

Investment Research Report: Huntington Bancshares Incorporated (NASDAQ: HBAN)

Report Date: February 10, 2026

Current Stock Price: \$19.03 (as of February 9, 2026)

Market Capitalization: \$30.35 billion

Asset Size: \$279 billion (post-Cadence merger)

Executive Summary

Huntington Bancshares Incorporated (HBAN) represents a compelling investment opportunity within the regional banking sector following its transformative \$7.4 billion acquisition of Cadence Bank, completed February 2, 2026. The combined entity now operates nearly 1,400 branches across 21 states with \$279 billion in assets, establishing Huntington as a top-10 regional banking institution with significant presence in high-growth markets including Texas, the Southeast, and the Midwest.

Investment Highlights:

- Strong organic growth momentum with 11% revenue growth and 16% adjusted EPS growth in 2025
- Exceptional asset quality with net charge-offs of 0.24% and NPL ratio of 0.63%
- Robust capital position: CET1 ratio of 10.6%, well above regulatory requirements
- Expanding net interest margin (3.15% in Q4 2025) despite challenging rate environment
- Management guidance for 2027 EPS of \$1.90-\$1.93 (up from \$1.45 adjusted in 2025)
- Attractive valuation at 13.9x forward P/E with 3.58% dividend yield

Key Risks:

- Integration execution risk from Cadence merger (\$1.1B expense base addition)
- Commercial real estate exposure in current uncertain office market
- Net interest margin sensitivity to interest rate trajectory
- Elevated expense growth (10-11% in 2026) from acquisitions and investments

Recommendation: BUY with 12-month price target of \$22.00-\$23.00, representing 16-21% upside potential from current levels.

1. Bank Overview and Business Model

Core Business Lines

Huntington Bancshares operates as a full-service regional bank holding company through its principal subsidiary, The Huntington National Bank, providing comprehensive financial services across multiple business segments:

Commercial Banking (55% of loan portfolio, 45% of deposits)

- Commercial & Industrial (C&I) Lending: Middle-market and large corporate lending, specialty verticals including funds finance, financial institutions group
- Commercial Real Estate: Construction, permanent financing, and bridge loans
- Corporate Banking: Treasury management, capital markets, investment banking through TM Capital and Janney acquisitions
- Specialized Verticals: Healthcare, technology, energy, transportation

Consumer & Regional Banking (45% of loan portfolio, 55% of deposits)

- Retail Banking: Branch network serving consumer deposit and lending needs
- Residential Mortgage: Origination, servicing, and secondary market operations

- Auto Finance: Dealer floor plan financing and consumer auto loans (\$400M+ quarterly growth)
- Home Equity: HELOC and home equity installment products

Wealth & Asset Management (10% growth YoY)

- Private Banking: High-net-worth client services
- Trust Services: Estate planning, fiduciary services
- Investment Advisory: Brokerage services through Janney partnership
- Insurance: Property & casualty, life insurance products

Geographic Footprint and Market Position

Pre-Cadence Footprint (Historical):

- Primary markets: Ohio (459 branches), Michigan (290 branches), Minnesota (80 branches)
- Secondary presence: Pennsylvania, Indiana, Illinois, Colorado, West Virginia, Wisconsin, Kentucky, North Carolina
- Strong #1 position in Ohio deposit market share

Post-Cadence Expansion (February 2026):

- **21-state footprint** from Midwest to South to Texas
- **1,400 total branches** (adding 390 Cadence locations)
- **\$279 billion** in total assets
- **\$221 billion** in deposits
- **\$187 billion** in loans

Key Market Positions:

- #8 bank in Texas by deposit market share (major entry into Dallas, Houston, Fort Worth, Austin)
- #1 bank in Mississippi
- Top 5 deposit share in fast-growing metro areas including Atlanta, Nashville, Orlando, Tampa
- Operates in 12 of the 25 largest MSAs, including 6 of the 10 fastest-growing metros

Charter Type and Regulatory Status

Charter Structure:

- Bank Holding Company: Huntington Bancshares Incorporated (Maryland corporation)
- Banking Subsidiary: The Huntington National Bank (national bank charter)
- Regulator: Office of the Comptroller of the Currency (OCC) for bank subsidiary; Federal Reserve Board for holding company

Regulatory Classification:

- **Category IV banking organization** (\$100B+ assets, less than \$250B)
- Subject to enhanced prudential standards including:
 - Annual capital planning (CCAR/stress testing)
 - Stress Capital Buffer (SCB) requirements
 - Liquidity and capital requirements
 - Leverage limits and risk management standards
- Exempt from Liquidity Coverage Ratio (LCR) requirements (Category IV with <\$50B weighted short-term wholesale funding)

Asset Size and Sector Positioning

Current Standing (Post-Cadence):

- **Total Assets:** \$279 billion (pro forma Dec 31, 2025)
- **Total Loans:** \$187 billion
- **Total Deposits:** \$221 billion
- **Ranking:** Top 10 regional banking institution in the United States
- **Peer Group:** Regional banks in \$150-300B asset range (Fifth Third, KeyCorp, Regions Financial, Citizens Financial)

Key Subsidiaries and Business Segments

Primary Operating Subsidiary:

- The Huntington National Bank (FDIC-insured, OCC-regulated national bank)

Recent Acquisitions/Partnerships:

- **Cadence Bank** (closed Feb 2, 2026): \$7.4B all-stock acquisition adding 390 branches across Texas and Southeast
- **Veritex Holdings** (closed Oct 2025): Texas-based bank integration completed January 19, 2026
- **TM Capital & Janney** (added year-end 2025): Capital markets and wealth management capabilities
- **TCF Financial** (2021): Transformative merger expanding into Michigan, Minnesota, Colorado

2. Financial Performance Analysis

Net Interest Income and Net Interest Margin

Q4 2025 Performance:

Metric	Q4 2025	Q3 2025	YoY Change
Net Interest Income	\$1,528M	\$1,442M	+\$197M (+14%)
Net Interest Margin	3.15%	3.13%	+0.04%
Average Earning Assets	\$195.8B	\$186.2B	+\$23.1B (+13%)

Table 1: Net Interest Income Metrics

NIM Trends and Analysis:

The bank's net interest margin expanded to 3.15% in Q4 2025, demonstrating resilience in a challenging interest rate environment. Key NIM drivers include:

- **Loan yield expansion:** Strong pricing power in commercial lending with new loan originations at higher yields
- **Deposit beta discipline:** 35% cycle-to-date down beta demonstrating pricing discipline
- **Fixed asset repricing:** Ongoing benefit from securities and loan portfolios repricing higher
- **Hedge drag reduction:** Lower drag from interest rate hedges as swap contracts mature
- **Veritex contribution:** Accretive NIM impact from October 2025 acquisition

2026 NIM Outlook:

Management expects further NIM expansion in 2026 driven by lower hedge drag and continued fixed asset repricing, despite competitive deposit pricing pressures.

Non-Interest Income

Fee Income Breakdown (Q4 2025):

Category	Q4 2025	Q3 2025	YoY Change
Total Noninterest Income	\$582M	\$628M	+\$23M (+4%)
Payments Revenue	--	--	+8% YoY
Wealth Management	--	--	+10% YoY
Loan Commitment Fees	--	--	+20%+ YoY

Table 2: Non-Interest Income Components

Adjusted Performance (Excluding Notable Items):

- Excluding Q3 2025 gain on sale of corporate trust/custody business
- Excluding securities repositioning impacts
- Excluding credit risk transfer transactions
- **Adjusted noninterest income growth:** +1% YoY on comparable basis

Fee Income Growth Drivers:

- **Commercial payments:** 8% YoY growth, primary engine of payments revenue expansion
- **Wealth management:** 10% YoY growth from AUM expansion and advisor team additions
- **Loan commitment fees:** 20%+ YoY growth driven by robust commercial lending pipelines
- **Capital markets:** New revenue streams from TM Capital and Janney partnerships (added Jan 2026)

2026 Fee Income Guidance:

Management projects 13-16% fee revenue growth including

contributions from capital markets partnerships and continued strength in core value-added services.

Efficiency Ratio and Operating Leverage

Operating Efficiency Metrics:

Metric	2025 Full Year	2024 Full Year
Revenue Growth	+11%	--
Adjusted EPS Growth	+16%	--
Operating Leverage	+290 bps	--
Efficiency Ratio Target	53% (2027)	--

Table 3: Efficiency and Operating Leverage

Expense Management:

The bank achieved exceptional 290 basis points of positive operating leverage in 2025 through:

- Revenue growth (11%) significantly outpacing expense growth (8%)
- Strategic investments in technology, digital banking, and talent
- Disciplined cost management while expanding into new markets
- Integration synergies from TCF merger fully realized

2026 Outlook:

- **Standalone expense growth:** 10-11% including Veritex, TM Capital, Janney additions
- **Cadence expense addition:** ~\$1.1B incremental expense base
- **Expected synergies:** Cost savings beginning immediately post-close, fully realized by Q4 2026
- **2026 operating leverage:** 150-200 bps on standalone basis

Return Metrics: ROA, ROE, ROATCE

Profitability Returns (2025):

Metric	2025 Actual
Return on Assets (ROA)	~1.05%
Return on Equity (ROE)	10.49% (Q1 2025 annualized)
Return on Avg Tangible Common Equity (ROATCE)	16.4% (adjusted)
Tangible Book Value per Share	\$9.89 (+19% YoY)

Table 4: Return on Capital Metrics

ROATCE Performance:

Huntington's adjusted ROATCE of 16.4% in 2025 demonstrates strong returns on tangible equity, exceeding the bank's cost of equity and peer group averages.

2027 Targets:

Management has set ambitious profitability targets:

- **2027 EPS:** \$1.90-\$1.93 (vs. \$1.45 adjusted in 2025)
- **2027 ROTCE:** 18-19%
- **Efficiency ratio:** ~53%
- **Operating leverage:** 500-600 bps

Earnings Trends and Quality

Quarterly and Annual EPS Progression:

Period	Reported EPS	Adjusted EPS	YoY Change
Q4 2025	\$0.30	\$0.37	+\$0.03 (+9%)
Q3 2025	\$0.41	\$0.41	+24%
Q2 2025	\$0.34	\$0.34	+13%
2025 Full Year	--	\$1.45	+16%

Table 5: Earnings Per Share Trends

Q4 2025 Notable Items:

- \$130M pre-tax in acquisition-related expenses (primarily Veritex and Cadence)
- Adjusted EPS of \$0.37 excludes these one-time integration costs

- Core earnings momentum remained strong despite notable items

Earnings Quality Assessment:

- **High quality:** Driven by organic loan growth (8.6% YoY excluding acquisitions), NIM expansion, and fee income diversification
- **Sustainable:** Conservative underwriting, strong credit quality, disciplined expense management
- **Visible growth:** Clear path to \$1.90+ EPS by 2027 through operating leverage and synergies

3. Balance Sheet Strength

Capital Ratios

Regulatory Capital Position (Q4 2025):

Ratio	HBAN Actual	Well-Capitalized Min
Common Equity Tier 1 (CET1)	10.6%	6.5%
Tier 1 Risk-Based Capital	12.4%	8.0%
Total Risk-Based Capital	14.1%	10.0%
Tier 1 Leverage Ratio	9.2%	5.0%

Table 6: Capital Ratios vs. Regulatory Requirements

Capital Strength Analysis:

Huntington maintains a fortress balance sheet with capital ratios significantly exceeding regulatory minimums:

- **CET1 of 10.6%:** 410 bps above well-capitalized threshold of 6.5%
- **Total capital of 14.1%:** 410 bps cushion above 10% minimum
- **Adjusted CET1 of 9.2%:** Within management's target range of 9-10%
- **Stress Capital Buffer (SCB):** Adequate buffer to withstand severely adverse scenarios

Capital Generation and Deployment:

The bank generates strong organic capital through retained earnings, with 2025 delivering:

- Net income of \$2.1B+ enabling robust capital accretion
- Tangible book value per share growth of 19% YoY to \$9.89
- Capacity to support organic growth, M&A, and enhanced capital returns

Peer Comparison:

Huntington's CET1 ratio of 10.6% compares favorably to regional bank peers:

- Fifth Third Bancorp: 10.6% (Q2 2025)
- Regions Financial: ~10-11%
- KeyCorp: ~10%
- Industry average: 10-11%

Asset Quality Metrics

Credit Quality Performance (Q4 2025):

Metric	Q4 2025	Q3 2025	Q4 2024
Net Charge-Offs (NCO) Ratio	0.24%	0.22%	0.30%
Nonperforming Loans (NPL) Ratio	0.63%	0.60%	0.60%
Criticized Asset Ratio	4.2%	--	--
NPL Coverage Ratio	295%+	--	--

Table 7: Asset Quality Indicators

Allowance for Credit Losses (ACL):

Metric	Q4 2025
Total ACL	\$2.6B
ACL as % of Loans	1.86%
ACL to NPLs	295%+
Quarterly Provision	\$47M (Q3 2025)

Table 8: Loan Loss Reserves

Asset Quality Strengths:

- **Top-tier NCO performance:** 0.24% well below peer averages and historical norms
- **Stable NPL trends:** 0.63% NPL ratio indicates limited portfolio deterioration
- **Strong reserve coverage:** 295%+ NPL coverage ratio provides ample cushion
- **Conservative underwriting:** Disciplined client selection and proactive portfolio management
- **Forward-looking metrics:** Criticized assets at 4.2% within historical ranges

Credit Risk Management:

Management maintains rigorous credit discipline:

- Quarterly loan review and risk rating process
- Industry and geographic diversification
- Conservative concentration limits
- Proactive problem loan identification and workout strategies

Loan Portfolio Composition

Loan Portfolio by Type (Estimated Q4 2025):

Loan Category	Balance (\$B)	% of Total
Commercial & Industrial (C&I)	\$82B+	55%+
Commercial Real Estate (CRE)	\$28B+	19%+
Residential Mortgage	\$25B+	17%+
Auto Finance	\$9B+	6%+
Home Equity	\$5B+	3%+
Total Loans & Leases	\$187B	100%

Table 9: Loan Portfolio Breakdown

C&I Loan Composition:

Commercial lending represents Huntington's core strength with diversified exposure:

- Middle-market and large corporate lending
- Specialty verticals: funds finance, financial institutions, healthcare, technology
- Geographic diversification: Midwest, Southeast, Texas expansion
- Strong loan growth: \$500M+ quarterly from corporate/specialty banking

Commercial Real Estate Exposure:

CRE represents approximately 19% of total loans with breakdown:

- Office: Limited exposure relative to total CRE book
- Retail: Conservative underwriting standards
- Multifamily: Strong performance in growing markets
- Industrial/Warehouse: Benefiting from logistics trends

Geographic Concentration:

Pre-Cadence: Heavy Midwest concentration (Ohio, Michigan primary)
Post-Cadence: Enhanced diversification across 21 states with growth-oriented markets

Deposit Base Composition and Cost

Deposit Mix and Growth (Q4 2025):

Metric	Q4 2025	QoQ Growth	YoY Growth
Average Total Deposits	\$138B	+5.1%	+8.6%
Core Deposits (ex-Veritex)	--	--	+3.4%
Deposit Cost Beta	35%	--	Cycle-to-date

Table 10: Deposit Metrics

Deposit Composition (Estimated):

- **Demand deposits (noninterest-bearing):** ~25% of total
- **Interest-bearing transaction accounts:** ~35% of total
- **Savings deposits:** ~25% of total

- **Time deposits (CDs):** ~15% of total

Deposit Franchise Strengths:

- **Low-cost funding:** 35% down beta demonstrates pricing discipline vs. peer averages of 40-50%
- **Stable core deposits:** Relationship-based retail and commercial banking model
- **Geographic diversification:** Post-Cadence expansion reduces concentration risk
- **Growing footprint:** 1,400 branches provide retail deposit gathering capacity

Funding Cost Trends:

Management expects deposit costs to moderate in 2026 as:

- Fed rate cuts reduce industry pricing pressure
- Deposit betas typically lag rate declines
- Competitive dynamics stabilize post-banking stress of 2023

Liquidity Position

Liquidity Metrics and Management:

Metric	Amount/Ratio
Available Liquidity	\$91B+ (as of 9/30/2023)
Loan-to-Deposit Ratio	~86%
Cash & Equivalents	Substantial
Unencumbered Securities	Significant portfolio

Table 11: Liquidity Position

Liquidity Sources:

- **Core deposits:** Primary and most stable liquidity source
- **Federal Home Loan Bank (FHLB) capacity:** Significant borrowing availability
- **Federal Reserve discount window:** Emergency liquidity access
- **Unencumbered securities portfolio:** Can be pledged or sold for liquidity

- **Wholesale funding markets:** Access to institutional funding when needed

Contingent Liquidity:

The bank maintains comprehensive contingency funding plans with:

- Regular stress testing of liquidity positions
 - Diversified funding sources
 - Conservative loan-to-deposit ratio below 90%
 - Strong deposit retention even during 2023 regional banking stress
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4. Strengths

Competitive Advantages

1. High-Growth Geographic Expansion

Huntington's strategic positioning in fast-growing markets provides significant long-term advantages:

- **Texas entry:** Cadence acquisition establishes #8 position in Texas, nation's second-largest state economy
- **Sunbelt exposure:** Presence in Atlanta, Nashville, Orlando, Tampa capturing population/business migration
- **Metropolitan concentration:** 12 of 25 largest MSAs including 6 of 10 fastest-growing metros
- **Pro-business states:** Targeting states with favorable regulatory environments and economic growth

2. Diversified Revenue Streams

The bank has successfully built multiple engines of growth:

- **Net interest income:** Core spread-based earnings growing 11% YoY in Q3 2025
- **Payments:** 8% YoY commercial payment revenue growth
- **Wealth management:** 10% YoY growth with advisor team expansion

- **Capital markets:** New revenue streams from TM Capital and Janney partnerships
- **Loan fees:** 20%+ growth from robust commercial pipelines

3. Superior Asset Quality and Credit Culture

Huntington's credit discipline provides competitive differentiation:

- **NCO ratio of 0.24%:** Among lowest in regional banking sector
- **Conservative underwriting:** Disciplined client selection through multiple credit cycles
- **Proactive management:** Early problem loan identification and workout expertise
- **Strong reserves:** 295%+ NPL coverage ratio exceeds peer averages
- **Limited NDFI exposure:** <8% of loan book in non-depository financial institutions

4. Strong Deposit Franchise and Funding Advantage

- **35% down beta:** Industry-leading deposit pricing discipline
- **Stable core deposits:** Relationship banking model drives retention
- **Expanded branch network:** 1,400 locations post-Cadence provide deposit gathering capability
- **Low-cost funding:** Below-peer funding costs enhance NIM and profitability

5. Proven M&A Execution Track Record

Management has demonstrated consistent ability to create value through acquisitions:

- **TCF Financial (2021):** "Home run" merger delivering significant synergies and market expansion
- **Veritex (2025):** Rapid 4-week deal timeline with exhaustive due diligence, integration completed January 2026
- **Cadence (2026):** \$7.4B transformative transaction with clear synergy path
- **Integration expertise:** Track record of achieving cost synergies and revenue opportunities

6. Technology and Digital Banking Investments

- Significant investments in digital capabilities and online/mobile platforms
- Technology spending supporting operating leverage and efficiency gains
- Digital account opening and servicing capabilities
- Data analytics and AI applications for credit decisioning and customer service

7. Experienced Management Team

CEO Steve Steinour's leadership since 2009 has transformed Huntington:

- Previous experience: Citizens Financial Group CEO, Fleet Financial, Bank of New England, U.S. Treasury, FDIC
 - Strategic vision: Geographic expansion into high-growth markets
 - Capital allocation: Disciplined M&A, organic investments, shareholder returns
 - Execution: Consistent delivery on financial targets and integration milestones
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5. Weaknesses

Operational and Strategic Challenges

1. Geographic Concentration Risk (Historical)

Pre-Cadence, Huntington had significant exposure to Midwest markets:

- Heavy dependence on Ohio economy (459 of 1,047 branches)
- Michigan concentration (290 branches)
- Limited Sunbelt exposure relative to high-growth peer banks
- *Note: Cadence merger significantly addresses this weakness*

2. Elevated Expense Growth from Acquisitions

Near-term expense trajectory presents margin compression risk:

- 10-11% standalone expense growth in 2026 (vs. 8% in 2025)
- \$1.1B incremental expense base from Cadence
- Integration costs and one-time charges continuing into 2026
- Efficiency ratio pressure until synergies fully realized (Q4 2026)
- Requires disciplined execution to achieve 150-200 bps operating leverage target

3. Net Interest Margin Compression Risks

NIM faces multiple headwinds:

- Deposit competition in high-growth markets (Texas, Southeast) potentially limiting pricing power
- Interest rate sensitivity: NIM vulnerable to prolonged lower rate environment
- Asset-liability duration gap if rates decline faster than anticipated
- Competitive loan pricing in commercial markets

4. Integration Execution Risk

- **Scale challenge:** Cadence represents largest acquisition to date (\$7.4B vs. previous deals)
- **Technology integration:** Core system conversions present operational risk
- **Cultural alignment:** Combining 21-state organization with different regional cultures
- **Customer retention:** Risk of deposit/loan runoff during transition
- **Talent retention:** Key Cadence bankers and commercial relationship managers

5. Commercial Real Estate Exposure

While manageable, CRE concentration warrants monitoring:

- CRE represents ~19% of total loan portfolio
- Office sector headwinds from work-from-home trends
- Criticized asset ratio increased to 4.2% in Q4 2025 (partially from Veritex CRE loans identified in diligence)
- Regional CRE market vulnerabilities in certain Midwest markets

- Refinancing risk for borrowers facing higher interest costs

6. Below-Peer Efficiency Ratio

Despite improvements, efficiency lags some peer banks:

- Current efficiency ratio above best-in-class regional banks
- 2027 target of ~53% is improvement but not sector-leading
- Requires sustained operating leverage delivery to achieve

7. Non-Interest Income Growth Volatility

Fee income can be lumpy quarter-to-quarter:

- Capital markets revenues subject to deal flow volatility
- Mortgage banking sensitive to rate environment
- Loan commitment fees tied to commercial lending cycles
- Wealth management subject to market valuation impacts

6. Risks

Credit Risk

Loan Portfolio Concentrations:

- **C&I concentration:** 55%+ of portfolio concentrated in commercial lending creates cyclical exposure
- **CRE office exposure:** Limited but present exposure to distressed office sector
- **Auto finance:** \$9B+ auto portfolio faces consumer credit deterioration risk
- **Geographic pockets:** Certain Midwest markets with slower economic growth

Industry/Borrower Exposure:

- Healthcare sector exposure through specialty vertical
- NDFI exposure at <8% (mostly REITs, subscription lines, insurers)
- Energy sector exposure in Texas following Cadence merger
- Small business portfolio vulnerable to recession impacts

Underwriting Standards:

Risk that rapid growth compromises credit discipline:

- Loan growth of 11-12% projected in 2026 requires volume
- New market entry (Texas) may involve relationship pricing pressure
- Commercial lending competition could erode underwriting standards
- Management must balance growth with credit quality maintenance

Economic Sensitivity:

- **Recession risk:** Commercial loan portfolio highly sensitive to GDP growth
- **Unemployment:** Consumer lending (auto, mortgage, home equity) vulnerable to job losses
- **Real estate values:** CRE and residential collateral valuation declines

Interest Rate Risk

Asset-Liability Mismatch:

- **Duration gap:** Fixed-rate assets reprice slower than variable-rate deposits in falling rate environment
- **Loan prepayments:** Accelerated payoffs of higher-yielding loans if rates decline
- **Deposit pricing:** Potential for sticky deposit costs despite Fed rate cuts
- **Yield curve sensitivity:** NIM compression risk if yield curve flattens or inverts

NIM Compression Scenarios:

Management guidance assumes moderate rate environment; risks include:

- Faster/deeper Fed rate cuts than anticipated reducing asset yields
- Deposit cost stickiness limiting funding cost relief

- Competitive pricing dynamics in new markets preventing NIM expansion
- Hedge roll-offs providing less benefit than expected

Liquidity Risk

Deposit Flight Scenarios:

- **Customer attrition:** Integration-related deposit outflows from Cadence customers
- **Commercial deposits:** Large corporate deposits more rate-sensitive and mobile
- **Uninsured deposits:** Elevated uninsured deposit ratios create potential instability
- **Market confidence:** Regional bank sector stress could trigger depositor concerns

Wholesale Funding Dependence:

- Recently issued \$1.75B in senior and subordinated notes (January 2026)
- Wholesale funding increases interest expense burden
- Market access could be constrained during stress periods
- FHLB borrowing capacity, while substantial, has limits

Regulatory Risk

Capital Requirements:

- **Basel III Endgame:** Proposed rules could increase capital requirements significantly
- **Stress Capital Buffer:** Annual CCAR results determine SCB, adding variability to capital needs
- **Category IV standards:** Potential reclassification if assets exceed thresholds

Compliance and Enforcement:

- BSA/AML compliance burden across expanded 21-state footprint
- Consumer protection regulations (CFPB oversight)
- Fair lending compliance in diverse markets
- Potential for enforcement actions or consent orders

Stress Testing Requirements:

- Annual CCAR/stress testing determines capital distribution capacity
- Severely adverse scenarios could limit dividends and buybacks
- Model risk if supervisory models produce unexpected results
- Litigation challenging stress test process adds regulatory uncertainty

Operational Risk

Cybersecurity and Technology:

- Increasing sophistication of cyber threats targeting financial institutions
- Data breach risk across 1,400 branch network and digital channels
- Third-party vendor risk management
- Ransomware and business interruption exposures

Integration Operational Risk:

- Core system conversion failures
- Customer service disruptions during transition
- Data migration errors
- Employee productivity declines during integration

Macroeconomic Risk

Recession Scenarios:

- **GDP contraction:** Commercial lending demand declines, credit quality deteriorates
- **Unemployment spike:** Consumer loan defaults increase
- **Corporate bankruptcies:** C&I loan losses accelerate
- **CRE stress:** Property values decline, tenant defaults increase

Regional Economic Dependencies:

- Texas economy exposure to energy sector volatility
- Midwest industrial/manufacturing exposure to trade policies
- Southeast real estate market exposure to overbuilding

- Interest rate policy impacts on regional housing markets

Market/Trading Risk

Securities Portfolio:

- **AOCI losses:** Unrealized losses on AFS securities reduce tangible capital
- **HTM securities:** Held-to-maturity portfolio locked in at lower yields
- **Credit spread widening:** Mark-to-market losses on available-for-sale securities
- **Prepayment risk:** MBS prepayments reducing portfolio yields

Strategic/Execution Risk

M&A Integration:

Cadence integration represents significant execution risk:

- Largest deal in company history requires flawless execution
- Synergy targets of several hundred million dollars must be achieved
- Revenue synergies depend on cross-selling and commercial team retention
- Timeline: Full synergy realization expected Q4 2026

Competitive Pressures:

- Large national banks with superior technology and pricing power
- Fintech disruptors in payments, lending, wealth management
- Credit unions with tax advantages in retail banking
- Private credit funds competing for commercial lending relationships

Strategic Pivot Challenges:

- Geographic expansion requires new market expertise
- Capital markets buildout competes with established investment banks
- Digital banking investments may not generate expected returns

- Talent acquisition and retention in competitive markets

Reputational Risk

- Customer satisfaction during integration transitions
- Community relations in new markets (Texas, Southeast)
- ESG performance and climate change commitments
- Social media amplification of customer complaints
- Brand recognition building in new geographic markets

7. Regulatory Environment and Compliance

Regulatory Oversight Structure

Primary Regulators:

- **Federal Reserve Board:** Bank holding company supervision, CCAR/stress testing, capital requirements
- **Office of the Comptroller of the Currency (OCC):** National bank charter supervision for The Huntington National Bank
- **FDIC:** Deposit insurance, bank examination, resolution authority
- **State Regulators:** State banking departments in 21 operating states
- **CFPB:** Consumer protection supervision and examination

Enhanced Prudential Standards (Category IV):

As a bank with \$100B+ in assets, Huntington is subject to:

- Capital planning and annual stress testing (CCAR)
- Stress Capital Buffer requirements
- Leverage limits and risk-based capital minimums
- Enhanced risk management and governance standards
- Resolution planning requirements
- Supervisory expectations for liquidity risk management

Recent Examination Findings

No publicly disclosed enforcement actions or material examination findings as of report date. The bank maintains "well-capitalized" status under regulatory capital adequacy guidelines.

Stress Test Results

2025 CCAR Process:

- Huntington participates in annual Comprehensive Capital Analysis and Review
- Stress test results determine Stress Capital Buffer (SCB)
- 2025 results showed large banks "well positioned to weather a severe recession while maintaining minimum capital requirements"[61]
- Bank passed stress tests with adequate capital to continue operations, meet obligations, and serve as credit intermediary

Stress Testing Changes:

Federal Reserve announced significant changes to stress testing framework:

- Improved transparency of models and scenarios
- Reduced volatility in capital requirements
- Public notice and comment on stress test components
- Legal challenges to stress testing process pending (filed December 2024)[58]

Capital Distribution Restrictions

Dividend and Buyback Framework:

- Common dividend: \$0.155 per share quarterly (maintained consistently)
- Preferred dividends: Six series of preferred stock with regular payments
- Share repurchase program: \$1B authorization (not actively used in 2023-2024 to preserve capital)
- **2026 outlook:** Management stated intention to "initiate programmatic share repurchases in the near term"[4]

SCB Impact:

Stress Capital Buffer determined annually based on:

- Difference between starting and minimum projected CET1 ratio under severely adverse scenario
- Plus planned common dividends for quarters 4-7 of planning horizon as percentage of RWA
- Minimum SCB of 2.5%

Compliance Program Effectiveness

Key Compliance Areas:

- **BSA/AML:** Bank Secrecy Act and anti-money laundering program
- **OFAC:** Sanctions screening and compliance
- **Fair Lending:** Equal Credit Opportunity Act, Fair Housing Act compliance
- **Consumer Protection:** Truth in Lending, TILA-RESPA integration, deposit regulations
- **Privacy:** GLBA privacy and data security requirements
- **Community Reinvestment Act (CRA):** Lending, investment, and service in low/moderate income communities

Compliance Investments:

Post-Cadence, the bank must integrate compliance across:

- 21-state regulatory footprint (vs. 12 states pre-merger)
- 1,400 branches requiring monitoring and oversight
- Multiple legacy systems during integration period
- Enhanced vendor management and third-party risk

8. Competitors and Competitive Landscape

Primary Peer Group

Regional Banks - Similar Asset Size (\$150B-\$300B):

Institution	Assets (\$B)	Geographic Focus	Market Cap
Fifth Third Bancorp (FITB)	\$215	Midwest/Southeast	\$39.2B
Regions Financial (RF)	\$160+	Southeast/Texas	\$20.5B
KeyCorp (KEY)	\$190+	Midwest/Pacific NW	\$16.2B
Citizens Financial (CFG)	\$225+	Northeast/Midwest	\$19.8B
M&T Bank (MTB)	\$205+	Northeast/Mid-Atlantic	\$27.5B
Huntington (HBAN)	\$279	Midwest/Texas/Southeast	\$30.4B

Table 12: Regional Bank Peer Group

Direct Market Competitors

Geographic Market Overlap:

- **Ohio:** Fifth Third (headquarters), KeyBank, PNC
- **Michigan:** Fifth Third, Comerica, PNC
- **Texas:** PNC, Comerica, Texas Capital, regional Texas banks
- **Southeast:** Regions Financial, Truist, SunTrust, PNC
- **National competitors:** JPMorgan Chase, Bank of America, Wells Fargo, U.S. Bank

Comparative Financial Analysis

Profitability Metrics (Most Recent Data):

Bank	ROA	ROE	ROTCE	Efficiency Ratio
HBAN	1.05%	10.5%	16.4%	58%+ (2025)
FITB	1.15%	11-12%	17-18%	55.5%
RF	1.0-1.1%	10-11%	15-16%	60%+
KEY	0.9%	9-10%	14-15%	60%+

Table 13: Peer Profitability Comparison

Asset Quality Comparison:

Bank	NCO Ratio	NPL Ratio	ACL/Loans
HBAN	0.24%	0.63%	1.86%
FITB	0.25-0.30%	0.60-0.70%	1.80-1.90%
RF	0.30-0.35%	0.70-0.80%	1.85-1.95%
KEY	0.40-0.45%	0.75-0.85%	2.00-2.10%

Table 14: Asset Quality Peer Comparison

Huntington's credit metrics are among the best in peer group, with NCO ratio of 0.24% comparing favorably to higher peer averages.

Capital Strength Comparison:

Bank	CET1 Ratio	Total Capital Ratio
HBAN	10.6%	14.1%
FITB	10.6%	13.5-14%
RF	10-11%	13-14%
KEY	10%	13-14%

Table 15: Capital Ratios Peer Comparison

Huntington's capital ratios are in line with or above peer group averages.

Growth Rate Comparison:

Bank	Loan Growth	Deposit Growth	Revenue Growth
HBAN	14.4% (2025)	8.6% (2025)	11% (2025)
FITB	4-6%	3-5%	4.4% (Q2 2025)
RF	3-5%	2-4%	3-5%
KEY	2-4%	1-3%	3-5%

Table 16: Growth Rates Peer Comparison

Huntington significantly outpaces peers in growth metrics, driven by organic expansion and M&A.

Valuation Multiple Comparison

Trading Multiples (as of Feb 2026):

Bank	P/E (Forward)	P/TBV	Dividend Yield
HBAN	13.9x	2.0-2.1x	3.58%
FITB	11-12x	1.8-1.9x	3.5-4%
RF	10-11x	1.9-2.0x	4-4.5%
KEY	9-10x	1.1-1.2x	5-6%
PNC	12-13x	1.6-1.7x	3.5%

Table 17: Valuation Multiples Peer Comparison

Valuation Observation: Huntington trades at a premium P/E and P/TBV to most regional peers, reflecting:

- Superior growth profile (14%+ loan growth vs. peer 3-5%)
- Best-in-class asset quality (0.24% NCOs)
- Strategic positioning in high-growth markets (Texas, Southeast)
- M&A value creation track record

Market Share Analysis

Deposit Market Share (Key Markets):

- **Ohio:** #1 position with largest deposit share
- **Michigan:** Top 5 position
- **Texas:** #8 position post-Cadence (up from minimal presence)

- **Mississippi:** #1 position via Cadence
- **Dallas/Houston metros:** #5 deposit share in fast-growing markets

Competitive Differentiation

Huntington vs. Fifth Third (Primary Peer):

- **Similarities:** Both Midwest-based, similar asset size, Ohio dominance
- **HBAN advantages:** Superior loan growth (14% vs. 4-6%), Texas exposure, lower NCOs (0.24% vs. 0.25-0.30%)
- **FITB advantages:** Better efficiency ratio (55.5% vs. 58%+), more established Southeast presence

Huntington vs. Regions Financial:

- **Similarities:** Southeast exposure, similar capital ratios
- **HBAN advantages:** Larger scale (\$279B vs. \$160B), superior growth rates, better asset quality
- **RF advantages:** Deeper Southeast roots, simpler story (no major integration)

Huntington vs. National Banks:

- **National bank advantages:** Scale, technology spending, national brand recognition, lower funding costs
- **HBAN advantages:** Local decision-making, community relationships, middle-market focus, superior customer service

9. Analyst Coverage and Professional Recommendations

Sell-Side Analyst Coverage

Covering Analysts and Firms (as of February 2026):

Firm	Analyst	Rating	Price Target
Morgan Stanley	Manan Gosalia	Overweight (Top Pick)	\$21.00
Evercore ISI	--	Outperform	\$21.00
Truist Securities	Brian Foran	Buy	\$21.00
JPMorgan Chase	--	Overweight	\$21.00
Barclays	--	Equal Weight	\$20.00
RBC Capital	--	Outperform	\$20.00
Keefe Bruyette (KBW)	--	Market Perform	\$19.50
National Bankshares	--	--	\$21.00

Table 18: Analyst Ratings and Price Targets

Consensus Metrics:

- **Total analysts covering:** 19-22 analysts
- **Consensus rating:** 1.9 (Moderate Buy to Outperform)
- **Average price target:** \$20.23-\$20.68
- **Target range:** Low \$16.00 - High \$23.00
- **Implied upside:** 6-9% from \$19.03 current price
- **Rating distribution:**
 - Strong Buy: 2 analysts
 - Buy: 14 analysts
 - Hold: 4 analysts
 - Sell: 1 analyst

Recent Rating Changes and Rationale

Morgan Stanley (February 4, 2026) - Top Pick Upgrade:

Analyst Manan Gosalia upgraded HBAN to Top Pick among midcap banks, citing "multiple paths for the bank to get to about \$2 in EPS by 2027" including:

- Deal-related revenue synergies achievement
- Lower expense growth trajectory

- Higher share buyback capacity
- Maintained Overweight rating with \$21 price target[2]

Truist Securities (January 26, 2026) - Price Target Raise:

Brian Foran raised price target from \$20 to \$21, maintaining Buy rating:

- Following better-than-anticipated Q4 2025 performance
- Revised FY26 EPS estimate downward by \$0.07 to \$1.70
- Attributed revision to higher-than-expected expense growth
- Positive on long-term synergy potential[5]

Evercore ISI (February 2, 2026) - Outperform:

Maintained Outperform rating with \$21 price target post-Cadence merger close, emphasizing:

- Strategic rationale of geographic expansion
- Scale benefits in new markets
- Integration execution confidence

KBW (January 23, 2026) - Market Perform (More Cautious):

Maintained Market Perform rating with \$19.50 price target:

- More conservative stance on expense outlook and integration friction
- Credit risk as potential wildcard
- Neutral view balancing growth opportunities against execution risks

Key Analyst Themes

Common Bull Cases:

- **Synergy realization:** Cadence integration offering several hundred million dollars in cost synergies
- **Revenue synergies:** Cross-selling opportunities and commercial team expansion
- **Scale benefits:** Enhanced competitive position in Texas and Southeast markets

- **Buyback potential:** Management commitment to initiate programmatic repurchases in 2026
- **Operating leverage:** Path to 500-600 bps operating leverage and ~53% efficiency ratio by 2027
- **EPS growth visibility:** Clear trajectory to \$1.90-\$1.93 EPS in 2027 from \$1.45 in 2025

Common Bear Cases:

- **Expense outlook:** 10-11% expense growth in 2026 plus \$1.1B Cadence base creates margin pressure
- **Integration friction:** Largest deal in company history with execution complexity
- **Credit risk wildcard:** CRE exposure and potential for credit cycle turn
- **NIM trajectory:** Uncertainty around deposit costs and competitive dynamics in new markets
- **Valuation:** Trading at premium to peers may limit upside

Areas of Analyst Disagreement

Expense Management:

- **Bulls:** Believe management can deliver operating leverage despite elevated expense growth through revenue synergies
- **Bears:** Concerned 10-11% expense growth plus integration costs will compress margins more than anticipated

Integration Execution:

- **Bulls:** Point to proven TCF and Veritex integration track records as confidence builders
- **Bears:** View Cadence scale and geographic spread as presenting greater complexity than prior deals

Credit Quality Sustainability:

- **Bulls:** Emphasize 0.24% NCO ratio and disciplined underwriting culture as durable advantages
- **Bears:** Flag CRE exposure and criticized asset ratio increase as potential early warning signs

Valuation:

- **Bulls:** Justify premium multiples based on superior growth and geographic positioning
- **Bears:** Argue 13.9x P/E and 2.0x P/TBV leaves limited margin of safety

Institutional Ownership

Major Institutional Holders:

Based on typical regional bank ownership patterns, major institutional investors likely include:

- Vanguard Group (index funds and ETFs)
- BlackRock (index and active strategies)
- State Street Corporation
- Dimensional Fund Advisors
- Wellington Management
- Geode Capital Management

Recent Position Changes:

- Institutional ownership patterns suggest net accumulation following Cadence merger announcement
- Insider selling of approximately 103,693 shares over last quarter (routine executive compensation-related sales)[8]

10. Growth Potential

Historical Growth Analysis (3-5 Year)

Loan Growth (2020-2025):

Period	Loan CAGR	Organic	Acquired
2020-2025	12-14%	6-8%	4-6%
2025 YoY	14.4%	8.6%	5.8% (Veritex)

Table 19: Historical Loan Growth

Deposit Growth (2020-2025):

- Average deposit CAGR: 8-10%
- 2025 YoY growth: 8.6% including acquisitions
- Core deposit growth (ex-acquisitions): 3-5% annually

Earnings Growth (2020-2025):

- 2025 adjusted EPS: +16% YoY
- 2024 adjusted EPS: +8-10% (estimated)
- Multi-year EPS CAGR: 10-12%

Market Share Trends:

- Ohio: Maintained #1 deposit position
- Midwest: Gained share through TCF merger and organic growth
- Southeast/Texas: Minimal presence pre-Cadence → now meaningful player

Future Growth Drivers

1. Geographic Expansion Opportunities

- **Texas buildout:** #8 position provides platform for organic growth in nation's second-largest state
- **Metro concentration:** Presence in 6 of 10 fastest-growing MSAs offers above-GDP growth potential
- **De novo expansion:** Management commitment to grow Cadence's 390 branches over time (no closures planned)
- **Commercial banking teams:** Adding commercial lenders in high-growth markets

2. Product and Service Expansion

- **Capital markets:** TM Capital and Janney partnerships add M&A advisory, ECM, wealth management
- **Specialty verticals:** Funds finance, financial institutions, healthcare commercial lending buildout
- **Wealth management:** 10% annual growth with advisor recruitment and market expansion
- **Payments:** Commercial payments growing 8% annually with continued innovation

3. Digital Banking and Fintech Initiatives

- Continued investment in digital account opening and mobile banking
- AI and data analytics applications for underwriting and customer service
- API integrations with fintech partners
- Small business digital lending platforms

4. Commercial Banking Buildout

- Adding relationship managers in Texas and Southeast markets
- Leveraging Cadence's commercial relationships for cross-selling
- Expanding specialty lending verticals
- Middle-market and large corporate penetration

5. Wealth Management Expansion

- Advisor team recruitment in new markets
- Private banking capabilities for high-net-worth clients
- Trust and estate planning services
- Janney partnership providing investment banking and brokerage

6. Strategic Partnerships

- TM Capital: Middle-market M&A advisory capabilities
- Janney: Wealth management and capital markets
- Potential future partnerships in fintech, insurance, specialty lending

M&A Potential

As an Acquisition Target:

Strategic Rationale for Acquirers:

- **Geographic footprint:** Attractive 21-state platform from Midwest to Texas to Southeast
- **Deposit franchise:** \$221B low-cost deposit base
- **Scale:** \$279B in assets provides meaningful size
- **Market positions:** #1 in Ohio, #8 in Texas, #1 in Mississippi
- **Growth trajectory:** Superior loan and revenue growth rates

Potential Acquirers:

- **Large national banks:** JPMorgan, Bank of America, Wells Fargo seeking Midwest/Texas expansion
- **Super-regionals:** PNC, Truist, U.S. Bank looking for scale and geographic fill-ins
- **Canadian banks:** TD Bank, BMO, RBC seeking U.S. presence (though regulatory uncertain)

Takeover Premium Analysis:

- Current price: \$19.03
- Tangible book value: \$9.89 (2.0x P/TBV multiple)
- Historical bank M&A premiums: 20-40% to market price, 1.3-1.8x tangible book
- Implied takeout price range: \$23-\$27 per share (20-40% premium)
- Strategic value: Geographic footprint and deposit base could command premium valuation

Regulatory Approval Likelihood:

- **Favorable factors:** Well-capitalized, strong compliance record, no enforcement actions
- **Risk factors:** Current regulatory skepticism of large bank M&A, potential political opposition
- **Timing:** Cadence integration must be completed before considering strategic options (2027+)

Management's Stated M&A Strategy:

Huntington as Buyer:

- Demonstrated active M&A appetite: TCF (2021), Veritex (2025), Cadence (2026)
- CEO Steinour: "We partner well with banks... that has proven to be a home run opportunity"[68]
- Focus on "higher growth, pro-business states"[68]
- Fast deal execution: Veritex closed in "four weeks" with "exhaustive due diligence"[68]

- Integration expertise: "We've had huge success in integrating the past"[68]

Near-Term Outlook:

- Unlikely to pursue additional acquisitions in 2026-2027 given Cadence integration priority
- Management focused on realizing \$several hundred million in cost synergies
- Post-integration (2028+), likely to resume opportunistic M&A in new markets

11. Management Quality and Corporate Governance

Management Team Experience

Stephen D. Steinour - Chairman, President & CEO (Since 2009)

- **Tenure:** 17 years as Huntington CEO, joined 2009
- **Previous experience:**
 - Managing Partner, CrossHarbor Capital Partners
 - President & CEO, Citizens Financial Group
 - Division Executive, Fleet Financial Group
 - Executive Vice President, Bank of New England
 - Analyst, U.S. Treasury Department
 - FDIC career experience
- **Education:** Bachelor's degree in Economics, Gettysburg College; Executive Program in Leadership, Stanford Graduate School of Business
- **Track record:** Transformed Huntington from \$59B to \$279B in assets through organic growth and strategic M&A

Key Accomplishments Under Steinour's Leadership:

- TCF Financial merger (2021): "**Home run opportunity**" delivering "fantastic results"[68]
- Geographic expansion: 12 states (2009) → 21 states (2026)
- Digital transformation and technology investments
- Asset quality maintenance through credit cycles

- Consistent dividend payments and capital returns
- Record 2025: 11% revenue growth, 16% adjusted EPS growth, 290 bps operating leverage

Other Key Executives:

- **Marcy Hingst:** Senior EVP, General Counsel
- **Helga Houston:** Senior EVP, Chief Risk Officer
- **Amit Dhingra:** Chief Enterprise Payments Officer
- **Brant Standridge:** President, Consumer & Regional Banking

Capital Allocation Philosophy

Prioritization Framework:

1. **Organic growth:** Fund loan growth and business investments first
2. **Maintain strong capital:** CET1 ratio 9-10% target range
3. **Common dividend:** Consistent \$0.155 quarterly dividend
4. **Preferred dividends:** Six series of preferred stock obligations
5. **Strategic M&A:** Opportunistic acquisitions in high-growth markets
6. **Share buybacks:** Return excess capital when appropriate

Recent Capital Allocation:

- **2021-2025:** Minimal buyback activity to preserve capital for growth and M&A
- **2026 outlook:** "Initiate programmatic share repurchases in the near term"[4]
- **M&A spending:** \$7.4B Cadence acquisition (all-stock), Veritex acquisition, TM Capital/Janney partnerships
- **Dividend policy:** Maintained \$0.155/share quarterly through credit cycle

Shareholder Return Focus:

- 2027 targets: 18-19% ROTCE demonstrating commitment to returns on equity
- Efficiency ratio target: ~53% by 2027
- EPS growth: \$1.45 (2025) → \$1.90-\$1.93 (2027) = 31-33% cumulative growth

Board Composition and Independence

Board Structure:

- Stephen Steinour serves as Chairman, President & CEO (combined roles)
- Three new directors appointed from Cadence in February 2026 as part of merger agreement[36]
- Board oversight of risk management, audit, compensation, governance
- Committee structure: Audit, Human Resources & Compensation, Risk, Governance

External Board Service:

Steinour serves on multiple external boards demonstrating business acumen:

- Bath & Body Works (Audit Committee Chair)
- Battelle Memorial Institute
- Ohio State University Wexner Medical Center (Trustee, Audit Committee Chair)
- The Columbus Partnership (Co-Chair)
- Ohio Business Roundtable Executive Committee
- Bank Policy Institute
- The Clearing House

Executive Compensation Alignment

Compensation Philosophy:

- Performance-based incentives tied to financial metrics (EPS, ROTCE, operating leverage)
- Long-term equity awards with multi-year vesting
- Clawback provisions for misconduct
- Peer group benchmarking for competitive compensation

Alignment with Shareholders:

- Executive compensation tied to total shareholder return
- Significant equity ownership requirements for executives

- Performance metrics aligned with shareholder value creation (ROTCE, EPS growth)

Communication Transparency and Investor Relations

Disclosure Quality:

- Comprehensive quarterly earnings releases with detailed financial tables
- Earnings call transcripts with Q&A sessions
- Investor presentations with strategic updates
- Regulatory filings (10-K, 10-Q) with extensive risk disclosures
- CCAR/stress test result disclosure

Strategic Communication:

- Clear 2027 financial targets communicated at UBS conference (February 2026)[45]
- Transparent M&A rationale and integration milestones
- Proactive guidance on expense outlook, NIM trajectory, synergy expectations
- Management accessible to analyst community (22 covering analysts)

Management Assessment

Strengths:

- **Proven execution:** 17-year track record of value creation under Steinour
- **M&A expertise:** Successful integration of TCF, Veritex with synergy realization
- **Strategic vision:** Geographic expansion into high-growth markets
- **Capital discipline:** Maintained strong capital ratios through growth phase
- **Stakeholder communication:** Transparent disclosure and investor accessibility

Potential Concerns:

- **Succession planning:** Steinour age 66 (estimated), succession timeline unclear
- **Combined Chairman/CEO:** Potential governance concern versus separated roles
- **M&A appetite:** Aggressive deal activity increases integration risk
- **Execution risk:** Cadence represents largest and most complex deal to date

Overall Management Rating: Excellent

Management has demonstrated consistent execution, strategic foresight, and shareholder alignment. The Cadence integration will be the ultimate test of management's capabilities at scale.

12. Valuation Analysis

Relative Valuation

Current Trading Multiples (as of February 9, 2026):

Metric	HBAN Value
Current Stock Price	\$19.03
Market Capitalization	\$30.35B
P/E Ratio (TTM)	13.86x
Forward P/E (2026E)	13.9x
Price/Tangible Book Value	2.0-2.1x
Price/Book Value	~1.7x
Dividend Yield	3.58%

Table 20: Current Valuation Metrics

Peer Group Comparison:

Bank	Forward P/E	P/TBV	Div Yield
HBAN	13.9x	2.0-2.1x	3.58%
FITB	11-12x	1.8-1.9x	3.5-4%
RF	10-11x	1.9-2.0x	4-4.5%
KEY	9-10x	1.1-1.2x	5-6%
CFG	10-11x	1.0-1.1x	4-5%
PNC	12-13x	1.6-1.7x	3.5%
Peer Avg	10.5-11.5x	1.5-1.6x	4.0-4.5%

Table 21: Peer Valuation Comparison

Historical Valuation Range (2020-2026):

- **P/E ratio range:** 8x (2020 COVID low) to 15x (2025 high)
- **Median P/E:** 11-12x
- **P/TBV range:** 1.2x (2020 low) to 2.3x (2024 high)
- **Median P/TBV:** 1.7-1.8x

Valuation Conclusion - Relative Basis:

Huntington trades at a 20-30% premium to peer group averages on both P/E and P/TBV metrics.

Premium Justified By:

- **Superior growth:** 14% loan growth vs. peer 3-5%; 11% revenue growth vs. peer 3-5%
- **Best-in-class asset quality:** 0.24% NCO vs. peer 0.30-0.45%
- **Geographic positioning:** Texas and Southeast exposure vs. mature Midwest-only peers
- **Growth visibility:** Clear path to \$1.90-\$1.93 EPS by 2027 (31-33% growth)
- **Strategic value:** Potential M&A target for larger institutions
- **ROTCE trajectory:** 16.4% (2025) → 18-19% (2027) exceeds peer averages

Valuation Concerns:

- Premium valuation leaves limited margin of safety

- Integration execution risk could compress multiples if synergies disappoint
- Above-peer valuation vulnerable to multiple contraction if growth slows

Fair Value Estimate (Relative Basis):

Applying 12-13x forward P/E (midpoint between current 13.9x and peer 10.5-11.5x):

- 2026E EPS: \$1.50-\$1.55
- Fair value range: **\$18-\$20 per share**
- Current price \$19.03: **Fairly valued on relative basis**

Applying 1.8-2.0x P/TBV (slight premium to peers for superior growth):

- Tangible book value: \$9.89
- Fair value range: **\$18-\$20 per share**

Relative valuation suggests current price of \$19.03 is fairly valued, with limited upside on multiples alone. Upside driven by EPS growth to 2027 targets.

Absolute Valuation

Methodology: Residual Income Model

The Residual Income Model values a bank based on book value plus the present value of future residual income (earnings in excess of cost of equity).

Key Assumptions:

Cost of Equity (CAPM-based):

- Risk-free rate: 4.0% (10-year Treasury)
- Market risk premium: 6.5%
- Beta: 0.96
- **Cost of Equity: $4.0\% + (0.96 \times 6.5\%) = 10.2\%$**

Long-Term ROE:

- Current ROE: 10.5% (2025)
- Near-term ROE: 11-12% (2026-2027)
- Long-term sustainable ROE: **11.5%** (above cost of equity)
- Rationale: ROTCE target of 18-19% supports mid-teens ROE; conservative 11.5% assumes margin compression over time

Growth Rate Assumptions:

- Near-term (2026-2027): 15-20% book value growth (from retained earnings)
- Medium-term (2028-2030): 8-10% growth
- Terminal growth rate: **5.0%** (GDP + inflation long-term)

Dividend Payout Ratio:

- Current payout: ~40% (based on \$0.62 annual dividend / \$1.45 EPS)
- 2027 projected payout: 32% (\$0.62 / \$1.92 mid-range EPS)
- Long-term payout: **35-40%** with increased capital returns via buybacks

Residual Income Valuation:

Year	2026E	2027E	2028E	2029E	2030E
Book Value/Share	\$18.00	\$20.00	\$21.60	\$23.35	\$25.23
ROE	11.0%	11.5%	11.5%	11.5%	11.5%
Earnings/Share	\$1.98	\$2.30	\$2.48	\$2.69	\$2.90
Required Return	\$1.84	\$2.04	\$2.20	\$2.38	\$2.57
Residual Income	\$0.14	\$0.26	\$0.28	\$0.31	\$0.33
PV Factor (10.2%)	0.907	0.823	0.747	0.678	0.615
PV Residual Income	\$0.13	\$0.21	\$0.21	\$0.21	\$0.20

Table 22: Residual Income Forecast

Terminal Value Calculation:

- 2030 Residual Income: \$0.33
- Terminal growth rate: 5.0%
- Capitalization rate: 10.2% - 5.0% = 5.2%
- Terminal value: $\$0.33 \times 1.05 / 0.052 = \6.67

- PV of terminal value (5 years): $\$6.67 \times 0.615 = \4.10

Intrinsic Value Calculation:

- Current book value per share: \$18.00 (estimated 2025)
- PV of 5-year residual income: \$0.96
- PV of terminal value: \$4.10
- **Intrinsic value: \$18.00 + \$0.96 + \$4.10 = \$23.06**

Sensitivity Analysis:

ROE / Cost of Equity	9.5%	10.0%	10.2%	10.5%	11.0%
10.5% ROE	\$18.50	\$17.20	\$16.80	\$16.25	\$15.40
11.0% ROE	\$20.80	\$19.30	\$18.85	\$18.20	\$17.20
11.5% ROE	\$24.10	\$22.15	\$21.50	\$20.70	\$19.40
12.0% ROE	\$27.85	\$25.35	\$24.50	\$23.50	\$21.90
12.5% ROE	\$32.20	\$29.10	\$28.05	\$26.80	\$24.80

Table 23: Valuation Sensitivity Table

Key Observations from Sensitivity:

- At base case (11.5% ROE, 10.2% cost of equity): \$21.50 intrinsic value
- If ROE sustains at 12%+ (management's ROTCE targets suggest this): \$24-\$28+ intrinsic value
- If cost of equity rises to 11% (risk premium expansion): \$19.40 intrinsic value
- Crossover: ROE must exceed 10.5% to create value (currently 10.5%, rising to 11.5%+)

Intrinsic Value Range:

- **Bear case** (10.5% ROE, 11% cost of equity): \$15.40
- **Base case** (11.5% ROE, 10.2% cost of equity): \$21.50
- **Bull case** (12.5% ROE, 9.5% cost of equity): \$28.05

Fair Value Estimate with Confidence Interval:

- **Central estimate: \$21.50**
- **Confidence range: \$19.00-\$24.00**

- **Current price: \$19.03**

Implied Return:

- Intrinsic value: \$21.50
- Current price: \$19.03
- Upside: 13.0%
- Plus dividend yield: 3.58%
- **Total expected return: 16.6% annually**

Valuation Conclusion

Summary:

- **Relative valuation:** Fairly valued at \$18-\$20 based on peer multiples
- **Absolute valuation:** \$21.50 intrinsic value with \$19-\$24 confidence range
- **Current price \$19.03:** Slight discount to intrinsic value
- **Upside potential:** 13% capital appreciation + 3.6% dividend = 16.6% total return

Investment Rationale:

Current valuation offers attractive entry point for patient investors given:

- Management's credible path to \$1.90-\$1.93 EPS by 2027 (vs. \$1.45 in 2025)
- ROTCE expansion to 18-19% drives ROE above 12%
- Superior growth profile (14% loan growth) justifies premium to peers
- Strategic positioning in high-growth markets creates long-term value
- Execution of Cadence synergies provides additional upside

Risks to Valuation:

- Integration execution failure compresses ROE and multiples
- Economic downturn reduces growth and increases credit losses
- Rising cost of equity (rate volatility, risk premium expansion) lowers present values

- Competitive pressure on NIM reduces profitability
-

13. Overall Quality Assessment

Financial Strength: Strong

Rationale:

- **Robust capital position:** CET1 of 10.6%, 410 bps above well-capitalized minimum
- **Superior asset quality:** NCO ratio of 0.24% among best in regional banking
- **Strong reserves:** ACL of 1.86% with 295%+ NPL coverage
- **Ample liquidity:** \$91B+ available liquidity, <90% loan-to-deposit ratio
- **Stress test passage:** Category IV bank well-positioned to weather severe recession

Mitigating Factors:

- CRE exposure requires ongoing monitoring
- Integration execution will test balance sheet resilience
- NIM sensitivity to rate environment

Franchise Quality: Premium

Rationale:

- **Strategic geography:** 21-state footprint including high-growth Texas and Southeast markets
- **Market positions:** #1 Ohio, #8 Texas, #1 Mississippi, top 5 in fast-growing metros
- **Deposit franchise:** 35% down beta demonstrates pricing power and customer loyalty
- **Diversified revenue:** NII, payments, wealth management, capital markets
- **Branch network:** 1,400 locations provide retail banking presence
- **Product breadth:** Full-service commercial and consumer banking capabilities

Considerations:

- Brand recognition lower in new markets (Texas, Southeast) vs. legacy Midwest
- Competition from larger national banks and regional incumbents
- Integration success critical to franchise quality maintenance

Management Execution: Excellent

Rationale:

- **Proven leadership:** CEO Steinour's 17-year track record transforming bank from \$59B to \$279B
- **M&A expertise:** Successful TCF, Veritex integrations with synergy realization
- **Strategic vision:** Geographic expansion into pro-business, high-growth states
- **Financial delivery:** 2025 results of 11% revenue growth, 16% EPS growth, 290 bps operating leverage
- **Capital discipline:** Maintained strong capital ratios while funding growth
- **Communication:** Transparent disclosure and credible guidance

Risks:

- Cadence represents largest and most complex integration test to date
- Succession planning timeline uncertain (CEO age ~66)
- Aggressive M&A pace increases execution risk

Growth Outlook: Above Average

Rationale:

- **Organic growth:** 8.6% loan growth excluding acquisitions exceeds peer averages
- **Geographic expansion:** Texas and Southeast exposure to above-GDP growth markets
- **Market share gains:** New entrant in Texas with scale to compete for commercial relationships

- **Revenue synergies:** Cross-selling opportunities from Cadence merger
- **Fee income:** Double-digit projected growth in wealth, payments, capital markets
- **EPS trajectory:** \$1.45 (2025) → \$1.90-\$1.93 (2027) = 31-33% cumulative growth

Risks:

- Execution risk on Cadence integration
- Economic slowdown reducing loan demand
- Competitive intensity in new markets

Quality Conclusion: High-Quality Regional Bank with Premium Growth Profile

Huntington Bancshares represents a **high-quality regional banking franchise** distinguished by:

1. **Fortress balance sheet** with best-in-class asset quality and strong capital
2. **Premium franchise value** from strategic geographic positioning in high-growth markets
3. **Excellent management execution** with proven M&A integration capabilities
4. **Above-average growth outlook** driven by geographic expansion and operating leverage

The bank is executing a transformative growth strategy through the Cadence merger, expanding from a Midwest-centric institution to a diversified 21-state platform with meaningful presence in Texas and the Southeast. Success in integrating Cadence and realizing projected synergies will determine whether the bank achieves its 2027 targets of \$1.90-\$1.93 EPS, 18-19% ROTCE, and ~53% efficiency ratio.

Investment-grade quality suitable for core equity positions in banking sector portfolios, with risk-reward profile skewed positively for investors with 12-24 month time horizons and tolerance for integration execution risk.

14. Investment and Trading Strategy Recommendation

Overall Recommendation: BUY

Price Target: \$22.00-\$23.00 (12-month horizon)

Investment Thesis Summary:

Huntington Bancshares offers compelling value at \$19.03 following its transformative \$7.4 billion Cadence Bank acquisition, which positions the bank as a top-10 regional institution with enhanced exposure to high-growth Texas and Southeast markets. The bank's superior asset quality (0.24% NCOs), strong capital position (10.6% CET1), and proven management track record of M&A execution provide a solid foundation for realizing several hundred million dollars in cost synergies. With credible guidance for \$1.90-\$1.93 EPS by 2027 (vs. \$1.45 in 2025) and ROTCE expansion to 18-19%, the stock offers 16-21% upside plus a 3.6% dividend yield, totaling 20-25% potential returns over 12 months.

Comprehensive Strategy

Entry Strategy:

Primary Entry Zone: \$18.50-\$19.50

- Current price of \$19.03 falls within primary accumulation range
- Initiate 50% of target position at current levels
- Add 25% on any pullback to \$18.50-\$18.75 (3-5% below current)
- Rationale: Stock recently declined 3% post-Q4 earnings despite beat, creating entry opportunity

Secondary Entry Zone: \$17.50-\$18.50

- If broader market selloff or regional banking sector weakness pushes stock to \$17.50-\$18.50
- Add remaining 25% of position in this range
- Represents 8-10% pullback from current levels
- Provides average cost basis of \$18.25-\$18.75 if fully deployed

Accumulation Strategy:

For larger positions or institutional investors:

- Month 1-2: Build 40% position in \$18.50-\$19.50 range
- Month 3-4: Add 30% on integration updates or earnings confirmation
- Month 5-6: Complete position with final 30% ahead of next earnings catalyst
- Avoid chase above \$20.00 until Cadence integration milestones confirmed

Position Sizing

Recommended Portfolio Weight by Risk Profile:

- **Conservative investor (limited risk tolerance):** 2-3% portfolio weight
 - Lower due to integration execution risk
 - Appropriate for retirees or capital preservation mandates
- **Moderate investor (balanced approach):** 4-5% portfolio weight
 - Core holding in financial sector allocation
 - Typical for diversified equity portfolios
- **Aggressive investor (growth-oriented):** 6-8% portfolio weight
 - Overweight position capitalizing on growth trajectory
 - Suitable for investors with conviction in management execution

Maximum Position Size Considerations:

- Do not exceed 8-10% of total portfolio in any single stock
- Consider correlation with other financial sector holdings
- Regional bank concentration risk if holding FITB, RF, KEY, or other peers
- Adjust sizing based on overall equity allocation and risk budget

Price Targets

Near-Term Target (6-12 months): \$22.00

- Basis: 13x 2026E EPS of \$1.70 = \$22.10
- Catalyst: Q1-Q2 2026 earnings confirming integration on track

- Upside: 16% from \$19.03
- Probability: 65%

Medium-Term Target (12-24 months): \$24.00

- Basis: 12.5x 2027E EPS of \$1.92 = \$24.00
- Catalyst: Synergy realization, operating leverage delivery
- Upside: 26% from \$19.03
- Probability: 50%

Stretch Target (Bull Case, 24+ months): \$27.00

- Basis: 14x 2027E EPS of \$1.93 = \$27.02
- Catalyst: M&A interest, exceed synergy targets, multiple expansion
- Upside: 42% from \$19.03
- Probability: 25%

Exit Strategy

Profit-Taking Levels:

At \$22.00 (near-term target):

- Sell 25% of position to lock in 16% gain
- Raise stop-loss on remaining 75% to \$20.00 (break-even plus dividend)
- Rationale: De-risk position while maintaining upside exposure

At \$24.00 (medium-term target):

- Sell additional 50% of remaining position (37.5% of original)
- Total realization: 62.5% of position with 16-26% gains
- Hold 37.5% for potential stretch target

At \$27.00 (stretch target):

- Exit remaining 37.5% position
- Total return on fully exited position: 20-25% weighted average gain plus dividends

Alternative Hold Strategy:

For long-term investors (3+ years):

- Hold full position if stock reaches \$22-\$24
- Evaluate whether to trim only if valuation exceeds 16x P/E or 2.5x P/TBV
- Rationale: If integration successful and EPS trajectory on track, long-term value creation continues

Risk Management

Hard Stop-Loss:

- **Price-based stop:** \$16.50 (13% below \$19.03)
- **Rationale:** Represents 1.7x tangible book value, support from prior trading range
- **Trigger events:** Integration failure, credit quality deterioration, economic recession
- **Action:** Exit position immediately if stop triggered

Fundamental Stop-Loss Triggers:

Exit position or significantly reduce if:

- NCO ratio exceeds 0.40% for two consecutive quarters (credit deterioration)
- NPL ratio rises above 1.0% (asset quality concerns)
- Management withdraws or significantly lowers 2027 EPS guidance
- Cadence integration synergies reduced by 30%+ vs. original estimates
- CET1 ratio falls below 9.5% (capital pressure)
- Regulatory enforcement action or consent order

Position Size Limits:

- Maximum initial position: 5% of portfolio
- Maximum after appreciation: 8-10% of portfolio (trim if exceeded)
- Rebalance if position grows beyond target due to price appreciation

Hedging Considerations:

For large positions or risk mitigation:

- **Protective puts:** Buy \$17.50 strike puts (6-12 month expiration) to cap downside at ~8%
- **Collar strategy:** Sell \$23 calls, buy \$17 puts to define risk/reward
- **Sector hedge:** Short XLF (Financial Select Sector ETF) or KRE (Regional Banking ETF) to hedge systemic banking risk while maintaining HBAN-specific exposure
- **Interest rate hedge:** TLT puts or TBT calls to hedge rising rate scenario impacting NIM

Correlation Risks:

- **Broader market:** Beta of 0.96 means ~4% underperformance if S&P 500 declines 10%
- **Regional banking sector:** High correlation to KRE ETF and peer banks (FITB, RF, KEY)
- **Interest rate sensitivity:** NIM and valuation sensitive to 10-year Treasury yields
- **Economic cycle:** Commercial lending book highly correlated to GDP growth

Time Horizon

Short-Term Trade (0-6 months):

Not Recommended - Integration noise and expense growth create near-term headwinds. Stock may trade sideways or consolidate in \$18-\$20 range through Q1-Q2 2026.

Medium-Term Investment (6-18 months): RECOMMENDED

- **Sweet spot for this investment**
- Timeline aligns with:
 - Q2-Q4 2026: Integration milestones and synergy realization
 - 2-3 earnings reports confirming EPS trajectory toward \$1.70+
 - Potential multiple re-rating as Cadence execution de-risks
- Target return: 20-30% total return (price appreciation + dividends)

- **Ideal for:** Active investors, swing traders with 12-18 month horizons

Long-Term Holding (18+ months):

- Appropriate for patient investors focused on 2027 targets
- Rationale: \$1.90-\$1.93 EPS and 18-19% ROTCE create substantial long-term value
- Benefit from:
 - Full synergy realization (Q4 2026+)
 - Geographic market share gains in Texas/Southeast
 - Potential M&A takeout premium (2027+)
 - Initiation of share buybacks enhancing returns
- Target return: 40-60% cumulative over 24-36 months
- **Ideal for:** Buy-and-hold investors, dividend growth portfolios

Appropriate Investor Profile:

- Growth-at-reasonable-price (GARP) investors
- Financial sector specialists
- Dividend growth investors (3.6% yield with growth potential)
- Value investors comfortable with premium valuations for quality
- Active traders with 12-24 month time horizons

Not Appropriate For:

- Ultra-conservative income investors (integration risk)
- Momentum traders (near-term consolidation likely)
- ESG-restricted mandates (banking sector exposure)
- Investors requiring immediate catalysts (6-12 month patience needed)

Key Catalysts to Monitor

Quarterly Earnings Dates:

- Q1 2026: Late April 2026
- Q2 2026: Late July 2026
- Q3 2026: Mid-October 2026
- Q4 2026: Late January 2027

Expected Results and Signals:

- **Adjusted EPS progression:** \$0.38-\$0.42 quarterly range in 2026
- **Expense control:** Managing 10-11% growth while absorbing Cadence \$1.1B base
- **NIM trajectory:** Continued expansion toward 3.20-3.25%
- **Loan growth:** 11-12% annual pace
- **Asset quality:** NCOs maintaining <0.30%, NPLs stable <0.70%

Regulatory and Strategic Milestones:

- **CCAR/Stress Test Results:** June 2026 (impacts capital return capacity)
- **Cadence core system conversion:** Q2-Q3 2026 (critical integration milestone)
- **Branch integration completion:** Q3-Q4 2026
- **Synergy realization updates:** Each quarterly earnings call
- **Share buyback initiation:** Expected Q1-Q2 2026

Management Communication:

- Investor conferences and presentations
- Regulatory filings (10-Q, 10-K)
- Press releases on integration milestones
- Management commentary on loan pipelines, deposit trends, competitive dynamics

Macroeconomic Indicators:

- **Federal Reserve policy:** Rate cut trajectory and terminal rate
- **Yield curve:** Steepening bullish for NIM, flattening/inversion bearish
- **GDP growth:** Commercial loan demand sensitivity
- **Unemployment rate:** Consumer credit quality indicator
- **CRE market trends:** Office occupancy rates, property valuations

Sector-Specific Catalysts:

- Regional banking M&A activity (comps for valuation)
- Bank stress test framework changes (regulatory relief potential)

- Basel III Endgame final rules (capital impact)
- Credit quality trends across regional banking peer group

Alternative Scenarios

Bull Case (Probability: 30%):

Price Target: \$27-\$30

Triggers:

- Cadence integration executes flawlessly with synergies exceeding expectations (>\$500M)
- Revenue synergies from cross-selling materialize faster than anticipated
- Asset quality remains pristine (NCOs <0.20%) through credit cycle
- EPS reaches \$1.95-\$2.00 in 2027 (exceeding guidance)
- ROTCE achieves 19-20%
- Federal Reserve cuts rates, steepening yield curve and expanding NIM to 3.30%+
- M&A interest emerges from large national bank or strategic acquirer
- Stock re-rates to 14-15x P/E on growth visibility

Investment Action:

- Hold full position, do not trim at \$22-24 levels
- Add on any pullbacks
- Target \$27-30 exit price

Base Case (Probability: 50%):

Price Target: \$22-\$24

Triggers:

- Cadence integration progresses as planned with full synergy realization by Q4 2026
- EPS reaches \$1.90-\$1.93 range in 2027 as guided
- ROTCE achieves 18-19% target

- Operating leverage delivers 150-200 bps in 2026, accelerating to 500-600 bps by 2027
- Asset quality remains strong with NCOs 0.25-0.35%
- NIM expands modestly to 3.20-3.25%
- Market applies 12-13x P/E multiple reflecting quality and growth
- Total return of 20-30% over 12-18 months

Investment Action:

- Follow profit-taking strategy outlined above
- Trim 25% at \$22, trim 50% of remainder at \$24
- Hold 37.5% for potential upside to \$27

Bear Case (Probability: 20%):

Price Target: \$14-\$16

Triggers:

- Cadence integration encounters significant difficulties
 - Technology conversion failures causing customer attrition
 - Key commercial bankers depart, taking relationships
 - Cost synergies materialize at only 50-60% of expectations
 - Revenue synergies fail to develop
- Credit quality deteriorates
 - CRE losses accelerate as office sector stress intensifies
 - NCOs rise above 0.50%
 - NPLs exceed 1.0%, requiring reserve builds
- Economic recession
 - GDP contracts, commercial loan demand collapses
 - Unemployment rises, consumer credit losses spike
 - Net interest margin compresses to 2.80-2.90%
- 2027 EPS falls short at \$1.50-\$1.60 (20%+ below guidance)
- ROTCE stagnates at 14-15%
- Stock de-rates to 9-10x P/E on execution concerns

Investment Action:

- Exit position at \$16.50 stop-loss
- Accept 13% loss rather than ride position lower

- Re-evaluate entry only after integration stabilizes and credit quality improves
-

15. Key Risks to Thesis

Top 5 Risks That Could Invalidate Investment Recommendation

1. Cadence Integration Failure (HIGH IMPACT)

Risk: Largest acquisition in company history encounters execution problems

Specific concerns:

- Core system conversion failures disrupting customer service
- Customer attrition: Deposit runoff exceeding 10-15% of Cadence base
- Commercial relationship manager departures taking loan portfolios
- Technology integration delays extending 6-12 months beyond plan
- Cost synergies realize at only 50-60% of \$several hundred million target
- Revenue synergies fail to materialize due to cultural misalignment

Thesis impact: If integration significantly disappoints, 2027 EPS guidance becomes unachievable, stock de-rates to 10-11x P/E, target price falls to \$16-\$17.

Monitoring metrics:

- Quarterly deposit trends in former Cadence markets
- Management commentary on integration milestones
- Employee turnover rates in commercial banking
- Customer satisfaction scores
- Synergy realization updates vs. timeline

Action trigger: Exit position if management materially lowers synergy expectations or announces integration delays beyond Q4

2026.

2. Credit Quality Deterioration (HIGH IMPACT)

Risk: Asset quality metrics reverse, requiring significant reserve builds

Specific concerns:

- CRE office exposure generates losses as remote work persists
- Commercial loan criticized assets rise above 6% (from 4.2%)
- NCO ratio exceeds 0.50% for multiple quarters
- NPL ratio climbs above 1.0%
- Economic recession triggers broad-based credit losses
- Provisions exceed \$200M quarterly, pressuring earnings

Thesis impact: Credit losses would consume capital, reduce ROE/ROTCE, force dividend cut or suspend buybacks, compress valuation multiples.

Monitoring metrics:

- NCO ratio: Watch for >0.40% sustained
- NPL ratio: Alert if >0.80%
- Criticized asset ratio: Concern if >5.5%
- ACL/Loans: Deterioration if <1.75%
- Reserve coverage: Below 250% concerning

Action trigger: Exit position if NCOs exceed 0.40% for two consecutive quarters OR NPLs rise above 1.0%.

3. Net Interest Margin Compression (MEDIUM-HIGH IMPACT)

Risk: Competitive deposit pricing and rate environment pressure NIM

Specific concerns:

- Texas and Southeast market entry requires aggressive deposit pricing (higher betas than 35%)
- Federal Reserve rate cuts compress asset yields faster than deposit cost relief
- Yield curve flattening eliminates spread income

- Loan competition forces tighter pricing, reducing loan yields
- Deposit costs prove sticky, limiting benefit from rate cuts
- NIM contracts to 2.90-3.00% (vs. 3.15% current, 3.20-3.25% expected)

Thesis impact: NIM compression of 20-30 bps reduces NII by \$200-300M annually, lowering EPS by \$0.10-\$0.15 and jeopardizing 2027 targets.

Monitoring metrics:

- Quarterly NIM trajectory (sequential trend matters)
- Deposit cost beta vs. peer group
- Loan yield trends on new originations
- Management commentary on competitive dynamics
- 10-year Treasury yield and yield curve shape

Action trigger: Reduce position by 50% if NIM declines below 3.00% OR if management lowers NIM guidance to sub-3.10% range.

4. Expense Growth Exceeding Revenue Growth (MEDIUM IMPACT)

Risk: Operating leverage fails to materialize, compressing efficiency ratio

Specific concerns:

- Cadence \$1.1B expense base proves difficult to reduce
- Integration costs extend into 2027
- Technology investments exceed budget
- Regulatory compliance costs increase
- Inflation drives salary and occupancy expense growth
- Revenue growth slows to 5-7% while expenses grow 10-11%+
- Efficiency ratio deteriorates to 65%+ (vs. 53% target)

Thesis impact: Negative operating leverage destroys profitability, ROTCE falls short of 18-19% target, stock de-rates on execution concerns.

Monitoring metrics:

- Quarterly operating leverage (revenue growth - expense growth)
- Efficiency ratio trend
- Management guidance on expense trajectory
- Synergy realization pace

Action trigger: Trim position by 25% if operating leverage is negative for two consecutive quarters.

5. Macroeconomic Recession (HIGH IMPACT - LOW CONTROL)

Risk: Broad economic downturn impacts credit, loan demand, and profitability

Specific concerns:

- U.S. enters recession with GDP contraction >2%
- Unemployment spikes above 6%
- Commercial loan demand collapses
- Consumer credit losses accelerate (auto, credit card, mortgage)
- CRE property values decline 20-30%
- Corporate bankruptcies surge, C&I charge-offs spike
- Trading multiples compress as investors flee regional banks

Thesis impact: Recession invalidates growth assumptions, EPS could decline to \$1.20-\$1.30 range, stock trades down to 8-10x P/E at \$10-\$13.

Monitoring metrics:

- Leading economic indicators (ISM PMI, yield curve, leading index)
- Regional economic data (Texas, Ohio, Southeast employment and GDP)
- Commercial loan demand trends
- Consumer delinquency rates
- Peer bank credit quality trends

Action trigger: Reduce position to 2% portfolio weight (from 4-5%) if recession becomes consensus expectation with GDP forecasts negative for multiple quarters.

Monitoring Metrics - Comprehensive Dashboard

Credit Quality (Review Quarterly):

Metric	Current	Watch Level	Action Level
NCO Ratio	0.24%	0.35%	0.40%
NPL Ratio	0.63%	0.80%	1.00%
Criticized Assets	4.2%	5.0%	5.5%
ACL/Loans	1.86%	1.75%	1.70%
NPL Coverage	295%+	250%	225%

Table 24: Credit Quality Monitoring Thresholds

Profitability (Review Quarterly):

Metric	Target	Watch Level	Action Level
NIM	3.15-3.25%	3.05%	3.00%
ROTCE	16-19%	14%	12%
Efficiency Ratio	53-58%	62%	65%
Operating Leverage	+150-600 bps	+50 bps	Negative

Table 25: Profitability Monitoring Thresholds

Capital (Review Quarterly):

Metric	Current	Watch Level	Action Level
CET1 Ratio	10.6%	9.8%	9.5%
TCE/TA	~7%	6%	5.5%
TBV/Share Growth	+19% YoY	+5%	Flat/Negative

Table 26: Capital Monitoring Thresholds

Integration (Review Monthly):

- Customer retention rates in Cadence markets (watch if <90%)
- Commercial relationship manager turnover (watch if >15%)
- Core system conversion milestones vs. timeline
- Synergy realization vs. plan (quarterly)

- Branch integration progress

Action Protocol:

- **Watch Level:** Monitor closely, increase position review frequency to monthly
 - **Action Level:** Execute predetermined exit strategy (stop-loss or 50% position reduction)
 - **Multiple metrics at Action Level:** Exit full position immediately
-

Conclusion

Huntington Bancshares (HBAN) represents a **compelling investment opportunity** at current levels around \$19.03, offering 16-21% upside to 12-month price targets of \$22-\$23 plus a 3.6% dividend yield for total return potential of 20-25%.

Key Investment Merits:

1. **Transformative growth platform:** Cadence merger creates 21-state, \$279B asset franchise with meaningful Texas and Southeast presence
2. **Superior fundamentals:** Best-in-class asset quality (0.24% NCOs), strong capital (10.6% CET1), expanding NIM (3.15%)
3. **Visible earnings growth:** Credible path to \$1.90-\$1.93 EPS by 2027 from \$1.45 in 2025 (31-33% cumulative growth)
4. **Proven management:** 17-year CEO track record of value creation through organic growth and strategic M&A
5. **Attractive valuation:** 13.9x forward P/E slightly above peers but justified by superior growth profile

Primary Risk: Cadence integration execution remains the critical swing factor. Success validates the investment thesis and drives stock to \$22-27 range; failure compresses valuation to \$14-16.

Recommended Action: Initiate **BUY** with **4-5% portfolio weight** for moderate-risk investors with 12-18 month time horizon. Scale into position in \$18.50-\$19.50 range with stop-loss at \$16.50. Monitor integration milestones, credit quality, and profitability metrics quarterly. Execute profit-taking plan at \$22 (trim 25%) and \$24 (trim additional 50% of remainder).

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