



## **Huntington Bancshares Incorporated**

Liquidity Coverage Ratio Disclosure

June 30, 2019

**Huntington Bancshares Incorporated**  
**Liquidity Coverage Ratio Disclosure**

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## **Huntington Bancshares Incorporated**

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#### **Introduction**

Huntington Bancshares Incorporated (Huntington or HBI) is a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through its bank subsidiary, The Huntington National Bank (the Bank), HBI has over 150 years of serving the financial needs of our customers. Through its subsidiaries, including the Bank, Huntington provides full-service commercial and consumer banking services, mortgage banking services, automobile financing, recreational vehicle and marine financing, equipment leasing, investment management, trust services, brokerage services, insurance products and services, and other financial products and services. The Bank, organized in 1866, is our only banking subsidiary. Huntington's banking offices are located in Ohio, Illinois, Indiana, Kentucky, Michigan, Pennsylvania, and West Virginia. As of June 30, 2019, the Bank had 868 full-service branches and private client group offices.

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.

When we refer to "we," "our," and "us" in this report, we mean Huntington Bancshares Incorporated and our consolidated subsidiaries. When we refer to the "Bank" in this report, we mean our only bank subsidiary, The Huntington National Bank, and its subsidiaries.

The Liquidity Coverage Ratio (LCR) disclosures are required by the LCR rules issued by the Board of Governors of the Federal Reserve System. These disclosures provide information about our liquidity coverage ratio, liquidity risk management, sources of liquidity and contractual obligations and commitments, thus should be read in conjunction with our Securities and Exchange Commission (SEC) filings, including the Annual Report on Form 10-K for the year ended December 31, 2018, and the 2019 Second Quarter Report on Form 10-Q.

Further, the financial information presented within this LCR disclosure may differ from similar information presented in the Consolidated Financial Statements and Notes to Consolidated Financial Statements on Form 10-K/Q. Unless specified otherwise, all amounts and information within are presented in conformity with the definitions and requirements of the LCR rules.

## **Forward-Looking Statements**

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

*While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: changes in general economic, political, or industry conditions; uncertainty in U.S. fiscal and monetary policy, including the interest rate policies of the Federal Reserve Board; volatility and disruptions in global capital and credit markets; movements in interest rates; 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. Additional factors that could cause results to differ materially from those described above can be found in our 2018 Annual Report on Form 10-K, as well as our subsequent Securities and Exchange Commission ("SEC") filings, which are on file with the SEC and available in the "Investor Relations" section of our website, <http://www.huntington.com>, under the heading "Publications and Filings."*

*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.*

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**Liquidity Coverage Ratio**

The Liquidity Coverage Ratio (LCR) is a regulatory minimum liquidity requirement that requires covered banking organizations to maintain a minimum amount of unencumbered high-quality liquid assets (HQLA) sufficient to withstand the net cash outflow over the course of a hypothetical 30-day stress scenario. The LCR is calculated as the quarterly average of the month-end amounts of the institution's HQLA, as defined and calculated in accordance with the LCR rules, divided by its estimated month-end net cash outflows, with net cash outflows determined by applying the outflow factors in the LCR rules. The resulting quotient is expressed as a percentage. The minimum LCR requirement that we are required to maintain is 100%. Huntington is subject to the modified LCR rule, which allows for the reduction of net cash outflows by 30%.

The following table summarizes Huntington's average LCR for the three months ended June 30, 2019, based on the LCR rules:

**Table 1: Liquidity Coverage Ratio**

<i>Average weighted amount (dollar amounts in millions)</i>	Three months ended June 30, 2019	
HQLA	\$	15,062
Estimated net cash outflows		10,179
<b>LCR</b>		<b>148%</b>
HQLA in excess of estimated net cash outflows	\$	4,883

Our average LCR was 148% for the three months ended June 30, 2019. HQLA consists of cash reserves held at the Federal Reserve Bank, Level 1 securities and Level 2 securities. Estimated net cash outflows primarily relate to our deposits and lending related commitments. Refer to Table 2: Liquidity Coverage Ratio and Related Components and Table 3: HQLA Composition for additional information.

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The following table provides additional detail on Huntington's average LCR, which includes average unweighted and weighted amounts of HQLA, cash outflows and cash inflows for the three months ended June 30, 2019:

**Table 2: Liquidity Coverage Ratio and Related Components**

		Three months ended June 30, 2019	
<i>(dollar amounts in millions)</i>		Average Unweighted Amount	Average Weighted Amount (a)
<b>High-Quality Liquid Assets</b>			
1	<b>Total eligible HQLA, of which:</b>	<b>\$ 15,463</b>	<b>\$ 15,062</b>
2	Eligible level 1 liquid assets	12,789	12,789
3	Eligible level 2A liquid assets	2,674	2,273
4	Eligible level 2B liquid assets	—	—
<b>Cash Outflows Amounts</b>			
5	<b>Deposit outflow from retail customers and counterparties, of which:</b>	<b>\$ 59,739</b>	<b>\$ 3,722</b>
6	Stable retail deposit outflow	37,821	1,135
7	Other retail funding outflow	17,614	1,761
8	Brokered deposit outflow	4,304	826
9	<b>Unsecured wholesale funding outflow, of which:</b>	<b>21,749</b>	<b>8,124</b>
10	Operational deposit outflow	12,026	2,986
11	Non-operational funding outflow	9,723	5,138
12	Unsecured debt outflow	—	—
13	<b>Secured wholesale funding and asset exchange outflow</b>	<b>2,752</b>	<b>476</b>
14	<b>Additional outflow requirements, of which:</b>	<b>20,440</b>	<b>3,328</b>
15	Outflow related to derivative exposures and other collateral requirements	322	251
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	20,118	3,077
17	<b>Other contractual funding obligation outflow</b>	<b>150</b>	<b>150</b>
18	<b>Other contingent funding obligations outflow</b>	<b>—</b>	<b>—</b>
19	<b>Total Cash Outflow</b>	<b>\$ 104,830</b>	<b>\$ 15,800</b>
<b>Cash Inflows Amounts</b>			
20	<b>Secured lending and asset exchange cash inflow</b>	<b>\$ —</b>	<b>\$ —</b>
21	<b>Retail cash inflow</b>	<b>1,190</b>	<b>595</b>
22	<b>Unsecured wholesale cash inflow</b>	<b>1,266</b>	<b>642</b>
23	<b>Other cash inflows, of which:</b>	<b>24</b>	<b>24</b>
24	Net derivative cash inflow	23	23
25	Securities cash inflow	1	1
26	Broker-dealer segregated account inflow	—	—
27	Other cash inflow	—	—
28	<b>Total Cash Inflow</b>	<b>\$ 2,480</b>	<b>\$ 1,261</b>
29	<b>HQLA Amount</b>		Average Weighted Amount (b) <b>\$ 15,062</b>
30	<b>Total Estimated Net Cash Outflow Amount</b>		<b>\$ 10,179</b>
31	<b>Liquidity Coverage Ratio (%)</b>		<b>148%</b>

- (a) Average weighted amount represents the average balances after applying HQLA haircuts and outflow/inflow rates prescribed by the LCR rules.  
(b) The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 asset caps, the total inflow cap, and for depository institution holding companies subject to subpart G, the application of the modification to total net cash outflows.

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**High-Quality Liquid Assets**

HQLA is the amount of liquid assets that qualify for inclusion in the LCR calculation. HQLA primarily consists of unencumbered cash and high-quality liquid securities as defined in the LCR rules. The average weighted amount of HQLA was \$15,062 million for the three months ended June 30, 2019.

The following table presents the composition of Huntington's HQLA by asset class for the three months ended June 30, 2019:

**Table 3: HQLA Composition**

<i>(dollar amounts in millions)</i>	Three months ended June 30, 2019	
	Average weighted amount	
<b>HQLA</b>		
Eligible cash (a)	\$	134
Eligible level 1 securities (b)		12,656
<b>Total eligible Level 1 assets</b>		<b>12,789</b>
Eligible level 2a securities (c)		2,273
Eligible level 2b securities		—
<b>Total eligible Level 2 assets</b>		<b>2,273</b>
<b>Total HQLA</b>	<b>\$</b>	<b>15,062</b>

(a) Cash represents excess reserves held at the Federal Reserve Bank.

(b) Level 1 securities are U.S. Treasuries and securities guaranteed by sovereign entities with no prescribed HQLA haircut under the LCR rules.

(c) Level 2 securities are primarily securities guaranteed by a U.S. government sponsored enterprise, sovereign entity, or multilateral development bank, net of prescribed HQLA haircuts under the LCR rules.

**Funding Sources**

Our primary sources of funding for the Bank are retail and commercial core deposits. Other sources of liquidity include non-core deposits, Federal Home Loan Bank (FHLB) advances, wholesale debt instruments, and securitizations.

The Bank maintains collateralized borrowing capacity at the FHLB and the Federal Reserve Bank Discount Window. The Bank does not consider collateralized borrowing capacity from the Federal Reserve Bank Discount Window as a primary source of liquidity.

For additional information on funding sources and sources of liquidity, refer to the Bank Liquidity and Sources of Funding, Liquidity Coverage Ratio and Parent Company Liquidity discussion in the Liquidity Risk section of Management Discussion and Analysis in the 2018 Annual Report on Form 10-K and the 2019 Second Quarter Report on Form 10-Q.

**Net Cash Outflows**

Total net cash outflows, which is the denominator of the LCR calculation, are defined in the LCR rule as the total expected cash outflows minus the total expected cash inflows in the hypothetical 30-day stress scenario. Huntington is subject to the modified LCR rule, which allows for the reduction of net cash outflows by 30%. Cash outflows and cash inflows are calculated by multiplying unweighted balances of Huntington's funding, assets, and obligations by prescribed outflow rates and inflow rates as documented in the LCR rule. The LCR rule limits the inflows that can be included to 75% of outflows. These stressed assumptions are utilized industry-wide, thus are not specific to Huntington. In an actual stress scenario, the changes in liquidity could be different from the net cash outflows calculated under the LCR rule.

As detailed in Table 2, Huntington's largest average weighted cash outflows under the LCR rule for the three months ended June 30, 2019, were related to deposits, credit and liquidity facilities associated to unfunded commitments and are discussed in further detail below. Other cash outflows, which include outflows associated with secured wholesale funding, derivatives, and other contractual obligations, as well as cash inflows associated with secured lending, retail lending, unsecured wholesale lending, derivatives, and securities compose the remainder of the average weighted net cash outflows for the three months ended June 30, 2019.

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#### **Deposits**

As previously discussed, Huntington's primary source of liquidity on a consolidated basis is diversified retail and commercial core deposits, which provide a relatively stable and inexpensive source of funding. These deposits also limit Huntington's reliance on wholesale funding markets. Huntington's deposits are primary retail or wholesale operational and considered to be stable sources of liquidity. For the three months ended June 30, 2019, Huntington's total average retail deposits were \$37.8 billion and average weighted cash outflows were \$1.1 billion, resulting in an implied cash outflow rate of 3.0%. For the three months ended June 30, 2019, total average operational wholesale deposits were \$12.0 billion and average weighted cash outflows were \$3.0 billion, which resulted in an implied cash outflow rate of 24.8%. Huntington's total average non-operational wholesale deposits were \$9.7 billion, with average weighted cash outflows of \$5.1 billion, which resulted in an implied cash outflow rate of 52.8%. Under the LCR rules, the prescribed outflow rates for non-operational wholesale funding are higher than the outflow rates for other deposit sources.

#### **Commitments**

The LCR rules require banks to apply specific outflow rates against off-balance sheet obligations and transactions. At any time, Huntington has a variety of obligations outstanding, which include commitments to extend credit, standby letters of credit, and other obligations. Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions to commercial and consumer customers. For additional information refer to Note 20 in our 2018 Annual Report on Form 10-K and Note 14 of the 2019 Second Quarter Report on Form 10-Q.

#### **Liquidity Risk Management**

Huntington relies on a large, stable, core deposit franchise and a diversified base of secured and unsecured funding sources to maintain a liquidity position that is satisfactory to meet its cash and collateral obligations at a reasonable cost through normal economic cycles and at times of stress. The Asset and Liability Management Committee is appointed by the Board of Directors' Risk Oversight Committee to oversee liquidity risk management, review liquidity risk policies and limits, and assess the Company's ability to meet funding requirements in a variety of stresses. Huntington utilizes "three lines of defense" model to support the governance structure and establish effective checks and balances. Each line of defense has established roles for identifying, measuring, monitoring, controlling, and reporting within our liquidity risk framework. The liquidity risk review includes the Bank and the parent company, as well as its subsidiaries via established working groups and committee meetings. Liquidity working groups and committees meet regularly to discuss the liquidity positions, provide policy guidance, review funding strategies, and oversee the adherence to, and maintenance of, the contingency funding plans and early warning indicators, as well as reviewing Huntington's internal stress testing results. The overall management of our liquidity position is also integrated into retail and commercial pricing policies to ensure a stable core deposit base.

For discussion of Enterprise Risk Management and Risk Appetite Framework, including Risk Governance, see the Risk Management and Capital Section of our 2018 Annual Report on Form 10-K.