk exposure exists throughout our business and, as a result of our interactions with, and reliance on, third parties, is not limited to our own internal operational functions. Our operational and security systems and infrastructure, including our computer systems, data management, and internal processes, as well as those of third parties, are integral to our performance. We rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error, misconduct, malfeasance, failure, or breach of our or of third-party systems or infrastructure, expose us to risk. For example, our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact or upon whom we rely. Our financial, accounting, data processing, backup, or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, which could adversely affect our ability to process transactions or provide services. Such events may include: sudden increases in customer transaction volume; electrical, telecommunications, or other major physical infrastructure outages; disease pandemics; cyber-attacks; and events arising from local or larger scale political or social matters, including wars and terrorist attacks. Additional events beyond our control that could impact our business directly or indirectly include natural disasters such as earthquakes and weather events, including tornadoes, hurricanes and floods. Neither the occurrence nor the potential impact of these events can be predicted, and the frequency and severity of weather events may be impacted by climate changes. In addition, we may need to take our systems off-line if they become infected with malware or a computer virus or as a result of another form of cyber-attack. In the event that backup systems are utilized, they may not process data as quickly as our primary systems and some data might not have been saved to backup systems, potentially resulting in a temporary or permanent loss of such data. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with respect to our own systems. We frequently update our systems to support our operations and growth and to remain compliant with applicable laws, rules, and regulations. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones, including business interruptions. Implementation and testing of controls related to our computer systems, security monitoring, and retaining and training personnel required to operate our systems also entail significant costs. Operational risk exposures could adversely impact our operations, liquidity, and financial condition, as well as cause reputational harm. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption.

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

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

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

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

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

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

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

As cybersecurity and data privacy risks for banking organizations and the broader financial system have significantly increased in recent years, cybersecurity and data privacy issues have become the subject of increasing legislative and regulatory focus. The federal bank regulatory agencies have proposed regulations that would enhance cyber risk management standards, which would apply to a wide range of large financial institutions and their third-party service providers, including us and the Bank, and would focus on cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience, and situational awareness. Several states have also proposed or adopted cybersecurity legislation and regulations, which require, among other things, notification to affected individuals when there has been a security breach of their personal data. For more information regarding cybersecurity and data privacy, refer to Item 1: Business - “Regulatory Matters”.

We receive, maintain, and store non-public personal information of our customers and counterparties, including, but not limited to, personally identifiable information and personal financial information. The sharing, use, disclosure, and protection of these types of information are governed by federal and state law. Both personally identifiable information and personal financial information are increasingly subject to legislation and regulation, the intent of which is to protect the privacy of personal information and personal financial information that is collected and handled. For example, in June of 2018, the Governor of California signed into law the CCPA. The CCPA, which became effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. For more information regarding data privacy laws and regulations, refer to Item 1: Business - “Regulatory Matters”.

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

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

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

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

Relative to acquisitions, we incur risks and challenges associated with the integration of employees, accounting systems, and technology platforms from acquired businesses and institutions in a timely and efficient manner, and we cannot guarantee that we will be successful in retaining existing customer relationships or achieving anticipated operating efficiencies expected from such acquisitions. Acquisitions may be subject to the receipt of approvals from certain governmental authorities, including the Federal Reserve, the OCC, and the United States Department of Justice, as well as the approval of our shareholders and the shareholders of companies that we seek to acquire. These approvals for acquisitions may not be received, may take longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the acquisitions. Subject to requisite regulatory approvals, future business acquisitions may result in the issuance and payment of additional shares of stock, which would dilute current shareholders' ownership interests. Additionally, acquisitions may involve the payment of a premium over book and market values. Therefore, dilution of our tangible book value and net income per common share could occur in connection with any future transaction.

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

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

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

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

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

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

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

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

Increased risk could occur based on poor planning, oversight, control, and inferior performance or service on the part of the third-party, and may result in legal costs or loss of business. While we have implemented a vendor management program to actively manage the risks associated with the use of third-party service providers, any problems caused by third-party service providers could adversely affect our ability to deliver products and services to our customers and to conduct our business. Replacing a third-party service provider could also take a long period of time and result in increased expenses.

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

The FASB, regulatory agencies, and other bodies that establish accounting standards periodically change the financial accounting and reporting standards governing the preparation of our financial statements. Additionally, those bodies that establish and interpret the accounting standards (such as the FASB, SEC, and banking regulators) may change prior interpretations or positions on how these standards should be applied.

For further discussion, see Note 2 - "Accounting Standards Update" to the Consolidated Financial Statements.

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

Our goodwill could become impaired in the future. If goodwill were to become impaired, it could limit the ability of the Bank to pay dividends to Huntington, adversely impacting Huntington liquidity and ability to pay dividends or repay debt. The most significant assumptions affecting our goodwill impairment evaluation are variables including the market price of our Common Stock, projections of earnings, the discount rates used in the income approach to fair value, and the control premium above our current stock price that an acquirer would pay to obtain control of us. We are required to test goodwill for impairment at least annually or when impairment indicators are present. If an impairment determination is made in a future reporting period, our earnings and book value of goodwill will be reduced by the amount of the impairment. If an impairment loss is recorded, it will have little or no impact on the tangible book value of our Common Stock, or our regulatory capital levels, but such an impairment loss could significantly reduce the Bank's earnings and thereby restrict the Bank's ability to make dividend payments to us without prior regulatory approval, because Federal Reserve policy states the bank holding company dividends should be paid from current earnings. At December 31, 2019, the book value of our goodwill was $2.0 billion, substantially all of which was recorded at the Bank. Any such write down of goodwill or other acquisition related intangibles will reduce Huntington's earnings, as well.

Compliance Risks:

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

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

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

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

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

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

For more information on litigation risks, see Note 21 - "Commitments and Contingent Liabilities" to the Consolidated Financial Statements.

Noncompliance with the Bank Secrecy Act and other anti-money laundering statutes and regulations could cause us material financial loss.

The Bank Secrecy Act and the Patriot Act contain anti-money laundering and financial transparency provisions intended to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the Patriot Act, requires depository institutions and their holding companies to undertake activities including maintaining an anti-money laundering program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. FinCEN, a unit of the Treasury Department that administers the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the federal bank regulatory agencies, as well as the United States Department of Justice, Drug Enforcement Administration, and IRS.

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

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

Strategic Risk:

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

We believe that our continued growth and future success will depend in large part on the skills of our management team and our ability to motivate and retain these individuals and other key personnel. The loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our long-term business strategy, our business could suffer, and the value of our stock could be materially adversely affected. Leadership changes will occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. We believe our management team possesses valuable knowledge about the banking industry and that their knowledge and relationships would be very difficult to replicate. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively impact our banking operations. The loss of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition, or operating results.

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

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

We are also required to maintain minimum capital ratios and the Federal Reserve and OCC may determine that Huntington and/or the Bank, based on size, complexity, or risk profile, must maintain capital ratios above these minimums in order to operate in a safe and sound manner. In the event we are required to raise capital to maintain required minimum capital and leverage ratios or ratios above the required applicable minimums, we may be forced to do so when market conditions are undesirable or on terms that are less favorable to us than we would otherwise require. Furthermore, in order to prevent becoming subject to restrictions on our ability to distribute capital or make certain discretionary bonus payments to management, we must maintain a Capital Conservation Buffer (of 2.5% as of January 1, 2019), which is in addition to our required minimum capital ratios.

For more information regarding CCAR, stress testing, and capital and liquidity requirements, including several proposed rules that would alter, reduce, or eliminate certain of these requirements as they apply to Huntington, refer to Item 1: Business - "Regulatory Matters".

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

We are subject to the supervision and regulation of various state and federal regulators, including the OCC, Federal Reserve, FDIC, SEC, CFPB, FINRA, and various state regulatory agencies. As such, we are subject to a wide variety of laws and regulations, many of which are discussed in Item 1: Business - "Regulatory Matters". As part of their supervisory process, which includes periodic examinations and continuous monitoring, the regulators have the authority to impose restrictions or conditions on our activities and the manner in which we manage the organization. Such actions could negatively impact us in a variety of ways, including charging monetary fines, impacting our ability to pay dividends, precluding mergers or acquisitions, limiting our ability to offer certain products or services, or imposing additional capital requirements.

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

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

Reputation Risk:

Damage to our reputation could significantly harm our business, including our competitive position and business prospects.

Our ability to attract and retain customers, clients, investors, and employees is affected by our reputation. Significant harm to our reputation can arise from various sources, including officer, director or employee misconduct, actual or perceived unethical behavior, conflicts of interest, security breaches, litigation or regulatory outcomes, compensation practices, failing to deliver minimum or required standards of service and quality, failing to address customer and agency complaints, compliance failures, unauthorized release of personal, proprietary or confidential information due to cyber-attacks or otherwise, perception of our environmental, social and governance practices and disclosures, and the activities of our clients, customers, and counterparties, including vendors. Actions by the financial service industry generally or by institutions or individuals in the industry can adversely affect our reputation indirectly by association. In addition, adverse publicity or negative information posted on social media, whether or not factually correct, may affect our business prospects. All of these could adversely affect our growth, results of operation, and financial condition.

Item 1B: Unresolved Staff Comments

None.

Item 2: Properties

Our headquarters, as well as the Bank's, is located in the Huntington Center, a thirty-seven story office building located in Columbus, Ohio. Of the building's total office space available, we lease approximately 22%. The lease term expires in 2030, with six five-year renewal options for up to 30 years but with no purchase option. The Bank has an indirect minority equity interest of 18% in the building.

Our other major properties consist of the following:

Description	Location	Primary Business Segment	Utilization of Property for HBI purposes	Own	Lease
Tower Building - Office	Akron, OH	Regional Leadership, Commercial Banking, Business Banking, Private Client Banking, Trust, Bank Operations, Retail Bank Branch	60%	✓	
Cascade III (own building, lease land)	Akron, OH	Compliance, Consumer & Private Bank Technology, Corporate Sourcing, Bank Operations, Indirect Lending, Information Security Services	65%	✓	✓
Easton - HNB Business Service Center	Columbus, OH	Bank Operations, Vehicle Finance, Business Banking Credit, Technology, Special Assets, Human Resources	80%	✓	
Capitol Square	Columbus, OH	Bank Security, Internal Audit, Risk Administration, Treasury Management, Retail Bank Branch	66%	✓	
Gateway Center	Columbus, OH	Bank Operations, Corporate Sourcing, Indirect Loan, Insurance, Phone Bank	74%	✓	
Huntington Center (lease a portion of building)	Columbus, OH	Bank Administration, Private Client Group, Commercial Risk, Treasury, Finance, Accounting, Legal, Marketing, Human Resources, Tax	79%		✓
Huntington Plaza	Columbus, OH	Bank Operations, Compliance, HIC, Human Resources, Insurance	79%	✓	
Crosswoods - Mortgage Group	Columbus, OH	Consumer Lending Operations, Title Insurance, Mortgage Operations	92%		✓
Indianapolis Main	Indianapolis, IN	Regional Leadership, Business Banking, Commercial Banking, Vehicle Finance, HIC, Trust, Private Client	62%	✓	
Downtown Saginaw	Saginaw, MI	Regional Leadership, Private Banking, Retail Bank Branch	25%	✓	
Mahoning Federal Plaza Building	Youngstown, OH	Business Banking Credit, Bank Operations, Commercial Banking	69%	✓	

The major properties occupied by the Company are used across all of the business segments and for corporate purposes.

Item 3: Legal Proceedings

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

Item 4: Mine Safety Disclosures

Not applicable.

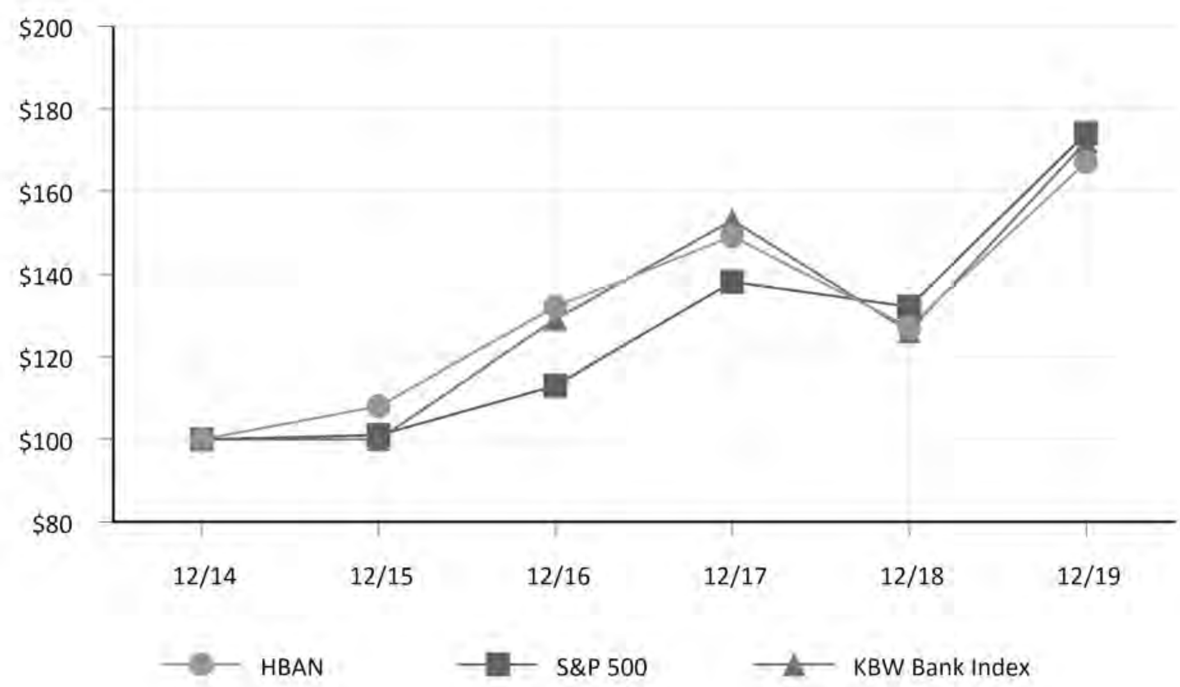
PART II

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

The common stock of Huntington Bancshares Incorporated is traded on the Nasdaq Stock Market under the symbol "HBAN". As of January 31, 2020, we had 27,384 shareholders of record.

Information regarding restrictions on dividends, as required by this Item, is set forth in Item 1: Business - "Regulatory Matters" and in Note 22 - "Other Regulatory Matters" of the Notes to Consolidated Financial Statements and incorporated into this Item by reference.

The following graph shows the changes, over the five-year period, in the value of $100 invested in (i) shares of Huntington's Common Stock; (ii) the Standard & Poor's 500 Stock Index (the S&P 500 Index) and (iii) Keefe, Bruyette & Woods Bank Index, for the period December 31, 2014, through December 31, 2019. The KBW Bank Index is a market capitalization-weighted bank stock index published by Keefe, Bruyette & Woods. The index is composed of the largest banking companies and includes all money center banks and regional banks, including Huntington. An investment of $100 on December 31, 2014, and the reinvestment of all dividends, are assumed. The plotted points represent the cumulative total return on the last trading day of the fiscal year indicated.



	2014	2015	2016	2017	2018	2019
HBAN	$100	$108	$132	$149	$127	$167
S&P 500	100	101	113	138	132	174
KBW Bank Index	100	100	129	153	126	172

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

The following table provides information regarding Huntington's purchases of its Common Stock during the three-month period ended December 31, 2019.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (2)
October 1, 2019 to October 31, 2019	1,182,934	$ 14.35	$ 428,123,227
November 1, 2019 to November 30, 2019	4,908,276	14.81	355,449,783
December 1, 2019 to December 31, 2019	7,012,368	15.17	249,099,865
Total	13,103,578	$ 14.96	$ 249,099,865

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

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

On July 17, 2019, the Board of Directors authorized the repurchase of up to $513 million of common shares over the four quarters through the 2020 second quarter. Purchases of common stock under the authorization may include open market purchases, privately negotiated transactions, and accelerated repurchase programs. During the 2019 fourth quarter, Huntington repurchased a total of 13 million shares at a weighted average share price of $14.96.

Item 6: Selected Financial Data

Table 1 - Selected Annual Income Statement Data (1)

(amounts in millions, except per share data)	Year Ended December 31,				
	2019	2018	2017	2016	2015
Interest income	$ 4,201	$ 3,949	$ 3,433	$ 2,632	$ 2,115
Interest expense	988	760	431	263	164
Net interest income	3,213	3,189	3,002	2,369	1,951
Provision for credit losses	287	235	201	191	100
Net interest income after provision for credit losses	2,926	2,954	2,801	2,178	1,851
Noninterest income	1,454	1,321	1,307	1,150	1,039
Noninterest expense	2,721	2,647	2,714	2,408	1,976
Income before income taxes	1,659	1,628	1,394	920	914
Provision for income taxes	248	235	208	208	221
Net income	1,411	1,393	1,186	712	693
Dividends on preferred shares	74	70	76	65	32
Net income applicable to common shares	$ 1,337	$ 1,323	$ 1,110	$ 647	$ 661
Net income per common share—basic	$ 1.29	$ 1.22	$ 1.02	$ 0.72	$ 0.82
Net income per common share—diluted	1.27	1.20	1.00	0.70	0.81
Cash dividends declared per common share	0.58	0.50	0.35	0.29	0.25
Balance sheet highlights					
Total assets (period end)	$ 109,002	$ 108,781	$ 104,185	$ 99,714	$ 71,018
Total long-term debt (period end)	9,849	8,625	9,206	8,309	7,042
Total shareholders' equity (period end)	11,795	11,102	10,814	10,308	6,595
Average total assets	107,971	104,982	101,021	83,054	68,560
Average total long-term debt	9,332	8,992	8,862	8,048	5,585
Average total shareholders' equity	11,560	11,059	10,611	8,391	6,536
Key ratios and statistics					
Margin analysis—as a % of average earnings assets					
Interest income (2)	4.25%	4.12%	3.77%	3.50%	3.41%
Interest expense	0.99	0.79	0.47	0.34	0.26
Net interest margin (2)	3.26%	3.33%	3.30%	3.16%	3.15%
Return on average total assets	1.31%	1.33%	1.17%	0.86%	1.01%
Return on average common shareholders' equity	12.9	13.4	11.6	8.6	10.7
Return on average tangible common shareholders' equity (3), (7)	16.9	17.9	15.7	10.7	12.4
Efficiency ratio (4)	56.6	56.9	60.9	66.8	64.5
Dividend payout ratio	45.0	41.0	34.3	40.3	30.5
Average shareholders' equity to average assets	10.71	10.53	10.50	10.10	9.53
Effective tax rate	15.0	14.5	14.9	22.6	24.2
Non-regulatory capital					
Tangible common equity to tangible assets (period end) (5), (7)	7.88	7.21	7.34	7.16	7.82
Tangible equity to tangible assets (period end) (6), (7)	9.01	8.34	8.39	8.26	8.37
Capital under current regulatory standards (Basel III)					
CET 1 risk-based capital ratio	9.88	9.65	10.01	9.56	9.79
Tier 1 leverage ratio (period end)	9.26	9.10	9.09	8.70	8.79
Tier 1 risk-based capital ratio (period end)	11.26	11.06	11.34	10.92	10.53
Total risk-based capital ratio (period end)	13.04	12.98	13.39	13.05	12.64
Other data					
Full-time equivalent employees (average)	15,664	15,693	15,770	13,858	12,243
Domestic banking offices (period end)	868	954	966	1,115	777

(1) Comparisons for presented periods are impacted by a number of factors. Refer to the "Significant Items" in the Discussion of Results of Operations for additional discussion regarding these key factors.
(2) On an FTE basis assuming a 21% tax rate and a 35% tax rate for periods prior to January 1, 2018.
(3) Net income applicable to common shares excluding expense for amortization of intangibles for the period divided by average tangible shareholders' equity. Average tangible shareholders' equity equals average total shareholders' equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax.
(4) Noninterest expense less amortization of intangibles divided by the sum of FTE net interest income and noninterest income excluding securities gains (Non-GAAP).
(5) Tangible common equity (total common equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax.
(6) Tangible equity (total equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax.
(7) Tier 1 common equity, tangible equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.

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

INTRODUCTION

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

EXECUTIVE OVERVIEW

2019 Financial Performance Review

In 2019, we reported net income of $1.4 billion, a 1% increase from the prior year. Earnings per common share on a diluted basis for the year were $1.27, up 6% from the prior year.

Fully-taxable equivalent net interest income for 2019 increased $20 million, or 1%, from 2018. This reflected the impact of 3% average earning asset growth and a 4% growth of average interest-bearing liabilities. FTE net interest margin decreased 7 basis points to 3.26%. Average earning asset growth reflects a $2.7 billion, or 4%, increase in average loans and leases. The NIM compression reflected a 28 basis point increase in funding costs, partially offset by a 13 basis point positive impact from earning asset yields and a 8 basis point increase in the benefit from noninterest-bearing funding.

The provision for credit losses was $287 million, up $52 million, or 22%. The increase in provision expense over the prior year was primarily attributed to higher commercial losses.

Noninterest income was $1.5 billion, up $133 million, or 10%, from the prior year. Mortgage banking income increased $59 million or 55% driven by increased volume and higher salable spreads. Card and payment processing income increased $22 million, or 10%, due to increased account activity. Capital markets fees increased $15 million, or 14%, driven by increased underwriting activity primarily associated with the HSE acquisition. Other noninterest income increased $20 million, or 12%, as a result of the gain on the sale of the Wisconsin retail branches and the impact of the new lease accounting standard with regard to the presentation of income for personal property tax on leased assets.

Noninterest expense was $2.7 billion, up $74 million, or 3%, from the prior year. Personnel costs increased $95 million, or 6%, primarily reflecting the shift toward colleagues supporting our core strategies, annual merit increases, and $15 million of expense related to position reductions completed in the 2019 fourth quarter. Outside data processing and other services increased $52 million, or 18%, primarily driven by higher technology investment costs. Partially offsetting these increases, deposit and other insurance expense decreased $29 million, or 46%, primarily due to the discontinuation of the FDIC surcharge in the 2018 fourth quarter. Net occupancy expense decreased $25 million, or 14%, primarily reflecting lower branch and facility consolidation-related expense as the 2018 fourth quarter included $28 million of consolidation-related expense. Marketing decreased $16 million, or 30%, primarily reflecting pacing of marketing campaigns and deposit promotions.

The tangible common equity to tangible assets ratio was 7.88%, up 67 basis points. The regulatory Common Equity Tier 1 (CET1) risk-based capital ratio was 9.88%, up 23 basis points. The regulatory Tier 1 risk-based capital ratio was 11.26%, up 20 basis points.

Consistent with the 2019 capital plan, the Company repurchased $441 million of common stock during 2019 at an average cost of $14.00 per share.

Business Overview

General

Our general business objectives are:

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

Economy

Our local economies are growing, and our expectation for 2020 is for continued expansion. Building on the strong customer sentiment, consumer lending should fuel balance sheet growth in the coming year. Our commercial customers are performing well, and we are seeing success in our strategies, though volatility and uncertainty are restraining overall commercial loan growth. The momentum across our businesses and focused execution, augmented by the actions taken in 2019, set us up well entering 2020.

Legislative and Regulatory

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

Table 2 - Selected Annual Income Statements (1)

(amounts in millions, except per share data)

	Year Ended December 31,						
		Change from 2018			Change from 2017		
	2019	Amount	Percent	2018	Amount	Percent	2017
Interest income	$ 4,201	$ 252	6 %	$ 3,949	$ 516	15 %	$ 3,433
Interest expense	988	228	30	760	329	76	431
Net interest income	3,213	24	1	3,189	187	6	3,002
Provision for credit losses	287	52	22	235	34	17	201
Net interest income after provision for credit losses	2,926	(28)	(1)	2,954	153	5	2,801
Service charges on deposit accounts	372	8	2	364	11	3	353
Card and payment processing income	246	22	10	224	18	9	206
Trust and investment management services	178	7	4	171	15	10	156
Mortgage banking income	167	59	55	108	(23)	(18)	131
Capital markets fees	123	15	14	108	18	20	90
Insurance income	88	6	7	82	1	1	81
Bank owned life insurance income	66	(1)	(1)	67	—	—	67
Gain on sale of loans and leases	55	—	—	55	(1)	(2)	56
Net (losses) gains on sales of securities	(24)	(3)	(14)	(21)	(17)	(425)	(4)
Other noninterest income	183	20	12	163	(8)	(5)	171
Total noninterest income	1,454	133	10	1,321	14	1	1,307
Personnel costs	1,654	95	6	1,559	35	2	1,524
Outside data processing and other services	346	52	18	294	(19)	(6)	313
Equipment	163	(1)	(1)	164	(7)	(4)	171
Net occupancy	159	(25)	(14)	184	(28)	(13)	212
Professional services	54	(6)	(10)	60	(9)	(13)	69
Amortization of intangibles	49	(4)	(8)	53	(3)	(5)	56
Marketing	37	(16)	(30)	53	(7)	(12)	60
Deposit and other insurance expense	34	(29)	(46)	63	(15)	(19)	78
Other noninterest expense	225	8	4	217	(14)	(6)	231
Total noninterest expense	2,721	74	3	2,647	(67)	(2)	2,714
Income before income taxes	1,659	31	2	1,628	234	17	1,394
Provision for income taxes	248	13	6	235	27	13	208
Net income	1,411	18	1	1,393	207	17	1,186
Dividends on preferred shares	74	4	6	70	(6)	(8)	76
Net income applicable to common shares	$ 1,337	$ 14	1 %	$ 1,323	$ 213	19 %	$ 1,110
Average common shares—basic	1,039	(43)	(4)%	1,082	(3)	— %	1,085
Average common shares—diluted	1,056	(50)	(5)	1,106	(30)	(3)	1,136
Per common share:							
Net income—basic	$ 1.29	$ 0.07	6 %	$ 1.22	$ 0.20	20 %	$ 1.02
Net income—diluted	1.27	0.07	6	1.20	0.20	20	1.00
Cash dividends declared	0.58	0.08	16	0.50	0.15	43	0.35
Revenue—FTE							
Net interest income	$ 3,213	$ 24	1 %	$ 3,189	$ 187	6 %	$ 3,002
FTE adjustment	26	(4)	(13)	30	(20)	(40)	50
Net interest income (2)	3,239	20	1	3,219	167	5	3,052
Noninterest income	1,454	133	10	1,321	14	1	1,307
Total revenue (2)	$ 4,693	$ 153	3 %	$ 4,540	$ 181	4 %	$ 4,359

(1) Comparisons for presented periods are impacted by a number of factors. Refer to “Significant Items” in the Discussion of Results of Operations.
(2) On a fully-taxable equivalent (FTE) basis assuming a 21% tax rate and a 35% tax rate for the period prior to January 1, 2018.

DISCUSSION OF RESULTS OF OPERATIONS

This section provides a review of financial performance from a consolidated perspective. It also includes a "Significant Items" section that summarizes key issues important for a complete understanding of performance trends. Key consolidated balance sheet and income statement trends are discussed. All earnings per share data are reported on a diluted basis. For additional insight on financial performance, please read this section in conjunction with the "Business Segment Discussion."

For a discussion of our results of operations for 2018 versus 2017, see "Part II, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" Discussion of Results of Operations included in our 2018 Form 10-K, filed with the SEC on February 15, 2019.

Significant Items

Earnings comparisons among the three years ended December 31, 2019, 2018, and 2017 were impacted by a number of Significant Items summarized below.

There were no Significant Items in 2019 or 2018.

Significant Items included in 2017 were:

1. **Mergers and Acquisitions.** Significant events relating to mergers and acquisitions, and the impacts of those events on our reported results, were as follows:
   - During 2017, $154 million of noninterest expense and $2 million of noninterest income was recorded related to the acquisition of FirstMerit. This resulted in a negative impact of $0.09 per common share in 2017.
2. **Federal tax reform-related tax benefit.** Significant events relating to federal tax reform-related tax benefits, and the impacts of those events on our reported results, were as follows:
   - During 2017, $123 million of federal tax reform-related tax benefit was recorded as provision for income taxes. This resulted in a positive impact of $0.11 per common share in 2017.

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

(amounts in millions, except per share data)	2019		2018		2017	
	Amount	EPS (1)	Amount	EPS (1)	Amount	EPS (1)
Net income	$ 1,411		$ 1,393		$ 1,186	
Earnings per share, after-tax		$ 1.27		$ 1.20		$ 1.00
Significant items—favorable (unfavorable) impact:	Earnings	EPS	Earnings	EPS	Earnings	EPS
Federal tax reform-related tax benefit	$ —		$ —		$ —	
Tax impact	—		—		123	
Federal tax reform-related tax benefit, after-tax	$ —	$ —	$ —	$ —	$ 123	$ 0.11
Mergers and acquisitions, net expenses	$ —		$ —		$ (152)	
Tax impact	—		—		53	
Mergers and acquisitions, after-tax	$ —	$ —	$ —	$ —	$ (99)	$ (0.09)

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

Net Interest Income / Average Balance Sheet

Our primary source of revenue is net interest income, which is the difference between interest income from earning assets (primarily loans, securities, and direct financing leases), and interest expense of funding sources (primarily interest-bearing deposits and borrowings). Earning asset balances and related funding sources, as well as changes in the levels of interest rates, impact net interest income. The difference between the average yield on earning assets and the average rate paid for interest-bearing liabilities is the net interest spread. Noninterest-bearing sources of funds, such as demand deposits and shareholders' equity, also support earning assets. The impact of the noninterest-bearing sources of funds, often referred to as "free" funds, is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. Both the net interest margin and net interest spread are presented on a fully-taxable equivalent basis, which means that tax-free interest income has been adjusted to a pretax equivalent income, assuming a 21% tax rate and 35% tax rate for periods prior to January 1, 2018.

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

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

	2019			2018		
(dollar amounts in millions)	Increase (Decrease) From Previous Year Due To			Increase (Decrease) From Previous Year Due To		
Fully-taxable equivalent basis (2)	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Loans and leases	$ 127	$ 108	$ 235	$ 189	$ 274	$ 463
Investment securities	(12)	10	(2)	(10)	35	25
Other earning assets	20	(5)	15	5	3	8
Total interest income from earning assets	135	113	248	184	312	496
Deposits	17	177	194	16	195	211
Short-term borrowings	(6)	12	6	(2)	25	23
Long-term debt	12	16	28	3	92	95
Total interest expense of interest-bearing liabilities	23	205	228	17	312	329
Net interest income	$ 112	$ (92)	$ 20	$ 167	$ —	$ 167

(1) The change in interest income or expense due to both rate and volume has been allocated between the factors in proportion to the relationship of the absolute dollar amounts of the change in each.
(2) Calculated assuming a 21% tax rate.

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

(dollar amounts in millions)

	Average Balances						
		Change from 2018			Change from 2017		
Fully-taxable equivalent basis (1)	2019	Amount	Percent	2018	Amount	Percent	2017
Assets							
Interest-bearing deposits in Federal Reserve Bank (2)	$ 552	$ 430	352%	$ 122	$ 122	100%	$ —
Interest-bearing deposits in banks	142	54	61	88	(11)	(11)	99
Securities:							
Trading account securities	136	40	42	96	(6)	(6)	102
Available-for-sale securities:							
Taxable	10,894	194	2	10,700	(1,203)	(10)	11,903
Tax-exempt	2,907	(556)	(16)	3,463	282	9	3,181
Total available-for-sale securities	13,801	(362)	(3)	14,163	(921)	(6)	15,084
Held-to-maturity securities—taxable	8,645	2	—	8,643	535	7	8,108
Other securities	471	(113)	(19)	584	—	—	584
Total securities	23,053	(433)	(2)	23,486	(392)	(2)	23,878
Loans held for sale	816	181	29	635	80	14	555
Loans and leases: (3)							
Commercial:							
Commercial and industrial	30,549	1,662	6	28,887	1,138	4	27,749
Commercial real estate:							
Construction	1,171	25	2	1,146	(52)	(4)	1,198
Commercial	5,702	(347)	(6)	6,049	39	1	6,010
Commercial real estate	6,873	(322)	(4)	7,195	(13)	—	7,208
Total commercial	37,422	1,340	4	36,082	1,125	3	34,957
Consumer:							
Automobile loans and leases	12,343	51	—	12,292	773	7	11,519
Home equity	9,416	(499)	(5)	9,915	(79)	(1)	9,994
Residential mortgage	11,087	1,180	12	9,907	1,662	20	8,245
RV and marine	3,451	604	21	2,847	692	32	2,155
Other consumer	1,259	56	5	1,203	182	18	1,021
Total consumer	37,556	1,392	4	36,164	3,230	10	32,934
Total loans and leases	74,978	2,732	4	72,246	4,355	6	67,891
Allowance for loan and lease losses	(786)	(39)	(5)	(747)	(80)	(12)	(667)
Net loans and leases	74,192	2,693	4	71,499	4,275	6	67,224
Total earning assets	99,541	2,964	3	96,577	4,154	4	92,423
Cash and due from banks	842	(342)	(29)	1,184	(269)	(19)	1,453
Intangible assets	2,246	(65)	(3)	2,311	(55)	(2)	2,366
All other assets	6,128	471	8	5,657	211	4	5,446
Total assets	$ 107,971	$ 2,989	3%	$ 104,982	$ 3,961	4%	$ 101,021
Liabilities and Shareholders' Equity							
Interest-bearing deposits:							
Demand deposits—interest-bearing	$ 19,858	$ 563	3%	$ 19,295	$ 1,715	10%	$ 17,580
Money market deposits	23,772	2,326	11	21,446	1,711	9	19,735
Savings and other domestic deposits	9,916	(1,167)	(11)	11,083	(614)	(5)	11,697
Core certificates of deposit (4)	5,590	1,402	33	4,188	2,069	98	2,119
Other domestic time deposits of $250,000 or more	319	39	14	280	(165)	(37)	445
Brokered time deposits and negotiable CDs	2,816	(687)	(20)	3,503	(172)	(5)	3,675
Total interest-bearing deposits	62,271	2,476	4	59,795	4,544	8	55,251
Short-term borrowings	2,444	(304)	(11)	2,748	(175)	(6)	2,923
Long-term debt	9,332	340	4	8,992	130	1	8,862
Total interest-bearing liabilities	74,047	2,512	4	71,535	4,499	7	67,036
Demand deposits—noninterest-bearing	20,061	(330)	(2)	20,391	(1,308)	(6)	21,699
All other liabilities	2,303	306	15	1,997	322	19	1,675
Shareholders' equity	11,560	501	5	11,059	448	4	10,611
Total liabilities and shareholders' equity	$ 107,971	$ 2,989	3%	$ 104,982	$ 3,961	4%	$ 101,021

(1) FTE yields are calculated assuming a 21% tax rate and a 35% tax rate for periods prior to January 1, 2018.
(2) Deposits in Federal Reserve Bank were treated as non-earning assets prior to 4Q 2018.
(3) For purposes of this analysis, nonaccrual loans are reflected in the average balances of loans.
(4) Includes consumer certificates of deposit of $250,000 or more.

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

(dollar amounts in millions)

	Interest Income / Expense			Average Rate (5)		
Fully-taxable equivalent basis (1)	2019	2018	2017	2019	2018	2017
Assets						
Interest-bearing deposits in Federal Reserve Bank (2)	$ 12	$ 3	$ —	2.12%	2.33%	—%
Interest-bearing deposits in banks	3	2	2	2.01	1.97	1.56
Securities:						
Trading account securities	3	1	—	2.17	0.80	0.18
Available-for-sale securities:						
Taxable	295	280	283	2.71	2.61	2.38
Tax-exempt	105	122	118	3.61	3.53	3.71
Total available-for-sale securities	400	402	401	2.90	2.84	2.66
Held-to-maturity securities—taxable	218	211	193	2.52	2.44	2.38
Other securities	16	25	20	3.47	4.34	3.42
Total securities	637	639	614	2.76	2.72	2.57
Loans held for sale	31	26	21	3.76	4.15	3.75
Loans and leases: (3)						
Commercial:						
Commercial and industrial	1,441	1,337	1,142	4.72	4.63	4.12
Commercial real estate:						
Construction	64	60	52	5.51	5.26	4.36
Commercial	273	283	240	4.79	4.67	4.00
Commercial real estate	337	343	292	4.91	4.77	4.06
Total commercial	1,778	1,680	1,434	4.75	4.66	4.11
Consumer:						
Automobile loans and leases	500	456	412	4.05	3.71	3.58
Home equity	508	512	463	5.40	5.16	4.63
Residential mortgage	422	371	301	3.81	3.74	3.65
RV and marine	171	145	118	4.95	5.09	5.46
Other consumer	165	145	118	13.11	12.04	11.53
Total consumer	1,766	1,629	1,412	4.70	4.50	4.28
Total loans and leases	3,544	3,309	2,846	4.73	4.58	4.19
Total earning assets	$ 4,227	$ 3,979	$ 3,483	4.25%	4.12%	3.77%
Liabilities and Shareholders' Equity						
Interest-bearing deposits:						
Demand deposits—interest-bearing	$ 116	$ 78	$ 38	0.58%	0.40%	0.21%
Money market deposits	260	148	66	1.09	0.69	0.33
Savings and other domestic deposits	22	24	24	0.22	0.22	0.21
Core certificates of deposit (4)	119	72	13	2.13	1.72	0.60
Other domestic time deposits of $250,000 or more	7	3	2	1.82	1.25	0.52
Brokered time deposits and negotiable CDs	61	66	37	2.18	1.88	1.00
Total interest-bearing deposits	585	391	180	0.94	0.65	0.33
Short-term borrowings	54	48	25	2.23	1.74	0.86
Long-term debt	349	321	226	3.74	3.57	2.56
Total interest-bearing liabilities	988	760	431	1.34	1.06	0.64
Net interest income	$ 3,239	$ 3,219	$ 3,052			
Net interest rate spread				2.91	3.06	3.13
Impact of noninterest-bearing funds on margin				0.35	0.27	0.17
Net interest margin				**3.26%**	**3.33%**	**3.30%**

(1) FTE yields are calculated assuming a 21% tax rate and a 35% tax rate for the period prior to January 1, 2018.
(2) Deposits in Federal Reserve Bank were treated as non-earning assets prior to 4Q 2018 and the associated interest income was not material.
(3) For purposes of this analysis, nonaccrual loans are reflected in the average balances of loans.
(4) Includes consumer certificates of deposit of $250,000 or more.
(5) Rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

2019 versus 2018

Fully-taxable equivalent net interest income for 2019 increased $20 million, or 1%, from 2018. This reflected the impact of 3% average earning asset growth and a 4% growth in average interest-bearing liabilities. FTE net interest margin decreased 7 basis points to 3.26%. Average earning asset growth reflects a $2.7 billion, or 4%, increase in average loans and leases. The NIM compression reflected a 28 basis point increase in funding costs, partially offset by a 13 basis point positive impact from earning asset yields and a 8 basis point increase in the benefit from noninterest-bearing funding.

Average earning assets for 2019 increased $3.0 billion, or 3%, from the prior year, reflecting loan growth of $2.7 billion, or 4%. Average C&I loans and leases increased $1.7 billion, or 6%, reflecting broad-based growth. Residential mortgages increased $1.2 billion, or 12%, reflecting robust mortgage production in the second half of 2019. Average RV and marine loans increased $0.6 billion, or 21%, primarily resulting from expansions of lending activities in new markets in 2017 and 2018, while maintaining our commitment to super prime originations. Average securities decreased $0.4 billion, or 2%.

Both average total interest-bearing deposits and average total interest-bearing liabilities for 2019 increased $2.5 billion, or 4%, from the prior year. Average core CDs increased $1.4 billion, or 33%, reflecting consumer deposit growth initiatives primarily in the first three quarters of 2018, partially offset by maturity of balances towards the end of 2019. Average money market deposits increased $2.3 billion, or 11%, reflecting growth driven by promotional pricing. These increases were offset by a decrease in savings and other domestic deposits of $1.2 billion or 11% reflecting a continued shift in consumer product mix.

Provision for Credit Losses

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

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

The provision for credit losses in 2019 was $287 million, up $52 million, or 22%, from 2018. The increase in provision expense over the prior year was primarily attributed to higher commercial losses.

Noninterest Income

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

Table 6 - Noninterest Income

	Year Ended December 31,						
(dollar amounts in millions)		Change from 2018			Change from 2017		
	2019	Amount	Percent	2018	Amount	Percent	2017
Service charges on deposit accounts	$ 372	$ 8	2%	$ 364	$ 11	3%	$ 353
Card and payment processing income	246	22	10	224	18	9	206
Trust and investment management services	178	7	4	171	15	10	156
Mortgage banking income	167	59	55	108	(23)	(18)	131
Capital markets fees	123	15	14	108	18	20	90
Insurance income	88	6	7	82	1	1	81
Bank owned life insurance income	66	(1)	(1)	67	—	—	67
Gain on sale of loans and leases	55	—	—	55	(1)	(2)	56
Net (losses) gains on sales of securities	(24)	(3)	(14)	(21)	(17)	(425)	(4)
Other noninterest income	183	20	12	163	(8)	(5)	171
Total noninterest income	$ 1,454	$ 133	10%	$ 1,321	$ 14	1%	$ 1,307

2019 versus 2018

Noninterest income was $1.5 billion, up $133 million, or 10%, from the prior year. Mortgage banking income increased $59 million or 55% driven by increased volume and higher salable spreads. Card and payment processing income increased $22 million, or 10%, due to increased account activity. Capital markets fees increased $15 million, or 14%, driven by increased underwriting activity primarily associated with the HSE acquisition. Other income increased $20 million, or 12%, as a result of the gain on the sale of the Wisconsin retail branches and the impact of the new lease accounting standard with regard to the presentation of income for personal property tax on leased assets.

Noninterest Expense

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

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

Table 7 - Noninterest Expense

	Year Ended December 31,						
(dollar amounts in millions)		Change from 2018			Change from 2017		
	2019	Amount	Percent	2018	Amount	Percent	2017
Personnel costs	$ 1,654	$ 95	6 %	$ 1,559	$ 35	2 %	$ 1,524
Outside data processing and other services	346	52	18	294	(19)	(6)	313
Equipment	163	(1)	(1)	164	(7)	(4)	171
Net occupancy	159	(25)	(14)	184	(28)	(13)	212
Professional services	54	(6)	(10)	60	(9)	(13)	69
Amortization of intangibles	49	(4)	(8)	53	(3)	(5)	56
Marketing	37	(16)	(30)	53	(7)	(12)	60
Deposit and other insurance expense	34	(29)	(46)	63	(15)	(19)	78
Other noninterest expense	225	8	4	217	(14)	(6)	231
Total noninterest expense	$ 2,721	$ 74	3 %	$ 2,647	$ (67)	(2)%	$ 2,714
Number of employees (average full-time equivalent)	15,664	(29)	— %	15,693	(77)	— %	15,770

Impact of Significant Items:

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Personnel costs	$ —	$ —	$ 42
Outside data processing and other services	—	—	24
Equipment	—	—	16
Net occupancy	—	—	52
Professional services	—	—	10
Marketing	—	—	1
Other noninterest expense	—	—	9
Total impact of significant items on noninterest expense	$ —	$ —	$ 154

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

	Year Ended December 31,						
		Change from 2018			Change from 2017		
(dollar amounts in millions)	2019	Amount	Percent	2018	Amount	Percent	2017
Personnel costs	$ 1,654	$ 95	6%	$ 1,559	$ 77	5%	$ 1,482
Outside data processing and other services	346	52	18	294	5	2	289
Equipment	163	(1)	(1)	164	9	6	155
Net occupancy	159	(25)	(14)	184	24	15	160
Professional services	54	(6)	(10)	60	1	2	59
Amortization of intangibles	49	(4)	(8)	53	(3)	(5)	56
Marketing	37	(16)	(30)	53	(6)	(10)	59
Deposit and other insurance expense	34	(29)	(46)	63	(15)	(19)	78
Other noninterest expense	225	8	4	217	(5)	(2)	222
Total adjusted noninterest expense (Non-GAAP)	$ 2,721	$ 74	3%	$ 2,647	$ 87	3%	$ 2,560

2019 versus 2018

Noninterest expense was $2.7 billion, up $74 million, or 3%, from the prior year. Personnel costs increased $95 million, or 6%, primarily reflecting the shift toward colleagues supporting our core strategies, annual merit increases, and $15 million of expense related to position reductions completed in the 2019 fourth quarter. Outside data processing and other services increased $52 million, or 18%, primarily driven by higher technology investment costs. Offsetting these increases, deposit and other insurance expense decreased $29 million, or 46%, primarily due to the discontinuation of the FDIC surcharge in the 2018 fourth quarter. Net occupancy expense decreased $25 million, or 14%, primarily reflecting lower branch and facility consolidation-related expense as the 2018 fourth quarter included $28 million of consolidation-related expense. Marketing decreased $16 million, or 30%, primarily reflecting pacing of marketing campaigns and deposit promotions.

Provision for Income Taxes

(This section should be read in conjunction with Note 1 - "Significant Accounting Policies" and Note 17 - "Income Taxes" of the Notes to Consolidated Financial Statements.)

2019 versus 2018

The provision for income taxes was $248 million for 2019 compared with a provision for income taxes of $235 million in 2018. Both years included the benefits from tax-exempt income, tax-advantaged investments, general business credits, investments in qualified affordable housing projects, stock-based compensation, and capital losses. As of December 31, 2019 and 2018 there was no valuation allowance on federal deferred taxes. In 2019 and 2018 there was essentially no material change recorded in the provision for state income taxes, net of federal taxes, for the portion of state deferred tax assets and state net operating loss carryforwards that are more likely than not to be realized. At December 31, 2019, we had a net federal deferred tax liability of $221 million and a net state deferred tax asset of $38 million.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2009. Certain proposed adjustments resulting from the IRS examination of our 2010 through 2011 tax returns have been settled, subject to final approval by the Joint Committee on Taxation of the U.S. Congress. While the statute of limitations remains open for tax years 2012 through 2018, the IRS has advised that tax years 2012 through 2014 will not be audited, and is currently examining the 2015 and 2016 federal income tax returns. Various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, and Illinois.

RISK MANAGEMENT AND CAPITAL

Risk Governance

We use a multi-faceted approach to risk governance. It begins with the Board of Directors defining our risk appetite as aggregate moderate-to-low. This does not preclude engagement in select higher risk activities. Rather, the definition is intended to represent an aggregate view of where we want our overall risk to be managed.

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

- The *Audit Committee* oversees the integrity of the consolidated financial statements, including policies, procedures, and practices regarding the preparation of financial statements, the financial reporting process, disclosures, and internal control over financial reporting. The Audit Committee also provides assistance to the board in overseeing the internal audit division and the independent registered public accounting firm's qualifications and independence; compliance with our Financial Code of Ethics for the chief executive officer and senior financial officers; and compliance with corporate securities trading policies.
- The *Risk Oversight Committee (ROC)* assists the board of directors in overseeing management of material risks, the approval and monitoring of the Company's capital position and plan supporting our overall aggregate moderate-to-low risk profile, the risk governance structure, compliance with applicable laws and regulations, and determining adherence to the board's stated risk appetite. The committee has oversight responsibility with respect to the full range of inherent risks: credit, market, liquidity, legal, compliance/regulatory, operational, strategic, and reputational. The ROC provides assistance to the Board in overseeing the credit review division. This committee also oversees our capital management and planning process, ensures that the amount and quality of capital are adequate in relation to expected and unexpected risks, and that our capital levels exceed "well-capitalized" requirements.
- The *Technology Committee* assists the board of directors in fulfilling its oversight responsibilities with respect to all technology, cyber security, and third-party risk management strategies and plans. The committee is charged with evaluating Huntington's capability to properly perform all technology functions necessary for its business plan, including projected growth, technology capacity, planning, operational execution, product development, and management capacity. The committee provides oversight of technology investments and plans to drive efficiency as well as to meet defined standards for risk, information security, and redundancy. The Committee oversees the allocation of technology costs and ensures that they are understood by the board of directors. The Technology Committee monitors and evaluates innovation and technology trends that may affect the Company's strategic plans, including monitoring of overall industry trends. The Technology Committee reviews and provides oversight of the Company's continuity and disaster recovery planning and preparedness.

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

The Risk Oversight and Technology Committees routinely hold joint sessions to cover matters relevant to both such as cybersecurity and IT risk and control projects and risk assessments.

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

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

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

We also have four executive level committees to manage risk: ALCO, Credit Policy and Strategy, Risk Management, and Capital Management. Each committee focuses on specific categories of risk and is supported by a series of subcommittees that are tactical in nature. We believe this structure helps ensure appropriate escalation of issues and overall communication of strategies.

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

A comprehensive discussion of risk management and capital matters affecting us can be found in the Risk Factors section included in Item 1A: Risk Factors and the "Regulatory Matters" section of Item 1: Business of this Form 10-K.

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

Credit Risk

Credit risk is the risk of financial loss if a counterparty is not able to meet the agreed upon terms of the financial obligation. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. We also have credit risk associated with our investment securities portfolios *(see Note 4 - "Investment Securities and Other Securities" of the Notes to Consolidated Financial Statements)*. We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking, and trading activities. A variety of derivative financial instruments, principally interest rate swaps, caps, floors, and collars, are used in asset and liability management activities to protect against the risk of adverse price or interest rate movements. Huntington also uses derivatives, principally loan sale commitments, in hedging its mortgage loan interest rate lock commitments and its mortgage loans held for sale. While there is credit risk associated with derivative activity, we believe this exposure is minimal. *(See Note 1 - "Significant Accounting Policies" of the Notes to Consolidated Financial Statements.)*

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

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

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

Loan and Lease Credit Exposure Mix

At December 31, 2019, our loans and leases totaled $75.4 billion, representing a $0.5 billion, or 1%, increase compared to $74.9 billion at December 31, 2018.

Total commercial loans and leases were $37.3 billion at December 31, 2019, and represented 49% of our total loan and lease credit exposure. Our commercial loan portfolio is diversified by product type, customer size, and geography within our footprint, and is comprised of the following (*see Commercial Credit discussion)*:

C&I – C&I loans and leases are made to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. We focus on borrowers 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, Asset Based Lending, etc.), all of which requires a high degree of expertise and oversight to effectively mitigate and monitor risk. As such, we have dedicated colleagues and teams focused on bringing value-added expertise to these specialty clients.

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

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 pre-sold or pre-leased, 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 $38.1 billion at December 31, 2019, and represented 51% of our total loan and lease credit exposure. The consumer portfolio is comprised primarily of automobile loans, home equity lines-of-credit, residential mortgages, and RV and marine finance *(see Consumer Credit discussion)*.

Automobile – Automobile loans are comprised primarily of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. The exposure outside of our core footprint states represents 22% of the total exposure, with no individual state representing more than 5%. Applications are underwritten using an automated underwriting system that applies consistent policies and processes across the portfolio.

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

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

RV and marine – RV and marine loans are loans provided to consumers for the purpose of financing recreational vehicles and boats. Loans are originated on an indirect basis through a series of dealerships across 34 states. The loans are underwritten centrally using an application and decisioning system similar to automobile loans. The current portfolio includes 28% of the balances within our core footprint states.

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

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

Table 8 - Loan and Lease Portfolio Composition

	At December 31,									
(dollar amounts in millions)	2019		2018		2017		2016		2015	
Commercial:										
Commercial and industrial	$ 30,664	41%	$ 30,605	41%	$ 28,107	40%	$ 28,059	42%	$ 20,560	41%
Commercial real estate:										
Construction	1,123	1	1,185	2	1,217	2	1,446	2	1,031	2
Commercial	5,551	7	5,657	8	6,008	9	5,855	9	4,237	8
Commercial real estate	6,674	8	6,842	10	7,225	11	7,301	11	5,268	10
Total commercial	37,338	49	37,447	51	35,332	51	35,360	53	25,828	51
Consumer:										
Automobile	12,797	17	12,429	16	12,100	17	10,969	16	9,481	19
Home equity	9,093	12	9,722	13	10,099	14	10,106	15	8,471	17
Residential mortgage	11,376	15	10,728	14	9,026	13	7,725	12	5,998	12
RV and marine	3,563	5	3,254	4	2,438	3	1,846	3	—	—
Other consumer	1,237	2	1,320	2	1,122	2	956	1	563	1
Total consumer	38,066	51	37,453	49	34,785	49	31,602	47	24,513	49
Total loans and leases	$ 75,404	100%	$ 74,900	100%	$ 70,117	100%	$ 66,962	100%	$ 50,341	100%

Our loan portfolio is composed of a managed mix of consumer and commercial credits. At the corporate level, we manage the overall credit exposure and portfolio composition via a credit concentration policy. The policy designates specific loan types, collateral types, and loan structures to be formally tracked and assigned maximum exposure limits as a percentage of capital. C&I lending by NAICS categories, specific limits for CRE project types, loans secured by residential real estate, large dollar exposures, and designated high risk loan definitions represent examples of specifically tracked components of our concentration management process. There are no identified concentrations that exceed the assigned exposure limit. Our concentration management policy is approved by the ROC of the Board of Directors and is one of the strategies used to ensure a high quality, well diversified portfolio that is consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. Changes to existing concentration limits require the approval of the ROC prior to implementation, incorporating specific information relating to the potential impact on the overall portfolio composition and performance metrics.

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

Table 9 - Loan and Lease Portfolio by Industry Type

(dollar amounts in millions)	December 31, 2019		December 31, 2018	
Commercial loans and leases:				
Real estate and rental and leasing	$ 6,662	9%	$ 6,964	9%
Manufacturing	5,248	7	5,140	7
Retail trade (1)	5,239	7	5,337	7
Finance and insurance	3,307	4	3,377	5
Health care and social assistance	2,498	3	2,533	3
Wholesale trade	2,437	3	2,830	4
Accommodation and food services	2,072	3	1,709	2
Professional, scientific, and technical services	1,360	2	1,344	2
Other services	1,310	2	1,290	2
Mining, quarrying, and oil and gas extraction	1,304	2	1,286	2
Transportation and warehousing	1,207	2	1,320	2
Construction	900	1	924	1
Admin./Support/Waste Mgmt. and Remediation Services	731	1	737	1
Arts, entertainment, and recreation	690	1	599	1
Information	649	1	441	1
Utilities	546	1	454	1
Educational services	463	—	473	1
Public administration	261	—	253	—
Unclassified/Other	195	—	174	—
Agriculture, forestry, fishing and hunting	154	—	174	—
Management of companies and enterprises	105	—	88	—
Total commercial loans and leases by industry category	37,338	49%	37,447	51%
Automobile	12,797	17	12,429	16
Home Equity	9,093	12	9,722	13
Residential mortgage	11,376	15	10,728	14
RV and marine	3,563	5	3,254	4
Other consumer loans	1,237	2	1,320	2
Total loans and leases	$ 75,404	100%	$ 74,900	100%

(1) Amounts include $3.7 billion and $3.6 billion of auto dealer services loans at December 31, 2019 and December 31, 2018, respectively.

Commercial Credit

The primary factors considered in commercial credit approvals are the financial strength of the borrower, assessment of the borrower's management capabilities, cash flows from operations, industry sector trends, type and sufficiency of collateral, type of exposure, transaction structure, and the general economic outlook. While these are the primary factors considered, there are a number of other factors that may be considered in the decision process. We utilize centralized preview and loan approval committees, led by our credit officers. The risk rating *(see next paragraph)*, size, and complexity of the credit determines the threshold for approval. For loans not requiring loan committee approval, with the exception of small business loans, credit officers who understand each local region and are experienced in the industries and loan structures of the requested credit exposure are involved in all loan decisions and have the primary credit authority. For small business loans, we utilize a centralized loan approval process for standard products and structures. In this centralized decision environment, certain individuals who understand each local region may make credit-extension decisions to preserve our commitment to the communities in which we operate. In addition to disciplined and consistent judgmental factors, a sophisticated credit scoring process is used as a primary evaluation tool in the determination of approving a loan within the centralized loan approval process.

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

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

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

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

Substantially all loans categorized as Classified *(See Note 3 "Loans / Leases and Allowance for Credit Losses" of the Notes to Consolidated Financial Statements)* are managed by SAD. SAD is a specialized group of credit professionals that handle the day-to-day management of workouts, commercial recoveries, and problem loan sales. Its responsibilities include developing and implementing action plans, assessing risk ratings, and determining the appropriateness of the allowance, the accrual status, and the ultimate collectability of the Classified loan portfolio.

C&I PORTFOLIO

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

The C&I portfolio continues to have solid origination activity while we maintain a focus on high quality originations. 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 120% of required interest and principal payments, and (3) if the commercial real estate is non-owner occupied, require that pre-leasing generate break even interest-only debt service. 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 continue to perform on-going portfolio level reviews within the CRE portfolio. These reviews generate action plans based on occupancy levels or sales volume associated with the projects being reviewed. This highly individualized process requires working closely with all of our borrowers, as well as an in-depth knowledge of CRE project lending and the market environment.

Consumer Credit

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

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

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

AUTOMOBILE PORTFOLIO

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

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

RESIDENTIAL REAL ESTATE SECURED PORTFOLIOS

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

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

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

RV AND MARINE PORTFOLIO

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

Credit Quality

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

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

Credit quality performance in 2019 was weaker than prior periods due to volatility in the commercial portfolio. The consumer portfolio metrics continue to reflect our focus on high quality borrowers. Total NCOs were $265 million or 0.35% of average total loans and leases, an increase from $145 million or 0.20% in the prior year. There was a 29% increase in NPAs from the prior year. The ALLL to total loans and leases ratio increased by 1 basis point from the prior year to 1.04%.

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.

Commercial loans are placed on nonaccrual status at 90-days past due, or earlier if repayment of principal and interest is in doubt. Of the $333 million of commercial related NALs at December 31, 2019, $236 million, or 71%, represent loans that were less than 30-days past due, demonstrating our continued commitment to proactive credit risk management. With the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, first lien loans secured by residential mortgage collateral are placed on nonaccrual status at 150-days past due. Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile, RV and marine and other consumer loans are generally fully charged-off at 120-days past due.

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

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

Table 10 - Nonaccrual Loans and Leases and Nonperforming Assets

	December 31,				
(dollar amounts in millions)	2019	2018	2017	2016	2015
Nonaccrual loans and leases (NALs):					
Commercial and industrial	$ 323	$ 188	$ 161	$ 234	$ 175
Commercial real estate	10	15	29	20	29
Automobile	4	5	6	6	7
Home equity	59	62	68	72	66
Residential mortgage	71	69	84	91	95
RV and marine	1	1	1	—	—
Other consumer	—	—	—	—	—
Total nonaccrual loans and leases	468	340	349	423	372
Other real estate, net:					
Residential	9	19	24	31	24
Commercial	2	4	9	20	3
Total other real estate, net	11	23	33	51	27
Other NPAs (1)	19	24	7	7	—
Total nonperforming assets	$ 498	$ 387	$ 389	$ 481	$ 399
Nonaccrual loans and leases as a % of total loans and leases	0.62%	0.45%	0.50%	0.63%	0.74%
NPA ratio (2)	0.66	0.52	0.55	0.72	0.79

(1) Other nonperforming assets include certain impaired investment securities and/or nonaccrual loans held-for-sale.
(2) Nonperforming assets divided by the sum of loans and leases, other real estate owned, and other NPAs.

***2019 versus* 2018**

Total NPAs increased by $111 million, or 29%, compared with December 31, 2018. The increase was due to a $135 million, or 72%, increase in the C&I portfolio, driven primarily by the oil and gas portfolio. OREO balances decreased $12 million, or 52%, from the prior year.

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

Table 11 - Accruing Past Due Loans and Leases

	December 31,				
(dollar amounts in millions)	2019	2018	2017	2016	2015
Accruing loans and leases past due 90 days or more:					
Commercial and industrial (1)	$ 11	$ 7	$ 9	$ 18	$ 9
Commercial real estate	—	—	3	17	10
Automobile	8	8	7	10	7
Home equity	14	17	18	12	9
Residential mortgage (excluding loans guaranteed by the U.S. Government)	20	32	21	15	14
RV and marine	2	1	1	1	—
Other consumer	7	6	5	4	1
Total, excl. loans guaranteed by the U.S. Government	62	71	64	77	50
Add: loans guaranteed by U.S. Government	109	99	51	52	56
Total accruing loans and leases past due 90 days or more, including loans guaranteed by the U.S. Government	$ 171	$ 170	$ 115	$ 129	$ 106
Ratios:					
Excluding loans guaranteed by the U.S. Government, as a percent of total loans and leases	0.08%	0.09%	0.09%	0.12%	0.10%
Guaranteed by U.S. Government, as a percent of total loans and leases	0.14	0.13	0.07	0.08	0.11
Including loans guaranteed by the U.S. Government, as a percent of total loans and leases	0.23	0.23	0.16	0.19	0.21

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

TDR Loans

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. TDRs can be classified as either accruing or nonaccruing loans. Nonaccruing TDRs are included in NALs whereas accruing TDRs are excluded from NALs, as it is probable that all contractual principal and interest due under the restructured terms will be collected. TDRs primarily reflect our loss mitigation efforts to proactively work with borrowers in financial difficulty or to comply with regulations regarding the treatment of certain bankruptcy filing and discharge situations. Over the past five years, the accruing component of the total TDR balance has been consistently over 80%, indicating there is no identified credit loss and the borrowers continue to make their monthly payments. As of December 31, 2019, over 77% of the $449 million of accruing TDRs secured by residential real estate (Residential mortgage and Home equity in Table 12) are current on their required payments, with over 62% of the accruing pool having had no delinquency in the past 12 months. There is limited migration from the accruing to non-accruing components, and virtually all of the charge-offs within this group of loans come from the non-accruing TDR balances.

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

Table 12 - Accruing and Nonaccruing Troubled Debt Restructured Loans

(dollar amounts in millions)	December 31,				
	2019	2018	2017	2016	2015
TDRs—accruing:					
Commercial and industrial	$ 213	$ 269	$ 300	$ 210	$ 236
Commercial real estate	37	54	78	77	115
Automobile	40	35	30	26	25
Home equity	226	252	265	270	199
Residential mortgage	223	218	224	243	265
RV and marine	3	2	1	—	—
Other consumer	11	9	8	4	4
Total TDRs—accruing	753	839	906	830	844
TDRs—nonaccruing:					
Commercial and industrial	109	97	82	107	57
Commercial real estate	6	6	15	5	17
Automobile	2	3	4	5	6
Home equity	26	28	28	28	21
Residential mortgage	42	44	55	59	72
RV and marine	1	—	—	—	—
Other consumer	—	—	—	—	—
Total TDRs—nonaccruing	186	178	184	204	173
Total TDRs	$ 939	$ 1,017	$ 1,090	$ 1,034	$ 1,017

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 a loan matures. Often 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 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 GAAP, 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 the removal of the TDR designation. A continuation of the prior note requires the continuation of the TDR designation.

The types of concessions granted include below market interest rates, longer amortization or extended maturity date changes beyond what the collateral supports, as well as 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 us.

Commercial loans are not automatically considered to be accruing TDRs upon the granting of a 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, reasonable assurance of repayment under modified terms and demonstrated repayment performance for a minimum of six months is needed 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.

<u>ACL</u>

Our total credit reserve is comprised of two different components, both of which in our judgment are appropriate to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. Our ACL methodology committee is responsible for developing the methodology, assumptions and estimates used in the calculation, as well as determining the appropriateness of the ACL. The ALLL represents the estimate of incurred losses in the loan portfolio at the reported date. Additions to the ALLL result from recording provision expense for loan losses or increased risk levels resulting from loan risk-rating downgrades or qualitative adjustments, while reductions reflect charge-offs (net of recoveries), decreased risk levels resulting from loan risk-rating upgrades, or the sale of loans. The AULC is determined by applying the same quantitative reserve determination process to the unfunded portion of the loan exposures adjusted by an applicable funding expectation. *(See Note 1 - "Significant Accounting Policies" of the Notes to Consolidated Financial Statements).*

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

The following table reflects activity in the ALLL and AULC for each of the last five years:

Table 13 - Summary of Allowance for Credit Losses

(dollar amounts in millions)	Year Ended December 31,				
	2019	2018	2017	2016	2015
ALLL, beginning of year	$ 772	$ 691	$ 638	$ 598	$ 605
Loan and lease charge-offs					
Commercial:					
Commercial and industrial	(160)	(68)	(68)	(77)	(80)
Commercial real estate:					
Construction	—	(1)	2	(2)	(2)
Commercial	(5)	(10)	(6)	(14)	(16)
Commercial real estate	(5)	(11)	(4)	(16)	(18)
Total commercial	(165)	(79)	(72)	(93)	(98)
Consumer:					
Automobile	(57)	(58)	(64)	(50)	(36)
Home equity	(21)	(21)	(20)	(26)	(36)
Residential mortgage	(9)	(11)	(11)	(11)	(16)
RV and marine	(15)	(14)	(13)	(3)	—
Other consumer	(95)	(85)	(72)	(44)	(32)
Total consumer	(197)	(189)	(180)	(134)	(120)
Total charge-offs	(362)	(268)	(252)	(227)	(218)
Recoveries of loan and lease charge-offs					
Commercial:					
Commercial and industrial	32	36	26	32	52
Commercial real estate:					
Construction	2	2	3	4	3
Commercial	6	27	12	38	31
Total commercial real estate	8	29	15	42	34
Total commercial	40	65	41	74	86
Consumer:					
Automobile	25	24	22	18	16
Home equity	13	15	15	17	16
Residential mortgage	3	5	5	5	6
RV and marine	4	5	3	—	—
Other consumer	12	9	7	4	6
Total consumer	57	58	52	44	44
Total recoveries	97	123	93	118	130
Net loan and lease charge-offs	(265)	(145)	(159)	(109)	(88)
Provision for loan and lease losses	277	226	212	169	89
Allowance for assets sold and securitized or transferred to loans held for sale	(1)	—	—	(20)	(8)
ALLL, end of year	783	772	691	638	598
AULC, beginning of year	96	87	98	72	61
Provision for (Reduction in) unfunded loan commitments and letters of credit losses	10	9	(11)	22	11
Fair value of acquired AULC	—	—	—	4	—
Unfunded commitment losses	(2)	—	—	—	—
AULC, end of year	104	96	87	98	72
ACL, end of year	$ 887	$ 868	$ 778	$ 736	$ 670

The table below reflects the allocation of our ALLL among our various loan categories and the reported ACL during each of the past five years:

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

(dollar amounts in millions)	December 31,									
	2019		2018		2017		2016		2015	
ACL										
Commercial										
Commercial and industrial	$ 469	41 %	$ 422	41%	$ 377	40%	$ 356	42%	$ 299	41%
Commercial real estate	83	8	120	10	105	11	95	11	100	10
Total commercial	552	49	542	51	482	51	451	53	399	51
Consumer										
Automobile	57	17	56	16	53	17	48	16	50	19
Home equity	50	12	55	13	60	14	65	15	84	17
Residential mortgage	23	15	25	14	21	13	33	12	42	12
RV and marine	21	5	20	4	15	3	5	3	—	—
Other consumer	80	2	74	2	60	2	36	1	23	1
Total consumer	231	51	230	49	209	49	187	47	199	49
Total ALLL	783	100 %	772	100%	691	100%	638	100%	598	100%
AULC	104		96		87		98		72	
Total ACL	$ 887		$ 868		$ 778		$ 736		$ 670	
Total ALLL as % of:										
Total loans and leases		1.04 %		1.03%		0.99%		0.95%		1.19%
Nonaccrual loans and leases		167		228		198		151		161
NPAs		157		200		178		133		150

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

2019 versus 2018

At December 31, 2019, the ALLL was $783 million or 1.04% of total loans and leases, compared to $772 million or 1.03% at December 31, 2018. We believe the ratio is appropriate given the aggregate moderate-to-low risk profile of our loan portfolio and its coverage levels reflect the quality of our portfolio and the current operating environment. We continue to focus on early identification of loans with changes in credit metrics and have proactive action plans for these loans.

<u>NCOs</u>

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

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

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

Table 15 - Net Loan and Lease Charge-offs

(dollar amounts in millions)	Year Ended December 31,				
	2019	2018	2017	2016	2015
Net charge-offs by loan and lease type:					
Commercial:					
Commercial and industrial	$ 128	$ 32	$ 42	$ 45	$ 28
Commercial real estate:					
Construction	(2)	(1)	(5)	(2)	(1)
Commercial	(1)	(17)	(6)	(24)	(15)
Commercial real estate	(3)	(18)	(11)	(26)	(16)
Total commercial	125	14	31	19	12
Consumer:					
Automobile	32	34	42	32	20
Home equity	8	6	5	9	20
Residential mortgage	6	6	6	6	10
RV and marine	11	9	10	2	—
Other consumer	83	76	65	41	26
Total consumer	140	131	128	90	76
Total net charge-offs	$ 265	$ 145	$ 159	$ 109	$ 88
Net charge-offs - annualized percentages:					
Commercial:					
Commercial and industrial	0.42%	0.11%	0.15%	0.19%	0.14%
Commercial real estate:					
Construction	(0.15)	(0.13)	(0.36)	(0.19)	(0.08)
Commercial	(0.02)	(0.26)	(0.10)	(0.49)	(0.37)
Commercial real estate	(0.04)	(0.24)	(0.15)	(0.44)	(0.32)
Total commercial	0.33	0.04	0.09	0.06	0.05
Consumer:					
Automobile	0.26	0.27	0.36	0.30	0.23
Home equity	0.08	0.06	0.05	0.10	0.23
Residential mortgage	0.06	0.06	0.08	0.09	0.17
RV and marine	0.31	0.32	0.48	0.33	—
Other consumer	6.62	6.27	6.36	5.53	5.44
Total consumer	0.37	0.36	0.39	0.32	0.32
Net charge-offs as a % of average loans	0.35%	0.20%	0.23%	0.19%	0.18%

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

2019 versus 2018

NCOs increased $120 million, or 83%, in 2019. The increase from the year-ago period was primarily centered in the commercial portfolio.

Market Risk

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

Interest Rate Risk

We actively manage interest rate risk, as changes in market interest rates may have a significant impact on reported earnings. Changes in market interest rates may result in changes in the fair market value of our financial instruments, cash flows, and net interest income. We seek to achieve consistent growth in net interest income and capital while managing volatility arising from shifts in market interest rates. The ALCO oversees interest rate and mortgage price risk, as well as the establishment of risk measures, limits, and policy guidelines for managing the amount of interest rate and mortgage price risk and its effect on net interest income and capital. Responsibility for measuring and the management of interest rate risk resides with Corporate Treasury.

Interest rate risk on our balance sheet consists of reprice, option, and basis risks. Reprice risk results from differences in the maturity, or repricing, of asset and liability portfolios. Option risk arises from embedded options present in the investment portfolio and in many financial instruments such as loan prepayment options, deposit early withdrawal options, and interest rate options. These options allow customers opportunities to benefit when market interest rates change, which typically results in higher costs or lower revenue for us. Basis risk refers to the potential for changes in the underlying relationship between market rates or indices, which subsequently result in a narrowing of profit spread on an earning asset or liability. Basis risk is also present in administered rate liabilities, such as interest-bearing checking accounts, savings accounts, and money market accounts where historical pricing relationships to market rates may change due to the level or directional change in market interest rates. The interest rate risk position is measured and monitored using risk management tools, including earnings simulation modeling and EVE sensitivity analysis, which capture both short-term and long-term interest rate risk exposures. Combining the results from these separate risk measurement processes allows a reasonably comprehensive view of our short-term and long-term interest rate risks.

Interest rate risk measurement is calculated and reported to the ALCO monthly and ROC at least quarterly. The reported information 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.

We use two approaches to model interest rate risk: Net interest income at risk (NII at risk) and economic value of equity at risk modeling sensitivity analysis (EVE).

NII at risk uses net interest income simulation analysis which involves forecasting net interest earnings under a variety of scenarios including changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates. The sensitivity of net interest income to changes in interest rates is measured using numerous interest rate scenarios including shocks, gradual ramps, curve flattening, curve steepening as well as forecasts of likely interest rates scenarios. Modeling the sensitivity of net interest earnings to changes in market interest rates is highly dependent on numerous assumptions incorporated into the modeling process. To the extent that actual performance is different than what was assumed, actual net interest earnings sensitivity may be different than projected. The assumptions used in the models are our best estimates based on studies conducted by the treasury group. The treasury group uses a data warehouse to study interest rate risk at a transactional level and uses various ad-hoc reports to continuously refine assumptions. Assumptions and methodologies regarding administered rate liabilities (e.g., savings accounts, money market accounts and interest-bearing checking accounts), balance trends, and repricing relationships reflect our best estimate of expected behavior and these assumptions are reviewed regularly.

We also have longer-term interest rate risk exposure, which may not be appropriately measured by earnings sensitivity analysis. The ALCO uses EVE to study the impact of long-term cash flows on earnings and on capital. EVE involves discounting present values of all cash flows of on and off-balance sheet items under different interest rate scenarios. The discounted present value of all cash flows represents our EVE. The analysis requires modifying the expected cash flows in each interest rate scenario, which will impact the discounted present value. The amount of base-case measurement and its sensitivity to shifts in the yield curve allow us to measure longer-term repricing and option risk in the balance sheet.

Table 16 - Net Interest Income at Risk

	Net Interest Income at Risk (%)		
Basis point change scenario	-100	+100	+200
Board policy limits (1)	-2.0%	-2.0%	-4.0%
December 31, 2019	-0.3%	1.0%	2.3%
December 31, 2018	-2.9%	2.7%	5.8%

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

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

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

Table 17 - Economic Value of Equity at Risk

	Economic Value of Equity at Risk (%)		
Basis point change scenario	-100	+100	+200
Board policy limits	-6.0%	-6.0%	-12.0%
December 31, 2019	-2.9%	-3.1%	-9.1%
December 31, 2018	-5.8%	2.3%	3.1%

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

We are within our Risk Appetite Policy limits, established by the Risk Oversight Committee (ROC), for the -100, +100 and +200 basis point scenarios. The EVE depicts an asset sensitive balance sheet profile in the -100 basis point scenario and a liability sensitive profile due to additional convexity in the +100 and +200 basis point scenarios. The decline in asset sensitivity was driven by slower security prepayments, deposit runoff assumption changes, and the addition of interest rate swaps and floors mentioned above.

MSRs

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

At December 31, 2019, we had a total of $212 million of capitalized MSRs representing the right to service $22 billion in mortgage loans. Of this $212 million, $205 million was recorded using the amortization method and $7 million was recorded using the fair value method. As of January 1, 2020, Huntington made an irrevocable election to subsequently measure all classes of residential MSRs at fair value in order to eliminate any potential measurement mismatch between our economic hedges and the MSRs. The impact of the irrevocable election was not material.

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

Decreases in fair value of the MSR, below amortized costs, would be recognized as a decrease in mortgage banking income. Any increase in the fair value, to the extent of prior impairment, would be recognized as an increase in mortgage banking income.

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

Price Risk

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

Liquidity Risk

Liquidity risk is the possibility of us being unable to meet current and future financial obligations in a timely manner. Liquidity is managed to ensure stable, reliable, and cost-effective sources of funds to satisfy demand for credit, deposit withdrawals and investment opportunities. We consider core earnings, strong capital ratios, and credit quality essential for maintaining high credit ratings, which allows us cost-effective access to market-based liquidity. We rely on a large, stable core deposit base and a diversified base of wholesale funding sources to manage liquidity risk. The ALCO is appointed by the ROC to oversee liquidity risk management and the establishment of liquidity risk policies and limits. Liquidity Risk is managed centrally by Corporate Treasury. The position is evaluated daily, weekly, and monthly by analyzing the composition of all funding sources, reviewing projected liquidity commitments by future months, and identifying sources and uses of funds. The overall management of our liquidity position is also integrated into retail and commercial pricing policies to ensure a stable core deposit base. Liquidity risk is reviewed and managed continuously 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.

Our primary source of liquidity is our core deposit base. Core deposits comprised approximately 97% of total deposits at December 31, 2019. We also have available unused wholesale sources of liquidity, including advances from the FHLB, issuance through dealers in the capital markets, and access to certificates of deposit issued through brokers. Liquidity is further provided by unencumbered, or unpledged, investment securities that totaled $19.5 billion as of December 31, 2019. The treasury department also prepares a contingency funding plan that details the potential erosion of funds in the event of a systemic financial market crisis or institutional-specific stress scenario. An example of an institution specific event would be a downgrade in our public credit rating by a rating agency due to factors such as deterioration in asset quality, a large charge to earnings, a decline in profitability or other financial measures, or a significant merger or acquisition. Examples of systemic events unrelated to us that could have an effect on our access to liquidity would be terrorism or war, natural disasters, political events, or the default or bankruptcy of a major corporation, mutual fund or hedge fund. Similarly, market speculation or rumors about us, or the banking industry in general, may adversely affect the cost and availability of normal funding sources. The liquidity contingency plan therefore outlines the process for addressing a liquidity crisis. The plan provides for an evaluation of funding sources under various market conditions. It also assigns specific roles and responsibilities and communication protocols for effectively managing liquidity through a problem period.

Investment securities portfolio

(This section should be read in conjunction with Note 4 - "Investment Securities and Other Securities" of the Notes to Consolidated Financial Statements.)

Our investment securities portfolio is evaluated under established ALCO objectives. Changing market conditions could affect the profitability of the portfolio, as well as the level of interest rate risk exposure.

The composition and contractual maturity of the portfolio is presented on the following two tables:

Table 18 - Investment Securities and Other Securities Portfolio Summary

(dollar amounts in millions)	At December 31,		
Available-for-sale securities, at fair value:	2019	2018	2017
U.S. Treasury, Federal agency, and other agency securities	$ 10,458	$ 9,968	$ 10,413
Municipal securities	3,055	3,440	3,878
Other	636	372	578
Total available-for-sale securities	$ 14,149	$ 13,780	$ 14,869
Held-to-maturity securities, at cost:			
Federal agency and other agency securities	$ 9,066	$ 8,560	$ 9,086
Municipal securities	4	5	5
Total held-to-maturity securities	$ 9,070	$ 8,565	$ 9,091
Other securities:			
Other securities, at cost:			
Non-marketable equity securities (1)	$ 387	$ 543	$ 581
Other securities, at fair value:			
Mutual Funds	53	20	18
Marketable equity securities	1	2	1
Total other securities	$ 441	$ 565	$ 600
Duration in years (2)	4.5	4.3	4.3

(1) Consists of FHLB and FRB restricted stock holding carried at par.
(2) The average duration assumes a market driven prepayment rate on securities subject to prepayment.

Table 19 - Investment Securities Portfolio Composition and Maturity

	At December 31, 2019									
	1 year or less		After 1 year through 5 years		After 5 years through 10 years		After 10 years		Total	
(dollar amounts in millions)	Amoun	Yield (1)	Amoun	Yield (1)	Amoun	Yield (1)	Amoun	Yield (1)	Amoun	Yield (1)
Available-for-sale securities, at fair value:										
U.S. Treasury	$ 10	1.68%	$ —	—%	$ —	—%	$ —	—%	$ 10	1.68%
Federal agencies:										
Residential CMO	—	—	—	—	127	2.62	4,958	2.59	5,085	2.59
Residential MBS	—	—	—	—	—	—	4,222	2.94	4,222	2.94
Commercial MBS	—	—	—	—	—	—	976	2.45	976	2.45
Other agencies	1	2.04	51	2.57	113	2.52	—	—	165	2.53
Total U.S. Treasury, Federal agencies and other agencies	11	1.72	51	2.58	240	2.58	10,156	2.72	10,458	2.72
Municipal securities	167	3.79	1,067	3.56	1,305	3.50	516	3.77	3,055	3.58
Private-label CMO	—	—	—	—	—	—	2	1.24	2	1.24
Asset-backed securities	48	2.66	31	3.39	49	3.65	451	3.13	579	3.15
Corporate debt	2	3.52	37	3.65	12	3.96	—	—	51	3.72
Other securities/Sovereign debt	1	3.01	3	2.60	—	—	—	—	4	2.68
Total available-for-sale securities	$ 229	3.45%	$ 1,189	3.52%	$ 1,606	3.37%	$11,125	2.79%	$14,149	2.93%
Held-to-maturity securities, at cost:										
Federal agencies:										
Residential CMO	$ —	—%	$ —	—%	$ 30	3.16%	$ 2,321	2.62%	$ 2,351	2.63%
Residential MBS	—	—	—	—	—	—	2,463	2.95	2,463	2.95
Commercial MBS	—	—	—	—	114	3.08	3,845	2.60	3,959	2.61
Other agencies	—	—	17	2.15	156	2.50	120	2.53	293	2.49
Total Federal agencies and other agencies	—	—	17	2.15	300	2.78	8,749	2.70	9,066	2.70
Municipal securities	—	—	—	—	—	—	4	2.63	4	2.63
Total held-to-maturity securities	$ —	—%	$ 17	2.15%	$ 300	2.78%	$ 8,753	2.70%	$ 9,070	2.70%

(1) Weighted average yields were calculated using amortized cost on a fully-taxable equivalent basis, assuming a 21% tax rate where applicable.

Bank Liquidity and Sources of Funding

Our primary sources of funding for the Bank are retail and commercial core deposits. At December 31, 2019, these core deposits funded 73% of total assets (105% of total loans). Other sources of liquidity include non-core deposits, FHLB advances, wholesale debt instruments, and securitizations. Demand deposit overdrafts have been reclassified as loan balances and were $25 million and $23 million at December 31, 2019 and December 31, 2018, respectively.

The following table reflects contractual maturities of certain deposits at December 31, 2019.

Table 20 - Maturity Schedule of time deposits, brokered deposits, and negotiable CDs

	At December 31, 2019				
(dollar amounts in millions)	3 Months or Less	3 Months to 6 Months	6 Months to 12 Months	12 Months or More	Total
Other domestic time deposits of $250,000 or more and brokered deposits and negotiable CDs	$ 2,903	$ 326	$ 192	$ 47	$ 3,468
Other domestic time deposits of $100,000 or more and brokered deposits and negotiable CDs	$ 3,426	$ 816	$ 455	$ 183	$ 4,880

The following table reflects deposit composition detail for each of the last three years:

Table 21 - Deposit Composition

	At December 31,					
(dollar amounts in millions)	2019		2018 (1)		2017	
By Type:						
Demand deposits—noninterest-bearing	$ 20,247	25%	$ 21,783	26%	$ 21,546	28%
Demand deposits—interest-bearing	20,583	25	20,042	24	18,001	23
Money market deposits	24,726	30	22,721	27	20,690	27
Savings and other domestic deposits	9,549	12	10,451	12	11,270	15
Core certificates of deposit (2)	4,356	5	5,924	7	1,934	3
Total core deposits:	79,461	97	80,921	96	73,441	96
Other domestic deposits of $250,000 or more	313	—	337	—	239	—
Brokered deposits and negotiable CDs	2,573	3	3,516	4	3,361	4
Total deposits	$ 82,347	100%	$ 84,774	100%	$ 77,041	100%
Total core deposits:						
Commercial	$ 34,957	44%	$ 37,268	46%	$ 34,273	47%
Consumer	44,504	56	43,653	54	39,168	53
Total core deposits	$ 79,461	100%	$ 80,921	100%	$ 73,441	100%

(1) December 31, 2018 includes $210 million of noninterest-bearing and $662 million of interesting bearing deposits classified as held-for-sale.
(2) Includes consumer certificates of deposit of $250,000 or more.

The Bank maintains borrowing capacity at the FHLB and the Federal Reserve Bank Discount Window. The Bank does not consider borrowing capacity from the Federal Reserve Bank Discount Window as a primary source of liquidity. Total loans and securities pledged to the Federal Reserve Bank Discount Window and the FHLB are $39.6 billion and $46.5 billion at December 31, 2019 and December 31, 2018, respectively.

To the extent we are unable to obtain sufficient liquidity through core deposits, we may meet our liquidity needs through sources of wholesale funding, asset securitization or sale. Sources of wholesale funding include other domestic deposits of $250,000 or more, brokered deposits and negotiable CDs, short-term borrowings, and long-term debt. At December 31, 2019, total wholesale funding was $15.3 billion, an increase from $14.5 billion at December 31, 2018. The increase from the prior year-end primarily relates to an increase in short-term borrowings and issuance of long-term debt, partially offset by a decrease in brokered deposits and negotiable CDs.

At December 31, 2019, we believe the Bank has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Table 22 - Maturity Schedule of Commercial Loans

	At December 31, 2019				
(dollar amounts in millions)	One Year or Less	One to Five Years	After Five Years	Total	Percent of total
Commercial and industrial	$ 8,086	$ 18,728	$ 3,850	$ 30,664	82%
Commercial real estate—construction	414	628	81	1,123	3
Commercial real estate—commercial	947	3,328	1,276	5,551	15
Total	$ 9,447	$ 22,684	$ 5,207	$ 37,338	100%
Variable-interest rates	$ 7,740	$ 18,176	$ 3,159	$ 29,075	78%
Fixed-interest rates	1,707	4,508	2,048	8,263	22
Total	$ 9,447	$ 22,684	$ 5,207	$ 37,338	100%
Percent of total	25%	61%	14%	100%	

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

Parent Company Liquidity

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

At December 31, 2019 and December 31, 2018, the parent company had $3.1 billion and $2.4 billion, respectively, in cash and cash equivalents.

On January 22, 2020, the Board of Directors declared a quarterly common stock cash dividend of $0.15 per common share. The dividend is payable on April 1, 2020, to shareholders of record on March 18, 2020. Based on the current quarterly dividend of $0.15 per common share, cash demands required for common stock dividends are estimated to be approximately $153 million per quarter. On January 22, 2020, the Board of Directors declared a quarterly Series B, Series C, Series D, and Series E Preferred Stock dividend payable on April 15, 2020 to shareholders of record on April 1, 2020. Cash demands required for Series B Preferred Stock are expected to be less than $1 million per quarter. Cash demands required for Series C, Series D and Series E are expected to be approximately $2 million, $9 million, and $7 million per quarter, respectively.

During 2019, the Bank paid preferred and common dividends of $45 million and $640 million, respectively. During 2019, the Bank also repaid subordinate debt of $683 million to the holding company. To meet any additional liquidity needs, the parent company may issue debt or equity securities from time to time.

Off-Balance Sheet Arrangements

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

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 21 - "Commitments and Contingent Liabilities" of the Notes to Consolidated Financial Statements 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 19 - "Derivative Financial Instruments" of the Notes to Consolidated Financial Statements 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 21 - "Commitments and Contingent Liabilities" of the Notes to Consolidated Financial Statements 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 21 - "Commitments and Contingent Liabilities" of the Notes to Consolidated Financial Statements for more information.*

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

Table 23 - Contractual Obligations (1)

(dollar amounts in millions)	At December 31, 2019				
	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Deposits without a stated maturity	$ 77,066	$ —	$ —	$ —	$ 77,066
Certificates of deposit and other time deposits	4,671	566	44	—	5,281
Short-term borrowings	2,606	—	—	—	2,606
Long-term debt	2,407	4,407	2,025	1,005	9,844
Operating lease obligations	48	81	61	86	276
Purchase commitments	111	117	14	8	250

(1) Amounts do not include associated interest payments.

Operational Risk

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

Our objective for managing cyber security risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate our systems. We work to achieve this objective by hardening networks and systems against attack, and by diligently managing visibility and monitoring controls within our data and communications environment to recognize events and respond before the attacker has the opportunity to plan and execute on its own goals. To this end we employ a set of defense in-depth strategies, which include efforts to make us less attractive as a target and less vulnerable to threats, while investing in threat analytic capabilities for rapid detection and response. Potential concerns related to cyber security may be escalated to our board-level Technology

Committee, as appropriate. As a complement to the overall cyber security risk management, we use a number of internal training methods, both formally through mandatory courses and informally through written communications and other updates. Internal policies and procedures have been implemented to encourage the reporting of potential phishing attacks or other security risks. We also use third-party services to test the effectiveness of our cyber security risk management framework, and any such third parties are required to comply with our policies regarding information security and confidentiality.

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

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

Compliance Risk

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

Capital

(This section should be read in conjunction with the "Regulatory Matters" section included in Part I, Item 1: Business and Note 22 - "Other Regulatory Matters" of the Notes to Consolidated Financial Statements.)

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

We are 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 CET1, which we use to measure capital adequacy.

Table 24 - Capital Under Current Regulatory Standards (Basel III)

	At December 31,	
(dollar amounts in millions)	2019	2018
CET 1 risk-based capital ratio:		
Total shareholders' equity	$ 11,795	$ 11,102
Regulatory capital adjustments:		
Shareholders' preferred equity and related surplus	(1,207)	(1,207)
Accumulated other comprehensive loss (income) offset	256	609
Goodwill and other intangibles, net of taxes	(2,153)	(2,200)
Deferred tax assets that arise from tax loss and credit carryforwards	(44)	(33)
CET 1 capital	8,647	8,271
Additional tier 1 capital		
Shareholders' preferred equity and related surplus	1,207	1,207
Tier 1 capital	9,854	9,478
Long-term debt and other tier 2 qualifying instruments	672	776
Qualifying allowance for loan and lease losses	887	868
Total risk-based capital	$ 11,413	$ 11,122
Risk-weighted assets (RWA)	$ 87,512	$ 85,687
CET 1 risk-based capital ratio	9.88%	9.65%
Other regulatory capital data:		
Tier 1 risk-based capital ratio	11.26	11.06
Total risk-based capital ratio	13.04	12.98
Tier 1 leverage ratio	9.26	9.10

Table 25 - Capital Adequacy—Non-Regulatory (Non-GAAP)

	At December 31,	
(dollar amounts in millions)	2019	2018
Consolidated capital calculations:		
Common shareholders' equity	$ 10,592	$ 9,899
Preferred shareholders' equity	1,203	1,203
Total shareholders' equity	11,795	11,102
Goodwill	(1,990)	(1,989)
Other intangible assets (1)	(183)	(222)
Total tangible equity	9,622	8,891
Preferred shareholders' equity	(1,203)	(1,203)
Total tangible common equity	$ 8,419	$ 7,688
Total assets	$ 109,002	$ 108,781
Goodwill	(1,990)	(1,989)
Other intangible assets (1)	(183)	(222)
Total tangible assets	$ 106,829	$ 106,570
Tangible equity / tangible asset ratio	9.01%	8.34%
Tangible common equity / tangible asset ratio	7.88	7.21
Tangible common equity / RWA ratio	9.62	8.97

(1) Other intangible assets are net of deferred tax liability.

The following table presents certain regulatory capital data at both the consolidated and Bank levels for the past two years:

Table 26 - Regulatory Capital Data

(dollar amounts in millions)		At December 31, Basel III	
		2019	2018
Total risk-weighted assets	Consolidated	$ 87,512	$ 85,687
	Bank	87,298	85,717
CET 1 risk-based capital	Consolidated	8,647	8,271
	Bank	9,747	8,732
Tier 1 risk-based capital	Consolidated	9,854	9,478
	Bank	10,621	9,611
Tier 2 risk-based capital	Consolidated	1,559	1,644
	Bank	1,243	1,893
Total risk-based capital	Consolidated	11,413	11,122
	Bank	11,864	11,504
CET 1 risk-based capital ratio	Consolidated	9.88%	9.65%
	Bank	11.17	10.19
Tier 1 risk-based capital ratio	Consolidated	11.26	11.06
	Bank	12.17	11.21
Total risk-based capital ratio	Consolidated	13.04	12.98
	Bank	13.59	13.42
Tier 1 leverage ratio	Consolidated	9.26	9.10
	Bank	10.01	9.23

At December 31, 2019, we maintained Basel III capital ratios in excess of the well-capitalized standards established by the FRB. All capital ratios were impacted by the repurchase of 31.4 million common shares during 2019.

Shareholders' Equity

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

Shareholders' equity totaled $11.8 billion at December 31, 2019, an increase of $0.7 billion when compared with December 31, 2018.

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

On July 17, 2019, the Board of Directors authorized the repurchase of up to $513 million of common shares over the four quarters through the 2020 second quarter. Purchases of common stock under the authorization may include open market purchases, privately negotiated transactions, and accelerated repurchase programs. During the 2019 fourth quarter, Huntington repurchased a total of 13.1 million shares at a weighted average share price of $14.96.

Dividends

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

Share Repurchases

From time to time the Board of Directors authorizes the Company to repurchase shares of our common stock. Although we announce when the Board of Directors authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward transactions, and similar transactions. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations. There were 31.4 million shares of common stock repurchased during 2019.

BUSINESS SEGMENT DISCUSSION

Overview

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

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

For a discussion of business segment trends for 2018 versus 2017, see “Part II, Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” Business Segment Discussion included in our 2018 Form 10-K, filed with the SEC on February 15, 2019.

Revenue Sharing

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

Expense Allocation

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

Funds Transfer Pricing (FTP)

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

Net Income by Business Segment

Net income by business segment for the past three years is presented in the following table:

Table 27 - Net Income by Business Segment

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Consumer and Business Banking	$ 635	$ 502	$ 374
Commercial Banking	553	624	496
Vehicle Finance	172	162	154
RBHPCG	113	119	103
Treasury / Other	(62)	(14)	59
Net income	$ 1,411	$ 1,393	$ 1,186

Treasury / Other

The Treasury / Other function includes revenue and expense related to assets, liabilities, and equity not directly assigned or allocated to one of the four business segments. Assets include investment securities and bank owned life insurance. Net interest income includes the impact of administering our investment securities portfolios, the net impact of derivatives used to hedge interest rate sensitivity as well as the financial impact associated with our FTP methodology, as described above. Noninterest income includes miscellaneous fee income not allocated to other business segments, such as bank owned life insurance income and securities and trading asset gains or losses. Noninterest expense includes certain corporate administrative, and other miscellaneous expenses not allocated to other business segments. The provision for income taxes for the business segments is calculated at a statutory 21% tax rate and a 35% tax rate for periods prior to January 1, 2018, although our overall effective tax rate is lower. As a result, Treasury / Other reflects a credit for income taxes representing the difference between the lower effective tax rate and the statutory tax rate used at the time to allocate income taxes to the business segments.

Consumer and Business Banking

Table 28 - Key Performance Indicators for Consumer and Business Banking

(dollar amounts in millions unless otherwise noted)	Year Ended December 31, 2019	Year Ended December 31, 2018	Change from 2018 Amount	Change from 2018 Percent	2017
Net interest income	$ 1,766	$ 1,727	$ 39	2 %	$ 1,581
Provision for credit losses	114	137	(23)	(17)	105
Noninterest income	825	744	81	11	740
Noninterest expense	1,673	1,699	(26)	(2)	1,641
Provision for income taxes	169	133	36	27	201
Net income	$ 635	$ 502	$ 133	26 %	$ 374
Number of employees (average full-time equivalent)	8,000	8,348	(348)	(4)%	8,595
Total average assets	$ 25,411	$ 25,147	$ 264	1	$ 24,134
Total average loans/leases	22,130	22,037	93	—	21,010
Total average deposits	51,645	47,782	3,863	8	45,226
Net interest margin	3.37%	3.56%	(0.19)%	(5)	3.45%
NCOs	$ 128	$ 108	$ 20	19	$ 105
NCOs as a % of average loans and leases	0.58%	0.49%	0.09 %	18	0.50%

2019 versus 2018

Consumer and Business Banking, including Home Lending, reported net income of $635 million in 2019, an increase of $133 million, or 26%, compared with net income of $502 million in 2018. Segment net interest income increased $39 million, or 2%, primarily due to an increase in average deposits. The provision for credit losses decreased $23 million, or 17%. Noninterest income increased $81 million, or 11%, primarily due to increased mortgage banking income due to higher salable volumes and spreads, card interchange income from higher transaction volumes, and increased service charge income on deposit accounts. Noninterest expense decreased $26 million, or 2%, due to decreased personnel, occupancy, and equipment expense as a result of branch consolidations and divestitures, as well as reduced FDIC insurance expense.

Home Lending, an operating unit of Consumer and Business Banking, reflects the result of the origination, sale, and servicing of mortgage loans less referral fees and net interest income for mortgage banking products distributed by the retail branch network and other business segments. Home Lending reported net income of $23 million in 2019, compared with a loss of $8 million in the prior year. Total revenues increased largely due to higher origination volume, higher secondary marketing spreads, and net MSR risk management. Revenue increases were partially offset by an increase in noninterest expense as a result of higher origination volumes and higher indirect expense allocations.

Commercial Banking

Table 29 - Key Performance Indicators for Commercial Banking

(dollar amounts in millions unless otherwise noted)	Year Ended December 31, 2019	Year Ended December 31, 2018	Change from 2018 Amount	Change from 2018 Percent	2017
Net interest income	$ 1,037	$ 1,013	$ 24	2 %	$ 975
Provision for credit losses	132	42	90	214	33
Noninterest income	359	321	38	12	286
Noninterest expense	564	502	62	12	465
Provision for income taxes	147	166	(19)	(11)	267
Net income	$ 553	$ 624	$ (71)	(11)%	$ 496
Number of employees (average full-time equivalent)	1,317	1,256	61	5 %	1,217
Total average assets	$ 33,843	$ 31,209	$ 2,634	8	$ 29,278
Total average loans/leases	27,151	26,137	1,014	4	24,988
Total average deposits	21,072	22,197	(1,125)	(5)	21,166
Net interest margin	3.49%	3.53 %	(0.04)%	(1)	3.63%
NCOs	$ 93	$ (7)	$ 100	1,429	$ —
NCOs as a % of average loans and leases	0.34%	(0.03)%	0.37 %	1,233	—%

2019 versus 2018

Commercial Banking reported net income of $553 million in 2019, a decrease of $71 million, or 11%, compared with net income of $624 million in 2018. Segment net interest income increased $24 million, or 2%, primarily due to the higher value of deposits as a source of funding. Net interest margin decreased 4 basis points, driven by a decline in loan and lease spreads and a $1.1 billion decline in deposits. The provision for credit losses increased $90 million, or 214%, primarily due to net charge-offs of $93 million in 2019 compared to a net recovery of $7 million in the prior year. Noninterest income increased $38 million, or 12%, largely driven by an increase in capital markets related revenues primarily due to increased underwriting activity driven by the acquisition of HSE in the fourth quarter of 2018 and customer interest rate derivatives as well as an increase in equipment finance related fee income. Noninterest expense increased $62 million, or 12%, primarily due to an increase in personnel expense and allocated overhead, which was driven by the acquisition of HSE, and other taxes related to the adoption of the new lease accounting standard, partially offset by lower FDIC insurance expense.

Vehicle Finance

Table 30 - Key Performance Indicators for Vehicle Finance

(dollar amounts in millions unless otherwise noted)	Year Ended December 31, 2019	Year Ended December 31, 2018	Change from 2018 Amount	Change from 2018 Percent	2017
Net interest income	$ 397	$ 392	$ 5	1%	$ 427
Provision (reduction in allowance) for credit losses	44	55	(11)	(20)	63
Noninterest income	12	11	1	9	14
Noninterest expense	148	143	5	3	141
Provision for income taxes	45	43	2	5	83
Net income	$ 172	$ 162	$ 10	6%	$ 154
Number of employees (average full-time equivalent)	265	264	1	—%	253
Total average assets	$ 19,393	$ 18,430	$ 963	5	$ 16,903
Total average loans/leases	19,466	18,484	982	5	16,938
Total average deposits	333	338	(5)	(1)	335
Net interest margin	2.04%	2.12%	(0.08)%	(4)	2.52%
NCOs	$ 43	$ 43	$ —	—	$ 52
NCOs as a % of average loans and leases	0.22%	0.23%	(0.01)%	(4)	0.31%

2019 versus 2018

Vehicle Finance reported net income of $172 million in 2019, an increase of $10 million, or 6%, compared with net income of $162 million in 2018. The increase was driven by a lower provision for credit losses primarily resulting from continued strong credit quality of new loan originations. Segment net interest income increased $5 million or 1%, due to a $1.0 billion increase in average loan balances, offset in part by an 8 basis point reduction in the net interest margin. The increase in average loans included a $0.6 billion increase in RV and Marine loans primarily resulting from expansions of lending activities in new markets in 2017 and 2018 while maintaining our commitment to super prime originations and a $0.3 billion increase in average floor plan and other commercial loans. The decline in net interest margin is primarily a result of the continued run-off of the higher yielding acquired loan portfolios. The increase in noninterest expense was due to higher costs associated with servicing a larger loan portfolio and production levels.

Regional Banking and The Huntington Private Client Group

Table 31 - Key Performance Indicators for Regional Banking and The Huntington Private Client Group

	Year Ended December 31,		Change from 2018		
(dollar amounts in millions unless otherwise noted)	2019	2018	Amount	Percent	2017
Net interest income	$ 198	$ 203	$ (5)	(2)%	$ 209
Provision (reduction in allowance) for credit losses	(3)	1	(4)	(400)	—
Noninterest income	198	193	5	3	189
Noninterest expense	256	244	12	5	239
Provision for income taxes	30	32	(2)	(6)	56
Net income	$ 113	$ 119	$ (6)	(5)%	$ 103
Number of employees (average full-time equivalent)	1,057	1,026	31	3 %	1,019
Total average assets	$ 6,438	$ 5,802	$ 636	11	$ 5,198
Total average loans/leases	6,132	5,487	645	12	4,861
Total average deposits	5,983	5,926	57	1	6,097
Net interest margin	3.18%	3.32%	(0.14)%	(4)	3.32%
NCOs	$ 1	$ —	$ 1	100	$ 2
NCOs as a % of average loans and leases	0.02%	—%	0.02 %	100	0.04%
Total assets under management *(in billions)—eop*	$ 17.5	$ 15.3	$ 2.2	14	$ 18.3
Total trust assets *(in billions)—eop*	121.8	105.1	16.7	16	110.1

eop—End of Period.

2019 versus 2018

RBHPCG reported net income of $113 million in 2019, a decrease of $6 million, or 5%, compared with a net income of $119 million in 2018. Net interest income declined $5 million, or 2%, due to a 14 basis point decrease in net interest margin partially offset by a $0.6 billion increase in average loans as a result of growth in commercial and mortgage loans. Noninterest income increased $5 million, or 3%, primarily reflecting higher trust and investment management revenue as a result of increased sales production and year over year market growth. Noninterest expense increased $12 million, or 5%, mainly as a result of increased personnel expenses related to the hiring of new sales colleagues.

RESULTS FOR THE FOURTH QUARTER

Earnings Discussion

In the 2019 fourth quarter, we reported net income of $317 million, a decrease of $17 million, or 5%, from the 2018 fourth quarter. Diluted earnings per common share for the 2019 fourth quarter were $0.28, a decrease of $0.01 from the year-ago quarter.

Net Interest Income / Average Balance Sheet

FTE net interest income for the 2019 fourth quarter decreased $55 million, or 7%, from the 2018 fourth quarter. This reflected a 29 basis point decrease in the FTE net interest margin to 3.12%, partially offset by the benefit from a $2.3 billion, or 2%, increase in average earning assets. The NIM compression primarily reflected a 29 basis point year-over-year decrease in average earning asset yields. The decrease in average earning asset yields was primarily driven by the impact of lower interest rates in the quarter on loan yields. Embedded within these yields and costs, FTE net interest income during the 2019 fourth quarter included $11 million, or approximately 4 basis points, of purchase accounting impact compared to $17 million, or approximately 7 basis points, in the year-ago quarter.

Table 32 - Average Earning Assets - 2019 Fourth Quarter vs. 2018 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in millions)	2019	2018	Amount	Percent
Loans/Leases				
Commercial and industrial	$ 30,373	$ 29,557	$ 816	3%
Commercial real estate	6,806	6,944	(138)	(2)
Total commercial	37,179	36,501	678	2
Automobile	12,607	12,423	184	1
Home equity	9,192	9,817	(625)	(6)
Residential mortgage	11,330	10,574	756	7
RV and marine	3,564	3,216	348	11
Other consumer	1,231	1,291	(60)	(5)
Total consumer	37,924	37,321	603	2
Total loans/leases	75,103	73,822	1,281	2
Total securities	23,161	22,656	505	2
Loans held-for-sale and other earning assets	1,798	1,274	524	41
Total earning assets	$ 100,062	$ 97,752	$ 2,310	2%

Average earning assets for the 2019 fourth quarter increased $2.3 billion, or 2%, from the year-ago quarter, primarily reflecting a $1.3 billion, or 2%, increase in average total loans and leases. Average C&I loans increased $0.8 billion, or 3%, reflecting growth in specialty banking, asset finance, and corporate banking. Average residential mortgage loans increased $0.8 billion, or 7%, reflecting robust mortgage production in the second half of 2019. Average held-for-sale and other earning assets increased $0.5 billion, or 41%, primarily as a result of increased cash from the timing of the securities portfolio repositioning and an increase in loans held-for-sale. Average total securities increased $0.5 billion, or 2%, primarily reflecting the mark-to-market of the available-for-sale portfolio. Partially offsetting these increases, average home equity loans and lines of credit decreased $0.6 billion, or 6%, reflecting a shift in consumer preferences.

Table 33 - Average Interest-Bearing Liabilities - 2019 Fourth Quarter vs. 2018 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in millions)	2019	2018	Amount	Percent
Interest-bearing deposits:				
Demand deposits: interest-bearing	20,140	19,860	280	1
Money market deposits	24,560	22,595	1,965	9
Savings and other domestic deposits	9,552	10,534	(982)	(9)
Core certificates of deposit	4,795	5,705	(910)	(16)
Other domestic deposits of $250,000 or more	313	346	(33)	(10)
Brokered deposits and negotiable CDs	2,589	3,507	(918)	(26)
Total interest-bearing deposits	61,949	62,547	(598)	(1)
Short-term borrowings	1,965	1,006	959	95
Long-term debt	9,886	8,871	1,015	11
Total interest-bearing liabilities	$ 73,800	$ 72,424	$ 1,376	2%

Average total interest-bearing liabilities for the 2019 fourth quarter increased $1.4 billion, or 2%, from the year-ago quarter. Long-term debt increased $1.0 billion, or 11%, as a result of the issuance and maturity of $1.6 billion and $0.6 billion, respectively, of long-term debt over the past three quarters. Average short-term borrowings increased $1.0 billion, or 95%, as a result of the maturity of brokered CDs in the 2019 first quarter. Savings and other domestic deposits decreased $1.0 billion, or 9%, primarily reflecting a continued shift in consumer product mix. Average core CDs decreased $0.9 billion, or 16%, reflecting the maturity of the balances related to the 2018 consumer deposit growth initiatives. Average brokered deposits and negotiable CDs decreased $0.9 billion, or 26%, reflecting the previously mentioned brokered CD maturities. Average money market deposits increased $2.0 billion, or 9%, primarily reflecting growth driven by promotional pricing over the past seven quarters and a continued shift in consumer product mix.

Provision for Credit Losses

The provision for credit losses increased to $79 million in the 2019 fourth quarter compared to $60 million from the year-ago quarter.

Noninterest Income

Table 34 - Noninterest Income - 2019 Fourth Quarter vs. 2018 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in millions)	2019	2018	Amount	Percent
Service charges on deposit accounts	$ 95	$ 94	$ 1	1%
Card and payment processing income	64	58	6	10
Trust and investment management services	47	42	5	12
Mortgage banking income	58	23	35	152
Capital markets fees	31	34	(3)	(9)
Insurance income	24	21	3	14
Bank owned life insurance income	17	16	1	6
Gain on sale of loans and leases	16	16	—	—
Net (losses) gains on sales of securities	(22)	(19)	(3)	(16)
Other noninterest income	42	44	(2)	(5)
Total noninterest income	$ 372	$ 329	$ 43	13%

Noninterest income for the 2019 fourth quarter increased $43 million, or 13%, from the year-ago quarter. Mortgage banking income increased $35 million, or 152%, primarily reflecting higher volume and overall salable spreads and a $12 million increase in income from net MSR risk management. Card and payment processing income increased $6 million, or 10%, primarily reflecting increased account activity. Trust and investment management services fees increased $5 million, or 12%, primarily driven by strong equity market performance.

Noninterest Expense

Table 35 - Noninterest Expense - 2019 Fourth Quarter vs. 2018 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in millions)	2019	2018	Amount	Percent
Personnel costs	$ 426	$ 399	$ 27	7 %
Outside data processing and other services	89	83	6	7
Equipment	42	48	(6)	(13)
Net occupancy	41	70	(29)	(41)
Professional services	14	17	(3)	(18)
Amortization of intangibles	12	13	(1)	(8)
Marketing	9	15	(6)	(40)
Deposit and other insurance expense	10	9	1	11
Other noninterest expense	58	57	1	2
Total noninterest expense	$ 701	$ 711	$ (10)	(1)%
Number of employees (average full-time equivalent)	15,495	15,657	(162)	(1)%

Noninterest expense for the 2019 fourth quarter decreased $10 million, or 1%, from the year-ago quarter. Net occupancy costs decreased $29 million, or 41%, primarily reflecting lower branch and facility consolidation-related expense of $24 million. Marketing decreased $6 million, or 40%, primarily reflecting pacing of marketing campaigns. Equipment decreased $6 million, or 13%, primarily reflecting lower branch and facility consolidation-related expense of $5 million. Personnel costs increased $27 million, or 7%, primarily reflecting the $15 million of expense related to the previously announced position reductions completed in the 2019 fourth quarter. Outside data processing and other services expense increased $6 million, or 7%, primarily driven by higher technology investment costs and $3 million of expense related to a technology system decommission in the 2019 fourth quarter.

Provision for Income Taxes

(This section should be read in conjunction with Note 1 - "Significant Accounting Policies" and Note 17 - "Income Taxes" of the Notes to Consolidated Financial Statements.)

The provision for income taxes was $55 million in the 2019 fourth quarter compared to $57 million in the 2018 fourth quarter. The effective tax rates for the 2019 fourth quarter and 2018 fourth quarter were 14.8% and 14.6%, respectively. At December 31, 2019, we had a net federal deferred tax liability of $221 million and a net state deferred tax asset of $38 million.

Credit Quality

NCOs

Net charge-offs increased $23 million to $73 million. The increase was driven by the oil and gas portfolio, which made up approximately half of the total commercial NCOs. Consumer charge-offs have remained flat. NCOs represented an annualized 0.39% of average loans and leases in the current quarter, up from 0.39% in the prior quarter and up from 0.27% in the year-ago quarter.

NALs

Asset quality metrics remained in line with overall expectations. The consumer portfolio metrics remained relatively stable, reflecting normal seasonal impacts. The commercial portfolio metrics reflected continued volatility in the oil and gas portfolio, while the remainder of the commercial portfolio has performed well.

NALs increased $128 million, or 38%, from the year-ago quarter to $468 million, or 0.62% of total loans and leases. The year-over-year increase was primarily in the C&I portfolio, particularly in the oil and gas portfolio. OREO balances decreased $12 million, or 52%, from the year-ago quarter. NPAs increased to $498 million, or 0.66% of total loans and leases and OREO. On a linked quarter basis, NALs increased $30 million, or 7%, while NPAs increased $16 million, or 3%.

ACL

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

The ALLL increased $11 million from the year-ago quarter, and as a percentage of total loans and leases increased to 1.04% compared to 1.03% a year ago. The ALLL as a percentage of period-end total NALs decreased to 167% from 228% over the same period. The increase in the ALLL was primarily the result of loan growth and portfolio management activity. We believe the level of the ALLL and ACL are appropriate given the low level of Problem Loans and the current composition of the overall loan and lease portfolio.

Table 36 - Selected Quarterly Financial Information

	Three Months Ended			
(amounts in millions, except per share data)	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Interest income	$ 1,011	$ 1,052	$ 1,068	$ 1,070
Interest expense	231	253	256	248
Net interest income	780	799	812	822
Provision for credit losses	79	82	59	67
Net interest income after provision for credit losses	701	717	753	755
Total noninterest income	372	389	374	319
Total noninterest expense	701	667	700	653
Income before income taxes	372	439	427	421
Provision (benefit) for income taxes	55	67	63	63
Net income	317	372	364	358
Dividends on preferred shares	19	18	18	19
Net income applicable to common shares	$ 298	$ 354	$ 346	$ 339
Common shares outstanding				
Average—basic	1,029	1,035	1,045	1,047
Average—diluted	1,047	1,051	1,060	1,066
Ending	1,020	1,033	1,038	1,046
Book value per common share	$ 10.38	$ 10.37	$ 10.08	$ 9.78
Tangible book value per common share (1)	8.25	8.25	7.97	7.67
Per common share				
Net income—basic	$ 0.29	$ 0.34	$ 0.33	$ 0.32
Net income—diluted	0.28	0.34	0.33	0.32
Return on average total assets	1.15%	1.37%	1.36%	1.35%
Return on average common shareholders' equity	11.1	13.4	13.5	13.8
Return on average tangible common shareholders' equity (2)	14.3	17.3	17.7	18.3
Efficiency ratio (3)	58.4	54.7	57.6	55.8
Effective tax rate	14.8	15.4	14.6	15.0
Margin analysis-as a % of average earning assets (5)				
Interest income (4)	4.03%	4.21%	4.35%	4.40%
Interest expense	0.91	1.01	1.04	1.01
Net interest margin (4)	3.12%	3.20%	3.31%	3.39%
Revenue—FTE				
Net interest income	$ 780	$ 799	$ 812	$ 822
FTE adjustment	6	6	7	7
Net interest income (4)	786	805	819	829
Noninterest income	372	389	374	319
Total revenue (4)	$ 1,158	$ 1,194	$ 1,193	$ 1,148

Table 37 - Selected Quarterly Capital Data

Capital adequacy (Basel III)	2019			
(dollar amounts in millions)	December 31,	September 30,	June 30,	March 31,
Total risk-weighted assets	$ 87,512	$ 86,719	$ 86,332	$ 85,966
Tier 1 leverage ratio (period end)	9.26%	9.34%	9.24%	9.16%
CET 1 risk-based capital ratio	9.88	10.02	9.88	9.84
Tier 1 risk-based capital ratio (period end)	11.26	11.41	11.28	11.25
Total risk-based capital ratio (period end)	13.04	13.29	13.13	13.11
Tangible common equity / tangible asset ratio (5) (7)	7.88	8.00	7.80	7.57
Tangible equity / tangible asset ratio (6) (7)	9.01	9.13	8.93	8.71
Tangible common equity / risk-weighted assets ratio (7)	9.62	9.83	9.58	9.34

(1) Other intangible assets are net of deferred tax liability.

(2) Net income applicable to common shares excluding expense for amortization of intangibles for the period divided by average tangible shareholders' equity. Average tangible shareholders' equity equals average total shareholders' equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax liability.

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

(4) Presented on a FTE basis assuming a 21% tax rate.

(5) Tangible common equity (total common equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax.

(6) Tangible equity (total equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax.

(7) Tangible equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.

Table 38 - Selected Quarterly Financial Information

(amounts in millions, except per share data)	Three Months Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Interest income	$ 1,056	$ 1,007	$ 972	$ 914
Interest expense	223	205	188	144
Net interest income	833	802	784	770
Provision for credit losses	60	53	56	66
Net interest income after provision for credit losses	773	749	728	704
Total noninterest income	329	342	336	314
Total noninterest expense	711	651	652	633
Income before income taxes	391	440	412	385
Provision (benefit) for income taxes	57	62	57	59
Net income	334	378	355	326
Dividends on preferred shares	19	18	21	12
Net income applicable to common shares	$ 315	$ 360	$ 334	$ 314
Common shares outstanding				
Average—basic	1,054	1,085	1,103	1,084
Average—diluted (1)	1,073	1,104	1,123	1,125
Ending	1,047	1,062	1,104	1,102
Book value per share	$ 9.46	$ 9.17	$ 9.30	$ 9.17
Tangible book value per share (2)	7.34	7.06	7.27	7.12
Per common share				
Net income—basic	$ 0.30	$ 0.33	$ 0.30	$ 0.29
Net income —diluted	0.29	0.33	0.30	0.28
Return on average total assets	1.25%	1.42%	1.36%	1.27%
Return on average common shareholders’ equity	12.9	14.3	13.2	13.0
Return on average tangible common shareholders’ equity (3)	17.3	19.0	17.6	17.5
Efficiency ratio (4)	58.7	55.3	56.6	56.8
Effective tax rate	14.6	14.1	13.8	15.3
Margin analysis-as a % of average earning assets (6)				
Interest income (5)	4.34%	4.16%	4.07%	3.91%
Interest expense	0.93	0.84	0.78	0.61
Net interest margin (5)	3.41%	3.32%	3.29%	3.30%
Revenue—FTE				
Net interest income	$ 833	$ 802	$ 784	$ 770
FTE adjustment	8	8	7	7
Net interest income (5)	841	810	791	777
Noninterest income	329	342	336	314
Total revenue (5)	$ 1,170	$ 1,152	$ 1,127	$ 1,091

Table 39 - Selected Quarterly Capital Data

Capital adequacy (Basel III)	2018			
(dollar amounts in millions)	December 31,	September 30,	June 30,	March 31,
Total risk-weighted assets	$ 85,687	$ 83,580	$ 82,951	$ 81,365
Tier 1 leverage ratio	9.10%	9.14%	9.65%	9.53%
Tier 1 risk-based capital ratio	9.65	9.89	10.53	10.45
Total risk-based capital ratio	11.06	11.33	11.99	11.94
Tier 1 common risk-based capital ratio	12.98	13.36	13.97	13.92
Tangible common equity / tangible asset ratio (6)(8)	7.21	7.25	7.78	7.70
Tangible equity / tangible asset ratio (7)(8)	8.34	8.41	8.95	8.88
Tangible common equity / risk-weighted assets ratio (8)	8.97	8.97	9.67	9.65

(1) Weighted average diluted shares outstanding for the quarterly period ending March 31, 2018, includes the dilutive impact of the convertible preferred stock issued in April of 2008 until the date of conversion, February 22, 2018.
(2) Other intangible assets are net of deferred tax.
(3) Net income applicable to common shares excluding expense for amortization of intangibles for the period divided by average tangible shareholders' equity. Average tangible shareholders' equity equals average total shareholders' equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax.
(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 (losses).
(5) Presented on a FTE basis assuming a 21% tax rate.
(6) Tangible common equity (total common equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax.
(7) Tangible equity (total equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax.
(8) Tangible equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.

ADDITIONAL DISCLOSURES

Forward-Looking Statements

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

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

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

Non-GAAP Financial Measures

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

Significant Items

From time-to-time, revenue, expenses, or taxes are impacted by items judged by us to be outside of our ordinary business 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, 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.

Fully-Taxable Equivalent Basis

Interest income, yields, and ratios on a FTE basis are considered non-GAAP financial measures. Management believes net interest income on a FTE basis provides an insightful picture of the interest margin for comparison purposes. The FTE basis also allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The FTE basis assumes a federal statutory tax rate of 21 percent and 35 percent for periods prior to January 1, 2018. We encourage readers to consider the Consolidated Financial Statements and other financial information contained in this Form 10-K in their entirety, and not to rely on any single financial measure.

Non-Regulatory Capital Ratios

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

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

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

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

Risk Factors

More information on risk is discussed in the Risk Factors section included in Item 1A: "Risk Factors" of this report. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion of this report, as well as the "Regulatory Matters" section included in Item 1 : Business of this report.

Critical Accounting Policies and Use of Significant Estimates

Our Consolidated Financial Statements are prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to establish accounting policies and make estimates that affect amounts reported in our Consolidated Financial Statements. Note 1 - "Significant Accounting Policies" of the Notes to Consolidated Financial Statements, which is incorporated by reference into this MD&A, describes the significant accounting policies we used in our Consolidated Financial Statements.

An accounting estimate requires assumptions and judgments about uncertain matters that could have a material effect on the Consolidated Financial Statements. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce results substantially different from those estimates. Our most significant accounting policies and estimates and their related application are discussed below.

Allowance for Credit Losses

Our ACL of $887 million at December 31, 2019, represents our estimate of probable credit losses inherent in our loan and lease portfolio and our unfunded loan commitments and letters of credit. We regularly review our ACL for appropriateness by performing on-going evaluations of the loan and lease portfolio. In doing so, we consider factors such as the differing economic risk 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 also 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. There is no certainty that our ACL will be appropriate over time to cover losses in the portfolio because of unanticipated adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries, or markets. If the credit quality of our customer base materially deteriorates, the risk profile of a market, industry, or group of customers changes materially, or if the ACL is not appropriate, our net income and capital could be materially adversely affected which, in turn, could have a material adverse effect on our financial condition and results of operations. *For more information, see Note 3 - "Loans and Leases and Allowance for Credit Losses" of the Notes to Consolidated Financial Statements.*

Fair Value Measurement

Certain assets and liabilities are measured at fair value on a recurring basis and include trading securities, available-for-sale securities, other securities, loans held for sale, loans held for investment, MSRs and derivative instruments. At December 31, 2019, approximately $15.6 billion of our assets and $0.1 billion of our liabilities were recorded at fair value on a recurring basis. Assets and liabilities carried at fair value inherently include subjectivity and may require use of significant assumptions, adjustments and judgment. A significant change in assumptions may result in a significant change in fair value, which in turn, may result in a higher degree of financial statement volatility.

Significant adjustments and assumptions used in determining fair value include, but are not limited to, market liquidity and credit quality, where appropriate. Valuations of products using models or other techniques are sensitive to assumptions that are used as significant inputs. The type and level of judgment required is largely dependent on the amount of observable market information available. Where available, we use quoted market prices to determine fair value. If quoted market prices are not available, fair value is determined based on inputs that are either directly observable or derived from market data using either internally developed or independent third-party valuation models. These inputs include, but are not limited to, interest rate yield curves, credit spreads, option volatilities, and option-adjusted spreads. Where neither quoted market prices nor observable market data are available, fair value is determined using valuation models that feature one or more significant unobservable inputs based on management's expectation of what market participants would use in determining the fair value of the asset or liability. Inputs to valuation models are considered unobservable if they are supported by little or no market activity. In periods of extreme volatility, lessened liquidity or in illiquid markets, there may be more variability in market pricing or a lack of market data to use in the valuation process.

A significant portion of our assets and liabilities that are reported at fair value are measured based on quoted market prices or observable market / independent inputs and are classified within Levels 1 and 2. Instruments valued using internally developed valuation models and other valuation techniques that use significant unobservable inputs are classified within Level 3 of the valuation hierarchy. *For more information, see Note 18 - "Fair Value of Assets and Liabilities" of the Notes to Consolidated Financial Statements.*

Income Taxes

The calculation of our provision for income taxes requires the use of estimates and judgments. We have two accruals for income taxes: (1) our income tax payable represents the estimated net amount currently due to the federal, state, and local taxing jurisdictions, net of any reserve for potential audit issues and any tax refunds; and (2) our deferred federal and state income tax and related valuation accounts, represents the estimated impact of temporary differences between how we recognize our assets and liabilities under GAAP, and how such assets and liabilities are recognized under federal and state tax law. The net receivable balance and deferred tax accounts are presented as components of other assets or other liabilities in accordance with the asset or liability balance of the account.

In the ordinary course of business, we operate in various taxing jurisdictions and are subject to income and non-income taxes. The effective tax rate is based in part on our interpretation of the relevant current tax laws. We believe the aggregate liabilities related to taxes are appropriately reflected in the consolidated financial statements. We review the appropriate tax treatment of all transactions taking into consideration statutory, judicial, and regulatory guidance in the context of our tax positions. In addition, we rely on various tax opinions, recent tax audits, and historical experience. *For more information, see Note 17 - "Income Taxes" of the Notes to Consolidated Financial Statements.*

Goodwill and Intangible Assets

The acquisition method of accounting requires that acquired assets and liabilities are recorded at their fair values as of the date of acquisition. This often involves estimates based on third party valuations or internal valuations based on discounted cash flow analyses or other valuation techniques, all of which are inherently subjective. Acquisitions typically result in goodwill, the amount by which the cost of net assets acquired in a business combination exceeds their fair value, which is subject to impairment testing at least annually. The amortization of identified intangible assets recognized in a business combination is based upon the estimated economic benefits to be received over their economic life, which is also subjective. Customer attrition rates that are based on historical experience are used to determine the estimated economic life of certain intangibles assets, including but not limited to, customer deposit intangibles. *For more information, see Note 6 - "Goodwill and Other Intangible Assets" of the Notes to Consolidated Financial Statements.*

Recent Accounting Pronouncements and Developments

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

Item 7A: Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is set forth under the heading of "Market Risk" in Item 7: MD&A, which is incorporated by reference into this item.

Item 8: Financial Statements and Supplementary Data

Information required by this item is set forth in the Reports of Independent Registered Public Accounting Firm, Consolidated Financial Statements and Notes to Consolidated Financial Statements, and Selected Quarterly Income Statements, which is incorporated by reference into this item.

REPORT OF MANAGEMENT'S EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Management of Huntington Bancshares Incorporated (Huntington or the Company) is responsible for the financial information and representations contained in the Consolidated Financial Statements and other sections of this report. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States. In all material respects, they reflect the substance of transactions that should be included based on informed judgments, estimates, and currently available information. Management maintains a system of internal accounting controls, which includes the careful selection and training of qualified personnel, appropriate segregation of responsibilities, communication of written policies and procedures, and a broad program of internal audits. The costs of the controls are balanced against the expected benefits. During 2019, the audit committee of the board of directors met regularly with Management, Huntington's internal auditors, and the independent registered public accounting firm, PricewaterhouseCoopers LLP, to review the scope of their audits and to discuss the evaluation of internal accounting controls and financial reporting matters. The independent registered public accounting firm and the internal auditors have free access to, and meet confidentially with, the audit committee to discuss appropriate matters. Also, Huntington maintains a disclosure review committee. This committee's purpose is to design and maintain disclosure controls and procedures to ensure that material information relating to the financial and operating condition of Huntington is properly reported to its chief executive officer, chief financial officer, chief auditor, and the audit committee of the board of directors in connection with the preparation and filing of periodic reports and the certification of those reports by the chief executive officer and the chief financial officer.

REPORT OF MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Huntington's Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013).* Based on that assessment, Management concluded that, as of December 31, 2019, the Company's internal control over financial reporting is effective based on those criteria. The Company's internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on the next page.

Stephen D. Steinour – Chairman, President, and Chief Executive Officer

Zachary Wasserman – Senior Executive Vice President and Chief Financial Officer

February 14, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Huntington Bancshares Incorporated

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Huntington Bancshares Incorporated and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Allowance for Credit Losses - General Reserve

As described in Notes 1 and 3 to the consolidated financial statements, management's estimate of the allowance for credit losses includes a general reserve component which consists of various risk-profile reserve components. The risk-profile components consider items unique to the Company's structure, policies, processes, and portfolio composition. The general reserve also considers qualitative measurements and assessments of the Company's loan portfolios including, but not limited to, concentrations, portfolio composition, industry comparisons, and internal review functions.

The principal considerations for our determination that performing procedures relating to the valuation of the general reserve component of the allowance for credit losses is a critical audit matter are (i) the valuation involved the application of significant judgment and estimation on the part of management, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures relating to the general reserve, (ii) significant audit effort was necessary in evaluating management's methodology, significant assumptions and calculations relating to the general reserve component, (iii) significant audit judgment was necessary in evaluating audit evidence obtained relating to the general reserve component, and (iv) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in performing procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to valuation of the Company's general reserve component of allowance for credit losses. These procedures also included, among others, testing management's process for determining the general reserve component, including management's process for deriving risk-profile reserve components, evaluating the appropriateness of management's methodology relating to the general reserve component and testing the completeness and accuracy of data utilized by management. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of management's methodology, significant assumptions and calculations relating to the general reserve component.

PricewaterhouseCoopers LLP

Columbus, Ohio
February 14, 2020

We have served as the Company's auditor since 2015.

Huntington Bancshares Incorporated
Consolidated Balance Sheets

(dollar amounts in millions)	December 31, 2019	December 31, 2018
Assets		
Cash and due from banks	$ 1,045	$ 1,108
Interest-bearing deposits at Federal Reserve Bank	125	1,564
Interest-bearing deposits in banks	102	53
Trading account securities	99	105
Available-for-sale securities	14,149	13,780
Held-to-maturity securities	9,070	8,565
Other securities	441	565
Loans held for sale (includes $781 and $613 respectively, measured at fair value)(1)	877	804
Loans and leases (includes $81 and $79 respectively, measured at fair value)(1)	75,404	74,900
Allowance for loan and lease losses	(783)	(772)
Net loans and leases	74,621	74,128
Bank owned life insurance	2,542	2,507
Premises and equipment	763	790
Goodwill	1,990	1,989
Servicing rights and other intangible assets	475	535
Other assets	2,703	2,288
Total assets	$ 109,002	$ 108,781
Liabilities and shareholders' equity		
Liabilities		
Deposits:		
Demand deposits—noninterest-bearing (includes $210 classified as held-for-sale at December 31, 2018)	$ 20,247	$ 21,783
Interest-bearing (includes $662 classified as held-for-sale at December 31, 2018)	62,100	62,991
Total Deposits	82,347	84,774
Short-term borrowings	2,606	2,017
Long-term debt	9,849	8,625
Other liabilities	2,405	2,263
Total liabilities	97,207	97,679
Commitments and contingencies (Note 21)		
Shareholders' equity		
Preferred stock	1,203	1,203
Common stock	10	11
Capital surplus	8,806	9,181
Less treasury shares, at cost	(56)	(45)
Accumulated other comprehensive loss	(256)	(609)
Retained earnings	2,088	1,361
Total shareholders' equity	11,795	11,102
Total liabilities and shareholders' equity	$ 109,002	$ 108,781
Common shares authorized (par value of $0.01)	1,500,000,000	1,500,000,000
Common shares outstanding	1,020,003,482	1,046,767,252
Treasury shares outstanding	4,537,605	3,817,385
Preferred stock, authorized shares	6,617,808	6,617,808
Preferred shares outstanding	740,500	740,500

(1) Amounts represent loans for which Huntington has elected the fair value option. See Note 18.

See Notes to Consolidated Financial Statements

Huntington Bancshares Incorporated
Consolidated Statements of Income

(dollar amounts in millions, except per share data, share amounts in thousands)	Year Ended December 31, 2019	2018	2017
Interest and fee income:			
Loans and leases	$ 3,541	$ 3,305	$ 2,838
Available-for-sale securities			
Taxable	295	279	283
Tax-exempt	83	97	77
Held-to-maturity securities-taxable	218	211	193
Other securities-taxable	16	25	20
Other interest income	48	32	22
Total interest income	4,201	3,949	3,433
Interest expense			
Deposits	585	391	180
Short-term borrowings	54	48	25
Long-term debt	349	321	226
Total interest expense	988	760	431
Net interest income	3,213	3,189	3,002
Provision for credit losses	287	235	201
Net interest income after provision for credit losses	2,926	2,954	2,801
Service charges on deposit accounts	372	364	353
Card and payment processing income	246	224	206
Trust and investment management services	178	171	156
Mortgage banking income	167	108	131
Capital markets fees	123	108	90
Insurance income	88	82	81
Bank owned life insurance income	66	67	67
Gain on sale of loans and leases	55	55	56
Net (losses) gains on sales of securities	(24)	(21)	—
Impairment losses recognized in earnings on available-for-sale securities (a)	—	—	(4)
Other noninterest income	183	163	171
Total noninterest income	1,454	1,321	1,307
Personnel costs	1,654	1,559	1,524
Outside data processing and other services	346	294	313
Equipment	163	164	171
Net occupancy	159	184	212
Professional services	54	60	69
Amortization of intangibles	49	53	56
Marketing	37	53	60
Deposit and other insurance expense	34	63	78
Other noninterest expense	225	217	231
Total noninterest expense	2,721	2,647	2,714
Income before income taxes	1,659	1,628	1,394
Provision for income taxes	248	235	208
Net income	1,411	1,393	1,186
Dividends on preferred shares	74	70	76
Net income available to common shareholders	$ 1,337	$ 1,323	$ 1,110
Average common shares—basic	1,038,840	1,081,542	1,084,686
Average common shares—diluted	1,056,079	1,105,985	1,136,186
Per common share:			
Net income—basic	$ 1.29	$ 1.22	$ 1.02
Net income—diluted	1.27	1.20	1.00

(a) The following OTTI losses are included in securities losses for the periods presented:

	2019	2018	2017
Total OTTI losses	$ —	$ —	$ (4)
Noncredit-related portion of loss recognized in OCI	—	—	—
Net impairment credit losses recognized in earnings	$ —	$ —	$ (4)

See Notes to Consolidated Financial Statements

Huntington Bancshares Incorporated
Consolidated Statements of Comprehensive Income

(dollar amounts in millions)	Year Ended December 31, 2019	2018	2017
Net income	$ 1,411	$ 1,393	$ 1,186
Other comprehensive income, net of tax:			
Unrealized gains (losses) on available-for-sale securities:			
Non-credit-related impairment recoveries on debt securities not expected to be sold	—	—	2
Unrealized net gains (losses) on available-for-sale and other securities arising during the period, net of reclassification for net realized gains and losses	335	(84)	(39)
Total unrealized gains (losses) on available-for-sale securities	335	(84)	(37)
Unrealized gains on cash flow hedging derivatives, net of reclassifications to income	—	—	3
Change in fair value related to cash flow hedges	23	—	—
Change in accumulated unrealized gains (losses) for pension and other post-retirement obligations	(5)	4	—
Other comprehensive income (loss), net of tax	353	(80)	(34)
Comprehensive income	$ 1,764	$ 1,313	$ 1,152

See Notes to Consolidated Financial Statements

Huntington Bancshares Incorporated
Consolidated Statements of Changes in Shareholders' Equity

(dollar amounts in millions, except per share data, share amounts in thousands)	Preferred Stock	Common Stock		Capital	Treasury Stock		Accumulated Other Comprehensive	Retained Earnings	
	Amount	Shares	Amount	Surplus	Shares	Amount	Loss		Total
Year Ended December 31, 2019									
Balance, beginning of year	$ 1,203	1,050,584	$ 11	$ 9,181	(3,817)	$ (45)	$ (609)	$ 1,361	$ 11,102
Net income								1,411	1,411
Other comprehensive income (loss)							353		353
Repurchases of common stock		(31,494)	(1)	(440)					(441)
Cash dividends declared:									
Common ($0.58 per share)								(611)	(611)
Preferred Series B ($51.22 per share)								(2)	(2)
Preferred Series C ($58.76 per share)								(6)	(6)
Preferred Series D ($62.50 per share)								(37)	(37)
Preferred Series E ($5,700.00 per share)								(29)	(29)
Recognition of the fair value of share-based compensation				83					83
Other share-based compensation activity		5,451	—	(18)					(18)
Other				—	(720)	(11)		1	(10)
Balance, end of year	$ 1,203	1,024,541	$ 10	$ 8,806	(4,537)	$ (56)	$ (256)	$ 2,088	$ 11,795

See Notes to Consolidated Financial Statements

Huntington Bancshares Incorporated
Consolidated Statements of Changes in Shareholders' Equity

(dollar amounts in millions, except per share data, share amounts in thousands)	Preferred Stock	Common Stock		Capital	Treasury Stock		Accumulated Other Comprehensive	Retained Earnings	
	Amount	Shares	Amount	Surplus	Shares	Amount	Loss		Total
Year Ended December 31, 2018									
Balance, beginning of year	$ 1,071	1,075,295	$ 11	$ 9,707	(3,268)	$ (35)	$ (528)	$ 588	$ 10,814
Cumulative-effect adjustment (ASU 2016-01)							(1)	1	—
Net income								1,393	1,393
Other comprehensive income (loss)							(80)		(80)
Net proceeds from issuance of Preferred Series E Stock	495								495
Repurchase of common stock		(61,644)	—	(939)					(939)
Cash dividends declared:									
Common ($0.50 per share)								(541)	(541)
Preferred Series B ($49.11 per share)								(3)	(3)
Preferred Series C ($58.76 per share)								(6)	(6)
Preferred Series D ($62.50 per share)								(37)	(37)
Preferred Series E ($4,892.50 per share)								(24)	(24)
Conversion of Preferred Series A Stock to Common Stock	(363)	30,330		363					—
Recognition of the fair value of share-based compensation				78					78
Other share-based compensation activity		6,603	—	(31)				(10)	(41)
Other		—	—	3	(549)	(10)		—	(7)
Balance, end of year	$ 1,203	1,050,584	$ 11	$ 9,181	(3,817)	$ (45)	$ (609)	$ 1,361	$ 11,102

See Notes to Consolidated Financial Statements

Huntington Bancshares Incorporated
Consolidated Statements of Changes in Shareholders' Equity

(dollar amounts in millions, except per share data, share amounts in thousands)	Preferred Stock	Common Stock		Capital	Treasury Stock		Accumulated Other Comprehensive	Retained Earnings	
	Amount	Shares	Amount	Surplus	Shares	Amount	Loss	(Deficit)	Total
Year Ended December 31, 2017									
Balance, beginning of year	$ 1,071	1,088,641	$ 11	$ 9,881	(2,953)	$ (27)	$ (401)	$ (227)	$ 10,308
Net income								1,186	1,186
Other comprehensive income (loss)							(34)		(34)
Repurchase of common stock		(19,430)	—	(260)					(260)
Cash dividends declared:									
Common ($0.35 per share)								(379)	(379)
Preferred Series A ($85.00 per share)								(31)	(31)
Preferred Series B ($39.11 per share)								(1)	(1)
Preferred Series C ($58.76 per share)								(6)	(6)
Preferred Series D ($62.50 per share)								(38)	(38)
Recognition of the fair value of share-based compensation				92					92
Other share-based compensation activity		5,923	—	(10)				(9)	(19)
TCJA, Reclassification from accumulated OCI to retained earnings							(93)	93	—
Other		161	—	4	(315)	(8)		—	(4)
Balance, end of year	$ 1,071	1,075,295	$ 11	$ 9,707	(3,268)	$ (35)	$ (528)	$ 588	$ 10,814

See Notes to Consolidated Financial Statements

Huntington Bancshares Incorporated
Consolidated Statements of Cash Flows

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Operating activities			
Net income	$ 1,411	$ 1,393	$ 1,186
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for credit losses	287	235	201
Depreciation and amortization	386	493	413
Share-based compensation expense	83	78	92
Deferred income tax expense	23	63	168
Net change in:			
Trading account securities	(32)	(11)	47
Loans held for sale	(214)	(301)	12
Other assets	(593)	(235)	(420)
Other liabilities	194	22	233
Other, net	29	(11)	22
Net cash provided by (used in) operating activities	1,574	1,726	1,954
Investing activities			
Change in interest bearing deposits in banks	(112)	90	39
Cash paid for acquisition of a business, net of cash received	—	(15)	—
Proceeds from:			
Maturities and calls of available-for-sale securities	2,124	2,109	1,994
Maturities and calls of held-to-maturity securities	1,021	743	1,054
Sales of available-for-sale securities	3,903	1,419	2,490
Purchases of available-for-sale securities	(6,036)	(2,485)	(5,429)
Purchases of held-to-maturity securities	(1,519)	(338)	(1,356)
Net proceeds from sales of portfolio loans	1,049	697	603
Principal payments received from finance leases	714	—	—
Net loan and lease activity, excluding sales and purchases	(2,149)	(5,333)	(3,680)
Purchases of premises and equipment	(107)	(110)	(194)
Purchases of loans and leases	(445)	(542)	(405)
Net cash paid for branch disposition	(548)	—	—
Other, net	228	102	18
Net cash provided by (used in) investing activities	(1,877)	(3,663)	(4,866)
Financing activities			
(Decrease) increase in deposits	(1,702)	7,733	1,433
Increase (decrease) in short-term borrowings	586	(3,025)	1,371
Net proceeds from issuance of long-term debt	1,796	2,229	1,891
Maturity/redemption of long-term debt	(743)	(2,798)	(948)
Dividends paid on preferred stock	(74)	(70)	(76)
Dividends paid on common stock	(597)	(514)	(349)
Repurchases of common stock	(441)	(939)	(260)
Net proceeds from issuance of preferred stock	—	495	—
Payments related to tax-withholding for share based compensation awards	(26)	(27)	(26)
Other, net	2	5	11
Net cash provided by (used for) financing activities	(1,199)	3,089	3,047
Increase (decrease) in cash and cash equivalents	(1,502)	1,152	135
Cash and cash equivalents at beginning of period	2,672	1,520	1,385
Cash and cash equivalents at end of period	$ 1,170	$ 2,672	$ 1,520

(dollar amounts in millions)	Year Ended December 31, 2019	2018	2017
Supplemental disclosures:			
Interest paid	$ 989	$ 742	$ 409
Income taxes paid (refunded)	111	(52)	84
Non-cash activities:			
Loans transferred to held-for-sale from portfolio	963	818	660
Loans transferred to portfolio from held-for-sale	19	51	12
Transfer of loans to OREO	19	20	29
Transfer of securities from held-to-maturity to available-for-sale	—	2,833	—
Transfer of securities from available-for-sale to held-to-maturity	—	2,707	993

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — Huntington Bancshares Incorporated (Huntington or the Company) is a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through its subsidiaries, including its bank subsidiary, The Huntington National Bank (the Bank), Huntington is engaged in providing full-service commercial, small business, consumer banking services, mortgage banking services, automobile financing, recreational vehicle and marine financing, equipment leasing, investment management, trust services, brokerage services, insurance programs, and other financial products and services. Huntington's banking offices are located in Ohio, Illinois, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. Select financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio.

Basis of Presentation — The Consolidated Financial Statements include the accounts of Huntington and its majority-owned subsidiaries and are presented in accordance with GAAP. All intercompany transactions and balances are eliminated in consolidation. Entities in which Huntington holds a controlling financial interest are consolidated. For a voting interest entity, a controlling financial interest is generally where Huntington holds, directly or indirectly, more than 50 percent of the outstanding voting shares. For a variable interest entity (VIE), a controlling financial interest is where Huntington has the power to direct the activities of an entity that most significantly impact the entity's economic performance and has an obligation to absorb losses or the right to receive benefits from the VIE. For consolidated entities where Huntington holds less than a 100% interest, Huntington recognizes non-controlling interest (included in shareholders' equity) for the equity held by minority shareholders and non-controlling profit or loss (included in noninterest expense) for the portion of the entity's earnings attributable to minority interests. Investments in companies that are not consolidated are accounted for using the equity method when Huntington has the ability to exert significant influence. Investments in nonmarketable equity securities for which Huntington does not have the ability to exert significant influence are generally accounted for using the cost method adjusted for change in observable prices. Investments in private investment partnerships that are accounted for under the equity method or the cost method are included in other assets and Huntington's earnings in equity investments are included in other noninterest income. Investments accounted for under the cost and equity methods are periodically evaluated for impairment.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that significantly affect amounts reported in the Consolidated Financial Statements. Huntington utilizes processes that involve the use of significant estimates and the judgments of management in determining the amount of its allowance for credit losses, income taxes, as well as fair value measurements of investment securities, derivative instruments, goodwill, other intangible assets, pension assets and liabilities, short-term borrowings, mortgage servicing rights, and loans held for sale. As with any estimate, actual results could differ from those estimates.

For statements of cash flows purposes, cash and cash equivalents are defined as the sum of cash and due from banks and interest-bearing deposits at Federal Reserve Bank.

Certain prior period amounts have been reclassified to conform to the current year's presentation.

Resale and Repurchase Agreements — Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The fair value of collateral either received from or provided to a third-party is monitored and additional collateral is obtained or requested to be returned to Huntington in accordance with the agreement.

Securities — Securities purchased with the intention of recognizing short-term profits or which are actively bought and sold are classified as trading account securities and reported at fair value. The unrealized gains or losses on trading account securities are recorded in other noninterest income, except for gains and losses on trading account securities used to economically hedge the fair value of MSRs, which are included in mortgage banking income. Debt securities purchased that Huntington has the positive intent and ability to hold to their maturity are classified as held-to-maturity securities. Held-to-maturity securities are recorded at amortized cost. All other debt and equity securities are classified as available-for-sale securities and other securities, respectively. Unrealized gains or losses on available-for-sale securities are reported as a separate component of accumulated OCI in the Consolidated Statements of Changes in Shareholders' Equity. Credit-related declines in the value of debt securities that are considered OTTI are recorded in noninterest income.

Huntington evaluates its investment securities portfolio on a quarterly basis for indicators of OTTI. Huntington assesses whether OTTI has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the length of time the security has been in an unrealized loss position, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that Huntington intends to sell or is more likely than not required to sell, before the recovery of their amortized cost bases, the difference between fair value and amortized cost is considered to be OTTI and is recognized in noninterest income. For those debt securities that Huntington does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost bases, the credit portion of the OTTI is recognized in noninterest income while the noncredit portion is recognized in OCI. In determining the credit portion, Huntington uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related OTTI results from other factors, including increased liquidity spreads and higher interest rates. Presentation of OTTI is made in the Consolidated Statements of Income on a gross basis with a reduction for the amount of OTTI recognized in OCI.

Securities transactions are recognized on the trade date (the date the order to buy or sell is executed). The carrying value plus any related accumulated OCI balance of sold securities is used to compute realized gains and losses. Interest on securities, including amortization of premiums and accretion of discounts using the effective interest method over the period to maturity, is included in interest income.

Non-marketable equity securities include stock held for membership and regulatory purposes, such as FHLB stock and FRB stock. These securities are accounted for at cost, evaluated for impairment, and are included in other securities. Other securities also include mutual funds and other marketable equity securities. These securities are carried at fair value, with changes in fair value recognized in other noninterest income.

Loans and Leases — Loans and direct financing leases for which Huntington has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified in the Consolidated Balance Sheets as loans and leases. Except for purchase credit impaired loans and loans for which the fair value option has been elected, loans and leases are carried at the principal amount outstanding, net of charge-offs, unamortized deferred loan origination fees and costs, premiums and discounts, and unearned income. Direct financing leases are reported at the aggregate of lease payments receivable and estimated residual values, net of unearned and deferred income, and any initial direct costs incurred to originate these leases. Interest income is accrued as earned using the interest method. Huntington defers the fees it receives from the origination of loans and leases, as well as the direct costs of those activities. Huntington also acquires loans at premiums and/or discounts to their contractual values. Huntington amortizes loan discounts, premiums, and net loan origination fees and costs over the contractual lives of the related loans using the effective interest method.

Troubled debt restructurings are loans for which the original contractual terms have been modified to provide a concession to a borrower experiencing financial difficulties. Loan modifications are considered TDRs when the concessions provided are not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDRs. Modifications resulting in troubled debt restructurings may include changes to one or more terms of the loan, including but not limited to, a change in interest rate, an extension of the repayment period, a reduction in payment amount, and partial forgiveness or deferment of principal or accrued interest.

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

For leased equipment, the residual component of a direct financing lease represents the estimated fair value of the leased equipment at the end of the lease term. Huntington uses industry data, historical experience, and independent appraisals to establish these residual value estimates. Additional information regarding product life cycle, product upgrades, as well as insight into competing products are obtained through relationships with industry contacts and are factored into residual value estimates where applicable.

Loans Held for Sale — Loans in which Huntington does not have the intent and ability to hold for the foreseeable future are classified as loans held for sale. Loans held for sale are carried at (a) the lower of cost or fair value less costs to sell, or (b) fair value where the fair value option is elected. The fair value option is generally elected for mortgage loans originated with the intent to sell to facilitate hedging of the loans. The fair value of such loans is estimated based on the inputs that include prices of mortgage backed securities adjusted for other variables such as, interest rates, expected credit defaults and market discount rates. The adjusted value reflects the price we expect to receive from the sale of such loans.

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

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 the debt is not reaffirmed by the borrower, the loan is determined to be collateral dependent and placed on nonaccrual status, unless there is a co-borrower or the repayment is likely to occur based on objective evidence.

All classes within the C&I and CRE portfolios are placed on nonaccrual status at 90-days past due. 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, RV and marine and other consumer loans are placed on non-accrual, if not charged off, when the loan is 120-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 agencies which continue to accrue interest at the rate guaranteed by the government agency.

For all classes within all loan portfolios, when a loan is placed on nonaccrual status, any accrued interest income, to the extent it is recognized in the current year, is reversed and charged to interest income.

For all classes within all loan portfolios, cash receipts on NALs are applied against principal until the loan or lease has been collected in full, including the charged-off portion, 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.

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 is returned to accrual status. For loans that are returned to accrual status, cash receipts are applied according to the contractual terms of the loan.

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.

The ALLL consists of two components: (1) the transaction reserve 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 where obligor balance is greater than $1 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 PD and LGD factors to each individual loan based on a regularly updated loan grade, using a standardized loan grading system. The PD and LGD factors 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 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 more 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 driven by the associated delinquency status. 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 loss 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.

The general reserve consists of various risk-profile reserve components. The risk-profile components consider 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, 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 historical utilization of unused commitments. The AULC is recorded in other liabilities in the Consolidated Balance Sheets.

Charge-off of Uncollectible Loans — 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 and 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, unless the repayment is likely to occur based on objective evidence.

C&I and CRE loans are generally either charged-off or written down to net realizable value at 90-days past due. Automobile, RV and marine 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 at 150-days past due.

Impaired Loans — For all classes within the C&I and CRE portfolios, loans with an obligor balance of $1 million or greater are evaluated on a quarterly basis for impairment. Except for TDRs, consumer loans within any class are generally not individually evaluated on a regular basis for impairment. All TDRs, regardless of the outstanding balance amount, are also considered to be impaired.

Once a loan has been identified for an assessment of impairment, the loan is considered impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. This determination requires significant judgment and use of estimates, and the eventual outcome may differ significantly from those estimates.

When a loan in any class has been determined to be impaired, the amount of the impairment is measured using the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, the observable market price of the loan, or the fair value of the collateral, less anticipated selling costs, if the loan is collateral dependent. A specific reserve is established as a component of the ALLL when a loan has been determined to be impaired. Subsequent to the initial measurement of impairment, if there is a significant change to the impaired loan's expected future cash flows, or if actual cash flows are significantly different from the cash flows previously estimated, Huntington recalculates the impairment and appropriately adjusts the specific reserve. Similarly, if Huntington measures impairment based on the observable market price of an impaired loan or the fair value of the collateral of an impaired collateral dependent loan, Huntington will adjust the specific reserve as appropriate.

When a loan within any class is impaired, the accrual of interest income is discontinued unless the receipt of principal and interest is no longer in doubt. Interest income on TDRs is accrued when all principal and interest is expected to be collected under the post-modification terms. Cash receipts on nonaccruing impaired loans within any class are generally applied entirely against principal until the loan has been collected in full (including any portion charged-off) or the loan is deemed current, after which time any additional cash receipts are recognized as interest income. Cash receipts on accruing impaired loans within any class are applied in the same manner as accruing loans that are not considered impaired.

Collateral — We pledge assets as collateral as required for various transactions including security repurchase agreements, public deposits, loan notes, derivative financial instruments, short-term borrowings and long-term borrowings. Assets that have been pledged as collateral, including those that can be sold or repledged by the secured party, continue to be reported on our Consolidated Balance Sheets.

We also accept collateral, primarily as part of various transactions including derivative instruments and security resale agreements. Collateral accepted by us is excluded from our Consolidated Balance Sheets.

The market value of collateral we have accepted or pledged is regularly monitored and additional collateral is obtained or provided as necessary to ensure appropriate collateral coverage in these transactions.

Premises and Equipment — Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed principally by the straight-line method over the estimated useful lives of the related assets. Buildings and building improvements are depreciated over an average of 30 to 40 years and 10 to 30 years, respectively. Land improvements and furniture and fixtures are depreciated over an average of 5 to 20 years, while equipment is depreciated over a range of 3 to 10 years. Leasehold improvements are amortized over the lesser of the asset's useful life or the lease term, including any renewal periods for which renewal is reasonably assured. Maintenance and repairs are charged to expense as incurred, while improvements that extend the useful life of an asset are capitalized and depreciated over the remaining useful life. Amounts in premises and equipment may include items classified as held-for-sale, which are carried at lower of cost or fair value, less costs to sell. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Mortgage Servicing Rights — Huntington recognizes the rights to service mortgage loans as an asset when servicing is contractually separated from the underlying mortgage loans by sale or securitization of the loans with servicing rights retained or when purchased. MSRs are included in servicing rights and other intangible assets in the Consolidated Balance Sheets.

For loan sales with servicing retained, a servicing asset is recorded on the day of the sale, at fair value, for the right to service the loans sold. To determine the fair value of a MSR, Huntington uses an option adjusted spread cash flow analysis incorporating market implied forward interest rates to estimate the future direction of mortgage and market interest rates. The forward rates utilized are derived from the current yield curve for U.S. dollar interest rate swaps and are consistent with pricing of capital markets instruments. The current and projected mortgage interest rate influences the prepayment rate and, therefore, the timing and magnitude of the cash flows associated with the MSR. Servicing revenues on mortgage loans are included in mortgage banking income.

At the time of initial capitalization, MSRs may be grouped into servicing classes based on the availability of market inputs used in determining fair value and the method used for managing the risks of the servicing assets. MSR assets are recorded using the fair value method or the amortization method. The election of the fair value or amortization method is made at the time each servicing class is established. All newly created MSRs since 2009 were recorded using the amortization method. Any change in the fair value of MSRs carried under the fair value method, as well as amortization and impairment of MSRs under the amortization method, during the period is recorded in mortgage banking income. Huntington economically hedges the value of certain MSRs using derivative instruments and trading securities. Changes in fair value of these derivatives and trading securities are reported as a component of mortgage banking income.

Goodwill and Other Intangible Assets — Under the acquisition method of accounting, the net assets of entities acquired by Huntington are recorded at their estimated fair value at the date of acquisition. The excess cost of consideration paid over the fair value of net assets acquired is recorded as goodwill. Other intangible assets with finite useful lives are amortized either on an accelerated or straight-line basis over their estimated useful lives. Goodwill is evaluated for impairment on an annual basis at October 1st of each year or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Derivative Financial Instruments — A variety of derivative financial instruments, principally interest rate swaps, caps, floors, and collars, are used in asset and liability management activities to protect against the risk of adverse price or interest rate movements. These instruments provide flexibility in adjusting Huntington's sensitivity to changes in interest rates without exposure to loss of principal and higher funding requirements.

Huntington also uses derivatives, principally loan sale commitments, in hedging its mortgage loan interest rate lock commitments and its mortgage loans held for sale. Mortgage loan sale commitments and the related interest rate lock commitments are carried at fair value on the Consolidated Balance Sheets with changes in fair value reflected in mortgage banking income. Huntington also uses certain derivative financial instruments to offset changes in value of its MSRs. These derivatives consist primarily of forward interest rate agreements and forward mortgage contracts. The derivative instruments used are not designated as qualifying hedges. Accordingly, such derivatives are recorded at fair value with changes in fair value reflected in mortgage banking income.

Derivative financial instruments are recorded in the Consolidated Balance Sheets as either an asset or a liability (in other assets and other liabilities, respectively) and measured at fair value. On the date a derivative contract is entered into, we designate it as either:

- a qualifying hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge);
- a qualifying hedge of the variability of cash flows to be received or paid related to a recognized asset, liability or forecasted transaction (cash flow hedge); or
- a trading instrument or a non-qualifying (economic) hedge.

Changes in the fair value of a derivative that has been designated and qualifies as a fair value hedge, along with the changes in the fair value of the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of a derivative that has been designated and qualifies as a cash flow hedge are recorded in other comprehensive income, net of income taxes, and reclassified into earnings in the period during which the hedged item affects earnings. Changes in the fair value of derivatives held for trading purposes or which do not qualify for hedge accounting are reported in current period earnings.

For those derivatives to which hedge accounting is applied, Huntington formally documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and, unless the hedge meets all of the criteria to assume there is no ineffectiveness, the method that will be used to assess the effectiveness of the hedging instrument. The methods utilized to assess retrospective hedge effectiveness, as well as the frequency of testing, vary based on the type of item being hedged and the designated hedge period. For specifically designated fair value hedges of certain fixed-rate debt, Huntington utilizes the short-cut method when certain criteria are met. For other fair value hedges of fixed-rate debt, Huntington utilizes the regression method to evaluate hedge effectiveness on a quarterly basis.

Hedge accounting is discontinued prospectively when:

- the derivative is no longer effective or expected to be effective in offsetting changes in the fair value or cash flows of a hedged item (including firm commitments or forecasted transactions);
- the derivative expires or is sold, terminated, or exercised;
- the forecasted transaction is no longer probable of occurring;
- the hedged firm commitment no longer meets the definition of a firm commitment; or
- the designation of the derivative as a hedging instrument is removed.

When hedge accounting is discontinued and the derivative no longer qualifies as an effective fair value or cash flow hedge, the derivative continues to be carried on the balance sheet at fair value.

In the case of a discontinued fair value hedge of a recognized asset or liability, as long as the hedged item continues to exist on the balance sheet, the hedged item will no longer be adjusted for changes in fair value. The basis adjustment that had previously been recorded to the hedged item during the period from the hedge designation date to the hedge discontinuation date is recognized as an adjustment to the yield of the hedged item over the remaining life of the hedged item.

In the case of a discontinued cash flow hedge of a recognized asset or liability, as long as the hedged item continues to exist on the balance sheet, the changes in fair value of the hedging derivative will no longer be recorded to other comprehensive income. The balance applicable to the discontinued hedging relationship will be recognized in earnings over the remaining life of the hedged item as an adjustment to yield. If the discontinued hedged item was a forecasted transaction that is not expected to occur, any amounts recorded in accumulated other comprehensive income are immediately reclassified to current period earnings.

In the case of either a fair value hedge or a cash flow hedge, if the previously hedged item is sold or extinguished, the basis adjustment to the underlying asset or liability or any remaining unamortized AOCI balance will be recognized in the current period earnings.

In all other situations in which hedge accounting is discontinued, the derivative will be carried at fair value on the consolidated balance sheets, with changes in its fair value recognized in current period earnings unless re-designated as a qualifying hedge.

Like other financial instruments, derivatives contain an element of credit risk, which is the possibility that Huntington will incur a loss because the counterparty fails to meet its contractual obligations. Notional values of interest rate swaps and other off-balance sheet financial instruments significantly exceed the credit risk associated with these instruments and represent contractual balances on which calculations of amounts to be exchanged are based. Credit exposure is limited to the sum of the aggregate fair value of positions that have become favorable to Huntington, including any accrued interest receivable due from counterparties. Potential credit losses are mitigated through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of high quality institutions, collateral agreements, and other contract provisions. Huntington considers the value of collateral held and collateral provided in determining the net carrying value of derivatives.

Huntington offsets the fair value amounts recognized for derivative instruments and the fair value for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instrument(s) recognized at fair value executed with the same counterparty under a master netting arrangement.

Fair Value Measurements — The Company records or discloses certain of its assets and liabilities at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are classified within one of three levels in a valuation hierarchy based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, 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 to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Bank Owned Life Insurance — Huntington's bank owned life insurance policies are recorded at their cash surrender value. Huntington recognizes tax-exempt income from the periodic increases in the cash surrender value of these policies and from death benefits. A portion of the cash surrender value is supported by holdings in separate accounts. Book value protection for the separate accounts is provided by the insurance carriers and a highly rated major bank.

Transfers of Financial Assets and Securitizations — Transfers of financial assets in which we have surrendered control over the transferred assets are accounted for as sales. In assessing whether control has been surrendered, we consider whether the transferee would be a consolidated affiliate, the existence and extent of any continuing involvement in the transferred financial assets, and the impact of all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of transfer. Control is generally considered to have been surrendered when (i) the transferred assets have been legally isolated from us or any of our consolidated affiliates, even in bankruptcy or other receivership, (ii) the transferee (or, if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing that is constrained from pledging or exchanging the assets it receives, each third-party holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received without any constraints that provide more than a trivial benefit to us, and (iii) neither we nor our consolidated affiliates and agents have (a) both the right and obligation under any agreement to repurchase or redeem the transferred assets before their maturity, (b) the unilateral ability to cause the holder to return specific financial assets that also provides us with a more-than-trivial benefit (other than through a cleanup call) or (c) an agreement that permits the transferee to require us to repurchase the transferred assets at a price so favorable that it is probable that it will require us to repurchase them.

If the sale criteria are met, the transferred financial assets are removed from our balance sheet and a gain or loss on sale is recognized. If the sale criteria are not met, the transfer is recorded as a secured borrowing in which the assets remain on our balance sheet and the proceeds from the transaction are recognized as a liability. For the majority of financial asset transfers, it is clear whether or not we have surrendered control. For other transfers, such as in the case of complex transactions or where we have continuing involvement, we generally obtain a legal opinion as to whether the transfer results in a true sale by law.

Gains and losses on the loans and leases sold and servicing rights associated with loan and lease sales are determined when the related loans or leases are sold to either a securitization trust or third-party. For loan or lease sales with servicing retained, a servicing asset is recorded at fair value for the right to service the loans sold.

Pension and Other Postretirement Benefits — Huntington recognizes the funded status of the postretirement benefit plans on the Consolidated Balance Sheets. Net postretirement benefit cost charged to current earnings related to these plans is predominantly based on various actuarial assumptions regarding expected future experience.

Certain employees are participants in various defined contribution and other non-qualified supplemental retirement plans. Contributions to defined contribution plans are charged to current earnings.

In addition, we maintain a 401(k) plan covering substantially all employees. Employer contributions to the plan are charged to current earnings.

Noninterest Income — Huntington recognizes revenue when the performance obligations related to the transfer of goods or services under the terms of a contract are satisfied. Some obligations are satisfied at a point in time while others are satisfied over a period of time. Revenue is recognized as the amount of consideration to which Huntington expects to be entitled to in exchange for transferring goods or services to a customer. When consideration includes a variable component, the amount of consideration attributable to variability is included in the transaction price only to the extent it is probable that significant revenue recognized will not be reversed when uncertainty associated with the variable consideration is subsequently resolved. Generally, the variability relating to the consideration is explicitly stated in the contracts, but may also arise from Huntington's customer business practices, for example, waiving certain fees related to customer's deposit accounts such as NSF fees. Huntington's contracts generally do not contain terms that require significant judgement to determine the variability impacting the transaction price.

Revenue is segregated based on the nature of product and services offered as part of contractual arrangements. Revenue from contracts with customers is broadly segregated as follows:

- *Service charges on deposit accounts* include fees and other charges Huntington receives to provide various services, including but not limited to, maintaining an account with a customer, providing overdraft services, wire transfer, transferring funds, and accepting and executing stop-payment orders. The consideration includes both fixed (e.g., account maintenance fee) and transaction fees (e.g., wire-transfer fee). The fixed fee is recognized over a period of time while the transaction fee is recognized when a specific service (e.g., execution of wire-transfer) is rendered to the customer. Huntington may, from time to time, waive certain fees (e.g., NSF fee) for customers but generally does not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Waiver of fees reduces the revenue in the period the waiver is granted to the customer.
- *Card and payment processing income* includes interchange fees earned on debit cards and credit cards. All other fees (e.g., annual fees), and interest income are recognized in accordance with ASC 310. Huntington recognizes interchange fees for services performed related to authorization and settlement of a cardholder's transaction with a merchant. Revenue is recognized when a cardholder's transaction is approved and settled.

  Certain volume or transaction based interchange expenses (net of rebates) paid to the payment network reduce the interchange revenue and are presented net on the income statement. Similarly, rewards payable under a reward program to cardholders are recognized as a reduction of the transaction price and are presented net against the interchange revenue.
- *Trust and investment management services* includes fee income generated from personal, corporate and institutional customers. Huntington also provides investment management services, cash management services and tax reporting to customers. Services are rendered over a period of time, over which revenue is recognized. Huntington may also recognize revenue from referring a customer to outside third-parties including mutual fund companies that pay distribution (12b-1) fees and other expenses. 12b-1 fees are received upon initially placing account holder's funds with a mutual fund company as well as in the future periods as long as the account holder (i.e., the fund investor), remains invested in the fund. The transaction price includes variable consideration which is considered constrained as it is not probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur. Accordingly, those fees are recognized as revenue when the uncertainty associated with the variable consideration is subsequently resolved, that is, initial fees are recognized in the initial period while the future fees are recognized in future periods.
- *Insurance income* includes agency commissions that are recognized when Huntington sells insurance policies to customers. Huntington is also entitled to renewal commissions and, in some cases, profit sharing which are recognized in subsequent periods. The initial commission is recognized when the insurance policy is sold to a customer. Renewal commission is variable consideration and is recognized in subsequent periods when the uncertainty around variable consideration is subsequently resolved (i.e., when customer renews the policy). Profit sharing is also a variable consideration that is not recognized until the variability surrounding realization of revenue is resolved (i.e., Huntington has reached a minimum volume of sales). Another source of variability is the ability of the policy holder to cancel the policy anytime. In such cases, Huntington may be required, under the terms of the contract, to return part of the commission received. A policy cancellation reserve is established for such expected cancellations.

- *Other noninterest income* includes a variety of other revenue streams including capital markets revenue, miscellaneous consumer fees and marketing allowance revenue. Revenue is recognized when, or as, a performance obligation is satisfied. Inherent variability in the transaction price is not recognized until the uncertainty affecting the variability is resolved.

Control is transferred to a customer either at a point in time or over time. A performance obligation is deemed satisfied when the control over goods or services is transferred to the customer. To determine when control is transferred at a point in time, Huntington considers indicators, including but not limited to the right to payment for the asset, transfer of significant risk and rewards of ownership of the asset and acceptance of the asset by the customer.

Revenue is recorded in the business segment responsible for the related product or service. Fee sharing arrangements exist to allocate portions of such revenue to other business segments involved in selling to, or providing service to, customers. Business segment results are determined based upon management's reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around Huntington's organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions.

Income Taxes — Income taxes are accounted for under the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future book and tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are determined using enacted tax rates expected to apply in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income at the time of enactment of such change in tax rates.

Any interest or penalties due for payment of income taxes are included in the provision for income taxes. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is recorded. All positive and negative evidence is reviewed when determining how much of a valuation allowance is recognized on a quarterly basis. In determining the requirements for a valuation allowance, sources of possible taxable income are evaluated including future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in appropriate carryback years, and tax-planning strategies. Huntington applies a more likely than not recognition threshold for all tax uncertainties.

Share-Based Compensation — Huntington uses the fair value based method of accounting for awards of HBAN stock granted to employees under various share-based compensation plans. Share-based compensation costs are recognized prospectively for all new awards granted under these plans. Compensation expense relating to stock options is calculated using a methodology that is based on the underlying assumptions of the Black-Scholes option pricing model and is charged to expense over the requisite service period (e.g., vesting period). Compensation expense relating to restricted stock awards is based upon the fair value of the awards on the date of grant and is charged to earnings over the requisite service period (e.g., vesting period) of the award.

Stock Repurchases — Acquisitions of Huntington stock are recorded at cost.

Segment Results — Accounting policies for the business segments are the same as those used in the preparation of the Consolidated Financial Statements with respect to activities specifically attributable to each business segment. However, the preparation of business segment results requires management to establish methodologies to allocate funding costs and benefits, expenses, and other financial elements to each business segment, which are described in Note 24 - "Segment Reporting".

2. ACCOUNTING STANDARDS UPDATE

Accounting standards adopted in current period

Standard	Summary of guidance	Effects on financial statements
ASU 2016-02 - Leases. Issued February 2016	- New lease accounting model for lessees and lessors. For lessees, virtually all leases will be required to be recognized on the balance sheet by recording a right-of-use asset and lease liability. Subsequent accounting for leases varies depending on whether the lease is classified as an operating lease or a finance lease. - Accounting applied by a lessor is largely unchanged from that applied under previous guidance. - Requires additional qualitative and quantitative disclosures with the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.	- Management adopted the guidance on January 1, 2019, and elected certain practical expedients offered by the FASB, including foregoing the restatement of comparative periods upon adoption. Management also excluded short-term leases from the recognition of right-of-use asset and lease liabilities. Additionally, Huntington elected the transition relief allowed by FASB in foregoing reassessment of the following: whether any existing contracts were or contained leases, the classification of existing leases, and the determination of initial direct costs for existing leases. - Huntington recognized right-of-use assets of approximately $200 million and lease liabilities of approximately $250 million upon adoption, representing substantially all of its operating lease commitments, with the difference attributable to transition adjustments required by ASC Topic 842 relating to previously recognized amounts for deferred rent and lease exit costs (recorded pursuant to ASC Topic 420). Right-of-use assets and lease liabilities were based, primarily, on the present value of unpaid future minimum lease payments. Additionally, the amounts were impacted by assumptions around renewals and/or extensions, and the interest rate used to discount those future lease obligations. Impact to the income statement was not material in the period of adoption. - Existing sale and leaseback guidance, including the detailed guidance applicable to sale-leasebacks of real estate, was replaced with a new model applicable to all assets, which will apply equally to both lessees and lessors. Under the ASU, if the transaction meets sale criteria, the seller-lessee will recognize the sale based on the new revenue recognition guidance (when control transfers to the buyer-lessor), derecognizing the asset sold and replacing it with a right-of-use asset and lease liability for the leaseback. If the transaction is at fair value, the seller-lessee shall recognize a gain or loss on sale at that time. - Costs related to exiting an operating lease before the end of its contractual term have been historically accounted for pursuant to ASC Topic 420, with the recognition of a liability measured at the present value of remaining lease payments reduced by any expected sublease income upon the exit of that space. ASC Topic 842 changes the accounting for such costs, with entities evaluating the impairment of right-of-use assets using the guidance in ASC Topic 360. Such an impairment analysis would occur once the entity commits to a plan to abandon the space, which may accelerate the timing of these costs. - The guidance defines initial direct costs as those that would not have been incurred if the lease had not been obtained. Certain incremental costs previously eligible for capitalization, such as internal overhead, will now be expensed.
ASU 2017-04 - Simplifying the Test for Goodwill Impairment. Issued January 2017	- Simplifies the goodwill impairment test by eliminating Step 2 of the goodwill impairment process, which requires an entity to determine the implied fair value of its goodwill by assigning fair value to all its assets and liabilities. - Entities will instead recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. - Entities will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	- Effective for annual and interim goodwill tests performed in fiscal years beginning after December 15, 2019. Early adoption is permitted. - The guidance was adopted in the current period and did not have an impact on Huntington's Consolidated Financial Statements.

Standard	Summary of guidance	Effects on financial statements
ASU 2018-16 - Derivatives and Hedging - Inclusion of SOFR as Benchmark Interest Rate for Hedge Accounting Purposes. Issued October 2018	- Permits use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to the U.S. Treasury, the LIBOR swap rate, the OIS rate based on the Fed Funds Effective Rate, and the SIFMA Municipal Swap Rate.	- The guidance was adopted in the current period and did not have a material impact on Huntington's Consolidated Financial Statements.
ASU 2018-20 - Narrow-Scope Improvements for Lessors Issued December 2018	- The ASU creates a lessor practical expedient applicable to sales and other similar taxes incurred in connection with a lease, and simplifies lessor accounting for lessor costs paid by the lessee. - Permits lessors, as an entity-wide accounting policy election, to present sales and other similar taxes that arise from a specific leasing transaction on a net basis. - Requires lessors to present lessor costs paid by the lessee directly to a third party on a net basis – regardless of whether the lessor knows, can determine or can reliably estimate those costs. - Requires lessors to present lessor costs paid by the lessee to the lessor (e.g. through direct reimbursement or as part of the fixed lease payments) on a gross basis	- Huntington elected to present sales and other similar taxes that arise from specific leasing transactions, when paid by the lessee directly to a third party, on a net basis. - Management will present property taxes on a gross basis where such taxes are paid by Huntington and reimbursed by the lessee, and has assessed the impact of that change to Huntington's consolidated financial statements. - Huntington adopted the guidance concurrent with the adoption of ASU 2016-02 on January 1, 2019. The ASU did not have a material impact on Huntington's Consolidated Financial Statements.
ASU 2019-01 - Leases (ASC Topic 842): Codification Improvements Issued: March 2019	- Notes that lessors that are not manufacturers or dealers will apply the fair value exception in a manner similar to what they did prior to the implementation of ASC Topic 842. - Clarifies that lessors in the scope of ASC Topic 942 (Financial Services - Depository & Lending) must classify principal payments received from sales-type and direct financing leases in investing activities in the statement of cash flows. - Eliminates certain interim transition disclosure requirements related to the effect of an accounting change on certain interim period financial information.	- The ASU relating to lessor accounting is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. - Huntington adopted the guidance effective January 1, 2019. The ASU did not have a material impact on Huntington's Consolidated Financial Statements.

Accounting standards yet to be adopted

Standard	Summary of guidance	Effects on financial statements
ASU 2016-13 - Financial Instruments - Credit Losses. Issued June 2016	- Eliminates the probable recognition threshold for credit losses on financial assets measured at amortized cost, replacing the current incurred loss framework with an expected credit loss model. - Requires those financial assets subject to the new guidance to be presented at the net amount expected to be collected (i.e., net of expected credit losses). - Measurement of expected credit losses should be based on relevant information including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. - The guidance will require additional quantitative and qualitative disclosures related to the credit risk inherent in Huntington's portfolio and how management monitors the portfolio's credit quality.	- Effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. - Adoption will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. - Management adopted the guidance on January 1, 2020 and implemented changes to relevant systems, processes, and controls where necessary. - Huntington has completed the process of developing credit models with model implementation and validation completed during the fourth quarter of 2019. In addition, management is in the final stages of implementing the accounting, reporting, and governance processes to comply with the new guidance. - Based on the portfolio composition as of December 31, 2019, the adoption of CECL resulted in an increase to our total ACL of approximately $393 million. The estimated ACL of $1,280 million as of January 1, 2020 represents an increase of approximately 44% from the 2019 year end ACL level of $887 million. The increase in the allowance is largely attributable to the consumer portfolio, given the longer asset duration associated with many of these products, and the use of multiple economic scenarios when determining the Bank's economic forecast. - The ASU eliminates the current accounting model for purchased-credit-impaired loans, but requires an allowance to be recognized for purchased-credit-deteriorated (PCD) assets (those that have experienced more-than-insignificant deterioration in credit quality since origination). Huntington did not have any loans accounted for as PCD upon adoption. - At adoption, Huntington did not record an allowance with respect to HTM securities as the portfolio consists almost entirely of agency-backed securities that inherently have minimal nonpayment risk.

ASU 2019-04 - Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments Issued: April 2019	- Clarifies various implementation issues related to Recognition and Measurement of Financial Instruments (ASC Topic 825), Current Expected Credit Losses (ASC Topic 326) and Derivatives and Hedging (ASC Topic 815). - Provides additional implementation guidance on CECL issues that include, among others, (a) measurement of credit allowance on accrued interest; (b) treatment of credit allowance upon transfers between classifications or categories for loans and debt securities; (c) inclusion of recoveries in determining credit allowance amounts; (d) using projections of rate change for variable rate instruments; (e) vintage disclosures for lines-of-credit; (f) contractual extensions and renewals; (g) consideration of prepayments in calculating effective interest rate; and (h) consideration of costs to sell if the entity intends to sell the collateral when foreclosure is probable. - Clarifies for Topic 815, among others, that (a) only interest rate risk may be hedged in a partial-term fair value hedge; (b) amortization of fair value basis adjustment may begin before the fair value hedge is discontinued; (c) hedged AFS securities should be disclosed at amortized cost for disclosures related to hedged assets; and (d) contractually specified interest rate should be considered when applying hypothetical derivative method while assessing hedge effectiveness. - Clarifies among others, that (a) using observable price under measurement alternative provided by ASC Topic 321 is a non-recurring fair value measurement and entities should adhere to non-recurring fair value disclosure requirements of Topic 820; and (b) equity securities without readily determinable fair value accounted for under measurement alternative should be remeasured using historical exchange rates.	- Effective dates and transition requirements for amendments related to CECL (ASC Topic 326) are the same as effective dates and transition requirements for ASU 2016-13. - Amendments related to Derivatives and Hedging (ASC Topic 815) are effective as of the beginning of first annual period after the issuance date of this Update (ASU 2019-04). Earlier adoption is permitted, including adoption on any date on or after the issuance of this Update. - Amendment related to Recognition and Measurement of Financial Instruments (ASC Topic 825) should be applied on a modified-retrospective basis effective for fiscal years, including interim period within those fiscal years, beginning after December 15, 2019. Earlier adoption is permitted. - Amendments in this Update are not expected to have a material impact on Huntington's Consolidated Financial Statements.
ASU 2019-05 - Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief Issued: May 2019	- Provides entities that have certain instruments within the scope of ASC Subtopic 326-20 with an option to irrevocably elect fair value option, applied on instrument-by-instrument basis. The fair value option does not apply to held-to-maturity debt securities.	- The effective date is the same as the effective date of ASU 2016-13. - The ASU did not have a material impact on Huntington's Consolidated Financial Statements.
ASU 2019-08 - Compensation - Codification Improvements - Share-based Consideration Payable to a Customer Issued: November 2019	- The ASU requires that an entity measure and classify share-based payment awards granted to a customer by applying the guidance in Topic 718. - The amount of share-based payment awards should be recorded as a reduction of the transaction price and is required to be measured on the basis of grant-date fair value of the share-based payment awards in accordance with Topic 718. - The classification and subsequent measurement of the award are subject to the guidance in Topic 718 unless the share-based payment award is subsequently modified and the grantee is no longer a customer.	- The Update is effective in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. - The Update is not expected to have a material impact on Huntington’s Consolidated Financial Statements.

ASU 2019-11 - Financial Instruments - Credit Losses (Topic 326): Codification Improvements to Topic 326 Issued: November 2019	- The ASU clarifies or addresses stakeholders' specific issues related to ASU 2016-13 as described below: - Clarifies that the allowance for purchased financial assets with credit deterioration should include expected recoveries. If a method other than a discounted cash flow method is used to calculate allowance, expected recoveries should not result in an acceleration of the noncredit discount. - Provides transition relief by permitting entities an accounting policy election to adjust the effective interest rate on existing TDRs using prepayment assumptions on the date of adoption of Topic 326 rather than the prepayment assumptions in effect immediately before the restructuring. - Extends the disclosure relief for accrued interest receivable balances to additional relevant disclosures involving amortized cost basis. - Clarifies that an entity should assess whether it reasonably expects the borrower will be able to continually replenish collateral securing the financial asset to apply the practical expedient related to collateral maintenance provision.	- The effective dates for the Update is the same as the effective dates of ASU 2016-13. The ASU was applied on a modified-retrospective basis. - The Update did not have a material impact on Huntington's Consolidated Financial Statements.
ASU 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes Issued: December 2019	- This Update simplifies the accounting for income taxes by removing exceptions to the: (a) Incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items; (b) Requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (c) Ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (d) General methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. - This Update also simplifies various other aspects of the accounting for income taxes.	- This Update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. - Early adoption of the ASU is permitted, including adoption in any interim period for which financial statements have not yet been issued. An entity that elects to early adopt in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. - The Update is not expected to have a material impact on Huntington's Consolidated Financial Statements.

3. LOANS / LEASES AND ALLOWANCE FOR CREDIT LOSSES

Loans and leases which Huntington has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified in the Consolidated Balance Sheets as loans and leases. The total balance of unamortized premiums, discounts, fees, and costs, recognized as part of loans and leases, was a net premium of $525 million and $428 million at December 31, 2019 and 2018, respectively.

Loan and Lease Portfolio Composition

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

	At December 31,	
(dollar amounts in millions)	2019	2018
Loans and leases:		
Commercial and industrial	$ 30,664	$ 30,605
Commercial real estate	6,674	6,842
Automobile	12,797	12,429
Home equity	9,093	9,722
Residential mortgage	11,376	10,728
RV and marine	3,563	3,254
Other consumer	1,237	1,320
Loans and leases	75,404	74,900
Allowance for loan and lease losses	(783)	(772)
Net loans and leases	$ 74,621	$ 74,128

Equipment Leases

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

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

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

(dollar amounts in millions)	At December 31, 2019	At December 31, 2018
Commercial and industrial:		
Lease payments receivable	$ 1,841	$ 1,747
Estimated residual value of leased assets	728	726
Gross investment in commercial and industrial lease financing receivables	2,569	2,473
Deferred origination costs	19	20
Deferred fees	(249)	(250)
Total net investment in commercial and industrial lease financing receivables	$ 2,339	$ 2,243

The carrying value of residual values guaranteed was $95 million as of December 31, 2019. The future lease rental payments due from customers on sales-type and direct financing leases at December 31, 2019, totaled $1.8 billion and were due as follows: $0.7 billion in 2020, $0.4 billion in 2021, $0.3 billion in 2022, $0.2 billion in 2023, $0.1 billion in 2024, and $0.1 billion thereafter. Interest income recognized for these types of leases was $108 million and $100 million for the years ended December 31, 2019 and December 31, 2018, respectively.

Nonaccrual and Past Due Loans

The following table presents NALs by loan class at December 31, 2019 and 2018:

(dollar amounts in millions)	December 31, 2019	December 31, 2018
Commercial and industrial	$ 323	$ 188
Commercial real estate	10	15
Automobile	4	5
Home equity	59	62
Residential mortgage	71	69
RV and marine	1	1
Other consumer	—	—
Total nonaccrual loans	$ 468	$ 340

The amount of interest that would have been recorded under the original terms for total NAL loans was $26 million, $22 million, and $21 million for 2019, 2018, and 2017, respectively. The total amount of interest recorded to interest income for NAL loans was $9 million, $12 million, and $18 million in 2019, 2018, and 2017, respectively.

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

	December 31, 2019								
	Past Due (1)								
(dollar amounts in millions)	30-59 Days	60-89 Days	90 or more days	Total	Current	Loans Accounted for Under FVO	Total Loans and Leases	90 or more days past due and accruing	
Commercial and industrial	$ 65	$ 31	$ 69	$ 165	$ 30,499	$ —	$ 30,664	$ 11	(2)
Commercial real estate	3	1	7	11	6,663	—	6,674	—	
Automobile	95	19	11	125	12,672	—	12,797	8	
Home equity	50	19	51	120	8,972	1	9,093	14	
Residential mortgage	103	49	170	322	10,974	80	11,376	129	(3)
RV and marine	13	4	2	19	3,544	—	3,563	2	
Other consumer	13	6	7	26	1,211	—	1,237	7	
Total loans and leases	$ 342	$ 129	$ 317	$ 788	$ 74,535	$ 81	$ 75,404	$ 171	

	December 31, 2018								
	Past Due (1)								
(dollar amounts in millions)	30-59 Days	60-89 Days	90 or more days	Total	Current	Loans Accounted for Under FVO	Total Loans and Leases	90 or more days past due and accruing	
Commercial and industrial	$ 72	$ 17	$ 51	$ 140	$ 30,465	$ —	$ 30,605	$ 7	(2)
Commercial real estate	10	—	5	15	6,827	—	6,842	—	
Automobile	95	19	10	124	12,305	—	12,429	8	
Home equity	51	21	56	128	9,593	1	9,722	17	
Residential mortgage	108	47	168	323	10,327	78	10,728	131	(3)
RV and marine	12	3	2	17	3,237	—	3,254	1	
Other consumer	14	7	6	27	1,293	—	1,320	6	
Total loans and leases	$ 362	$ 114	$ 298	$ 774	$ 74,047	$ 79	$ 74,900	$ 170	

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

Allowance for Credit Losses

The following table presents ALLL and AULC activity by portfolio segment for the years ended December 31, 2019, 2018, and 2017:

(dollar amounts in millions)	Commercial	Consumer	Total
Year ended December 31, 2019:			
ALLL balance, beginning of period	$ 542	$ 230	$ 772
Loan charge-offs	(165)	(197)	(362)
Recoveries of loans previously charged-off	40	57	97
Provision for loan and lease losses	135	142	277
Allowance for loans sold or transferred to loans held for sale	—	(1)	(1)
ALLL balance, end of period	$ 552	$ 231	$ 783
AULC balance, beginning of period	$ 94	$ 2	$ 96
Provision (reduction in allowance) for unfunded loan commitments and letters of credit	10	—	10
Unfunded commitment losses	(2)	—	(2)
AULC balance, end of period	$ 102	$ 2	$ 104
ACL balance, end of period	$ 654	$ 233	$ 887
Year ended December 31, 2018:			
ALLL balance, beginning of period	$ 482	$ 209	$ 691
Loan charge-offs	(79)	(189)	(268)
Recoveries of loans previously charged-off	65	58	123
Provision for loan and lease losses	74	152	226
ALLL balance, end of period	$ 542	$ 230	$ 772
AULC balance, beginning of period	$ 84	$ 3	$ 87
Provision (reduction in allowance) for unfunded loan commitments and letters of credit	10	(1)	9
AULC balance, end of period	$ 94	$ 2	$ 96
ACL balance, end of period	$ 636	$ 232	$ 868
Year ended December 31, 2017:			
ALLL balance, beginning of period	$ 451	$ 187	$ 638
Loan charge-offs	(72)	(180)	(252)
Recoveries of loans previously charged-off	41	52	93
Provision for loan and lease losses	62	150	212
ALLL balance, end of period	$ 482	$ 209	$ 691
AULC balance, beginning of period	$ 87	$ 11	$ 98
Provision (reduction in allowance) for unfunded loan commitments and letters of credit	(3)	(8)	(11)
AULC balance, end of period	$ 84	$ 3	$ 87
ACL balance, end of period	$ 566	$ 212	$ 778

Credit Quality Indicators

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

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

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

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

For all classes within the consumer loan portfolios, loans are assigned pool level PD factors based on the FICO range within which the borrower's most recent credit bureau score falls. A credit bureau score is a credit score developed by FICO based on data provided by the credit bureaus. The credit bureau score is widely accepted as the standard measure of consumer credit risk used by lenders, regulators, rating agencies, and consumers. The higher the credit bureau score, the higher likelihood of repayment and therefore, an indicator of higher credit quality.

Huntington assesses the risk in the loan portfolio by utilizing numerous risk characteristics. The classifications described above, and also presented in the table below, represent one of those characteristics that are closely monitored in the overall credit risk management processes.

The following tables present each loan and lease class by credit quality indicator at December 31, 2019 and 2018:

	December 31, 2019				
	Credit Risk Profile by UCS Classification				
(dollar amounts in millions)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial	$ 28,477	$ 634	$ 1,551	$ 2	$ 30,664
Commercial real estate	6,487	98	88	1	6,674
	Credit Risk Profile by FICO Score (1), (2)				
	750+	650-749	<650	Other (3)	Total
Automobile	6,759	4,661	1,377	—	12,797
Home equity	5,763	2,772	557	—	9,092
Residential mortgage	7,976	2,742	578	—	11,296
RV and marine	2,391	1,053	119	—	3,563
Other consumer	546	571	120	—	1,237

	December 31, 2018				
	Credit Risk Profile by UCS Classification				
(dollar amounts in millions)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial	$ 28,807	$ 518	$ 1,269	$ 11	$ 30,605
Commercial real estate	6,586	181	74	1	6,842
	Credit Risk Profile by FICO Score (1), (2)				
	750+	650-749	<650	Other (3)	Total
Automobile	6,254	4,520	1,373	282	12,429
Home equity	6,098	2,975	591	56	9,720
Residential mortgage	7,159	2,801	612	78	10,650
RV and marine	2,074	990	105	85	3,254
Other consumer	501	633	129	57	1,320

(1) Excludes loans accounted for under the fair value option.
(2) Reflects updated customer credit scores.
(3) As of December 31, 2019, amounts previously reported in Other were identified and aligned with the appropriate loan balance classification. Amounts as of December 31, 2018, reflects deferred fees and costs, loans in process, etc.

Impaired Loans

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

(dollar amounts in millions)	Commercial	Consumer	Total
ALLL at December 31, 2019			
Portion of ALLL balance:			
Attributable to loans individually evaluated for impairment	$ 61	$ 8	$ 69
Attributable to loans collectively evaluated for impairment	491	223	714
Total ALLL balance	$ 552	$ 231	$ 783
Loan and Lease Ending Balances at December 31, 2019 (1)			
Portion of loan and lease ending balances:			
Individually evaluated for impairment	$ 600	$ 574	$ 1,174
Collectively evaluated for impairment	36,738	37,411	74,149
Total loans and leases evaluated for impairment	$ 37,338	$ 37,985	$ 75,323

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

(dollar amounts in millions)	Commercial	Consumer	Total
ALLL at December 31, 2018			
Portion of ALLL balance:			
Attributable to loans individually evaluated for impairment	$ 33	$ 10	$ 43
Attributable to loans collectively evaluated for impairment	509	220	729
Total ALLL balance:	$ 542	$ 230	$ 772
Loan and Lease Ending Balances at December 31, 2018 (1)			
Portion of loan and lease ending balances:			
Individually evaluated for impairment	$ 516	$ 591	$ 1,107
Collectively evaluated for impairment	36,931	36,783	73,714
Total loans and leases evaluated for impairment	$ 37,447	$ 37,374	$ 74,821

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

The following tables present by class the ending balance, unpaid principal balance, and the related ALLL, along with the average balance and interest income recognized for impaired loans and leases for the years ended December 31, 2019 and 2018 (1):

	December 31, 2019			Year Ended December 31, 2019	
(dollar amounts in millions)	Ending Balance	Unpaid Principal Balance (2)	Related Allowance (3)	Average Balance	Interest Income Recognized
With no related allowance recorded:					
Commercial and industrial	$ 181	$ 215	$ —	$ 204	$ 19
Commercial real estate	25	26	—	32	8
With an allowance recorded:					
Commercial and industrial	366	425	60	312	11
Commercial real estate	28	31	1	31	2
Automobile	43	46	2	40	3
Home equity	284	281	9	300	14
Residential mortgage	293	329	4	288	11
RV and marine	4	4	—	3	—
Other consumer	11	11	2	10	—
Total					
Commercial and industrial (4)	547	640	60	516	30
Commercial real estate (5)	53	57	1	63	10
Automobile (6)	43	46	2	40	3
Home equity (7)	284	281	9	300	14
Residential mortgage (7)	293	329	4	288	11
RV and marine (6)	4	4	—	3	—
Other consumer (6)	11	11	2	10	—

(dollar amounts in millions)	December 31, 2018 Ending Balance	December 31, 2018 Unpaid Principal Balance (2)	December 31, 2018 Related Allowance (3)	Year Ended December 31, 2018 Average Balance	Year Ended December 31, 2018 Interest Income Recognized
With no related allowance recorded:					
Commercial and industrial	$ 224	$ 261	$ —	$ 256	$ 22
Commercial real estate	36	45	—	47	8
With an allowance recorded:					
Commercial and industrial	221	240	31	272	11
Commercial real estate	35	39	2	45	2
Automobile	38	42	2	37	2
Home equity	314	356	10	326	14
Residential mortgage	287	323	4	297	11
RV and marine	2	3	—	2	—
Other consumer	9	9	3	8	—
Total					
Commercial and industrial (4)	445	501	31	528	33
Commercial real estate (5)	71	84	2	92	10
Automobile (6)	38	42	2	37	2
Home equity (7)	314	356	10	326	14
Residential mortgage (7)	287	323	4	297	11
RV and marine (6)	2	3	—	2	—
Other consumer (6)	9	9	3	8	—

(1) These tables do not include loans fully charged-off.
(2) The differences between the ending balance and unpaid principal balance amounts primarily represent partial charge-offs.
(3) Impaired loans in the consumer portfolio are evaluated in pools and not at the loan level. Thus, these loans do not have an individually assigned allowance and as such are all classified as with an allowance in the tables above.
(4) At December 31, 2019 and December 31, 2018, C&I loans of $322 million and $366 million, respectively, were considered impaired due to their status as a TDR.
(5) At December 31, 2019 and December 31, 2018, CRE loans of $43 million and $60 million, respectively, were considered impaired due to their status as a TDR.
(6) All automobile, RV and marine and other consumer impaired loans included in these tables are considered impaired due to their status as a TDR.
(7) Includes home equity and residential mortgages considered impaired due to their non-accrual status and collateral dependent designation as well as home equity and mortgage loans considered impaired due to their status as a TDR.

TDR Loans

The amount of interest that would have been recorded under the original terms for total accruing TDR loans was $52 million, $51 million, and $49 million for 2019, 2018, and 2017, respectively. The total amount of actual interest recorded to interest income for these loans was $49 million, $48 million, and $45 million for 2019, 2018, and 2017, respectively.

TDR Concession Types

The Company's standards relating to loan modifications consider, among other factors, minimum verified income requirements, cash flow analyses, and collateral valuations. Each potential loan modification is reviewed individually and the terms of the loan are modified to meet a borrower's specific circumstances at a point in time. All commercial TDRs are reviewed and approved by our SAD.

Following is a description of TDRs by the different loan types:

Commercial loan TDRs – Our strategy involving commercial TDR borrowers includes working with these borrowers to allow them to refinance elsewhere, as well as allow them time to improve their financial position and remain a Huntington customer through refinancing their notes according to market terms and conditions in the future. A subsequent refinancing or modification of a loan may occur when either the loan matures according to the terms of the TDR-modified agreement or the borrower requests a change to the loan agreements. At that time, the loan is evaluated to determine if the borrower is creditworthy. It is subjected to the normal underwriting standards and processes for other similar credit extensions, both new and existing. The refinanced note is evaluated to determine if it is considered a new loan or a continuation of the prior loan.

Consumer loan TDRs – Residential mortgage TDRs represent loan modifications associated with traditional first-lien mortgage loans in which a concession has been provided to the borrower. The primary concessions given to residential mortgage borrowers are amortization or maturity date changes and interest rate reductions. Residential mortgages identified as TDRs involve borrowers unable to refinance their mortgages through the Company's normal mortgage origination channels or through other independent sources. Some, but not all, of the loans may be delinquent. The Company may make similar interest rate, term, and principal concessions for Automobile, Home Equity, RV and Marine and Other Consumer loan TDRs.

TDR Impact on Credit Quality

Huntington's ALLL is largely determined by risk ratings assigned to commercial loans, updated borrower credit scores on consumer loans, and borrower delinquency history in both the commercial and consumer portfolios. These risk ratings and credit scores consider the default history of the borrower, including payment redefaults. As such, the provision for credit losses is impacted primarily by changes in borrower payment performance rather than the TDR classification. 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.

The Company's TDRs may include multiple concessions and the disclosure classifications are presented based on the primary concession provided to the borrower. The majority of the concessions for the C&I and CRE portfolios are the extension of the maturity date, but could also include an interest rate concession. In these instances, the primary concession is the maturity date extension.

The following table presents, by class and modification type, the number of contracts, post-modification outstanding balance, and the financial effects of the modification for the years ended December 31, 2019 and 2018.

	New Troubled Debt Restructurings (1)					
	Year Ended December 31, 2019					
		Post-modification Outstanding Recorded Investment (2)				
(dollar amounts in millions)	Number of Contracts	Interest rate reduction	Amortization or maturity date change	Chapter 7 bankruptcy	Other	Total
Commercial and industrial	482	$ —	$ 172	$ —	$ 7	$ 179
Commercial real estate	29	—	13	—	—	13
Automobile	2,971	—	19	7	—	26
Home equity	306	—	9	8	—	17
Residential mortgage	330	—	35	2	—	37
RV and marine	139	—	1	2	—	3
Other consumer	972	8	—	—	—	8
Total new TDRs	5,229	$ 8	$ 249	$ 19	$ 7	$ 283

	Year Ended December 31, 2018					
		Post-modification Outstanding Recorded Investment (2)				
(dollar amounts in millions)	Number of Contracts	Interest rate reduction	Amortization or maturity date change	Chapter 7 bankruptcy	Other	Total
Commercial and industrial	725	$ —	$ 352	$ —	$ —	$ 352
Commercial real estate	102	—	82	—	—	82
Automobile	2,867	—	15	8	—	23
Home equity	602	—	25	11	—	36
Residential mortgage	345	—	34	3	—	37
RV and marine	117	—	—	1	—	1
Other consumer	1,633	8	—	—	—	8
Total new TDRs	6,391	$ 8	$ 508	$ 23	$ —	$ 539

(1) TDRs may include multiple concessions. The disclosure classification is based on the primary concession provided to the borrower.
(2) Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

The financial effects of modification represent the impact on the provision (recovery) for loan and lease losses. Amounts for the years ended December 31, 2019 and December 31, 2018 were $(2) million and $(15) million, respectively.

Pledged Loans and Leases

The Bank has access to the Federal Reserve's discount window and advances from the FHLB. As of December 31, 2019 and 2018, these borrowings and advances are secured by $39.6 billion and $46.5 billion, respectively, of loans and securities.

4. INVESTMENT SECURITIES AND OTHER SECURITIES

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

			Unrealized					
(dollar amounts in millions)		Amortized Cost		Gross Gains		Gross Losses		Fair Value
December 31, 2019								
Available-for-sale securities:								
U.S. Treasury	$	10	$	—	$	—	$	10
Federal agencies:								
Residential CMO		5,055		48		(18)		5,085
Residential MBS		4,180		45		(3)		4,222
Commercial MBS		979		1		(4)		976
Other agencies		165		1		(1)		165
Total U.S. Treasury, federal agency and other agency securities		10,389		95		(26)		10,458
Municipal securities		3,044		34		(23)		3,055
Private-label CMO		2		—		—		2
Asset-backed securities		575		6		(2)		579
Corporate debt		49		2		—		51
Other securities/Sovereign debt		4		—		—		4
Total available-for-sale securities	$	14,063	$	137	$	(51)	$	14,149
Held-to-maturity securities:								
Federal agencies:								
Residential CMO	$	2,351	$	33	$	(3)	$	2,381
Residential MBS		2,463		50		—		2,513
Commercial MBS		3,959		34		—		3,993
Other agencies		293		2		—		295
Total federal agency and other agency securities		9,066		119		(3)		9,182
Municipal securities		4		—		—		4
Total held-to-maturity securities	$	9,070	$	119	$	(3)	$	9,186
Other securities, at cost:								
Non-marketable equity securities:								
Federal Home Loan Bank stock	$	90	$	—	$	—	$	90
Federal Reserve Bank stock		297		—		—		297
Other securities, at fair value								
Mutual funds		53		—		—		53
Marketable equity securities		1		—		—		1
Total other securities	$	441	$	—	$	—	$	441

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

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

	2019		2018	
(dollar amounts in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities:				
Under 1 year	$ 231	$ 229	$ 186	$ 185
After 1 year through 5 years	1,196	1,189	1,057	1,039
After 5 years through 10 years	1,594	1,606	1,838	1,802
After 10 years	11,042	11,125	11,027	10,754
Total available-for-sale securities	$ 14,063	$ 14,149	$ 14,108	$ 13,780
Held-to-maturity securities:				
Under 1 year	$ —	$ —	$ —	$ —
After 1 year through 5 years	17	17	11	11
After 5 years through 10 years	300	305	362	356
After 10 years	8,753	8,864	8,192	7,919
Total held-to-maturity securities	$ 9,070	$ 9,186	$ 8,565	$ 8,286

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

	Less than 12 Months		Over 12 Months		Total	
(dollar amounts in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2019						
Available-for-sale securities:						
Federal agencies:						
Residential CMO	$ 1,206	$ (10)	$ 519	$ (8)	$ 1,725	$ (18)
Residential MBS	1,169	(3)	9	—	1,178	(3)
Commercial MBS	472	(2)	272	(2)	744	(4)
Other agencies	86	(1)	—	—	86	(1)
Total federal agency and other agency securities	2,933	(16)	800	(10)	3,733	(26)
Municipal securities	273	(4)	1,204	(19)	1,477	(23)
Asset-backed securities	116	(1)	37	(1)	153	(2)
Corporate debt	1	—	—	—	1	—
Total temporarily impaired securities	$ 3,323	$ (21)	$ 2,041	$ (30)	$ 5,364	$ (51)
Held-to-maturity securities:						
Federal agencies:						
Residential CMO	$ 218	$ (1)	$ 112	$ (2)	$ 330	$ (3)
Residential MBS	317	—	—	—	317	—
Commercial MBS	81	—	—	—	81	—
Other agencies	58	—	—	—	58	—
Total federal agency and other agency securities	674	(1)	112	(2)	786	(3)
Municipal securities	4	—	—	—	4	—
Total temporarily impaired securities	$ 678	$ (1)	$ 112	$ (2)	$ 790	$ (3)

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

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

The following table is a summary of realized securities gains and losses for the years ended December 31, 2019, 2018, and 2017:

(dollar amounts in millions)	Year Ended December 31, 2019	2018	2017
Gross gains on sales of securities	$ 11	$ 7	$ 10
Gross losses on sales of securities	(35)	(28)	(10)
Net gain (loss) on sales of securities	$ (24)	$ (21)	$ —
OTTI recognized in earnings	—	—	(4)
Net securities (losses)	$ (24)	$ (21)	$ (4)

Security Impairment

Huntington evaluates the securities portfolio for impairment on a quarterly basis. As of December 31, 2019 and December 31, 2018, the Company has evaluated available-for-sale and held-to-maturity securities which have gross unrealized losses for impairment and concluded less than $1 million and no OTTI was required, respectively.

Other securities that are carried at cost are reviewed for impairment on a quarterly basis, with valuation adjustments recognized in other noninterest income. As of December 31, 2019 and December 31, 2018, the Company concluded no impairment was required.

5. MORTGAGE LOAN SALES AND SERVICING RIGHTS

Residential Mortgage Portfolio

The following table summarizes activity relating to residential mortgage loans sold with servicing retained for the years ended December 31, 2019, 2018, and 2017:

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Residential mortgage loans sold with servicing retained	$ 4,841	$ 3,846	$ 3,985
Pretax gains resulting from above loan sales (1)	119	87	99

(1) Recorded in mortgage banking income.

The following table summarizes the changes in MSRs recorded using the amortization method for the years ended December 31, 2019 and 2018:

(dollar amounts in millions)	2019	2018
Carrying value, beginning of year	$ 211	$ 191
New servicing assets created	52	44
Impairment (charge) recovery	(14)	6
Amortization and other	(44)	(30)
Carrying value, end of year	$ 205	$ 211
Fair value, end of year	$ 206	$ 212
Weighted-average life (years)	6.4	6.7

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

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

	December 31, 2019			December 31, 2018		
		Decline in fair value due to			Decline in fair value due to	
(dollar amounts in millions)	Actual	10% adverse change	20% adverse change	Actual	10% adverse change	20% adverse change
Constant prepayment rate *(annualized)*	12.20 %	$ (8)	$ (16)	9.40 %	$ (6)	$ (12)
Spread over forward interest rate swap rates	855 bps	(6)	(12)	934 bps	(7)	(13)

Additionally, Huntington held MSRs recorded using the fair value method of $7 million and $10 million at December 31, 2019 and 2018, respectively. The change in fair value representing time decay, payoffs and changes in valuation inputs and assumptions for the years ended December 31, 2019 and 2018 was $3 million and $1 million, respectively.

Total servicing, late and other ancillary fees included in mortgage banking income was $63 million, $60 million, and $56 million for the years ended December 31, 2019, 2018, and 2017, respectively. The unpaid principal balance of residential mortgage loans serviced for third parties was $22.4 billion, $21.0 billion, and $19.8 billion at December 31, 2019, 2018, and 2017, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

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

A rollforward of goodwill by business segment for the years ended December 31, 2019 and 2018, is presented in the table below:

(dollar amounts in millions)	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury/ Other	Huntington Consolidated
Balance, January 1, 2018	$ 1,398	$ 425	$ —	$ 170	$ —	$ 1,993
Goodwill acquired during the period	—	1	—	—	—	1
Adjustments	(5)	—	—	—	—	(5)
Balance, December 31, 2018	1,393	426	—	170	—	1,989
Goodwill acquired during the period	—	—	—	—	—	—
Adjustments	—	1	—	—	—	1
Balance, December 31, 2019	$ 1,393	$ 427	$ —	$ 170	$ —	$ 1,990

On October 1, 2018, Huntington completed its acquisition of HSE. As part of the transaction, Huntington recorded $1 million of goodwill, which was subsequently adjusted during the measurement period.

During the fourth quarter of 2018, Huntington reclassified $5 million of goodwill in the Consumer & Business Banking segment related to the held for sale disposal group.

Goodwill is not amortized but is evaluated for impairment on an annual basis at October 1 of each year or whenever events or changes in circumstances indicate the carrying value may not be recoverable. No impairment was recorded in 2019 or 2018.

At December 31, 2019 and 2018, Huntington's other intangible assets consisted of the following:

(dollar amounts in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
December 31, 2019			
Core deposit intangible	$ 310	$ (120)	$ 190
Customer relationship	115	(73)	42
Total other intangible assets	$ 425	$ (193)	$ 232
December 31, 2018			
Core deposit intangible	$ 314	$ (93)	$ 221
Customer relationship	182	(122)	60
Total other intangible assets	$ 496	$ (215)	$ 281

The estimated amortization expense of other intangible assets for the next five years is as follows:

(dollar amounts in millions)	Amortization Expense
2020	$ 41
2021	38
2022	36
2023	34
2024	32

7. OPERATING LEASES

At December 31, 2019, Huntington was obligated under noncancelable leases for branch and office space. These leases are all classified as operating due to the amount of time such spaces are occupied relative to the underlying assets useful lives. Many of these leases contain renewal options, most of which are not included in measurement of the right-of-use asset as they are not considered reasonably certain of exercise (i.e., Huntington does not currently have a significant economic incentive to exercise these options). Some leases contain escalation clauses calling for rentals to be adjusted for increased real estate taxes and other operating expenses or proportionately adjusted for increases in the consumer or other price indices. Occasionally, Huntington will sublease the land and buildings for which it has obtained the right to use; substantially all of those sublease arrangements are classified as operating, with sublease income recognized on a straight-line basis over the contractual term of the arrangement. Huntington has elected not to include non-lease components in the measurement of right-of-use assets, and as such allocates the costs attributable to such components, where those costs are not separately identifiable, via per-square-foot costing analysis developed by the entity for owned and leased spaces. Huntington uses a portfolio approach to develop discount rates as its lease portfolio is comprised of substantially all branch space and office space used in the entity's operations. That rate, an input used in the measurement of the entity's right-of-use assets, leverages an incremental borrowing rate of appropriate tenor and collateralization.

Net lease assets and liabilities at December 31, 2019 are as follows:

(dollar amounts in millions)	Classification	December 31, 2019
Assets		
Operating lease assets	Other assets	$ 210
Liabilities		
Lease liabilities	Other liabilities	$ 233

Net lease cost for the year ended December 31, 2019 are as follows:

(dollar amounts in millions)	Classification	Year Ended December 31, 2019
Operating lease cost	Net occupancy	$ 47
Short-term lease cost	Net occupancy	1
Sublease income	Net occupancy	(3)
Net lease cost		$ 45

Maturity of lease liabilities at December 31, 2019 are as follows:

(dollar amounts in millions)	Total
2020	$ 48
2021	43
2022	38
2023	33
2024	28
Thereafter	86
Total lease payments	$ 276
Less: Interest	(43)
Total lease liabilities	$ 233

Lease term and discount rate as of December 31, 2019 are as follows:

	December 31, 2019
Weighted-average remaining lease term (years) for Operating leases	7.31
Weighted-average discount rate for Operating leases	4.56%

Cash flow supplemental information at December 31, 2019 are as follows:

(dollar amounts in millions)	Year Ended December 31, 2019	
Cash paid for amounts included in the measurement of lease liabilities for Operating cash flows	$	(54)
Right-of-use assets obtained in exchange for lease obligations for Operating leases		40

8. PREMISES AND EQUIPMENT

Premises and equipment were comprised of the following at December 31, 2019 and 2018:

	At December 31,			
(dollar amounts in millions)	2019		2018	
Land and land improvements	$	189	$	188
Buildings		587		579
Leasehold improvements		205		199
Equipment		742		739
Total premises and equipment		1,723		1,705
Less accumulated depreciation and amortization		(960)		(915)
Net premises and equipment	$	763	$	790

Depreciation and amortization charged to expense and rental income credited to net occupancy expense for the three years ended December 31, 2019, 2018, and 2017 were:

(dollar amounts in millions)	2019		2018		2017	
Total depreciation and amortization of premises and equipment	$	116	$	130	$	123
Rental income credited to occupancy expense		11		13		14

9. SHORT-TERM BORROWINGS

Borrowings with original maturities of one year or less are classified as short-term and were comprised of the following at December 31, 2019 and 2018:

	At December 31,			
(dollar amounts in millions)	2019		2018	
Federal funds purchased and securities sold under agreements to repurchase	$	1,041	$	2,004
Federal Home Loan Bank advances		1,500		—
Other borrowings		65		13
Total short-term borrowings	$	2,606	$	2,017

10. LONG-TERM DEBT

Huntington's long-term debt consisted of the following:

(dollar amounts in millions)	At December 31, 2019	At December 31, 2018
The Parent Company:		
Senior Notes:		
3.19% Huntington Bancshares Incorporated medium-term notes due 2021	$ 993	$ 969
2.33% Huntington Bancshares Incorporated senior notes due 2022	972	946
2.67% Huntington Bancshares Incorporated senior notes due 2024	798	—
4.05% Huntington Bancshares Incorporated senior notes due 2025	528	507
Subordinated Notes:		
7.00% Huntington Bancshares Incorporated subordinated notes due 2020	305	305
3.55% Huntington Bancshares Incorporated subordinated notes due 2023	247	239
Sky Financial Capital Trust IV 3.31% junior subordinated debentures due 2036 (1)	74	74
Sky Financial Capital Trust III 3.31% junior subordinated debentures due 2036 (1)	72	72
Huntington Capital I Trust Preferred 2.61% junior subordinated debentures due 2027 (2)	70	69
Huntington Capital II Trust Preferred 2.53% junior subordinated debentures due 2028 (3)	32	31
Camco Financial Statutory Trust I 3.24% due 2037 (4)	4	4
Total notes issued by the parent	4,095	3,216
The Bank:		
Senior Notes:		
3.60% Huntington National Bank senior notes due 2023	778	756
3.33% Huntington National Bank senior notes due 2021	759	750
2.47% Huntington National Bank senior notes due 2020	699	692
2.55% Huntington National Bank senior notes due 2022	691	672
3.16% Huntington National Bank senior notes due 2022	507	—
2.43% Huntington National Bank senior notes due 2020	500	493
2.97% Huntington National Bank senior notes due 2020	499	491
2.42% Huntington National Bank senior notes due 2020 (5)	300	300
2.46% Huntington National Bank senior notes due 2021 (6)	299	—
2.23% Huntington National Bank senior notes due 2019	—	498
Subordinated Notes:		
3.86% Huntington National Bank subordinated notes due 2026	231	229
5.45% Huntington National Bank subordinated notes due 2019	—	76
Total notes issued by the bank	5,263	4,957
FHLB Advances:		
3.01% weighted average rate, varying maturities greater than one year	5	6
Other:		
Huntington Technology Finance nonrecourse debt, 4.08% weighted average interest rate, varying maturities	312	322
3.79% Huntington Preferred Capital II - Class F securities (7)	74	74
3.79% Huntington Preferred Capital II - Class G securities (7)	50	50
3.91% Huntington Preferred Capital II - Class I securities (8)	50	—
Total other	486	446
Total long-term debt	$ 9,849	$ 8,625

(1) Variable effective rate at December 31, 2019, based on three-month LIBOR +1.40%.
(2) Variable effective rate at December 31, 2019, based on three-month LIBOR +0.70%
(3) Variable effective rate at December 31, 2019, based on three-month LIBOR +0.625%.
(4) Variable effective rate at December 31, 2019, based on three-month LIBOR +1.33%.
(5) Variable effective rate at December 31, 2019, based on three-month LIBOR + 0.51%
(6) Variable effective rate at December 31, 2019, based on three-month LIBOR +0.55%.
(7) Variable effective rate at December 31, 2019, based on three-month LIBOR +1.88%.
(8) Variable effective rate at December 31, 2019, based on three-month LIBOR +2.00%.

Amounts above are net of unamortized discounts and adjustments related to hedging with derivative financial instruments. We use interest rate swaps to hedge interest rate risk of certain fixed-rate debt by converting the debt to a variable rate. See Note 19 - "Derivative Financial Instruments" for more information regarding such financial instruments.

The following table presents senior notes issued during 2019:

Date of Issuance	Issuer	Amount	% of face value	Interest Rate	Term	Maturity
January 2019	Bank	$ 300 million	100%	three-month LIBOR + 0.55%	variable	February 5, 2021
February 2019	Bank	500 million	99.909	3.125	fixed	April 1, 2022
August 2019	Parent	800 million	99.781	2.625	fixed	August 6, 2024

Long-term debt maturities for the next five years and thereafter are as follows:

(dollar amounts in millions)	2020	2021	2022	2023	2024	Thereafter	Total
The Parent Company:							
Senior notes	$ —	$ 1,000	$ 1,000	$ —	$ 800	$ 500	$ 3,300
Subordinated notes	300	—	—	250	—	253	803
The Bank:							
Senior notes	2,000	1,050	1,200	750	—	—	5,000
Subordinated notes	—	—	—	—	—	250	250
FHLB Advances	2	—	1	1	—	1	5
Other	105	61	95	123	101	1	486
Total	$ 2,407	$ 2,111	$ 2,296	$ 1,124	$ 901	$ 1,005	$ 9,844

These maturities are based upon the par values of the long-term debt.

The terms of certain long-term debt obligations contain various restrictive covenants including limitations on the acquisition of additional debt, dividend payments, and the disposition of subsidiaries. As of December 31, 2019, Huntington was in compliance with all such covenants.

11. OTHER COMPREHENSIVE INCOME

The components of Huntington's OCI in the three years ended December 31, 2019, 2018, and 2017, were as follows:

	2019		
(dollar amounts in millions)	Pretax	Tax (expense) Benefit	After-tax
Unrealized holding gains (losses) on available-for-sale securities arising during the period	$ 403	$ (89)	$ 314
Less: Reclassification adjustment for realized net losses (gains) included in net income	26	(5)	21
Net change in unrealized holding gains (losses) on available-for-sale securities	429	(94)	335
Net change in fair value on cash flow hedges	26	(3)	23
Net change in pension and other post-retirement obligations	(7)	2	(5)
Total other comprehensive income (loss)	$ 448	$ (95)	$ 353

	2018		
(dollar amounts in millions)	Pretax	Tax (expense) Benefit	After-tax
Unrealized holding gains (losses) on available-for-sale securities arising during the period	$ (151)	$ 35	$ (116)
Less: Reclassification adjustment for realized net losses (gains) included in net income	41	(9)	32
Net change in unrealized holding gains (losses) on available-for-sale securities	(110)	26	(84)
Net change in pension and other post-retirement obligations	4	—	4
Total other comprehensive income (loss)	$ (106)	$ 26	$ (80)

(dollar amounts in millions)	2017 Pretax	2017 Tax (expense) Benefit	2017 After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	$ 4	$ (2)	$ 2
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	(87)	31	(56)
Less: Reclassification adjustment for net gains (losses) included in net income	26	(9)	17
Net change in unrealized holding gains (losses) on available-for-sale debt securities	(57)	20	(37)
Net change in unrealized holding gains (losses) on available-for-sale equity securities	1	(1)	—
Unrealized gains and losses on derivatives used in cash flow hedging relationships arising during the period	3	(1)	2
Less: Reclassification adjustment for net losses (gains) losses included in net income	1	—	1
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	4	(1)	3
Net change in pension and post-retirement obligations	—	—	—
Total other comprehensive income (loss)	$ (52)	$ 18	$ (34)

Activity in accumulated OCI for the two years ended December 31, 2019 and 2018 were as follows:

(dollar amounts in millions)	Unrealized gains (losses) on debt securities (1)	Change in fair value related to cash flow hedges	Unrealized gains (losses) for pension and other post-retirement obligations	Total
December 31, 2017	$ (278)	$ —	$ (250)	$ (528)
Cumulative-effect adjustments (ASU 2016-01)	(1)			(1)
Other comprehensive income before reclassifications	(116)	—	—	(116)
Amounts reclassified from accumulated OCI to earnings	32	—	4	36
Period change	(84)	—	4	(80)
December 31, 2018	(363)	—	(246)	(609)
Other comprehensive income before reclassifications	314	23	—	337
Amounts reclassified from accumulated OCI to earnings	21	—	(5)	16
Period change	335	23	(5)	353
December 31, 2019	$ (28)	$ 23	$ (251)	$ (256)

(1) AOCI amounts at December 31, 2019, 2018, and 2017 include $121 million, $137 million, and $95 million, respectively, net of unrealized losses on securities transferred from the available-for-sale securities portfolio to the held-to-maturity securities portfolio. The net unrealized losses will be recognized in earnings over the remaining life of the security using the effective interest method.

12. SHAREHOLDERS' EQUITY

The following is a summary of Huntington's non-cumulative, non-voting, perpetual preferred stock outstanding as of December 31, 2019.

(dollar amounts in millions, share amounts in thousands)

Series	Issuance Date	Total Shares Outstanding	Carrying Amount	Dividend Rate	Earliest Redemption Date
Series B	12/28/2011	35,500	$ 23	3-mo. LIBOR + 270 bps	1/15/2017
Series D	3/21/2016	400,000	386	6.25%	7/15/2021
Series D	5/5/2016	200,000	199	6.25	7/15/2021
Series C	8/16/2016	100,000	100	5.875	1/15/2022
Series E	2/27/2018	5,000	495	5.70	4/15/2023
Total		740,500	$ 1,203		

Series B, D, and C of preferred stock has a liquidation value and redemption price per share of $1,000, plus any declared and unpaid dividends. Series E preferred stock has a liquidation value and redemption price per share of $100,000, plus any declared and unpaid dividends. All preferred stock has no stated maturity and redemption is solely at the option of the Company. Under current rules, any redemption of the preferred stock is subject to prior approval of the FRB.

13. EARNINGS PER SHARE

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

The 2018 and 2017 total diluted average common shares issued and outstanding was impacted by using the if-converted method. The calculation of basic and diluted earnings per share for each of the three years ended December 31 was as follows:

	Year Ended December 31,		
(amounts in millions, except per share data, share count in thousands)	2019	2018	2017
Basic earnings per common share:			
Net income	$ 1,411	$ 1,393	$ 1,186
Preferred stock dividends	(74)	(70)	(76)
Net income available to common shareholders	$ 1,337	$ 1,323	$ 1,110
Average common shares issued and outstanding	1,038,840	1,081,542	1,084,686
Basic earnings per common share	$ 1.29	$ 1.22	$ 1.02
Diluted earnings per common share:			
Net income available to common shareholders	$ 1,337	$ 1,323	$ 1,110
Effect of assumed preferred stock conversion	—	—	31
Net income applicable to diluted earnings per share	$ 1,337	$ 1,323	$ 1,141
Average common shares issued and outstanding	1,038,840	1,081,542	1,084,686
Dilutive potential common shares			
Stock options and restricted stock units and awards	12,994	16,529	17,883
Shares held in deferred compensation plans	4,245	3,511	3,160
Dilutive impact of Preferred Stock	—	4,403	30,330
Other	—	—	127
Dilutive potential common shares	17,239	24,443	51,500
Total diluted average common shares issued and outstanding	1,056,079	1,105,985	1,136,186
Diluted earnings per common share	$ 1.27	$ 1.20	$ 1.00
Anti-dilutive awards (1)	5,253	2,307	1,009

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

14. NONINTEREST INCOME

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

(dollar amounts in millions)	Year Ended December 31, 2019	Year Ended December 31, 2018
Noninterest income		
Noninterest income from contracts with customers	$ 939	$ 881
Noninterest income within the scope of other GAAP topics	515	440
Total noninterest income	$ 1,454	$ 1,321

The following table illustrates the disaggregation by operating segment and major revenue stream and reconciles disaggregated revenue to segment revenue presented in Note 24 - "Segment Reporting":

(dollar amounts in millions)	Year Ended December 31, 2019					
	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
Major Revenue Streams						
Service charges on deposit accounts	$ 297	$ 64	$ 7	$ 4	$ —	$ 372
Card and payment processing income	218	15	—	—	—	233
Trust and investment management services	34	4	—	139	1	178
Insurance income	34	6	—	47	1	88
Other noninterest income	32	24	4	6	2	68
Net revenue from contracts with customers	$ 615	$ 113	$ 11	$ 196	$ 4	$ 939
Noninterest income within the scope of other GAAP topics	210	246	1	2	56	515
Total noninterest income	$ 825	$ 359	$ 12	$ 198	$ 60	$ 1,454

(dollar amounts in millions)	Year Ended December 31, 2018					
	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
Major Revenue Streams						
Service charges on deposit accounts	$ 290	$ 64	$ 5	$ 4	$ —	$ 363
Card and payment processing income	198	11	—	—	—	209
Trust and investment management services	28	4	—	139	—	171
Insurance income	34	5	—	41	2	82
Other noninterest income	38	6	3	8	1	56
Net revenue from contracts with customers	$ 588	$ 90	$ 8	$ 192	$ 3	$ 881
Noninterest income within the scope of other GAAP topics	156	231	3	1	49	440
Total noninterest income	$ 744	$ 321	$ 11	$ 193	$ 52	$ 1,321

Huntington generally provides services for customers in which it acts as principal. Payment terms and conditions vary amongst services and customers, and thus impact the timing and amount of revenue recognition. Some fees may be paid before any service is rendered and accordingly, such fees are deferred until the obligations pertaining to those fees are satisfied. Most Huntington contracts with customers are cancelable by either party without penalty or they are short-term in nature, with a contract duration of less than one year. Accordingly, most revenue deferred for the reporting period ended December 31, 2019 is expected to be earned within one year. Huntington does not have significant balances of contract assets or contract liabilities and any change in those balances during the reporting period ended December 31, 2019 was determined to be immaterial.

15. SHARE-BASED COMPENSATION

Huntington sponsors nonqualified and incentive share based compensation plans. These plans provide for the granting of stock options, restricted stock awards, restricted stock units, performance share units and other awards to officers, directors, and other employees. Compensation costs are included in personnel costs on the Consolidated Statements of Income.

Huntington issues shares to fulfill stock option exercises and restricted stock unit and award vesting from available authorized common shares. At December 31, 2019, Huntington believes there are adequate authorized common shares to satisfy anticipated stock option exercises and restricted stock unit award vesting in 2020.

The following table presents total share-based compensation expense and related tax benefit for the three years ended December 31, 2019, 2018, and 2017:

(dollar amounts in millions)	2019	2018	2017
Share-based compensation expense	$ 83	$ 78	$ 92
Tax benefit	15	14	32

2018 Long-Term Incentive Plan

In 2018, shareholders approved the Huntington Bancshares Incorporated 2018 Long-Term Incentive Plan (the 2018 Plan). Shares remaining under the 2015 Long-Term Incentive Plan have been incorporated into the 2018 Plan. Accordingly, the total number of shares authorized for awards under the 2018 Plan is 33 million shares. At December 31, 2019, 17 million shares from the Plan were available for future grants.

Stock Options

Stock options are granted at the closing market price on the date of the grant. Options granted typically vest ratably over four years or when other conditions are met. Stock options, which represented a portion of the grant values, have no intrinsic value until the stock price increases. Options granted on or after May 1, 2015 have a contractual term of ten years. All options granted on or before April 30, 2015 have a contractual term of seven years.

Huntington uses the Black-Scholes option pricing model to value options in determining the share-based compensation expense. Forfeitures are estimated at the date of grant based on historical rates, and updated as necessary, and reduce the compensation expense recognized. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant. The expected dividend yield is based on the dividend rate and stock price at the date of the grant. Expected volatility is based on the estimated volatility of Huntington's stock over the expected term of the option.

The following table presents the weighted average assumptions used in the option pricing model at the grant date for options granted in the three years ended December 31, 2019, 2018, and 2017:

Assumptions	2019	2018	2017
Risk-free interest rate	2.41%	2.88%	2.04%
Expected dividend yield	4.36	3.71	3.31
Expected volatility of Huntington's common stock	22.5	24.0	29.5
Expected option term (years)	6.5	6.5	6.5
Weighted-average grant date fair value per share	$ 1.91	$ 2.58	$ 2.81

Huntington's stock option activity and related information for the year ended December 31, 2019, was as follows:

(dollar amounts in millions, except per share and options amounts in thousands)	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2019	10,617	$ 10.64		
Granted	3,211	13.77		
Exercised	(2,440)	7.28		
Forfeited/expired	(79)	14.08		
Outstanding at December 31, 2019	11,309	$ 12.23	6.7	$ 32
Expected to vest (1)	5,955	$ 13.77	8.6	$ 8
Exercisable at December 31, 2019	5,195	$ 10.42	4.5	$ 24

(1) The number of options expected to vest reflect an estimate of 159,000 shares expected to be forfeited.

The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the "in-the-money" option exercise price. The total intrinsic value of options exercised for the years ended December 31, 2019, 2018, and 2017 were $16 million, $52 million and $16 million, respectively. For the years ended December 31, 2019, 2018, and 2017, cash received for the exercises of stock options was $2 million, $5 million and $11 million, respectively. The tax benefit realized for the tax deductions from option exercises totaled $3 million, $10 million and $5 million in 2019, 2018, and 2017, respectively.

Other Restricted Stock Awards

Huntington also grants restricted stock awards, restricted stock units, performance share units, and other stock-based awards. These awards are granted at the closing market price on the date of the grant. Restricted stock units and awards are issued at no cost to the recipient, and can be settled only in shares at the end of the vesting period. Restricted stock awards provide the holder with full voting rights and cash dividends during the vesting period. Restricted stock units do not provide the holder with voting rights or cash dividends during the vesting period, but do accrue a dividend equivalent that is paid upon vesting, and are subject to certain service restrictions. Performance share units are payable contingent upon Huntington achieving certain predefined performance objectives over the three-year measurement period. The fair value of these awards reflects the closing market price of Huntington's common stock on the grant date.

The following table summarizes the status of Huntington's restricted stock awards, units, and performance share units as of December 31, 2019, and activity for the year ended December 31, 2019:

	Restricted Stock Awards		Restricted Stock Units		Performance Share Units	
(amounts in thousands, except per share amounts)	Quantity	Weighted-Average Grant Date Fair Value Per Share	Quantity	Weighted-Average Grant Date Fair Value Per Share	Quantity	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2019	201	$ 9.68	15,480	$ 12.51	2,958	$ 11.75
Granted	—	—	5,581	13.93	680	13.77
Vested	(199)	9.68	(5,267)	11.17	(854)	10.07
Forfeited	(2)	9.68	(505)	13.47	(15)	14.30
Nonvested at December 31, 2019	—	$ —	15,289	$ 13.42	2,769	$ 13.49

The weighted-average fair value at grant date of nonvested shares granted for the years ended December 31, 2019, 2018, and 2017 were $13.91, $14.98, and $11.13, respectively. The total fair value of awards vested during the years ended December 31, 2019, 2018, and 2017 was $69 million, $62 million, and $53 million, respectively. As of December 31, 2019, the total unrecognized compensation cost related to nonvested shares was $97 million with a weighted-average expense recognition period of 2.4 years.

16. BENEFIT PLANS

Huntington sponsors a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The plan, which was modified in 2013, no longer accrues service benefits to participants and provides benefits based upon length of service and compensation levels. Huntington's funding policy is to contribute an annual amount that is at least equal to the minimum funding requirements but not more than the amount deductible under the Internal Revenue Code. There were no required minimum contributions during 2019.

The following table shows the weighted-average assumptions used to determine the benefit obligation at December 31, 2019 and 2018, and the net periodic benefit cost for the years then ended:

	Pension Benefits	
	2019	2018
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.40%	4.41%
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	4.41	3.73
Expected return on plan assets	5.25	5.75

The expected long-term rate of return on plan assets is an assumption reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The expected long-term rate of return is established at the beginning of the plan year based upon historical returns and projected returns on the underlying mix of invested assets.

The following table reconciles the beginning and ending balances of the benefit obligation of the Plan with the amounts recognized in the consolidated balance sheets at December 31:

	Pension Benefits	
(dollar amounts in millions)	2019	2018
Projected benefit obligation at beginning of measurement year	$ 821	$ 900
Changes due to:		
Service cost	2	3
Interest cost	32	29
Benefits paid	(29)	(26)
Settlements	(14)	(18)
Actuarial assumptions and gains (losses)	111	(67)
Total changes	102	(79)
Projected benefit obligation at end of measurement year	$ 923	$ 821

The following table reconciles the beginning and ending balances of the fair value of Plan assets at the December 31, 2019 and 2018 measurement dates:

	Pension Benefits	
(dollar amounts in millions)	2019	2018
Fair value of plan assets at beginning of measurement year	$ 828	$ 903
Changes due to:		
Actual return on plan assets	145	(30)
Settlements	(13)	(19)
Benefits paid	(29)	(26)
Total changes	103	(75)
Fair value of plan assets at end of measurement year	$ 931	$ 828

As of December 31, 2019, the difference between the accumulated benefit obligation and the fair value of Huntington's plan assets was $8 million and is recorded in other assets.

The following table shows the components of net periodic benefit costs recognized in the three years ended December 31, 2019, 2018 and 2017:

	Pension Benefits (1)		
(dollar amounts in millions)	2019	2018	2017
Service cost	$ 2	$ 3	$ 3
Interest cost	32	29	30
Expected return on plan assets	(44)	(49)	(55)
Amortization of loss	6	9	7
Settlements	5	7	11
Benefit costs	$ 1	$ (1)	$ (4)

(1) The pension costs for 2019 and 2018 were recorded in noninterest income - other income. For 2017 the costs were recorded in noninterest expense - personnel costs, in the Consolidated Statements of Income.

Included in benefit costs above are $3 million, $2 million, and $2 million of plan expenses that were recognized in each of the three years ended December 31, 2019, 2018, and 2017. It is Huntington's policy to recognize settlement gains and losses as incurred. Assuming no cash contributions are made to the Plan during 2020, Huntington expects net periodic pension benefit, excluding any expense of settlements, to approximate $4 million for 2020.

At December 31, 2019 and 2018, The Huntington National Bank, as trustee, held all Plan assets. The Plan assets consisted of investments in a variety of corporate and government fixed income investments, money market funds, and mutual funds as follows:

	Fair Value					
(dollar amounts in millions)	2019			2018		
Cash equivalents:						
Mutual funds-money market	$	7	1%	$	4	—%
U.S. Treasury bills		—	—		4	1
Fixed income:						
Corporate obligations		460	49		272	33
U.S. Government obligations		199	21		298	36
Municipal obligations		5	1		—	—
U.S. Government agencies		—	—		22	3
Collective trust funds		105	11		—	—
Equities:						
Mutual funds-equities		78	8		64	8
Common stock		53	6		98	12
Preferred stock		5	1		5	1
Exchange traded funds		—	—		45	5
Limited Partnerships		19	2		16	1
Fair value of plan assets	$	931	100%	$	828	100%

Investments of the Plan are accounted for at cost on the trade date and are reported at fair value. The valuation methodologies used to measure the fair value of pension plan assets vary depending on the type of asset. At December 31, 2019, cash equivalent money market funds and U.S. Treasury bills are valued at the closing price reported from an actively traded exchange and are classified as Level 1. Mutual funds and exchange traded funds are valued at quoted market prices that represent the net asset value of shares held by the Plan at year-end. The mutual funds held by the Plan are actively traded and are classified as Level 1. Fixed income investments are valued using unadjusted quoted prices from active markets for similar assets are classified as Level 2. Common and preferred stock are valued using the year-end closing price as determined by a national securities exchange and are classified as Level 1. The investment in the limited partnerships is reported at net asset value per share as determined by the general partners of each limited partnership, based on their proportionate share of the partnership's fair value as recorded in the partnership's audited financial statements.

The investment objective of the Plan is to maximize the return on Plan assets over a long-time period, while meeting the Plan obligations. At December 31, 2019, Plan assets were invested 1% in cash equivalents, 17% in equity investments, and 82% in bonds, with an average duration of 15.9 years on bond investments. The estimated life of benefit obligations was 13.0 years. Although it may fluctuate with market conditions, Huntington has targeted a long-term allocation of Plan assets of 20% to 50% in equity investments and 80% to 50% in bond investments. The allocation of Plan assets between equity investments and fixed income investments will change from time to time.

At December 31, 2019, the following table shows when benefit payments were expected to be paid:

(dollar amounts in millions)	Pension Benefits	
2020	$	54
2021		52
2022		50
2023		49
2024		49
2025 through 2029		240

Huntington also sponsors an unfunded defined benefit post-retirement plan as well as other nonqualified retirement plans, the most significant being the SRIP and FirstMerit SERP. The SRIP and FirstMerit SERP plans provide certain former officers and directors, with defined pension benefits in excess of limits imposed by federal tax law.

The following table presents the amounts recognized in the Consolidated Balance Sheets at December 31, 2019 and 2018, for all defined benefit and nonqualified retirement plans:

(dollar amounts in millions)	2019	2018
Other liabilities	$ 67	$ 63

The following tables present the amounts recognized in OCI as of December 31, 2019, 2018, and 2017, and the changes in accumulated OCI for the years ended December 31, 2019, 2018, and 2017:

(dollar amounts in millions)	2019	2018	2017
Net actuarial loss	$ (261)	$ (257)	$ (264)
Prior service cost	10	11	14
Defined benefit pension plans	$ (251)	$ (246)	$ (250)

	2019		
(dollar amounts in millions)	Pretax	Tax (expense) Benefit	After-tax
Net actuarial (loss) gain:			
Amounts arising during the year	$ (17)	$ 5	$ (12)
Amortization included in net periodic benefit costs	12	(3)	9
Prior service cost:			
Amounts arising during the year	—	—	—
Amortization included in net periodic benefit costs	(2)	—	(2)
Total recognized in OCI	$ (7)	$ 2	$ (5)

	2018		
(dollar amounts in millions)	Pretax	Tax (expense) Benefit	After-tax
Net actuarial (loss) gain:			
Amounts arising during the year	$ (5)	$ 2	$ (3)
Amortization included in net periodic benefit costs	13	(3)	10
Prior service cost:			
Amortization included in net periodic benefit costs	(4)	1	(3)
Total recognized in OCI	$ 4	$ —	$ 4

	2017		
(dollar amounts in millions)	Pretax	Tax (expense) Benefit	After-tax (1)
Net actuarial (loss) gain:			
Amounts arising during the year	$ (16)	$ 6	$ (10)
Amortization included in net periodic benefit costs	18	(7)	11
Prior service cost:			
Amortization included in net periodic benefit costs	(2)	1	(1)
Total recognized in OCI	$ —	$ —	$ —

(1) TCJA reclassification from AOCI to retained earnings recorded during 2017 was $45 million.

Huntington has a defined contribution plan that is available to eligible employees. Huntington's expense related to the defined contribution plans for the years ended December 31, 2019, 2018, and 2017 was $51 million, $46 million, and $35 million, respectively.

The following table shows the number of shares, market value, and dividends received on shares of Huntington stock held by the defined contribution plan:

	December 31,	
(dollar amounts in millions, share amounts in thousands)	2019	2018
Shares in Huntington common stock	10,334	11,635
Market value of Huntington common stock	$ 156	$ 139
Dividends received on shares of Huntington stock	6	6

17. INCOME TAXES

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2009. Certain proposed adjustments resulting from the IRS examination of our 2010 through 2011 tax returns have been settled, subject to final approval by the Joint Committee on Taxation of the U.S. Congress. While the statute of limitations remains open for tax years 2012 through 2018, the IRS has advised that tax years 2012 through 2014 will not be audited, and is currently examining the 2015 and 2016 federal income tax returns. Various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, and Illinois.

Huntington accounts for uncertainties in income taxes in accordance with ASC 740, Income Taxes. Any interest and penalties on income tax assessments or income tax refunds are recognized in the Consolidated Statements of Income as a component of provision for income taxes. The amounts of unrecognized tax benefits and accrued tax-related interest and penalties were immaterial at December 31, 2019 and 2018. Further, the amount of net interest and penalties related to unrecognized tax benefits was immaterial for all periods presented.

The following is a summary of the provision (benefit) for income taxes:

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Current tax provision (benefit)			
Federal	$ 209	$ 152	$ 41
State	16	20	(1)
Total current tax provision	225	172	40
Deferred tax provision (benefit)			
Federal	24	71	151
State	(1)	(8)	17
Total deferred tax provision	23	63	168
Provision for income taxes	$ 248	$ 235	$ 208

The following is a reconciliation for provision for income taxes:

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Provision for income taxes computed at the statutory rate	$ 348	$ 342	$ 488
Increases (decreases):			
General business credits	(88)	(80)	(71)
Capital loss	(62)	(60)	(67)
Tax-exempt income	(21)	(23)	(31)
Tax-exempt bank owned life insurance income	(14)	(14)	(23)
Stock based compensation	(5)	(14)	(13)
Affordable housing investment amortization, net of tax benefits	70	64	46
State income taxes, net	11	10	11
Impact from TCJA	—	(3)	(123)
Other	9	13	(9)
Provision for income taxes	$ 248	$ 235	$ 208

The significant components of deferred tax assets and liabilities at December 31, 2019 and 2018 were as follows:

	At December 31,	
(dollar amounts in millions)	2019	2018
Deferred tax assets:		
Allowances for credit losses	$ 184	$ 184
Net operating and other loss carryforward	99	95
Fair value adjustments	77	173
Lease liability	47	—
Purchase accounting and other intangibles	33	—
Pension and other employee benefits	12	14
Accrued expense/prepaid	3	16
Partnership investments	3	5
Market discount	2	6
Other assets	3	6
Total deferred tax assets	463	499
Deferred tax liabilities:		
Lease financing	359	262
Loan origination costs	119	148
Operating assets	74	69
Right-of-use asset	41	—
Mortgage servicing rights	36	45
Securities adjustments	11	6
Purchase accounting and other intangibles	—	25
Other liabilities	—	2
Total deferred tax liabilities	640	557
Net deferred tax (liability) asset before valuation allowance	(177)	(58)
Valuation allowance	(6)	(6)
Net deferred tax (liability) asset	$ (183)	$ (64)

At December 31, 2019, Huntington's net deferred tax asset related to loss and other carryforwards was $99 million. This was comprised of federal net operating loss carryforwards of $44 million, which will begin expiring in 2029, $40 million of state net operating loss carryforwards, which will begin expiring in 2020, an alternative minimum tax credit carryforward of less than $1 million, which will be fully utilized or refunded by 2022, and a capital loss carryforward of $15 million, which expires in 2022.

The state valuation allowance was $6 million at both December 31, 2019 and December 31, 2018, as the Company believes that it is more likely than not, portions of the state deferred tax assets and state net operating loss carryforwards will not be realized.

At December 31, 2019, retained earnings included approximately $12 million of base year reserves of acquired thrift institutions, for which no deferred federal income tax liability has been recognized. Under current law, if these bad debt reserves are used for purposes other than to absorb bad debt losses, they will be subject to federal income tax at the corporate tax rate enacted at the time. The amount of unrecognized deferred tax liability relating to the cumulative bad debt deduction was approximately $3 million at December 31, 2019.

18. FAIR VALUES OF ASSETS AND LIABILITIES

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Loans held for sale

Huntington has elected to apply the fair value option for mortgage loans originated with the intent to sell which are included in loans held for sale. Mortgage loans held for sale are classified as Level 2 and are estimated using security prices for similar product types.

Loans held for investment

Certain mortgage loans originated with the intent to sell for which the FVO was elected have been reclassified to mortgage loans held for investment. These loans continue to be measured at fair value. The fair value is determined using fair value of similar mortgage-backed securities adjusted for loan specific variables.

Huntington elected the fair value option for consumer loans with deteriorated credit quality acquired from FirstMerit. These consumer loans are classified as Level 3. The key assumption used to determine the fair value of the consumer loans is discounted cash flows.

Available-for-sale securities and trading account securities

Securities accounted for at fair value include both the available-for-sale and trading portfolios. Huntington determines the fair value of securities utilizing quoted market prices obtained for identical or similar assets, third-party pricing services, third-party valuation specialists and other observable inputs such as recent trade observations. AFS and trading securities classified as Level 1 use quoted market prices (unadjusted) in active markets for identical securities at the measurement date. Less than 1% of the positions in these portfolios are Level 1, and consist of U.S. Treasury securities and money market mutual funds. When quoted market prices are not available, fair values are classified as Level 2 using quoted prices for similar assets in active markets, quoted prices of identical or similar assets in markets that are not active, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 represents 78% of the positions in these portfolios, which consists of U.S. Government and agency debt securities, agency mortgage backed securities, private-label asset-backed securities, certain municipal securities and other securities. For Level 2 securities Huntington primarily uses prices obtained from third-party pricing services to determine the fair value of securities. Huntington independently evaluates and corroborates the fair value received from pricing services through various methods and techniques, including references to dealer or other market quotes, by reviewing valuations of comparable instruments, and by comparing the prices realized on the sale of similar securities. If relevant market prices are limited or unavailable, valuations may require significant management judgment or estimation to determine fair value, in which case the fair values are classified as Level 3, which represent 22% of the positions. The Level 3 positions predominantly consist of direct purchase municipal securities. A significant change in the unobservable inputs for these securities may result in a significant change in the ending fair value measurement of these securities.

The direct purchase municipal securities are classified as Level 3 and require significant estimates to determine fair value which results in greater subjectivity. The fair value is determined by utilizing a discounted cash flow valuation technique employed by a third-party valuation specialist. The third-party specialist uses assumptions related to yield, prepayment speed, conditional default rates and loss severity based on certain factors such as, credit worthiness of the counterparty, prevailing market rates, and analysis of similar securities. Huntington evaluates the fair values provided by the third-party specialist for reasonableness.

MSRs

MSRs do not trade in an active, open market with readily observable prices. Accordingly, the fair value of these assets is classified as Level 3. Huntington determines the fair value of MSRs using a discounted cash flow model based upon the month-end interest rate curve and prepayment assumptions. The model utilizes assumptions to estimate future net servicing income cash flows, including estimates of time decay, payoffs, and changes in valuation inputs and assumptions. Servicing brokers and other sources of information (e.g. discussion with other mortgage servicers and industry surveys) are used to obtain information on market practice and assumptions. On at least a quarterly basis, third-party marks are obtained from at least one servicing broker. Huntington reviews the valuation assumptions against this market data for reasonableness and adjusts the assumptions if deemed appropriate. Any recommended change in assumptions and/or inputs are presented for review to the Mortgage Price Risk Subcommittee for final approval.

Derivative assets and liabilities

Derivatives classified as Level 2 consist of foreign exchange and commodity contracts, which are valued using exchange traded swaps and futures market data. In addition, Level 2 includes interest rate contracts, which are valued using a discounted cash flow method that incorporates current market interest rates. Level 2 also includes exchange traded options and forward commitments to deliver mortgage-backed securities, which are valued using quoted prices.

Derivatives classified as Level 3 consist of interest rate lock agreements related to mortgage loan commitments and the Visa® share swap. The determination of fair value of the interest rate locks includes assumptions related to the likelihood that a commitment will ultimately result in a closed loan, which is a significant unobservable assumption. A significant increase or decrease in the external market price would result in a significantly higher or lower fair value measurement.

Assets and Liabilities measured at fair value on a recurring basis

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

	Fair Value Measurements at Reporting Date Using			Netting	December 31,
(dollar amounts in millions)	Level 1	Level 2	Level 3	Adjustments (1)	2019
Assets					
Trading account securities:					
Federal agencies: Other agencies	$ —	$ 4	$ —	$ —	$ 4
Municipal securities	—	63	—	—	63
Other securities	30	2	—	—	32
	30	69	—	—	99
Available-for-sale securities:					
U.S. Treasury securities	10	—	—	—	10
Residential CMOs	—	5,085	—	—	5,085
Residential MBS	—	4,222	—	—	4,222
Commercial MBS	—	976	—	—	976
Other agencies	—	165	—	—	165
Municipal securities	—	56	2,999	—	3,055
Private-label CMO	—	—	2	—	2
Asset-backed securities	—	531	48	—	579
Corporate debt	—	51	—	—	51
Other securities/Sovereign debt	—	4	—	—	4
	10	11,090	3,049	—	14,149
Other securities	54	—	—	—	54
Loans held for sale	—	781	—	—	781
Loans held for investment	—	55	26	—	81
MSRs	—	—	7	—	7
Derivative assets	—	848	8	(404)	452
Liabilities					
Derivative liabilities	—	519	2	(417)	104

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

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

The tables below present a rollforward of the balance sheet amounts for the years ended December 31, 2019, 2018, and 2017 for financial instruments measured on a recurring basis and classified as Level 3. The classification of an item as Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement. However, Level 3 measurements may also include observable components of value that can be validated externally. Accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology.

	Level 3 Fair Value Measurements Year Ended December 31, 2019					
			Available-for-sale securities			
(dollar amounts in millions)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Loans held for investment
Opening balance	$ 10	$ 2	$ 3,165		$ —	$ 30
Transfers out of Level 3 (1)	—	(62)	—		—	—
Total gains/losses for the period:						
Included in earnings	(3)	66	(1)		—	1
Included in OCI	—	—	77		—	—
Purchases/originations	—	—	254	2	55	—
Sales	—	—	—		—	—
Repayments	—	—	—		—	(5)
Settlements	—	—	(496)		(7)	—
Closing balance	$ 7	$ 6	$ 2,999	$ 2	$ 48	$ 26
Change in unrealized gains or losses for the period included in earnings for assets held at end of the reporting date	$ (3)	$ 3	$ —	$ —	$ —	$ —
Change in unrealized gains or losses for the period included in other comprehensive income for assets held at the end of the reporting period	$ —	$ —	$ 74	$ —	$ —	$ —

Level 3 Fair Value Measurements Year Ended December 31, 2018					
			Available-for-sale securities		
(dollar amounts in millions)	MSRs	Derivative instruments	Municipal securities	Asset-backed securities	Loans held for investment
Opening balance	$ 11	$ (1)	$ 3,167	$ 24	$ 38
Transfers out of Level 3 (1)	—	(35)	—	—	—
Total gains/losses for the period:					
Included in earnings	(1)	35	(3)	(2)	—
Included in OCI	—	—	(52)	11	—
Purchases/originations	—	—	658	—	—
Sales	—	—	—	(33)	—
Repayments	—	—	—	—	(8)
Settlements	—	3	(605)	—	—
Closing balance	$ 10	$ 2	$ 3,165	$ —	$ 30
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	$ (1)	$ —	$ —	$ —	$ —
Change in unrealized gains or losses for the period included in other comprehensive income for assets held at the end of the reporting period	$ —	$ —	$ (52)	$ —	$ —

Level 3 Fair Value Measurements Year Ended December 31, 2017					
			Available-for-sale securities		
(dollar amounts in millions)	MSRs	Derivative instruments	Municipal securities	Asset-backed securities	Loans held for investment
Opening balance	$ 14	$ (2)	$ 2,798	$ 76	$ 48
Transfers out of Level 3 (1)	—	(15)	—	—	—
Total gains/losses for the period:					
Included in earnings	(3)	16	(2)	(5)	1
Included in OCI	—	—	(8)	14	—
Purchases/originations	—	—	787	—	—
Sales	—	—	—	(60)	—
Repayments	—	—	—	—	(11)
Settlements	—	—	(408)	(1)	—
Closing balance	$ 11	$ (1)	$ 3,167	$ 24	$ 38
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	$ (3)	$ —	$ —	$ (4)	$ —

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

The tables below summarize the classification of gains and losses due to changes in fair value, recorded in earnings for Level 3 assets and liabilities for the years ended December 31, 2019, 2018, and 2017:

	Level 3 Fair Value Measurements Year Ended December 31, 2019			
			Available-for-sale securities	
(dollar amounts in millions)	MSRs	Derivative instruments	Municipal securities	Loans held for investment
Classification of gains and losses in earnings:				
Mortgage banking income	$ (3)	$ 66	$ —	$ —
Interest and fee income	—	—	(1)	1
Total	$ (3)	$ 66	$ (1)	$ 1

	Level 3 Fair Value Measurements Year Ended December 31, 2018			
			Available-for-sale securities	
(dollar amounts in millions)	MSRs	Derivative instruments	Municipal securities	Asset-backed securities
Classification of gains and losses in earnings:				
Mortgage banking income	$ (1)	$ 35	$ —	$ —
Securities gains (losses)	—	—	—	(2)
Interest and fee income	—	—	(3)	—
Total	$ (1)	$ 35	$ (3)	$ (2)

	Level 3 Fair Value Measurements Year Ended December 31, 2017				
			Available-for-sale securities		
(dollar amounts in millions)	MSRs	Derivative instruments	Municipal securities	Asset-backed securities	Loans held for investment
Classification of gains and losses in earnings:					
Mortgage banking income (loss)	$ (3)	$ 16	$ —	$ —	$ —
Securities gains (losses)	—	—	—	(5)	—
Interest and fee income	—	—	(2)	—	—
Noninterest income	—	—	—	—	1
Total	$ (3)	$ 16	$ (2)	$ (5)	$ 1

Assets and liabilities under the fair value option

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

	December 31, 2019					
	Total Loans			Loans that are 90 or more days past due		
(dollar amounts in millions)	Fair value carrying amount	Aggregate unpaid principal	Difference	Fair value carrying amount	Aggregate unpaid principal	Difference
Assets						
Loans held for sale	$ 781	$ 755	$ 26	$ 2	$ 2	$ —
Loans held for investment	81	87	(6)	3	4	(1)

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

The following tables present the net gains (losses) from fair value changes for the years ended December 31, 2019, 2018, and 2017:

(dollar amounts in millions)	Net gains (losses) from fair value changes Year Ended December 31, 2019	2018	2017
Assets			
Loans held for sale	$ 7	$ 5	$ 8
Loans held for investment	1	—	—

Assets and Liabilities measured at fair value on a nonrecurring basis

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

The amounts measured at fair value on a nonrecurring basis at December 31, 2019 were as follows:

		Fair Value Measurements Using			
(dollar amounts in millions)	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Gains/(Losses) Year Ended December 31, 2019
MSRs	$ 206	$ —	$ —	$ 206	$ (14)
Impaired loans	26	—	—	26	(1)

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

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

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

	Quantitative Information about Level 3 Fair Value Measurements at December 31, 2019				
(dollar amounts in millions)	Fair Value	Valuation Technique	Significant Unobservable Input	Range	Weighted Average
Measured at fair value on a recurring basis:					
MSRs	$ 7	Discounted cash flow	Constant prepayment rate	— % - 26%	8%
			Spread over forward interest rate swap rates	5 % - 11%	8%
Derivative assets	8	Consensus Pricing	Net market price	(2)% - 11%	2%
			Estimated Pull through %	2 % - 100%	91%
Derivative liabilities	2	Discounted cash flow	Estimated conversion factor		162%
			Estimated growth rate of Visa Class A shares		7%
			Discount rate		2%
			Timing of the resolution of the litigation		6/30/2020
Municipal securities	2,999	Discounted cash flow	Discount rate	2 % - 3%	2%
Asset-backed securities	48		Cumulative default	— % - 39%	4%
			Loss given default	5 % - 80%	24%
Loans held for investment	26	Discounted cash flow	Discount rate	5 % - 6%	5%
			Constant prepayment rate	9 % - 12%	9%
Measured at fair value on a nonrecurring basis:					
MSRs	206	Discounted cash flow	Constant prepayment rate	10 % 31%	12%
			Spread over forward interest rate swap rates	5 % 11%	9%
Impaired loans	26	Appraisal value	NA		NA

	Quantitative Information about Level 3 Fair Value Measurements at December 31, 2018				
(dollar amounts in millions)	Fair Value	Valuation Technique	Significant Unobservable Input	Range	Weighted Average
Measured at fair value on a recurring basis:					
MSRs	$ 10	Discounted cash flow	Constant prepayment rate	6 % - 54%	8%
			Spread over forward interest rate swap rates	5 % - 11%	8%
Derivative assets	5	Consensus Pricing	Net market price	(5)% - 23%	2%
			Estimated Pull through %	1 % - 100%	92%
Derivative liabilities	3	Discounted cash flow	Estimated conversion factor		163%
			Estimated growth rate of Visa Class A shares		7%
			Discount rate		4%
			Timing of the resolution of the litigation		6/30/2020
Municipal securities	3,165	Discounted cash flow	Discount rate	4 % - 4%	4%
			Cumulative default	— % - 39%	3%
			Loss given default	5 % - 90%	25%
Loans held for investment	30	Discounted cash flow	Discount rate	7 % - 9%	9%
			Constant prepayment rate	9 % - 9%	9%
Measured at fair value on a nonrecurring basis:					
Impaired loans	33	Appraisal value	NA		NA
Loans held for sale	121	Discounted cash flow	Discount rate	5 % 6%	5%
	24	Appraisal value	NA		NA

The following provides a general description of the impact of a change in an unobservable input on the fair value measurement and the interrelationship between unobservable inputs, where relevant/significant. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below.

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

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

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

Fair values of financial instruments

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

	December 31, 2019				
(dollar amounts in millions)	Amortized Cost	Lower of Cost or Market	Fair Value or Fair Value Option	Total Carrying Amount	Estimated Fair Value
Financial Assets					
Cash and short-term assets	$ 1,272	$ —	$ —	$ 1,272	$ 1,272
Trading account securities	—	—	99	99	99
Available-for-sale securities	—	—	14,149	14,149	14,149
Held-to-maturity securities	9,070	—	—	9,070	9,186
Other securities	387	—	54	441	441
Loans held for sale	—	96	781	877	879
Net loans and leases (1)	74,540	—	81	74,621	75,177
Derivatives	—	—	452	452	452
Financial Liabilities					
Deposits	82,347	—	—	82,347	82,344
Short-term borrowings	2,606	—	—	2,606	2,606
Long-term debt	9,849	—	—	9,849	10,075
Derivatives	—	—	104	104	104

	December 31, 2018				
(dollar amounts in millions)	Amortized Cost	Lower of Cost or Market	Fair Value or Fair Value Option	Total Carrying Amount	Estimated Fair Value
Financial Assets					
Cash and short-term assets	$ 2,725	$ —	$ —	$ 2,725	$ 2,725
Trading account securities	—	—	105	105	105
Available-for-sale securities	—	—	13,780	13,780	13,780
Held-to-maturity securities	8,565	—	—	8,565	8,286
Other securities	543	—	22	565	565
Loans held for sale	—	191	613	804	806
Net loans and leases (1)	74,049	—	79	74,128	73,668
Derivatives	—	—	209	209	209
Financial Liabilities					
Deposits	84,774	—	—	84,774	84,731
Short-term borrowings	2,017	—	—	2,017	2,017
Long-term debt	8,625	—	—	8,625	8,718
Derivatives	—	—	187	187	187

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

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

(dollar amounts in millions)	Estimated Fair Value Measurements at Reporting Date Using			
	Level 1	Level 2	Level 3	December 31, 2019
Financial Assets				
Trading account securities	$ 30	$ 69	$ —	$ 99
Available-for-sale securities	10	11,090	3,049	14,149
Held-to-maturity securities	—	9,186	—	9,186
Other securities (1)	54	—	—	54
Loans held for sale	—	781	98	879
Net loans and direct financing leases	—	55	75,122	75,177
Financial Liabilities				
Deposits	—	76,790	5,554	82,344
Short-term borrowings	—	—	2,606	2,606
Long-term debt	—	9,439	636	10,075

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

(1) Excludes securities without readily determinable fair values.

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

	December 31, 2019		December 31, 2018	
(dollar amounts in millions)	Asset	Liability	Asset	Liability
Derivatives designated as Hedging Instruments				
Interest rate contracts	$ 256	$ 36	$ 44	$ 42
Derivatives not designated as Hedging Instruments				
Interest rate contracts	420	314	261	165
Foreign exchange contracts	19	18	23	19
Commodities contracts	155	152	172	168
Equity contracts	6	1	—	10
Total Contracts	$ 856	$ 521	$ 500	$ 404

The following table presents the amount of gain or loss recognized in income for derivatives not designated as hedging instruments under ASC Subtopic 815-10 in the Consolidated Income Statement for the years ended December 31, 2019 and 2018.

	Location of Gain or (Loss) Recognized in Income on Derivative	Year Ended December 31,	
(dollar amounts in millions)		2019	2018
Interest rate contracts:			
Customer	Capital markets fees	$ 49	$ 41
Mortgage Banking	Mortgage banking income	37	(19)
Interest rate floors	Other noninterest income	4	—
Foreign exchange contracts	Capital markets fees	28	27
Commodities contracts	Capital markets fees	(2)	6
Equity contracts	Other noninterest expense	(4)	4
Total		$ 112	$ 59

Derivatives used in asset and liability management activities

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

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

	December 31, 2019					
(dollar amounts in millions)	Fair Value Hedges		Cash Flow Hedges		Total	
Instruments associated with:						
Loans	$	—	$	18,375	$	18,375
Investment securities		—		12		12
Long-term debt		7,540		—		7,540
Total notional value at December 31, 2019	$	7,540	$	18,387	$	25,927

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

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

	December 31, 2019					Weighted-Average Rate	
(dollar amounts in millions)	Notional Value		Average Maturity (years)	Fair Value		Receive	Pay
Asset conversion swaps							
Receive fixed—generic	$	8,637	3.3	$	23	1.66%	1.06%
Liability conversion swaps							
Receive fixed—generic		7,540	2.3		151	2.20	1.79
Total swap portfolio at December 31, 2019	$	16,177	2.9	$	174	1.91%	1.40%

	December 31, 2019				
(dollar amounts in millions)	Notional Value		Average Maturity (years)	Fair Value	
Interest rate floors					
Designated interest rate floors	$	9,750	1.6	$	46
Total floors portfolio at December 31, 2019	$	9,750	1.6	$	46

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

These derivative financial instruments were entered into for the purpose of managing the interest rate risk of assets and liabilities. Net amounts receivable or payable on contracts hedging either interest earning assets or interest bearing liabilities were accrued as an adjustment to either interest income or interest expense. The net amounts resulted in an increase (decrease) to net interest income of $(53) million, $(36) million, and $23 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Fair Value Hedges

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

The following table presents the change in fair value for derivatives designated as fair value hedges as well as the offsetting change in fair value on the hedged item for the years ended December 31, 2019 and 2018:

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Interest rate contracts			
Change in fair value of interest rate swaps hedging long-term debt (1)	$ 127	$ 112	$ (53)
Change in fair value of hedged long term debt (1)	(125)	(104)	54

(1) Recognized in Interest expense - long-term debt in the Consolidated Statements of Income.

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

	Carrying Amount of the Hedged Liabilities		Cumulative Amount of Fair Value Hedging Adjustment To Hedged Liabilities	
(dollar amounts in millions)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Long-term debt	$ 7,578	$ 4,845	$ 114	$ (12)

The cumulative amount of fair value hedging adjustments remaining for any hedged assets and liabilities for which hedge accounting has been discontinued is $(93) million at December 31, 2019 and $(127) million at December 31, 2018.

Cash Flow Hedges

During 2019, Huntington entered into $18.4 billion of interest rate floors and swaps. These are designated as cash flow hedges for variable rate commercial loans indexed to LIBOR. The initial premium paid for the interest rate floor contracts represents the time value of the contracts and is not included in the measurement of hedge effectiveness. Any change in fair value related to time value is recognized in OCI. The initial premium paid is amortized on a straight line basis as a reduction to interest income over the contractual life of these contracts.

Derivatives used in mortgage banking activities

Mortgage loan origination hedging activity

Huntington's mortgage origination hedging activity is related to economically hedging of Huntington's mortgage pricing commitments to customers and the secondary sale to third parties. The value of a newly originated mortgage is not firm until the interest rate is committed or locked. Forward commitments to sell economically hedge the possible loss on interest rate lock commitments due to interest rate change. The net asset (liability) position of these derivatives at December 31, 2019 and December 31, 2018 are $6 million and $(4) million, respectively. At December 31, 2019 and 2018, Huntington had commitments to sell residential real estate loans of $1.4 billion and $0.8 billion, respectively. These contracts mature in less than one year.

MSR hedging activity

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

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

MSR hedging activity

(dollar amounts in millions)	December 31, 2019	December 31, 2018
Notional value	$ 778	$ —
Trading assets	19	—

	Year December 31,	
(dollar amounts in millions)	2019	2018
Trading gains (losses)	$ 30	(8)

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

Derivatives used in customer related activities

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

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

The net fair values of these derivative financial instruments, for which the gross amounts are included in other assets or other liabilities at December 31, 2019 and December 31, 2018, were $87 million and $92 million, respectively. The total notional values of derivative financial instruments used by Huntington on behalf of customers, including offsetting derivatives, were $30 billion and $26 billion at December 31, 2019 and December 31, 2018, respectively. Huntington's credit risk from customer derivatives was $407 million and $132 million at the same dates, respectively.

Visa®-related Swaps

In connection with the sale of Huntington's Class B Visa® shares, Huntington entered into swap agreements with the purchaser of the shares. The swap agreements adjust for dilution in the conversion ratio of Class B shares resulting from changes in the Visa® litigation. At December 31, 2019, the fair value of the swap liabilities of $1 million is an estimate of the exposure liability based upon Huntington's assessment of the potential Visa® litigation losses and timing of the litigation settlement.

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

Huntington records derivatives at fair value as further described in Note 18 - "Fair Values of Assets and Liabilities".

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

Huntington enters into transactions with broker-dealers and banks for various risk management purposes. These types of transactions generally are high dollar volume. Huntington enters into collateral and master netting agreements with these counterparties, and routinely exchanges cash and high quality securities collateral. Huntington enters into transactions with customers to meet their financing, investing, payment and risk management needs. These types of transactions generally are low dollar volume. Huntington enters into master netting agreements with customer counterparties, however collateral is generally not exchanged with customer counterparties.

In addition to the customer derivative credit exposure, aggregate credit risk associated with broker-dealer and bank derivative transactions, net of collateral that has been pledged by the counterparty, was $22 million and $37 million at December 31, 2019 and December 31, 2018, respectively. The credit risk associated with derivatives is calculated after considering master netting agreements.

At December 31, 2019, Huntington pledged $171 million of investment securities and cash collateral to counterparties, while other counterparties pledged $178 million of investment securities and cash collateral to Huntington to satisfy collateral netting agreements. In the event of credit downgrades, Huntington would not be required to provide additional collateral.

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

Offsetting of Financial Assets and Derivative Assets

					Gross amounts not offset in the consolidated balance sheets		
(dollar amounts in millions)		Gross amounts of recognized assets	Gross amounts offset in the consolidated balance sheets	Net amounts of assets presented in the consolidated balance sheets	Financial instruments	Cash collateral received	Net amount
December 31, 2019	Derivatives	$ 856	$ (404)	$ 452	$ (65)	$ (29)	$ 358
December 31, 2018	Derivatives	500	(291)	209	(4)	(53)	152

Offsetting of Financial Liabilities and Derivative Liabilities

					Gross amounts not offset in the consolidated balance sheets		
(dollar amounts in millions)		Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheets	Net amounts of liabilities presented in the consolidated balance sheets	Financial instruments	Cash collateral delivered	Net amount
December 31, 2019	Derivatives	$ 521	$ (417)	$ 104	$ —	$ (75)	$ 29
December 31, 2018	Derivatives	404	(217)	187	—	(12)	175

20. VIEs

Unconsolidated VIEs

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

	December 31, 2019		
(dollar amounts in millions)	Total Assets	Total Liabilities	Maximum Exposure to Loss
Trust Preferred Securities	$ 14	$ 252	$ —
Affordable Housing Tax Credit Partnerships	727	332	727
Other Investments	179	63	179
Total	$ 920	$ 647	$ 906

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

Trust-Preferred Securities

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

A list of trust-preferred securities outstanding at December 31, 2019 follows:

(dollar amounts in millions)	Rate		Principal amount of subordinated note/ debenture issued to trust (1)	Investment in unconsolidated subsidiary
Huntington Capital I	2.61%	(2)	$ 70	$ 6
Huntington Capital II	2.53	(3)	32	3
Sky Financial Capital Trust III	3.31	(4)	72	2
Sky Financial Capital Trust IV	3.31	(4)	74	2
Camco Financial Trust	3.24	(5)	4	1
Total			$ 252	$ 14

(1) Represents the principal amount of debentures issued to each trust, including unamortized original issue discount.
(2) Variable effective rate at December 31, 2019, based on three-month LIBOR + 0.70%.
(3) Variable effective rate at December 31, 2019, based on three-month LIBOR + 0.625%.
(4) Variable effective rate at December 31, 2019, based on three-month LIBOR + 1.40%.
(5) Variable effective rate at December 31, 2019, based on three month LIBOR + 1.33%.

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

Affordable Housing Tax Credit Partnerships

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

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

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

(dollar amounts in millions)	December 31, 2019	December 31, 2018
Affordable housing tax credit investments	$ 1,242	$ 1,147
Less: amortization	(515)	(439)
Net affordable housing tax credit investments	$ 727	$ 708
Unfunded commitments	$ 332	$ 357

The following table presents other information relating to Huntington's affordable housing tax credit investments for the years ended December 31, 2019, 2018, and 2017:

	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Tax credits and other tax benefits recognized	$ 98	$ 92	$ 91
Proportional amortization expense included in provision for income taxes	84	79	70

There were no material sales of affordable housing tax credit investments in 2019, 2018 or 2017. Huntington recognized immaterial impairment losses for the years ended December 31, 2019, 2018 and 2017. The impairment losses recognized related to the fair value of the tax credit investments that were less than carrying value.

Other Investments

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

21. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments to extend credit

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

(dollar amounts in millions)	At December 31, 2019	2018
Contract amount representing credit risk		
Commitments to extend credit:		
Commercial	$ 18,326	$ 17,149
Consumer	14,831	14,974
Commercial real estate	1,364	1,188
Standby letters of credit	587	676
Commercial letters of credit	8	14

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

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third-party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years. The carrying amount of deferred revenue associated with these guarantees was $8 million and $13 million at December 31, 2019 and December 31, 2018, respectively.

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

Litigation and Regulatory Matters

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

In view of the inherent difficulty of predicting the outcome of such matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, Huntington generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines, or penalties related to each matter may be.

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

For certain matters, Huntington is able to estimate a range of possible loss. In cases in which Huntington possesses information to estimate a range of possible loss, that estimate is aggregated and disclosed below. There may be other matters for which a loss is probable or reasonably possible but such an estimate of the range of possible loss may not be possible. For those matters where an estimate of the range of possible loss is possible, management currently estimates the aggregate range of possible loss is $0 to $20 million at December 31, 2019 in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. The estimated range of possible loss does not represent Huntington's maximum loss exposure.

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

22. OTHER REGULATORY MATTERS

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

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

CET1 Risk-Based Capital Ratio, equal to the ratio of CET1 capital to risk-weighted assets. CET1 capital primarily includes common shareholders' equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets, certain deferred tax assets, and AOCI. In July 2019, the FDIC, the Federal Reserve and OCC issued final rules that simplify the capital treatment of mortgage servicing assets, deferred tax assets arising from temporary differences that an institution could not realize through net operating loss carrybacks, and investments in the capital of unconsolidated financial institutions, as well as simplify the recognition and calculation of minority interests that are includable in regulatory capital, for non-advanced approaches banking organizations, including Huntington and the Bank. Banking organizations may adopt these changes beginning on January 1, 2020, and are required to adopt them for the quarter beginning April 1, 2020.

In addition, in December 2018, the U.S. federal banking agencies finalized rules that would permit BHCs and banks to phase-in, for regulatory capital purposes, the day-one impact of the new CECL accounting rule on retained earnings over a period of three years. For further discussion of the new current expected credit loss accounting rule, see Note 2 of the Notes to Consolidated Financial Statements.

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

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

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

The total minimum regulatory capital ratios and well-capitalized minimum ratios are reflected on the following page. The Federal Reserve has not yet revised the well-capitalized standard for BHCs to reflect the higher capital requirements imposed under the U.S. Basel III capital rules. For purposes of the Federal Reserve's Regulation Y, including determining whether a BHC meets the requirements to be an FHC, BHCs, such as Huntington, must maintain a Tier 1 Risk-Based Capital Ratio of 6.0% or greater and a Total Risk-Based Capital Ratio of 10.0% or greater. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to BHCs as that applicable to the Bank, Huntington's capital ratios as of December 31, 2019 would exceed such a revised well-capitalized standard. The Federal Reserve may require BHCs, including Huntington, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a BHC's particular condition, risk profile and growth plans.

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

In addition to meeting the minimum capital requirements, under the U.S. Basel III capital rules Huntington and the Bank must also maintain the required Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. The Capital Conservation Buffer is calculated as a ratio of CET1 capital to risk-weighted assets, and it effectively increases the required minimum risk-based capital ratios. The Capital Conservation Buffer requirement was phased in over a three-year period that began on January 1, 2016. The phase-in period ended on January 1, 2019, and the Capital Conservation Buffer was at its fully phased-in level of 2.5% throughout 2019.

As of December 31, 2019, Huntington's and the Bank's regulatory capital ratios were above the well-capitalized standards and met the then-applicable Capital Conservation Buffer. Please refer to the table below for a summary of Huntington's and the Bank's regulatory capital ratios as of December 31, 2019, calculated using the regulatory capital methodology applicable during 2019.

		Minimum Regulatory Capital	Minimum Ratio+Capital Conservation	Well- Capitalized	Basel III December 31, 2019		2018	
(dollar amounts in millions)		Ratios	Buffer	Minimums	Ratio	Amount	Ratio	Amount
CET 1 risk-based capital	Consolidated	4.50%	7.00%	N/A	9.88%	$ 8,647	9.65%	$ 8,271
	Bank	4.50	7.00	6.50%	11.17	9,747	10.19	8,732
Tier 1 risk-based capital	Consolidated	6.00	8.50	6.00	11.26	9,854	11.06	9,478
	Bank	6.00	8.50	8.00	12.17	10,621	11.21	9,611
Total risk-based capital	Consolidated	8.00	10.50	10.00	13.04	11,413	12.98	11,122
	Bank	8.00	10.50	10.00	13.59	11,864	13.42	11,504
Tier 1 leverage	Consolidated	4.00	N/A	N/A	9.26	9,854	9.10	9,478
	Bank	4.00	N/A	5.00	10.01	10,621	9.23	9,611

Huntington and its subsidiaries are also subject to various regulatory requirements that impose restrictions on cash, debt, and dividends. The Bank is required to maintain cash reserves based on the level of certain of its deposits. This reserve requirement may be met by holding cash in banking offices or on deposit at the FRB. During 2019 and 2018, the average balances of these deposits were $0.6 billion and $0.4 billion, respectively.

Under current Federal Reserve regulations, the Bank is limited as to the amount and type of loans it may make to the parent company and nonbank subsidiaries. At December 31, 2019, the Bank could lend $1.2 billion to a single affiliate, subject to the qualifying collateral requirements defined in the regulations.

Dividends from the Bank are one of the major sources of funds for the Company. These funds aid the Company in the payment of dividends to shareholders, expenses, and other obligations. Payment of dividends and/or return of capital to the parent company is subject to various legal and regulatory limitations. During 2019, the Bank paid dividends of $0.7 billion to the holding company. Also, there are statutory and regulatory limitations on the ability of national banks to pay dividends or make other capital distributions.

23. PARENT-ONLY FINANCIAL STATEMENTS

The parent-only financial statements, which include transactions with subsidiaries, are as follows:

Balance Sheets	December 31,	
(dollar amounts in millions)	2019	2018
Assets		
Cash and due from banks	$ 3,119	$ 2,352
Due from The Huntington National Bank	47	739
Due from non-bank subsidiaries	34	40
Investment in The Huntington National Bank	12,833	11,493
Investment in non-bank subsidiaries	165	142
Accrued interest receivable and other assets	349	239
Total assets	$ 16,547	$ 15,005
Liabilities and shareholders' equity		
Long-term borrowings	$ 4,095	$ 3,216
Dividends payable, accrued expenses, and other liabilities	657	687
Total liabilities	4,752	3,903
Shareholders' equity (1)	11,795	11,102
Total liabilities and shareholders' equity	$ 16,547	$ 15,005

(1) See Consolidated Statements of Changes in Shareholders' Equity.

Statements of Income	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Income			
Dividends from:			
The Huntington National Bank	$ 685	$ 1,722	$ 298
Non-bank subsidiaries	3	—	14
Interest from:			
The Huntington National Bank	8	27	20
Non-bank subsidiaries	2	2	2
Other	2	(2)	4
Total income	700	1,749	338
Expense			
Personnel costs	6	2	19
Interest on borrowings	143	124	91
Other	145	118	115
Total expense	294	244	225
Income before income taxes and equity in undistributed net income of subsidiaries	406	1,505	113
Provision (benefit) for income taxes	(63)	(48)	(56)
Income before equity in undistributed net income of subsidiaries	469	1,553	169
Increase (decrease) in undistributed net income (loss) of:			
The Huntington National Bank	908	(186)	1,015
Non-bank subsidiaries	34	26	2
Net income	$ 1,411	$ 1,393	$ 1,186
Other comprehensive income (loss) (1)	353	(80)	(34)
Comprehensive income	$ 1,764	$ 1,313	$ 1,152

(1) See Consolidated Statements of Comprehensive Income for other comprehensive income (loss) detail.

Statements of Cash Flows	Year Ended December 31,		
(dollar amounts in millions)	2019	2018	2017
Operating activities			
Net income	$ 1,411	$ 1,393	$ 1,186
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(942)	197	(997)
Depreciation and amortization	(2)	(2)	4
Other, net	(19)	121	(37)
Net cash (used for) provided by operating activities	448	1,709	156
Investing activities			
Repayments from subsidiaries	701	21	442
Advances to subsidiaries	(11)	(13)	(29)
(Purchases)/Proceeds from sale of securities	(38)	—	1
Cash paid for acquisitions, net of cash received	—	(15)	—
Net cash (used for) provided by investing activities	652	(7)	414
Financing activities			
Net proceeds from issuance of medium-term notes	797	501	—
Payment of medium-term notes	—	(400)	—
Dividends paid on common stock	(671)	(584)	(425)
Repurchases of common stock	(441)	(939)	(260)
Net proceeds from issuance of preferred stock	—	495	—
Other, net	(18)	(41)	(20)
Net cash provided by (used for) financing activities	(333)	(968)	(705)
Increase (decrease) in cash and cash equivalents	767	734	(135)
Cash and cash equivalents at beginning of year	2,352	1,618	1,753
Cash and cash equivalents at end of year	$ 3,119	$ 2,352	$ 1,618
Supplemental disclosure:			
Interest paid	$ 135	$ 126	$ 90

24. SEGMENT REPORTING

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

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

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

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

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

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

Consumer and Business Banking - The Consumer and Business Banking segment, including Home Lending, provides a wide array of financial products and services to consumer and small business customers including but not limited to checking accounts, savings accounts, money market accounts, certificates of deposit, mortgage loans, consumer loans, credit cards, and small business loans and investment products. Other financial services available to customers include insurance, interest rate risk protection, foreign exchange, and treasury management. Business Banking is defined as serving companies with revenues up to $20 million. Home Lending supports origination and servicing of consumer loans and mortgages for customers who are generally located in our primary banking markets across all segments.

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

Vehicle Finance - Our products and services include providing financing to consumers for the purchase of automobiles, light-duty trucks, recreational vehicles, and marine craft at franchised and other select dealerships, and providing financing to franchised dealerships for the acquisition of new and used inventory. Products and services are delivered through highly specialized relationship-focused bankers and product partners.

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

Listed in the table below is certain operating basis financial information reconciled to Huntington's December 31, 2019, December 31, 2018, and December 31, 2017, reported results by business segment:

Income Statements *(dollar amounts in millions)*	Consumer & Business Banking	Commercial Banking	Vehicle Finance	RBHPCG	Treasury / Other	Huntington Consolidated
2019						
Net interest income	$ 1,766	$ 1,037	$ 397	$ 198	$ (185)	$ 3,213
Provision (benefit) for credit losses	114	132	44	(3)	—	287
Noninterest income	825	359	12	198	60	1,454
Noninterest expense	1,673	564	148	256	80	2,721
Provision (benefit) for income taxes	169	147	45	30	(143)	248
Net income (loss)	$ 635	$ 553	$ 172	$ 113	$ (62)	$ 1,411
2018						
Net interest income	$ 1,727	$ 1,013	$ 392	$ 203	$ (146)	$ 3,189
Provision (benefit) for credit losses	137	42	55	1	—	235
Noninterest income	744	321	11	193	52	1,321
Noninterest expense	1,699	502	143	244	59	2,647
Provision (benefit) for income taxes	133	166	43	32	(139)	235
Net income (loss)	$ 502	$ 624	$ 162	$ 119	$ (14)	$ 1,393
2017						
Net interest income	$ 1,581	$ 975	$ 427	$ 209	$ (190)	$ 3,002
Provision (benefit) for credit losses	105	33	63	—	—	201
Noninterest income	740	286	14	189	78	1,307
Noninterest expense	1,641	465	141	239	228	2,714
Provision (benefit) for income taxes	201	267	83	56	(399)	208
Net income (loss)	$ 374	$ 496	$ 154	$ 103	$ 59	$ 1,186

	Assets at December 31,		Deposits at December 31,	
(dollar amounts in millions)	2019	2018	2019	2018
Consumer & Business Banking	$ 25,073	$ 27,486	$ 51,675	$ 50,300
Commercial Banking	34,337	34,818	20,762	23,185
Vehicle Finance	20,155	19,435	376	346
RBHPCG	6,665	6,540	6,370	6,809
Treasury / Other	22,772	20,502	3,164	4,134
Total	$ 109,002	$ 108,781	$ 82,347	$ 84,774

Supplementary Data

Quarterly Results of Operations (unaudited)

The following is a summary of the quarterly results of operations, for the years ended December 31, 2019 and 2018:

	Three Months Ended			
(dollar amounts in millions, except per share data)	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Interest income	$ 1,011	$ 1,052	$ 1,068	$ 1,070
Interest expense	231	253	256	248
Net interest income	780	799	812	822
Provision for credit losses	79	82	59	67
Noninterest income	372	389	374	319
Noninterest expense	701	667	700	653
Income before income taxes	372	439	427	421
Provision for income taxes	55	67	63	63
Net income	317	372	364	358
Dividends on preferred shares	19	18	18	19
Net income applicable to common shares	$ 298	$ 354	$ 346	$ 339
Net income per common share — Basic	$ 0.29	$ 0.34	$ 0.33	$ 0.32
Net income per common share — Diluted	0.28	0.34	0.33	0.32

	Three Months Ended			
(dollar amounts in millions, except per share data)	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Interest income	$ 1,056	$ 1,007	$ 972	$ 914
Interest expense	223	205	188	144
Net interest income	833	802	784	770
Provision for credit losses	60	53	56	66
Noninterest income	329	342	336	314
Noninterest expense	711	651	652	633
Income before income taxes	391	440	412	385
Provision (benefit) for income taxes	57	62	57	59
Net income	334	378	355	326
Dividends on preferred shares	19	18	21	12
Net income applicable to common shares	$ 315	$ 360	$ 334	$ 314
Net income per common share — Basic	$ 0.30	$ 0.33	$ 0.30	$ 0.29
Net income per common share — Diluted	0.29	0.33	0.30	0.28

Item 9: Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A: Controls and Procedures

Disclosure Controls and Procedures

Huntington maintains disclosure controls and procedures designed to ensure that the information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act), are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Huntington's Management, with the participation of its Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of Huntington's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2019. Based upon such evaluation, Huntington's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2019, Huntington's disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

Information required by this item is set forth in the Report of Management's Assessment of Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Item 9B: Other Information

Not applicable.

PART III

We refer in Part III of this report to relevant sections of our 2020 Proxy Statement for the 2020 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days of the close of our 2019 fiscal year. Portions of our 2020 Proxy Statement, including the sections we refer to in this report, are incorporated by reference into this report.

Item 10: Directors, Executive Officers and Corporate Governance

Information required by this item is set forth under the captions Election of Directors, Corporate Governance, Our Executive Officers, Board Meetings and Committee Information, Report of the Audit Committee, and Section 16(a) Beneficial Ownership Reporting Compliance of our 2020 Proxy Statement, which is incorporated by reference into this item.

Item 11: Executive Compensation

Information required by this item is set forth under the captions Compensation of Executive Officers of our 2020 Proxy Statement, which is incorporated by reference into this item.

Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information about Huntington common stock authorized for issuance under Huntington's existing equity compensation plans as of December 31, 2019.

Plan Category (1)	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (2) (a)	Weighted-average exercise price of outstanding options, warrants, and rights (3) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (4) (c)
Equity compensation plans approved by security holders	29,366,419	$ 4.71	17,271,559
Equity compensation plans not approved by security holders	943	13.14	—
Total	29,367,362	$ 4.71	17,271,559

(1) All equity compensation plan authorizations for shares of common stock provide for the number of shares to be adjusted for stock splits, stock dividends, and other changes in capitalization. The Huntington Investment and Tax Savings Plan, a broad-based plan qualified under Internal Revenue Code Section 401(a) which includes Huntington common stock as one of a number of investment options available to participants, is excluded from the table.

(2) The numbers in this column (a) reflect shares of common stock to be issued upon exercise of outstanding stock options and the vesting of outstanding awards of RSUs, and PSUs, and the release of DSUs. The shares of common stock to be issued upon exercise or vesting under equity compensation plans not approved by shareholders include an inducement grant issued outside of the Company's stock plans, and awards granted under the following plans which are no longer active and for which Huntington has not reserved the right to make subsequent grants or awards: employee and director stock plans of Unizan Financial Corp., Camco Financial Corporation, and FirstMerit Corporation assumed in the acquisitions of these companies.

(3) The weighted-average exercise prices in this column are based on outstanding options and do not take into account unvested awards of RSUs, RSAs, and PSUs and unreleased DSUs as these awards do not have an exercise price.

(4) The number of shares in this column (c) reflects the number of shares remaining available for future issuance under Huntington's 2018 Plan, excluding shares reflected in column (a). The number of shares in this column (c) does not include shares of common stock to be issued under the following compensation plans: the Executive Deferred Compensation Plan, which provides senior officers designated by the Compensation Committee the opportunity to defer up to 90% of base salary, annual bonus compensation and certain equity awards, and up to 90% of long-term incentive awards; the Supplemental Plan under which voluntary participant contributions made by payroll deduction are used to purchase shares; the Deferred Compensation for Huntington Bancshares Incorporated Directors under which directors may defer their director compensation and such amounts may be invested in shares of common stock; and the Deferred Compensation Plan for directors (now inactive) under which directors of selected subsidiaries may defer their director compensation and such amounts may be invested in shares of Huntington common stock. These plans do not contain a limit on the number of shares that may be issued under them.

Additional information required by this item is set forth under the captions Ownership of Voting Stock of our 2020 Proxy Statement, which is incorporated by reference into this item.

Item 13: Certain Relationships and Related Transactions, and Director Independence

Information required by this item is set forth under the captions Independence of Directors and Review, Approval or Ratification of Transactions with Related Persons of our 2020 Proxy Statement, which are incorporated by reference into this item.

Item 14: Principal Accounting Fees and Services

Information required by this item is set forth under the caption Proposal to Ratify the Appointment of Independent Registered Public Accounting Firm of our 2020 Proxy Statement which is incorporated by reference into this item.

PART IV

Item 15: Exhibits and Financial Statement Schedules

Financial Statements and Financial Statement Schedules

Our consolidated financial statements required in response to this Item are incorporated by reference from Item 8 of this Report.

Exhibits

Our exhibits listed on the Exhibit Index of this Form 10-K are filed with this Report or are incorporated herein by reference.

Item 16: 10-K Summary

Not applicable.

Exhibit Index

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

The SEC maintains an Internet web site that contains reports, proxy statements, and other information about issuers, like us, who file electronically with the SEC. The address of the site is *http://www.sec.gov*. The reports and other information filed by us with the SEC are also available free of charge at our Internet web site. The address of the site is *http://www.huntington.com*. Except as specifically incorporated by reference into this Annual Report on Form 10-K, information on those web sites is not part of this report. You also should be able to inspect reports, proxy statements, and other information about us at the offices of the Nasdaq National Market at 33 Whitehall Street, New York, New York 10004.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.1	Articles Supplementary of Huntington Bancshares Incorporated, as of January 18, 2019.	Current Report on Form 8-K dated January 16, 2019.	001-34073	3.1
3.2	Articles of Restatement of Huntington Bancshares Incorporated, as of January 18, 2019.	Current Report on Form 8-K dated January 16, 2019.	001-34073	3.2
3.3	Bylaws of Huntington Bancshares Incorporated, as amended and restated on January 16, 2019.	Current Report on Form 8-K dated January 16, 2019.	001-34073	3.3
4.1	Instruments defining the Rights of Security Holders — reference is made to Articles Fifth, Eighth, and Tenth of Articles of Restatement of Charter, as amended and supplemented. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.			
4.2	Description of Securities			
10.1	* Form of Executive Agreement for certain executive officers.	Current Report on Form 8-K, dated November 28, 2012.	001-34073	10.3
10.2	* Management Incentive Plan for Covered Officers as amended and restated effective for plan years beginning on or after January 1, 2016.	Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders.	001-34073	A
10.3	* Huntington Supplemental Retirement Income Plan, amended and restated, effective December 31, 2013.	Annual Report on Form 10-K for the year ended December 31, 2013.	001-34073	10.3
10.4(P)	* Deferred Compensation Plan and Trust for Directors	Post-Effective Amendment No. 2 to Registration Statement on Form S-8 filed on January 28, 1991.	33-10546	4(a)
10.7	* Executive Deferred Compensation Plan, as amended and restated on January 1, 2012.	Annual Report on Form 10-K for the year ended December 31, 2012.	001-34073	10.8
10.8	* The Huntington Supplemental Stock Purchase and Tax Savings Plan and Trust, amended and restated, effective January 1, 2014.	Annual Report on Form 10-K for the year ended December 31, 2013.	001-34073	10.8
10.9	* Form of Employment Agreement between Stephen D. Steinour and Huntington Bancshares Incorporated effective December 1, 2012.	Current Report on Form 8-K dated November 28, 2012.	001-34073	10.1
10.10	* Form of Executive Agreement between Stephen D. Steinour and Huntington Bancshares Incorporated effective December 1, 2012.	Current Report on Form 8-K dated November 28, 2012.	001-34073	10.2
10.11	* Restricted Stock Unit Grant Notice with three year vesting.	Current Report on Form 8-K dated July 24, 2006.	000-02525	99.1
10.12	* Restricted Stock Unit Grant Notice with six month vesting.	Current Report on Form 8-K dated July 24, 2006.	000-02525	99.2
10.13	* Restricted Stock Unit Deferral Agreement.	Current Report on Form 8-K dated July 24, 2006.	000-02525	99.3
10.14	* Director Deferred Stock Award Notice.	Current Report on Form 8-K dated July 24, 2006.	000-02525	99.4
10.15	* Huntington Bancshares Incorporated 2007 Stock and Long-Term Incentive Plan.	Definitive Proxy Statement for the 2007 Annual Meeting of Stockholders.	000-02525	G
10.16	* First Amendment to the 2007 Stock and Long-Term Incentive Plan.	Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.	000-02525	10.7
10.17	* Second Amendment to the 2007 Stock and Long-Term Incentive Plan.	Definitive Proxy Statement for the 2010 Annual Meeting of Shareholders.	001-34073	A
10.18	* Form of Consolidated 2012 Stock Grant Agreement for Executive Officers Pursuant to Huntington's 2012 Long-Term Incentive Plan.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.	001-34073	10.2

10.19	* Form of 2014 Restricted Stock Unit Grant Agreement for Executive Officers.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.	001-34073	10.1
10.20	* Form of 2014 Stock Option Grant Agreement for Executive Officers.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.	001-34073	10.2
10.21	* Form of 2014 Performance Stock Unit Grant Agreement for Executive Officers.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.	001-34073	10.3
10.22	* Form of 2014 Restricted Stock Unit Grant Agreement for Executive Officers Version II.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.	001-34073	10.4
10.23	* Form of 2014 Stock Option Grant Agreement for Executive Officers Version II.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.	001-34073	10.5
10.24	*Form of 2014 Performance Stock Unit Grant Agreement for Executive Officers Version II.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.	001-34073	10.6
10.25	*Huntington Bancshares Incorporated 2012 Long-Term Incentive Plan.	Definitive Proxy Statement for the 2012 Annual Meeting of Shareholders.	001-34073	A
10.26	*Huntington Bancshares Incorporated 2015 Long-Term Incentive Plan.	Definitive Proxy Statement for the 2015 Annual Meeting of Shareholders.	001-34073	A
10.27	*Form of 2015 Stock Option Grant Agreement.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.	001-34073	10.2
10.28	*Form of 2015 Restricted Stock Unit Grant Agreement.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.	001-34073	10.3
10.29	*Form of 2015 Performance Share Unit Grant Agreement.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.	001-34073	10.4
10.30	*Huntington Bancshares Incorporated Restricted Stock Unit Grant Agreement.	Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.	001-34073	10.1
10.31	* Deferred Compensation Plan and Trust for Directors	Annual Report on Form10-K for the year ended December 31, 2017.	001-34073	10.32
10.32	* Amended and Restated Deferred Compensation Plan and Trust for Huntington Bancshares Incorporated Directors	Annual Report on Form 10-K for the year ended December 31, 2017.	001-34073	10.33
10.33	* First Amendment to the 2015 Long-Term Incentive Plan	Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.	001-34073	10.1
10.34	*Huntington Bancshares Incorporated 2018 Long-Term Incentive Plan.	Definitive Proxy Statement for 2018 Annual Meeting of Shareholders.	001-34073	A
10.35	*Form of 2018 Stock Option Grant Agreement.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.	001-34073	10.2
10.36	*Form of 2018 Restricted Stock Unit Agreement.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.	001-34073	10.3
10.37	*Form of 2018 Performance Share Unit Grant Agreement.	Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.	001-34073	10.4
10.38	*Executive Deferred Compensation Plan, as amended and restated on April 18, 2018.	Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.	001-34073	10.1
10.39	*Huntington Supplemental 401(k) Plan (f/k/a Huntington Supplemental Stock Purchase and Savings Plan and Trust), as amended and restated effective January 1, 2019.	Annual Report on Form 10-K for the year ended December 31, 2018.	001-34073	10.40
10.40	Transition Agreement dated May 13, 2019, by and between The Huntington National Bank and Howell D. McCullough	Current Report on Form 8-K, dated May 13, 2019.	001-34073	10.1
10.41	*Second Amendment to Huntington Supplemental 401(k) Plan dated October 22, 2019.	Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.	001-34073	10.1
10.42	*First Amendment to The Huntington National Bank Supplemental Retirement Income Plan dated October 23, 2019.	Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.	001-34073	10.2
14.1(P)	Code of Business Conduct and Ethics dated January 14, 2003 and revised on January 24, 2018 and Financial Code of Ethics for Chief Executive Officer and Senior Financial Officers, adopted January 18, 2003 and revised on October 20, 2015, are available on our website at http://www.huntington.com/About-Us/corporate-governance			
21.1	Subsidiaries of the Registrant			
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.			
24.1	Power of Attorney			
31.1	Rule 13a-14(a) Certification – Chief Executive Officer.			
31.2	Rule 13a-14(a) Certification – Chief Financial Officer.			
32.1	Section 1350 Certification – Chief Executive Officer.			
32.2	Section 1350 Certification – Chief Financial Officer.			

101	The following material from Huntington's Form 10-K Report for the year ended December 31, 2019, formatted in Inline XBRL: (1) Consolidated Balance Sheets, (2) Consolidated Statements of Income, (3), Consolidated Statements of Comprehensive Income, (4) Consolidated Statements of Changes in Shareholders' Equity, (5) Consolidated Statements of Cash Flows, and (6) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Denotes management contract or compensatory plan or arrangement.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 14th day of February, 2020.

HUNTINGTON BANCSHARES INCORPORATED
(Registrant)

By: /s/ Stephen D. Steinour
Stephen D. Steinour
Chairman, President, Chief Executive
Officer, and Director (Principal Executive Officer)

By: /s/ Zachary Wasserman
Zachary Wasserman
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Nancy E. Maloney
Nancy E. Maloney
Executive Vice President, Controller
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 14th day of February, 2020.

Lizabeth Ardisana *
Lizabeth Ardisana
Director

Alanna Y. Cotton *
Alanna Y. Cotton
Director

Ann B. Crane *
Ann B. Crane
Director

Robert S. Cubbin *
Robert S. Cubbin
Director

Steven G. Elliott *
Steven G. Elliott
Director

Gina D. France *
Gina D. France
Director

J. Michael Hochschwender *

J. Michael Hochschwender
Director

John C. Inglis *

John C. Inglis
Director

Peter J. Kight *

Peter J. Kight
Director

Richard W. Neu *

Richard W. Neu
Director

David L. Porteous *

David L. Porteous
Director

Kathleen H. Ransier *

Kathleen H. Ransier
Director

/s/ Katherine M. A. Kline *

Katherine M. A. Kline
Director

/s/ Kenneth J. Phelan *

Kenneth J. Phelan
Director

*/s/ Jana J. Litsey

Jana J. Litsey
Attorney-in-fact for each of the persons indicated

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CONTACT AND OTHER INFORMATION

SHAREHOLDER CONTACTS

Registered shareholders (holders of record with the company) requesting information about share balances, change of name or address, lost certificates, or other shareholder account matters should contact Huntington's transfer agent:

Computershare Investor Services
Attn: Shareholder Services
P.O. Box 50500
Louisville, KY 40233-5000
web.queries@computershare.com
(800) 725-0674

Beneficial shareholders (owners of shares held in a bank or brokerage account): When you purchase stock and it is held for you by your broker, it is listed with the company in the broker's name, and this is sometimes referred to as holding shares in "street name." Huntington does not know the identity of individual shareholders who hold their shares in this manner; we simply know that a broker holds a certain number of shares which may be for any number of customers. If you hold your stock in street name, you receive all dividend payments, annual reports, and proxy materials through your broker. Therefore, questions about your account should be directed to your broker.

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

Computershare Investment Plan (CIP) is a direct stock purchase and dividend reinvestment plan for registered holders or for those who wish to become registered holders of common stock of Huntington. The CIP is offered and administered by Computershare Trust Company, N.A. (Computershare), and not by Huntington. Computershare is the registrar and transfer agent for Huntington common stock. Call (800) 725-0674 for information to enroll in the CIP.

DIRECT DEPOSIT OF DIVIDENDS

Automatic direct deposit of quarterly dividends is offered to our registered shareholders and provides secure and timely access to their funds. For further information, please call the transfer agent, Computershare, at (800) 725-0674.

SHAREHOLDER INFORMATION

Common Stock:

The common stock of Huntington Bancshares Incorporated is traded on Nasdaq under the symbol "HBAN."

Information Requests:

Copies of Huntington's Annual Report; Forms 10-K, 10-Q, and 8-K; Financial Code of Ethics; and quarterly earnings releases may be obtained, free of charge, by calling (888) 480-3164 or by visiting the Investor Relations section of Huntington's website, www.huntington.com.

ANALYST AND INVESTOR CONTACTS

Analysts and investors seeking information about Huntington should contact:

Huntington Investor Relations
Huntington Center, HC0935
41 South High Street
Columbus, OH 43287

huntington.investor.relations@huntington.com

Retail Shareholder Inquiries (800) 576-5007
All Other Investor Inquiries (614) 480-5676

Huntington
Welcome.®

Huntington Bancshares Incorporated
Huntington Center | 41 South High Street, Columbus, Ohio 43287
800-480-2265 | huntington.com