



COMPANY UPDATE/ RATING CHANGE

Key Metrics

HBAN - NASDAQ (as of 02/08/18)	\$15.10
Price Target	\$17.00
52-Week Range	\$12.14-\$16.53
Shares Outstanding (mm)	1,072.0
Market Cap. (\$mm)	\$16,188
3-Mo. Average Daily Volume (000)	10,384.0
Institutional Ownership	77.7%
Tangible Equity/ Tangible Assets	9.5%
ROE	11.2%
Tangible Book Value Per Share	\$6.91
Price/Tangible Book Value	218.6%
Dividend Yield	2.9%
Price/LTM Earnings	15.1x

Operating EPS CY 12/31

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$0.21	\$0.28	\$0.28	\$0.30	\$0.30
2Q	\$0.26	\$0.29	\$0.29	\$0.32	\$0.32
3Q	\$0.25	\$0.31	\$0.31	\$0.33	\$0.33
4Q	\$0.26	\$0.31	\$0.31	\$0.35	\$0.35
Year	\$0.98	\$1.21	\$1.21	\$1.30	\$1.30
P/E	15.5x		12.5x		11.6x

Common Dividends

	2017A	Curr. 2018E	Prior %chg.	Curr. 2019E
1Q	\$0.08	\$0.11	37.5	\$0.12
2Q	\$0.08	\$0.11	37.5	\$0.12
3Q	\$0.08	\$0.12	50.0	\$0.14
4Q	\$0.11	\$0.12	9.1	\$0.14
Year	\$0.35	\$0.46	31.4	\$0.52

Company Description – Huntington Bancshares Incorporated (HBAN) is a commercial banking organization headquartered in Columbus, OH. The company's footprint encompasses Ohio, Michigan, western Pennsylvania, West Virginia and central and northern Indiana. In addition to traditional banking services, Huntington offers insurance, trust, wealth management, investment brokerage service, capital markets services and a large indirect auto lending business that extends outside of its retail branch network.

Banks

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Huntington Bancshares Incorporated

HBAN – NASDAQ – BUY – 2

Market Correction Creates Attractive Investment Opportunity; Raising to Buy

- HBAN's share price has declined 7.6% in the current correction, including a 3.5% pullback yesterday. With this falloff, our 12-month price target suggests a potential return of 15.5%, including an attractive 2.9% dividend yield.
- We do not understand why HBAN and the banking sector have been negatively impacted by the recent pullback in equity valuations. A major driver of the correction is concerns regarding higher interest rates. While higher interest rates will constrain profitability for most sectors, they should benefit the banking sector. In particular, we note the 2/10 year Treasury yield spread has already increased 21 bps YTD to 0.72%.
- We conclude the correction has created a compelling entry point for HBAN and are raising our rating to Buy from Neutral.
- We are maintaining our 2018 and 2019 operating EPS estimates at \$1.21 and \$1.30, respectively.
- We are also retaining our \$17.00 price target, which we derive through our discounted dividend model and the application of a 13X forward multiple to our 2019 EPS estimates. The earnings multiple that we employ is appropriate relative to the company's risk/reward prospects, in our opinion.

Note Important Disclosures on pages 4 and 5

Note Analyst Certification on page 4

SUITABILITY

Our suitability rating on HBAN is 2 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISK FACTORS

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Geography** – The company's operations are clustered in relatively few states. Accordingly, its earnings are more vulnerable to any regional shock and/or slowdown.
- **Real Estate** – A significant percentage of the company's loans are real estate oriented. Any deterioration in real estate values would impair the value of the underlying real estate collateral.
- **Competition** – The industry is highly competitive and many of the company's competitors have greater resources.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.
- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Other** – Please see the company's financial statements for a further discussion of risks and considerations.

	HUNTINGTON BANCSHARES, INC.										HBAN: BUY				
	1Q17 A	2Q17 A	3Q17 A	4Q17 A	1Q18 E	2Q18 E	3Q18 E	4Q18 E	FY 2016 A	FY 2017 A	FY 2018 E	FY 2019 E	FY 2018 E	FY 2019 E	
\$Millions, Except for Per Share Data															
Balance Sheet Data:															
Assets	100,046	101,407	101,988	104,185	104,966	106,108	107,262	108,428	99,714	104,185	108,428	114,177	4.5%	4.1%	5.3%
Gross Loans	67,617	68,807	69,239	70,605	71,311	72,345	72,894	73,951	67,475	70,605	73,951	77,872	4.6%	4.7%	5.3%
Average Earning Assets	91,139	91,728	92,849	93,937	96,025	96,908	97,961	99,027	76,237	92,413	97,480	102,030	21.2%	5.5%	4.7%
Deposits	77,423	75,933	78,445	77,041	77,619	78,463	79,316	80,179	75,608	77,041	80,179	84,430	1.9%	4.1%	5.3%
Equity	9,366	9,583	9,583	9,728	9,906	10,095	10,200	10,305	9,237	9,728	10,305	10,733	5.3%	5.9%	4.2%
Statement of Operations:															
FTE Net Interest Income	742	757	771	782	785	804	820	830	2,412	3,051	3,239	3,387	26.5%	6.2%	4.5%
Net Interest Income	730	745	758	770	773	792	808	818	2,369	3,003	3,190	3,335	26.7%	6.2%	4.5%
Provision for Credit Losses	68	25	44	65	58	62	59	65	191	201	245	291	5.5%	21.6%	19.0%
Non-Interest Income:															
Deposit Service Charges	83	88	91	91	85	89	92	92	324	353	358	365	8.8%	1.5%	2.0%
Cards & Payment Processing	47	52	54	53	52	55	56	55	169	206	218	229	22.0%	5.7%	5.0%
Mortgage Banking	32	32	34	33	30	32	35	35	128	131	130	131	1.9%	-0.8%	1.2%
Trust Services	39	37	39	41	42	43	44	44	108	156	174	184	44.1%	11.3%	6.1%
Insurance Income	20	22	18	21	21	23	19	22	65	81	84	87	25.5%	3.9%	3.5%
Other	90	94	94	105	103	104	109	107	359	384	424	450	7.1%	10.3%	6.1%
Securities Gains	0	0	0	-4	0	0	0	0	0	-4	0	0	NA	-100.0%	NA
Total Non-Interest Income	312	326	330	340	333	349	364	361	1,153	1,307	1,387	1,446	13.3%	6.2%	4.3%
Non-Core Adjustment	-2	0	0	4	0	0	0	0	0	2	0	0	1931.0%	-100.0%	NA
Adjusted Non-Interest Income	309	325	330	344	333	349	364	361	1,153	1,308	1,387	1,446	13.5%	6.0%	4.3%
Non-Interest Expense:															
Salaries & Benefits	382	392	377	373	375	389	381	391	1,349	1,524	1,546	1,589	13.0%	1.4%	2.8%
Outside Services	87	75	80	71	75	76	76	77	305	313	303	313	2.7%	-3.1%	3.0%
Occupancy	68	53	55	36	37	37	37	38	153	211	149	152	38.1%	-29.5%	2.0%
Equipment	47	43	45	36	36	37	37	37	165	171	147	151	3.8%	-14.2%	3.0%
Marketing	14	19	17	10	13	15	15	15	63	60	59	60	-5.1%	-1.8%	2.2%
Deposit & Other Insurance	20	20	19	19	19	19	16	16	54	78	71	68	44.0%	-8.5%	-4.6%
Intangible Amortization	14	14	14	14	14	14	13	13	30	56	54	51	84.5%	-3.9%	-5.9%
Professional Services	18	18	15	18	16	16	16	16	105	70	65	67	-33.8%	-7.2%	3.0%
Other	57	60	58	56	56	57	57	58	184	232	228	235	25.9%	-1.4%	3.0%
Total Non-Interest Expense	707	694	680	633	642	659	660	661	2,408	2,715	2,622	2,686	12.7%	-3.4%	2.4%
Non-Core Adjustment	-73	-50	-31	0	0	0	0	0	-238	-154	0	0	-35.3%	-100.0%	NA
Adjusted Non-Interest Expense	634	644	649	633	642	659	660	661	2,170	2,560	2,622	2,686	18.0%	2.4%	2.4%
Pretax Income	338	401	395	416	406	419	443	442	1,161	1,072,027	1,171,111	1,804,301	33.4%	10.4%	5.5%
Income Taxes	84	96	101	107	67	70	74	74	291	388	285	301	33.2%	-26.6%	5.6%
Preferred Dividends	19	19	19	19	19	19	19	19	32	76	76	76	136.9%	0.0%	0.0%
Common Operating Net Income	235	286	275	290	320	331	350	350	805	1,065	1,350	1,428	35.0%	24.3%	5.8%
Share & Per Share Data:															
Diluted EPS	0.17	0.23	0.23	0.37	0.28	0.29	0.31	0.31	0.71	1.00	1.21	1.30	41.0%	21.2%	8.1%
Operating EPS	0.21	0.26	0.25	0.26	0.28	0.29	0.31	0.31	0.87	0.98	1.21	1.30	12.1%	23.7%	8.1%
Dividends Per Share	0.08	0.08	0.08	0.11	0.11	0.11	0.12	0.12	0.29	0.35	0.46	0.52	20.7%	31.4%	13.0%
Tangible Book Value	6.43	6.62	6.73	6.91	7.08	7.28	7.44	7.60	6.30	6.91	7.60	8.25	9.6%	10.0%	8.6%
Common Shares Outstanding	1,087,120	1,090,016	1,080,946	1,072,027	1,070,552	1,069,077	1,062,141	1,055,318	1,085,689	1,072,027	1,055,318	1,030,077	-1.3%	-1.6%	-2.4%
Average Diluted Shares	1,108,617	1,108,527	1,106,491	1,130,117	1,124,009	1,122,534	1,118,329	1,111,449	917,935	1,113,438	1,119,080	1,095,521	21.3%	0.5%	-2.1%
Key Financial Statistics:															
Return on Assets	0.83%	1.09%	1.08%	1.69%	1.31%	1.33%	1.37%	1.36%	0.86%	1.17%	1.34%	1.35%	31	17	1
Return on Common Equity	8.09%	10.62%	10.57%	17.00%	13.21%	13.26%	13.69%	13.53%	8.72%	11.57%	13.42%	13.58%	285	185	15
Net Interest Margin	3.30%	3.31%	3.29%	3.30%	3.31%	3.33%	3.32%	3.33%	3.16%	3.30%	3.32%	3.32%	14	2	(0)
Operating Non-Int. Inc./Operating Rev.	29.77%	30.41%	30.30%	30.88%	30.14%	30.60%	30.48%	30.02%	32.73%	30.34%	30.31%	30.25%	(239)	(3)	(6)
Efficiency Ratio	58.32%	57.66%	57.11%	56.93%	56.15%	55.93%	54.88%	54.88%	61.20%	57.50%	55.51%	54.53%	(370)	(199)	(98)
Tangible Common Ratio	7.15%	7.29%	7.26%	7.26%	7.39%	7.50%	7.53%	7.56%	7.03%	7.26%	7.56%	7.59%	23	30	4
NCOs/Average Loans	0.23%	0.21%	0.25%	0.24%	0.25%	0.25%	0.28%	0.28%	0.18%	0.23%	0.26%	0.31%	6	3	5

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Huntington Bancshares is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services and Hilliard Lyons received compensation for those services.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price decline in the next 12 months.

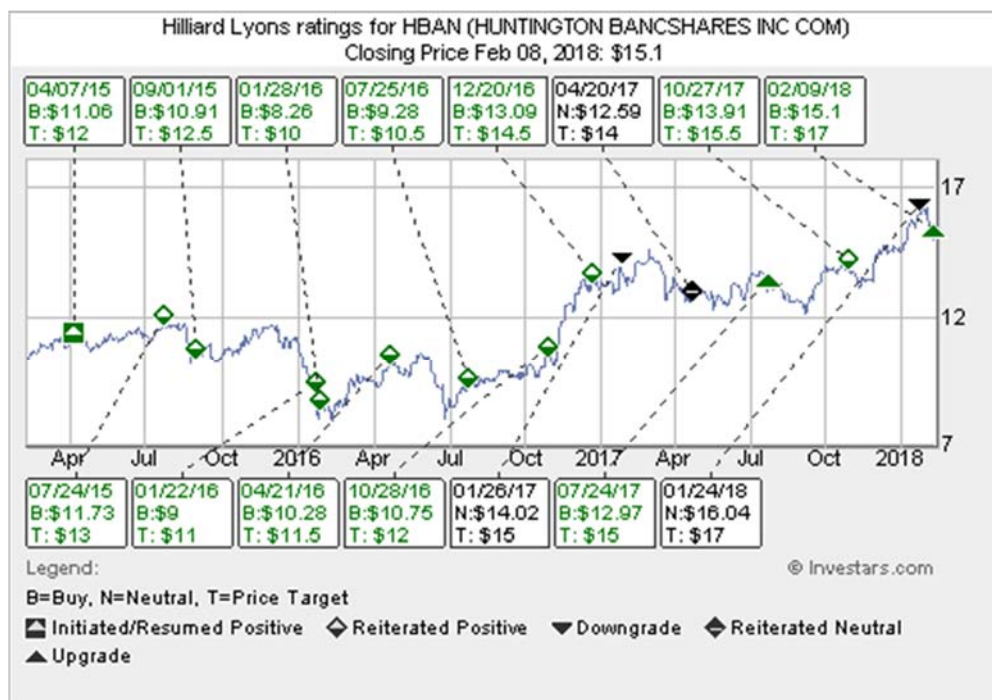
Definitions of Suitabilities:

1. A large cap, core holding with a solid history.

2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	74	66%	9%	91%
Sell	7	6%	0%	100%

As of 7 February 2018

Other Disclosures

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