FIFTH THIRD BANCORP
Form 10-Q
August 07, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2014

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

Ohio	**31-0854434**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**Identification Number)**

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

Registrant s telephone number, including area code: (800) 972-3030

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

There were 834,234,230 shares of the Registrant s common stock, without par value, outstanding as of July 31, 2014.

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FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, forecast, projected, intends to, or may include other similar words or phrases such as believes, plans, trend, objective, co or similar expressions, or future or conditional verbs such as will, would, should, could, might, can, or similar verbs. You should not plac reliance on these statements, as they are subject to risks and uncertainties, including but not limited to the risk factors set forth in our most recent Annual Report on Form 10-K. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic conditions and weakening in the economy, specifically the real estate market, either nationally or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, are less favorable than expected; (2) deteriorating credit quality; (3) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions;

(4) changes in the interest rate environment reduce interest margins; (5) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions; (6) Fifth Third s ability to maintain required capital levels and adequate sources of funding and liquidity; (7) maintaining capital requirements may limit Fifth Third s operations and potential growth; (8) changes and trends in capital markets; (9) problems encountered by larger or similar financial institutions may adversely affect the banking industry and/or Fifth Third; (10) competitive pressures among depository institutions increase significantly; (11) effects of critical accounting policies and judgments; (12) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board (FASB) or other regulatory agencies; (13) legislative or regulatory changes or actions, or significant litigation, adversely affect Fifth Third, one or more acquired entities and/or the combined company or the businesses in which Fifth Third, one or more acquired entities and/or the combined company are engaged, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (14) ability to maintain favorable ratings from rating agencies; (15) fluctuation of Fifth Third s stock price; (16) ability to attract and retain key personnel; (17) ability to receive dividends from its subsidiaries; (18) potentially dilutive effect of future acquisitions on current shareholders ownership of Fifth Third; (19) effects of accounting or financial results of one or more acquired entities; (20) difficulties from Fifth Third s investment in, relationship with, and nature of the operations of Vantiv, LLC; (21) loss of income from any sale or potential sale of businesses that could have an adverse effect on Fifth Third s earnings and future growth; (22) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; and (23) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.

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Glossary of Abbreviations and Acronyms

Fifth Third Bancorp provides the following list of abbreviations and acronyms as a tool for the reader that are used in Management s Discussion and Analysis of Financial Condition and Results of Operations, the Condensed Consolidated Financial Statements and the Notes to Condensed Consolidated Financial Statements.

ABS: Asset-Backed Securities

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

ARM: Adjustable Rate Mortgage

ATM: Automated Teller Machine

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion

bps: Basis points

CCAR: Comprehensive Capital Analysis and Review

CD: Certificate of Deposit

CDC: Fifth Third Community Development Corporation

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

CMBS: Commercial Mortgage-Backed Securities

DCF: Discounted Cash Flow

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London InterBank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

MD&A: Management s Discussion and Analysis of Financial Condition and Results of Operations

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

NM: Not Meaningful

NPR: Notice of Proposed Rulemaking

NSFR: Net Stable Funding Ratio

OCC: Office of the Comptroller of the Currency

OCI: Other Comprehensive Income

OREO: Other Real Estate Owned

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GDP: Gross Domestic Product

GSE: Government Sponsored Enterprise

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

SBA: Small Business Administration

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

U.S.: United States of America

U.S. GAAP: United States Generally Accepted Accounting Principles

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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Management s Discussion and Analysis of Financial Condition and Results of Operations (Item 2)

The following is MD&A of certain significant factors that have affected Fifth Third Bancorp s (the Bancorp or Fifth Third) financial condition and results of operations during the periods included in the Condensed Consolidated Financial Statements, which are a part of this filing. Reference to the Bancorp incorporates the parent holding company and all consolidated subsidiaries.

TABLE 1: Selected Financial Data

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions, except for per share data)	**2014**	2013	% Change	**2014**	2013	% Change
Income Statement Data						
Net interest income[(a)]	**$ 905**	885	2	**$ 1,803**	1,777	1
Noninterest income	**736**	1,060	(31)	**1,300**	1,803	(28)
Total revenue[(a)]	**1,641**	1,945	(16)	**3,103**	3,580	(13)
Provision for loan and lease losses	**76**	64	20	**146**	126	16
Noninterest expense	**954**	1,035	(8)	**1,903**	2,013	(5)
Net income attributable to Bancorp	**439**	591	(26)	**756**	1,013	(25)
Net income available to common shareholders	**416**	582	(29)	**724**	995	(27)
Common Share Data						
Earnings per share, basic	**$ 0.49**	0.67	(27)	**$ 0.85**	1.14	(25)
Earnings per share, diluted	**0.49**	0.65	(25)	**0.84**	1.11	(23)
Cash dividends per common share	**0.13**	0.12	8	**0.25**	0.23	9
Book value per share	**16.74**	15.56	8	**16.74**	15.56	8
Market value per share	**21.35**	18.05	18	**21.35**	18.05	18
Financial Ratios (%)						
Return on average assets	**1.34 %**	1.94	(31)	**1.17 %**	1.68	(30)
Return on average common equity	**11.9**	17.3	(31)	**10.5**	14.9	(30)
Dividend payout ratio	**26.5**	17.9	48	**29.4**	20.2	46
Average Bancorp shareholders equity as a percent of average assets	**11.57**	11.64	(1)	**11.55**	11.51	
Tangible common equity[(b)]	**8.74**	8.83	(1)	**8.74**	8.83	(1)
Net interest margin[(a)]	**3.15**	3.33	(5)	**3.18**	3.38	(6)
Efficiency[(a)]	**58.2**	53.2	9	**61.4**	56.2	9
Credit Quality						
Net losses charged off	**$ 101**	112	(9)	**$ 270**	245	10
Net losses charged off as a percent of average loans and leases[(d)]	**0.45 %**	0.51	(12)	**0.60 %**	0.57	6
ALLL as a percent of portfolio loans and leases	**1.61**	1.99	(19)	**1.61**	1.99	(19)
Allowance for credit losses as a percent of portfolio loans and leases[(c)]	**1.77**	2.18	(19)	**1.77**	2.18	(19)
Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned[(d)]	**0.92**	1.32	(30)	**0.92**	1.32	(30)
Average Balances						
Loans and leases, including held for sale	**$ 91,241**	89,473	2	**$ 90,742**	89,179	2
Total securities and other short-term investments	**23,940**	16,962	41	**23,443**	16,904	39
Total assets	**130,965**	122,212	7	**129,953**	121,668	7
Transaction deposits[(e)]	**89,148**	81,678	9	**88,526**	81,311	9
Core deposits[(f)]	**92,841**	85,537	9	**92,181**	85,231	8

Wholesale funding[g]	**19,204**	17,508	10	**18,726**	17,595	6
Bancorp shareholders equity	**15,157**	14,221	7	**15,011**	14,001	7
Regulatory Capital Ratios (%)						
Tier I risk-based capital	**10.80 %**	11.14	(3)	**10.80 %**	11.14	(3)
Total risk-based capital	**14.30**	14.43	(1)	**14.30**	14.43	(1)
Tier I leverage	**9.86**	10.45	(6)	**9.86**	10.45	(6)
Tier I common equity[b]	**9.61**	9.49	1	**9.61**	9.49	1

(a) *Amounts presented on an FTE basis. The FTE adjustment for the three months ended **June 30, 2014** and 2013 was **$5** and for the six months ended **June 30, 2014** and 2013 was **$10** and $9, respectively.*

(b) *The tangible common equity and Tier I common equity ratios are non-GAAP measures. For further information, see the Non-GAAP Financial Measures section of MD&A.*

(c) *The allowance for credit losses is the sum of the ALLL and the reserve for unfunded commitments.*

(d) *Excludes nonaccrual loans held for sale.*

(e) *Includes demand, interest checking, savings, money market and foreign office deposits.*

(f) *Includes transaction deposits plus other time deposits.*

(g) *Includes certificates $100,000 and over, other deposits, federal funds purchased, other short-term borrowings and long-term debt.*

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At June 30, 2014, the Bancorp had $132.6 billion in assets, operated 15 affiliates with 1,309 full-service Banking Centers, including 102 Bank Mart® locations open seven days a week inside select grocery stores, and 2,619 ATMs in 12 states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has a 23% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $384 million as of June 30, 2014.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013. Each of these items could have an impact on the Bancorp s financial condition, results of operations and cash flows. In addition, see the Glossary of Abbreviations and Acronyms in this report for a list of terms included as a tool for the reader of this quarterly report on Form 10-Q. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements.

The Bancorp believes that banking is first and foremost a relationship business where the strength of the competition and challenges for growth can vary in every market. The Bancorp believes its affiliate operating model provides a competitive advantage by emphasizing individual relationships. Through its affiliate operating model, individual managers at all levels within the affiliates are given the opportunity to tailor financial solutions for their customers.

Net interest income, net interest margin and the efficiency ratio are presented in MD&A on an FTE basis. The FTE basis adjusts for the tax-favored status of income from certain loans and securities held by the Bancorp that are not taxable for federal income tax purposes. The Bancorp believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison between taxable and non-taxable amounts.

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the three months ended June 30, 2014, net interest income, on an FTE basis, and noninterest income provided 55% and 45% of total revenue, respectively. For the six months ended June 30, 2014, net interest income, on an FTE basis, and noninterest income provided 58% and 42% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Bancorp s Condensed Consolidated Financial Statements. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

Net interest income is the difference between interest income earned on assets such as loans, leases and securities, and interest expense incurred on liabilities such as deposits, short-term borrowings and long-term debt. Net interest income is affected by the general level of interest rates, the relative level of short-term and long-term interest rates, changes in interest rates and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. Generally, the rates of interest the Bancorp earns on its assets and pays on its liabilities are established for a period of time. The change in market interest rates over time exposes the Bancorp to interest rate risk through potential adverse changes to net interest income and financial position. The Bancorp manages this risk by continually analyzing and adjusting the composition of its assets and liabilities based on their payment streams and interest rates, the timing of their maturities and their sensitivity to changes in market interest rates. Additionally, in the ordinary course of business, the Bancorp enters into certain derivative transactions as part of its overall strategy to manage its interest rate and prepayment risks. The Bancorp is also exposed to the risk of losses on its loan and lease portfolio, as a result of changing expected cash flows caused by borrower credit events, such as, loan defaults and inadequate collateral due to a weakened economy within the Bancorp s footprint.

Noninterest income is derived primarily from service charges on deposits, corporate banking revenue, investment advisory revenue, mortgage banking net revenue, card and processing revenue and other noninterest income. Noninterest expense is primarily driven by personnel costs, net occupancy expenses, and technology and communication costs.

Accelerated Share Repurchase Transactions

During 2013 and the six months ended June 30, 2014, the Bancorp entered into a number of accelerated share repurchase transactions. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted average price of the Bancorp s common stock during the term of the repurchase agreements. For more information on the accelerated share repurchase program, see Note 14 of the Notes to Condensed Consolidated Financial Statements. For a summary of the Bancorp s accelerated share repurchase transactions that were entered into or settled during the six months ended June 30, 2014 refer to Table 2.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

TABLE 2: Summary of Accelerated Share Repurchase Transactions

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Settlement Date
November 18, 2013	$ 200	8,538,423	1,132,495	9,670,918	March 5, 2014
December 13, 2013	456	19,084,195	2,294,932	21,379,127	March 31, 2014
January 31, 2014	99	3,950,705	602,109	4,552,814	March 31, 2014
May 1, 2014	150	6,216,480	1,016,514	7,232,994	July 21, 2014

Preferred Stock Offering

On June 5, 2014, the Bancorp issued in a registered public offering 300,000 depositary shares, representing 12,000 shares of 4.90% fixed-to-floating rate non-cumulative Series J perpetual preferred stock, for net proceeds of $297 million. The Series J preferred shares are not convertible into Bancorp common shares or any other securities. For additional information on the preferred stock offering, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements.

Senior Notes Offerings

On February 28, 2014, the Bancorp issued and sold $500 million of 2.30% unsecured senior fixed rate notes, with a maturity of five years, due on March 1, 2019. These notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding the redemption date.

On April 25, 2014, the Bank issued and sold $1.5 billion in aggregate principal amount of unsecured senior bank notes. The bank notes consisted of $850 million of 2.375% senior fixed rate notes, with a maturity of five years, due on April 25, 2019; and $650 million of 1.35% senior fixed rate notes with a maturity of three years, due on June 1, 2017. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date. For additional information on the senior notes offerings, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements.

Automobile Loan Securitizations

During the six months ended June 30, 2014, the Bancorp transferred approximately $2.8 billion in fixed-rate consumer automobile loans to bankruptcy remote trusts which were deemed to be VIEs. The Bancorp concluded that it is the primary beneficiary of these VIEs and, therefore, has consolidated these VIEs. For additional information on the automobile loan securitizations, refer to Note 9 of the Notes to Condensed Consolidated Financial Statements.

Legislative Developments

On July 21, 2010, the Dodd-Frank Act was signed into federal law. This act implements changes to the financial services industry and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The legislation establishes a CFPB responsible for implementing and enforcing compliance with consumer financial laws, changes the methodology for determining deposit insurance assessments, gives the FRB the ability to regulate and limit interchange rates charged to merchants for the use of debit cards, enacts new limitations on proprietary trading, broadens the scope of derivative instruments subject to regulation, requires on-going stress tests and the submission of annual capital plans for certain organizations and requires changes to rules governing regulatory capital ratios. This act also calls for federal regulatory agencies to conduct multiple studies over several years in order to implement its provisions. While the total impact of the fully implemented Dodd-Frank Act on the Bancorp is not currently known, the impact is expected to be substantial and may have an adverse

impact on the Bancorp s financial performance and growth opportunities.

The FRB launched the 2014 capital planning and stress testing program, CCAR, on November 1, 2013. The CCAR program requires BHCs with $50 billion or more of total consolidated assets to submit annual capital plans to the FRB for review and to conduct stress tests under a number of economic scenarios. The capital plan and stress testing results were submitted by the Bancorp to the FRB on January 6, 2014.

In March of 2014, the FRB disclosed its estimates of participating institutions results under the FRB supervisory stress scenario, including capital results, which assume all banks take certain consistently applied future capital actions. In addition, the FRB disclosed its estimates of participating institutions results under the FRB supervisory severe stress scenarios including capital results based on each company s own base scenario capital actions.

On March 26, 2014, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2014 CCAR. The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning April 1, 2014 and ending March 31, 2015:

- The potential increase in the quarterly common stock dividend to $0.13 per share;
- The potential repurchase of common shares in an amount up to $669 million;
- The additional ability to repurchase shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock; and
- The issuance of $300 million in preferred stock

For more information on the 2014 CCAR results, refer to the Capital Management section of MD&A.

The Bancorp and other large bank holding companies are required to conduct a separate mid-year stress test using financial data as of March 31st under three company-derived macro-economic scenarios (base, adverse and severely adverse). The Bancorp submitted the results of its mid-year stress test to the FRB in July of 2014. For further discussion on the 2014 mid-year stress test, see the Capital Management section of MD&A.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Fifth Third offers qualified deposit customers a deposit advance product if they choose to avail themselves of this product to meet short term, small-dollar financial needs. In April of 2013, the CFPB issued a White Paper which studied financial services industry offerings and customer use of deposit advance products as well as payday loans and is considering whether rules governing these products are warranted. At the same time, the OCC and FDIC each issued proposed supervisory guidance for public comment to institutions they supervise which supplements existing OCC and FDIC guidance, detailing the principles they expect financial institutions to follow in connection with deposit advance products and supervisory expectations for the use of deposit advance products. The Federal Reserve also issued a statement in April to state member banks like Fifth Third for whom the Federal Reserve is the primary regulator. This statement encouraged state member banks to respond to customers small-dollar credit needs in a responsible manner; emphasized that they should take into consideration the risks associated with deposit advance products, including potential consumer harm and potential elevated compliance risk; and reminded them that these product offerings must comply with applicable laws and regulations. Fifth Third s deposit advance product is designed to fully comply with the applicable federal and state laws and use of this product is subject to strict eligibility requirements and advance restriction guidelines to limit dependency on this product as a borrowing source. Fifth Third believes this product provides customers with a relatively low-cost alternative for such needs. On January 17, 2014, given developments in industry practice, Fifth Third announced that it will no longer enroll new customers in its deposit advance product and will phase out the service to existing customers by the end of 2014. These advance balances are included in other consumer loans and leases in the Bancorp s Condensed Consolidated Balance Sheets and represent substantially all of the revenue reported in interest and fees on other consumer loans and leases in the Bancorp s Condensed Consolidated Statements of Income and in Tables 4 and 5 in the Statements of Income Analysis section of MD&A. Fifth Third has been monitoring industry developments and is working to develop and implement alternative products and services in order to address the needs of its customers. The Bancorp is currently in the process of evaluating the impact to the Bancorp s Condensed Consolidated Financial Statements of both the phase out of the deposit advance product and the development of alternative products and services.

In December of 2010 and revised in June of 2011, the BCBS issued Basel III, a global regulatory framework, to enhance international capital standards. In June of 2012, U.S. banking regulators proposed enhancements to the regulatory capital requirements for U.S. banks, which implement aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. In July of 2013, U.S. banking regulators approved the final enhanced regulatory capital rules (Basel III Final Rule), which included modifications to the proposed rules. The Bancorp continues to evaluate the Basel III Final Rule and its potential impact. For more information on the impact of the regulatory capital enhancements, refer to the Capital Management section of MD&A. Refer to the Non-GAAP section of MD&A for an estimate of the Basel III Tier I common equity ratio.

On December 10, 2013, the banking agencies finalized section 619 of the Dodd-Frank Act, known as the Volcker Rule, which became effective April 1, 2014. Though the final rule was effective April 1, 2014, the Federal Reserve has granted the industry an extension of time until July 21, 2015 to conform activities to be in compliance with the Volcker Rule. It is possible that additional conformance period extensions could be granted either to the entire industry, or, upon request, to requesting banking organizations on a case-by-case basis. The final rule prohibits banks and bank holding companies from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options on these instruments for their own account. The Volcker Rule also restricts banks and their affiliated entities from owning, sponsoring or having certain relationships with private equity and hedge funds, as well as holding certain collateralized loan obligations that are deemed to contain ownership interests. Exemptions are provided for certain activities such as underwriting, market making, hedging, trading in certain government obligations and organizing and offering a hedge fund or private equity fund. Fifth Third does not sponsor any private equity or hedge funds that, under the final rule, it is prohibited from sponsoring. As of June 30, 2014, the Bancorp held no collateralized loan obligations. As of June 30, 2014, the Bancorp had approximately $180 million in interests and approximately $72 million in binding commitments to invest in private equity funds that are affected by the Volcker Rule. It is expected that over time the Bancorp may need to sell or redeem these investments, however no formal plan to sell has been approved as of June 30, 2014. The Bancorp believes it is likely that these investments will be reduced over time in the ordinary course before compliance is required.

On January 7, 2013, the BCBS issued a final international standard for the LCR for large, internationally active banks. In addition, the BCBS plans on introducing the NSFR final standard in the next two years. On October 24, 2013, the U.S. banking agencies issued an NPR that would implement a LCR requirement for U.S. banks that is generally consistent with the international LCR standards for large, internationally active banking organizations, generally those with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure, and a Modified LCR for BHCs with at least $50 billion in total consolidated assets that are not internationally active, like Fifth Third. The NPR was open for public comment until January 31, 2014. Refer to the Liquidity Risk Management section of MD&A for further

discussion on these ratios.

On July 31, 2013, the U.S. District Court for the District of Columbia issued an order granting summary judgment to the plaintiffs in a case challenging certain provisions of the FRB s rule concerning electronic debit card transaction fees and network exclusivity arrangements (the Current Rule) that were adopted to implement Section 1075 of the Dodd-Frank Act, known as the Durbin Amendment. The Court held that, in adopting the Current Rule, the FRB violated the Durbin Amendment s provisions concerning which costs are allowed to be taken into account for purposes of setting fees that are reasonable and proportional to the costs incurred by the issuer and therefore the Current Rule s maximum permissible fees were too high. In addition, the Court held that the Current Rule s network non-exclusivity provisions concerning unaffiliated payment networks for debit cards also violated the Durbin Amendment. The Court vacated the Current Rule, but stayed its ruling to provide the FRB an opportunity to replace the invalidated portions. The FRB appealed this decision and on March 21, 2014, the D.C. Circuit Court of Appeals reversed the District Court s grant of summary judgment and remanded the case for further proceedings in accordance with its opinion. If this decision is ultimately overturned and/or the FRB re-issues rules for purposes of implementing the Durbin Amendment in a manner consistent with the District Court decision, the amount of debit card interchange fees the Bancorp would be permitted to charge likely would be reduced. Refer to the Noninterest Income subsection of the Statements of Income Analysis section of MD&A for further information regarding the Bancorp s debit card interchange revenue.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Earnings Summary

The Bancorp s net income available to common shareholders for the second quarter of 2014 was $416 million, or $0.49 per diluted share, which was net of $23 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the second quarter of 2013 was $582 million, or $0.65 per diluted share, which was net of $9 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the six months ended June 30, 2014 was $724 million, or $0.84 per diluted share, which was net of $32 million in preferred stock dividends. For the six months ended June 30, 2013, the Bancorp s net income available to common shareholders was $995 million, or $1.11 per diluted share, which was net of $18 million in preferred stock dividends. Pre-provision net revenue was $682 million and $1.2 billion for the three and six months ended June 30, 2014, respectively, compared to $905 million and $1.6 billion in the same periods in 2013. Pre-provision net revenue is a non-GAAP measure. For further information, see the Non-GAAP Financial Measures section of MD&A.

Net interest income was $905 million and $1.8 billion for the three and six months ended June 30, 2014, respectively, compared to $885 million and $1.8 billion for the three and six months ended June 30, 2013, respectively. For the three and six months ended June 30, 2014, net interest income was positively impacted by increases in average taxable securities of $6.4 billion and $5.8 billion, respectively, coupled with increases in yields on these securities of 25 bps and 30 bps for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. Net interest income also included the impact of increases in average loans and leases of $1.8 billion and $1.6 billion for the three and six months ended June 30, 2014, respectively, as well as decreases in the rates paid on long-term debt compared to the same periods in the prior year. These benefits were partially offset by lower yields on loans and leases and increases in average long-term debt of $5.0 billion and $3.9 billion for the three and six months ended June 30, 2014, respectively. Net interest margin was 3.15% and 3.18% for the three and six months ended June 30, 2014, respectively, compared to 3.33% and 3.38% for the same periods in the prior year.

Noninterest income decreased $324 million and $503 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year due to decreases in mortgage banking net revenue and other noninterest income. Mortgage banking net revenue decreased $155 million and $266 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year primarily due to a decrease in origination fees and gains on loan sales and a decrease in positive net valuation adjustments on mortgage servicing rights and free standing derivatives entered into to economically hedge the MSR portfolio, partially offset by a decrease in MSR amortization. Other noninterest income decreased $188 million and $255 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year primarily due to a $125 million gain on the sale of Vantiv, Inc. shares recognized in the second quarter of 2014 compared to a gain of $242 million recognized during the second quarter of 2013. Additionally, other noninterest income decreased due to a decrease in the positive valuation adjustment on the stock warrant associated with Vantiv Holding LLC, a decrease in equity method earnings from Vantiv Holding, LLC, and an increase in the loss associated with the Visa total return swap.

Noninterest expense decreased $81 million and $110 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. The decreases were primarily due to decreases in total personnel costs and other noninterest expense. Total personnel costs decreased $40 million and $93 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year primarily due to a decrease in incentive compensation primarily in the mortgage business due to lower production levels and a decrease in base compensation and employee benefits as a result of a decline in the number of full-time equivalent employees. Other noninterest expense decreased $52 million for the three months ended June 30, 2014 compared to the same period in the prior year primarily due to decreases in the provision for representation and warranty claims, loan closing and appraisal costs, and FDIC insurance and other taxes partially offset by an increase in litigation expense. Other noninterest expense decreased $33 million for the six months ended June 30, 2014 compared to the same period in the prior year primarily due to decreases in loan closing and appraisal costs, provision for representation and warranty claims, and FDIC insurance and other taxes partially offset by an increase in impairment on affordable housing investments and litigation expense.

For more information on net interest income, noninterest income, and noninterest expense, refer to the Statements of Income Analysis section of MD&A.

Credit Summary

The Bancorp does not originate subprime mortgage loans and does not hold asset-backed securities backed by subprime mortgage loans in its securities portfolio. However, the Bancorp has exposure to disruptions in the capital markets and weakened economic conditions. The provision

for loan and lease losses was $76 million and $146 million for the three and six months ended June 30, 2014, respectively, compared to $64 million and $126 million during the same periods in 2013. Net charge-offs as a percent of average portfolio loans and leases decreased to 0.45% during the second quarter of 2014 compared to 0.51% during the second quarter of 2013 and increased to 0.60% for the six months ended June 30, 2014 compared to 0.57% for the six months ended June 30, 2013. At June 30, 2014, nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 0.92%, compared to 1.10% at December 31, 2013. For further discussion on credit quality, see the Credit Risk Management section of MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the Board of Governors of the Federal Reserve System. As of June 30, 2014, the Tier I risk-based capital ratio was 10.80%, the Tier I leverage ratio was 9.86% and the Total risk-based capital ratio was 14.30%.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

NON-GAAP FINANCIAL MEASURES

The Bancorp considers various measures when evaluating capital utilization and adequacy, including the tangible equity ratio, tangible common equity ratio and Tier I common equity ratio, in addition to capital ratios defined by banking regulators. These calculations are intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because U.S. GAAP does not include capital ratio measures, the Bancorp believes there are no comparable U.S. GAAP financial measures to these ratios. These ratios are not formally defined by U.S. GAAP or codified in the federal banking regulations and, therefore, are considered to be non-GAAP financial measures. Since analysts and banking regulators may assess the Bancorp s capital adequacy using these ratios, the Bancorp believes they are useful to provide investors the ability to assess its capital adequacy on the same basis.

The Bancorp believes these non-GAAP measures are important because they reflect the level of capital available to withstand unexpected market conditions. Additionally, presentation of these measures allows readers to compare certain aspects of the Bancorp s capitalization to other organizations. However, because there are no standardized definitions for these ratios, the Bancorp s calculations may not be comparable with other organizations, and the usefulness of these measures to investors may be limited. As a result, the Bancorp encourages readers to consider its Condensed Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

U.S. banking regulators approved final capital rules (Basel III Final Rule) in July of 2013 that substantially amend the existing risk-based capital rules (Basel I) for banks. The Bancorp believes providing an estimate of its capital position based upon the final rules is important to complement the existing capital ratios and for comparability to other financial institutions. Since these rules are not effective for the Bancorp until January 1, 2015, they are considered non-GAAP measures and therefore are included in the following non-GAAP financial measures table.

Pre-provision net revenue is net interest income plus noninterest income minus noninterest expense. The Bancorp believes this measure is important because it provides a ready view of the Bancorp s earnings before the impact of provision expense.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

The following table reconciles non-GAAP financial measures to U.S. GAAP:

TABLE 3: Non-GAAP Financial Measures

($ in millions)	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Income before income taxes (U.S. GAAP)	$ **606**	841	**1,044**	1,432
Add: Provision expense (U.S. GAAP)	**76**	64	**146**	126
Pre-provision net revenue	**682**	905	**1,190**	1,558
Net income available to common shareholders (U.S. GAAP)	$ **416**	582	**724**	995
Add: Intangible amortization, net of tax	**1**	1	**1**	2
Tangible net income available to common shareholders	$ **417**	583	**725**	997

As of	June 30, 2014	December 31, 2013
Total Bancorp shareholders equity (U.S. GAAP)	$ **15,469**	14,589
Less: Preferred stock	**(1,331)**	(1,034)
Goodwill	**(2,416)**	(2,416)
Intangible assets	**(17)**	(19)
Tangible common equity, including unrealized gains / losses	**11,705**	11,120
Less: Accumulated other comprehensive income	**(382)**	(82)
Tangible common equity, excluding unrealized gains / losses (1)	**11,323**	11,038
Add: Preferred stock	**1,331**	1,034
Tangible equity (2)	$ **12,654**	12,072
Total assets (U.S. GAAP)	$ **132,562**	130,443
Less: Goodwill	**(2,416)**	(2,416)
Intangible assets	**(17)**	(19)
Accumulated other comprehensive income, before tax	**(588)**	(126)
Tangible assets, excluding unrealized gains / losses (3)	$ **129,541**	127,882
Total Bancorp shareholders equity (U.S. GAAP)	$ **15,469**	14,589
Less: Goodwill and certain other intangibles	**(2,484)**	(2,492)
Accumulated other comprehensive income	**(382)**	(82)
Add: Qualifying TruPS	**60**	60
Other	**(19)**	19

Tier I risk-based capital		**12,644**	12,094
Less: Preferred stock		**(1,331)**	(1,034)
Qualifying TruPS		**(60)**	(60)
Qualified noncontrolling interests in consolidated subsidiaries		**(1)**	(37)
Tier I common equity (4)	$	**11,252**	10,963
Risk-weighted assets[(a)](5)	$	**117,117**	115,969
Ratios:			
Tangible equity (2) / (3)		**9.77 %**	9.44
Tangible common equity (1) / (3)		**8.74 %**	8.63
Tier I common equity (4) / (5)		**9.61 %**	9.45
Basel III Final Rule Estimated Tier I common equity ratio			
Tier I common equity (Basel I)	$	**11,252**	10,963
Add: Adjustment related to capital components[(b)]		**96**	82
Estimated Tier I common equity under Basel III Final Rule without AOCI (opt out) (6)		**11,348**	11,045
Add: Adjustment related to AOCI[(c)]		**382**	82
Estimated Tier I common equity under Basel III Final Rule with AOCI (non opt out) (7)		**11,730**	11,127
Estimated risk-weighted assets under Basel III Final Rule [(d)] (8)		**122,465**	122,074
Estimated Tier I common equity ratio under Basel III Final Rule (opt out) (6) / (8)		**9.27 %**	9.05
Estimated Tier I common equity ratio under Basel III Final Rule (non opt out) (7) / (8)		**9.58 %**	9.12

(a) *Under the banking agencies risk-based capital guidelines, assets and credit equivalent amounts of derivatives and off-balance sheet exposures are assigned to broad risk categories. The aggregate dollar amount in each risk category is multiplied by the associated risk weight of the category. The resulting weighted values are added together, along with the measure for market risk, resulting in the Bancorp s total risk-weighted assets.*

(b) *Adjustments related to capital components include MSRs and deferred tax assets subject to threshold limitations and deferred tax liabilities related to intangible assets, which were deductions to capital under Basel I capital rules.*

(c) *Under final Basel III rules, non-advanced approach banks are permitted to make a one-time election to opt out of the requirement to include AOCI in Tier I common equity.*

(d) *Key differences under Basel III in the calculation of risk-weighted assets compared to Basel I include: (1) Risk weighting for commitments under 1 year; (2) Higher risk weighting for exposures to securitizations, past due loans, foreign banks and certain commercial real estate; (3) Higher risk weighting for MSRs and deferred tax assets that are under certain thresholds as a percent of Tier I capital; and (4) Derivatives are differentiated between exchange clearing and over-the-counter and the 50% risk-weight cap is removed.*

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RECENT ACCOUNTING STANDARDS

Note 3 of the Notes to Condensed Consolidated Financial Statements provides a discussion of the significant new accounting standards applicable to the Bancorp and the expected impact of significant accounting standards issued, but not yet required to be adopted.

CRITICAL ACCOUNTING POLICIES

The Bancorp s Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements and goodwill. These accounting policies are discussed in detail in Management s Discussion and Analysis Critical Accounting Policies in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013. No material changes were made to the valuation techniques or models during the six months ended June 30, 2014.

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

Net interest income is the interest earned on securities, loans and leases (including yield-related fees) and other interest-earning assets less the interest paid for core deposits (includes transaction deposits and other time deposits) and wholesale funding (includes certificates of deposit $100,000 and over, other deposits, federal funds purchased, other short-term borrowings and long-term debt). The net interest margin is calculated by dividing net interest income by average interest-earning assets. Net interest rate spread is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities. Net interest margin is typically greater than net interest rate spread due to the interest income earned on those assets that are funded by noninterest-bearing liabilities, or free funding, such as demand deposits or shareholders equity.

Tables 4 and 5 present the components of net interest income, net interest margin and net interest rate spread for the three and six months ended June 30, 2014 and 2013, as well as the relative impact of changes in the balance sheet and changes in interest rates on net interest income. Nonaccrual loans and leases and loans held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses on available-for-sale securities included in other assets.

Net interest income was $905 million and $1.8 billion for the three and six months ended June 30, 2014, respectively, an increase of $20 million and $26 million compared to the three and six months ended June 30, 2013, respectively. Net interest income was positively impacted by increases in average taxable securities of $6.4 billion and $5.8 billion for the three and six months ended June 30, 2014, respectively, coupled with increases in yields on these securities of 25 bps and 30 bps for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. Net interest income also included the impact of increases in average loans and leases of $1.8 billion and $1.6 billion for the three and six months ended June 30, 2014, respectively, as well as a decrease in rates paid on long-term debt compared to the same periods in the prior year. These benefits were partially offset by lower yields on loans and leases and increases in average long-term debt of $5.0 billion and $3.9 billion for the three and six months ended June 30, 2014, respectively. The net interest rate spread decreased to 2.99% and 3.03% during the three and six months ended June 30, 2014, respectively, from 3.16% and 3.20% in the same periods in 2013, as the benefit of the decrease in rates on average interest-bearing liabilities was more than offset by a 20 bps and 23 bps decrease in yields on average interest-earning assets for the three and six months ended June 30, 2014, respectively.

Net interest margin was 3.15% and 3.18% for the three and six months ended June 30, 2014, respectively, compared to 3.33% and 3.38% for the three and six months ended June 30, 2013, respectively. The decrease from both periods in 2013 was driven primarily by the previously mentioned decrease in net interest rate spreads, partially offset by increases in average free funding balances.

Interest income from loans and leases decreased $39 million compared to the three months ended June 30, 2013 and decreased $97 million compared to the six months ended June 30, 2013. The decrease from the three and six months ended June 30, 2013 was primarily the result of a decrease of 24 bps and 28 bps, respectively, in yields on average loans and leases partially offset by an increase of two percent in average loans and leases for the three and six months ended June 30, 2014 compared to the same periods in the prior year. The increase in average loans and leases for the three and six months ended June 30, 2014 was driven primarily by an increase of 10% and 11%, respectively, in average commercial and industrial loans partially offset by a decrease in average residential mortgage loans of 12% and 11%, respectively, compared to the same periods in the prior year. For more information on the Bancorp s loan and lease portfolio, see the Loans and Leases section of the Balance Sheet Analysis section of MD&A. Interest income from investment securities and other short-term investments increased $63 million and $120 million compared to the three and six months ended June 30, 2013, respectively. The increase was primarily the result of an increase in average taxable securities of $6.4 billion and $5.8 billion for the three and six months ended June 30, 2014 coupled with a 25 bps and 30 bps increase in yields on average taxable securities for the three and six months ended June 30, 2014, respectively.

Average core deposits increased $7.3 billion compared to the three months ended June 30, 2013 and increased $7.0 billion compared to the six months ended June 30, 2013. The increase from both the three and six months ended June 30, 2013 was primarily due to an increase in average money market deposits, average interest checking deposits and average demand deposits partially offset by decreases in average savings deposits and average other time deposits. The cost of average core deposits decreased to 17 bps for the three and six months ended June 30, 2014 from 18 bps and 19 bps for the three and six months ended June 30, 2013, respectively. This decrease was primarily the result of a mix shift to lower cost

core deposits as a result of run-off of higher priced CDs coupled with a decrease of 45 bps and 48 bps in the rate paid on other time deposits for the three and six months ended June 30, 2014, respectively, partially offset by an increase of 9 bps and 7 bps in the rates paid on average money market deposits compared to the three and six months ended June 30, 2013, respectively.

For the three months ended June 30, 2014, interest expense on average wholesale funding increased $3 million compared to the three months ended June 30, 2013, primarily as a result of an increase in interest expense related to long-term debt partially offset by a $2.7 billion decrease in average certificates $100,000 and over. Interest expense on long-term debt increased during the three months ended June 30, 2014 compared to the same period in the prior year, driven by a $5.0 billion increase in average long-term debt partially offset by a 76 bps decrease in the rate paid on long-term debt primarily due to the redemption of $750 million of outstanding TruPS during the fourth quarter of 2013.

For the six months ended June 30, 2014, interest expense on average wholesale funding decreased $2 million compared to the six months ended June 30, 2013, primarily as a result of a decrease in interest expense on certificates $100,000 and over and other short term borrowings partially offset by an increase in interest expense on long-term debt. Interest expense on certificates $100,000 and over decreased during the six months ended June 30, 2014 compared to the same period in the prior year primarily due to a 17 bps decrease in the rate paid on certificates $100,000 and over coupled with a $572 million decrease in average certificates $100,000 and over. Interest expense on other short-term borrowings decreased during the six months ended June 30, 2014 compared to the same period in the prior year, primarily due to a $2.1 billion decrease in average short-term borrowings. Interest expense on long-term debt increased during the six months ended June 30,

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

2014 compared to the same period in the prior year, primarily due to a $3.9 billion increase in average long-term debt partially offset by a decrease in the rate paid on long-term debt of 84 bps primarily due to the redemption of $750 million of outstanding TruPS during the fourth quarter of 2013. Refer to the Borrowings section of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During the three and six months ended June 30, 2014, average wholesale funding represented 24% and 23%, respectively, of average interest bearing liabilities compared to 24% during the three and six months ended June 30, 2013. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management section of MD&A.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

TABLE 4: Condensed Average Balance Sheets and Analysis of Net Interest Income

For the three months ended	**June 30, 2014**			June 30, 2013			Attribution of Change in Net Interest Income*(a)*		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Yield/Rate	Total
Assets									
Interest-earning assets:									
Loans and leases:[(b)]									
Commercial and industrial loans	**$ 41,451**	**$ 338**	**3.27 %**	$ 37,636	$ 336	3.58 %	$ 33	(31)	2
Commercial mortgage	**7,886**	**67**	**3.39**	8,627	79	3.65	(7)	(5)	(12)
Commercial construction	**1,364**	**12**	**3.54**	717	6	3.41	6		6
Commercial leases	**3,556**	**27**	**3.04**	3,553	30	3.36		(3)	(3)
Subtotal commercial	**54,257**	**444**	**3.28**	50,533	451	3.58	32	(39)	(7)
Residential mortgage loans	**13,202**	**129**	**3.93**	14,984	146	3.91	(18)	1	(17)
Home equity	**9,101**	**84**	**3.71**	9,625	90	3.76	(5)	(1)	(6)
Automobile loans	**12,070**	**83**	**2.77**	11,887	94	3.16	1	(12)	(11)
Credit card	**2,232**	**56**	**10.06**	2,071	51	9.97	5		5
Other consumer loans/leases	**379**	**34**	**35.63**	373	37	39.49	1	(4)	(3)
Subtotal consumer	**36,984**	**386**	**4.19**	38,940	418	4.31	(16)	(16)	(32)
Total loans and leases	**91,241**	**830**	**3.65**	89,473	869	3.89	16	(55)	(39)
Securities:									
Taxable	**21,706**	**181**	**3.34**	15,346	118	3.09	53	10	63
Exempt from income taxes[(b)]	**52**	**1**	**4.69**	55	1	5.01			
Other short-term investments	**2,182**	**1**	**0.28**	1,561	1	0.24			
Total interest-earning assets	**115,181**	**1,013**	**3.53**	106,435	989	3.73	69	(45)	24
Cash and due from banks	**2,847**			2,359					
Other assets	**14,417**			15,198					
Allowance for loan and lease losses	**(1,480)**			(1,780)					
Total assets	**$ 130,965**			$ 122,212					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 25,222**	**$ 14**	**0.22 %**	$ 22,796	$ 13	0.23 %	$ 1		1
Savings	**16,509**	**4**	**0.11**	18,864	6	0.12	(2)		(2)
Money market	**13,942**	**12**	**0.33**	8,918	6	0.24	3	3	6
Foreign office deposits	**2,200**	**2**	**0.29**	1,418	1	0.29	1		1
Other time deposits	**3,693**	**9**	**1.03**	3,859	14	1.48	(1)	(4)	(5)
Certificates - $100,000 and over	**3,840**	**8**	**0.83**	6,519	13	0.82	(5)		(5)
Other deposits				10		0.08			
Federal funds purchased	**606**		**0.10**	560		0.11			
Other short-term borrowings	**2,234**	**1**	**0.10**	2,867	1	0.18			

Long-term debt	**12,524**	**58**	**1.89**	7,552	50	2.65	25	(17)	8
Total interest-bearing liabilities	**80,770**	**108**	**0.54**	73,363	104	0.57	22	(18)	4
Demand deposits	**31,275**			29,682					
Other liabilities	**3,724**			4,908					
Total liabilities	**115,769**			107,953					
Total equity	**15,196**			14,259					
Total liabilities and equity	**$ 130,965**			$ 122,212					
Net interest income		**$ 905**			$ 885		$ 47	(27)	20
Net interest margin			**3.15 %**			3.33 %			
Net interest rate spread			**2.99**			3.16			
Interest-bearing liabilities to interest-earning assets			**70.12**			68.93			

(a) *Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.*
(b) *The FTE adjustments included in the above table were **$5** for the three months ended **June 30, 2014** and 2013.*

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TABLE 5: Condensed Average Balance Sheets and Analysis of Net Interest Income

For the six months ended	**June 30, 2014**			June 30, 2013			Attribution of Change in Net Interest Income*(a)*		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Yield/Rate	Total
Assets									
Interest-earning assets:									
Loans and leases:[b]									
Commercial and industrial loans	**$ 40,933**	**$ 672**	**3.31 %**	$ 37,033	$ 686	3.74 %	$ 68	(82)	(14)
Commercial mortgage	**7,934**	**134**	**3.41**	8,801	159	3.64	(15)	(10)	(25)
Commercial construction	**1,242**	**22**	**3.51**	709	12	3.32	9	1	10
Commercial leases	**3,582**	**54**	**3.06**	3,555	59	3.37		(5)	(5)
Subtotal commercial	**53,691**	**882**	**3.31**	50,098	916	3.69	62	(96)	(34)
Residential mortgage loans	**13,252**	**259**	**3.94**	14,925	292	3.94	(33)		(33)
Home equity	**9,147**	**169**	**3.72**	9,748	181	3.75	(11)	(1)	(12)
Automobile loans	**12,047**	**168**	**2.82**	11,991	191	3.22	1	(24)	(23)
Credit card	**2,231**	**110**	**9.98**	2,070	101	9.82	7	2	9
Other consumer loans/leases	**374**	**70**	**37.74**	347	74	42.84	5	(9)	(4)
Subtotal consumer	**37,051**	**776**	**4.23**	39,081	839	4.33	(31)	(32)	(63)
Total loans and leases	**90,742**	**1,658**	**3.69**	89,179	1,755	3.97	31	(128)	(97)
Securities:									
Taxable	**21,049**	**349**	**3.34**	15,285	230	3.04	95	24	119
Exempt from income taxes[b]	**49**	**1**	**5.07**	53	1	5.21			
Other short-term investments	**2,345**	**3**	**0.27**	1,566	2	0.25	1		1
Total interest-earning assets	**114,185**	**2,011**	**3.55**	106,083	1,988	3.78	127	(104)	23
Cash and due from banks	**2,848**			2,292					
Other assets	**14,448**			15,108					
Allowance for loan and lease losses	**(1,528)**			(1,815)					
Total assets	**$ 129,953**			$ 121,668					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 25,565**	**$ 28**	**0.22 %**	$ 23,277	$ 26	0.23 %	$ 2		2
Savings	**16,705**	**9**	**0.11**	19,218	12	0.12	(2)	(1)	(3)
Money market	**13,195**	**20**	**0.31**	8,428	10	0.24	6	4	10
Foreign office deposits	**2,109**	**3**	**0.29**	1,261	2	0.28	1		1
Other time deposits	**3,655**	**18**	**1.01**	3,920	29	1.49	(2)	(9)	(11)
Certificates - $100,000 and over	**4,703**	**18**	**0.75**	5,275	24	0.92	(2)	(4)	(6)
Other deposits			**0.05**	25		0.12			
Federal funds purchased	**577**		**0.10**	625		0.13			
Other short-term borrowings	**2,022**	**1**	**0.10**	4,141	4	0.18	(2)	(1)	(3)

Long-term debt	**11,424**	**111**	**1.95**	7,529	104	2.79	44	(37)	7
Total interest-bearing liabilities	**79,955**	**208**	**0.52**	73,699	211	0.58	45	(48)	(3)
Demand deposits	**30,952**			29,127					
Other liabilities	**3,997**			4,798					
Total liabilities	**114,904**			107,624					
Total equity	**15,049**			14,044					
Total liabilities and equity	**$ 129,953**			$ 121,668					
Net interest income		**$ 1,803**			$ 1,777		$ 82	(56)	26
Net interest margin			**3.18 %**			3.38 %			
Net interest rate spread			**3.03**			3.20			
Interest-bearing liabilities to interest-earning assets			**70.02**			69.47			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
*(b) The FTE adjustments included in the above table are **$10** and $9 for the six months ended **June 30, 2014** and 2013, respectively.*

Provision for Loan and Lease Losses

The Bancorp provides as an expense an amount for probable loan and lease losses within the loan and lease portfolio that is based on factors previously discussed in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013. The provision is recorded to bring the ALLL to a level deemed appropriate by the Bancorp to cover losses inherent in the portfolio. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans actually removed from the Condensed Consolidated Balance Sheets is referred to as charge-offs. Net charge-offs include current period charge-offs less recoveries on previously charged-off loans and leases.

The provision for loan and lease losses was $76 million and $146 million for the three and six months ended June 30, 2014, respectively, compared to $64 million and $126 million during the same periods in 2013. The increase in the provision expense for the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013 was primarily due to an increase in certain impaired commercial loans during the first quarter of 2014 partially offset by decreases in nonperforming loans and leases and improved delinquency metrics for the three and six months ended June 30, 2014. The ALLL declined $124 million from $1.6 billion at December 31, 2013 to $1.5 billion at June 30, 2014. As of June 30, 2014, the ALLL as a percent of portfolio loans and leases decreased to 1.61%, compared to 1.79% at December 31, 2013.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Refer to the Credit Risk Management section of MD&A as well as Note 6 of the Notes to Condensed Consolidated Financial Statements for more detailed information on the provision for loan and lease losses, including an analysis of loan portfolio composition, nonperforming assets, net charge-offs, and other factors considered by the Bancorp in assessing the credit quality of the loan and lease portfolio and the ALLL.

Noninterest Income

Noninterest income decreased $324 million, or 31%, for the second quarter of 2014 compared to the second quarter of 2013 and decreased $503 million, or 28%, for the six months ended June 30, 2014 compared to the same period in the prior year.

The components of noninterest income for the three and six months ended June 30, 2014 and 2013 are as follows:

TABLE 6: Noninterest Income

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2014**	2013	% Change	**2014**	2013	% Change
Service charges on deposits	**$ 139**	136	2	**$ 272**	267	2
Corporate banking revenue	**107**	106	1	**211**	205	3
Investment advisory revenue	**102**	98	4	**204**	198	3
Mortgage banking net revenue	**78**	233	(67)	**187**	453	(59)
Card and processing revenue	**76**	67	12	**144**	132	9
Other noninterest income	**226**	414	(45)	**268**	523	(49)
Securities gains, net	**8**		NM	**14**	17	(14)
Securities gains, net - non-qualifying hedges on mortgage servicing rights		6	(100)		8	(100)
Total noninterest income	**$ 736**	1,060	(31)	**$ 1,300**	1,803	(28)

Service charges on deposits

Service charges on deposits increased $3 million and $5 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. Commercial deposit revenue increased $6 million and $9 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year primarily due to both new customer acquisition and product expansion. For the three and six months ended June 30, 2014, consumer deposit revenue decreased $3 million and $4 million, respectively, compared to the same periods in the prior year due to a decrease in consumer checking fees from a decline in the percentage of consumer customers being charged service fees.

Corporate banking revenue

Corporate banking revenue increased $1 million and $6 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. The increase was primarily due to an increase in syndication fees and institutional sales revenue partially offset by decreases in business lending fees, interest rate derivative revenue and lease remarketing fees.

Investment advisory revenue

Investment advisory revenue increased $4 million and $6 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. The increase for both periods was primarily due to increases of $4 million and $8 million in private client service fees for the three and six months ended June 30, 2014, respectively, partially offset by declines in securities and brokerage fees. The Bancorp had

approximately $305 billion and $313 billion in total assets under care as of June 30, 2014 and 2013, respectively, and managed $27 billion in assets for individuals, corporations and not-for-profit organizations for both period-ends.

Mortgage banking net revenue

Mortgage banking net revenue decreased $155 million and $266 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year.

The components of mortgage banking net revenue are as follows:

TABLE 7: Components of Mortgage Banking Net Revenue

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2014**	2013	**2014**	2013
Origination fees and gains on loan sales	**$ 42**	150	**$ 84**	319
Net mortgage servicing revenue:				
Gross mortgage servicing fees	**62**	62	**125**	124
Mortgage servicing rights amortization	**(32)**	(51)	**(55)**	(104)
Net valuation adjustments on mortgage servicing rights and free-standing derivatives entered into to economically hedge MSR	**6**	72	**33**	114
Net mortgage servicing revenue	**36**	83	**103**	134
Mortgage banking net revenue	**$ 78**	233	**$ 187**	453

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Origination fees and gains on loan sales decreased $108 million and $235 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. The decrease for the three and six months ended June 30, 2014 was primarily the result of a 74% and 75% declines in residential mortgage loan originations from the three and six months ended June 30, 2013, respectively. Residential mortgage loan originations decreased to $2.0 billion and $3.7 billion during the three and six months ended June 30, 2014, respectively, compared to $7.5 billion and $14.9 billion during the same periods in the prior year due to strong refinancing activity that occurred during the first half of 2013.

Net mortgage servicing revenue is comprised of gross mortgage servicing fees and related mortgage servicing rights amortization as well as valuation adjustments on MSRs and mark-to-market adjustments on both settled and outstanding free-standing derivative financial instruments used to economically hedge the MSR portfolio. Net mortgage servicing revenue decreased $47 million for the three months ended June 30, 2014 compared to the three months ended June 30, 2013 driven primarily by a decrease of $66 million in net valuation adjustments, partially offset by a decrease in mortgage servicing rights amortization of $19 million. Net mortgage servicing revenue decreased $31 million for the six months ended June 30, 2014 compared to the same period in the prior year driven primarily by a decrease of $81 million in net valuation adjustments partially offset by a decrease in mortgage servicing rights amortization of $49 million.

The net valuation adjustment gain of $6 million during the second quarter of 2014 included $38 million in gains from derivatives economically hedging the MSRs partially offset by temporary impairment of $32 million on the MSRs. The net valuation adjustment gain of $33 million for the six months ended June 30, 2014 included $61 million in gains from derivatives economically hedging the MSRs partially offset by temporary impairment of $28 million on the MSRs. Mortgage rates decreased during the three and six months ended June 30, 2014 which caused modeled prepayment speeds to increase, which led to the temporary impairment on servicing rights during the respective periods. The net valuation adjustment gain of $72 million during the second quarter of 2013 included $102 million in recovery of temporary impairment on the MSR portfolio partially offset by $30 million in losses from derivatives economically hedging the MSRs. The net valuation adjustment gain of $114 million for the six months ended June 30, 2013 included $151 million of recovery of temporary impairment on the MSR portfolio partially offset by $37 million in losses from derivatives economically hedging the MSR portfolio.

Servicing rights are deemed impaired when a borrower s loan rate is distinctly higher than prevailing rates. Impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. Further detail on the valuation of MSRs can be found in Note 10 of the Notes to Condensed Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation on the MSR portfolio. See Note 11 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

The Bancorp s total residential loans serviced as of June 30, 2014 and 2013 were $81.3 billion and $81.7 billion, respectively, with $68.1 billion, and $67.2 billion, respectively, of residential mortgage loans serviced for others.

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. The Bancorp did not sell securities related to the non-qualifying hedging strategy for the three and six months ended June 30, 2014. Net gains on sales of these securities were $6 million and $8 million for the three and six months ended June 30, 2013, respectively, recorded in securities gains, net, non-qualifying hedges on mortgage servicing rights in the Bancorp s Condensed Consolidated Statements of Income.

Card and processing revenue

Card and processing revenue increased $9 million and $12 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. The increase for the three and six months ended June 30, 2014 was primarily the result of an increase in the number of actively used cards as well as higher processing fees related to additional ATM locations. Debit card interchange revenue, included in card and processing revenue, was $33 million and $63 million for the three and six months ended June 30, 2014, respectively, compared to $31 million and $59 million for the same periods in the prior year.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Other noninterest income

The major components of other noninterest income are as follows:

TABLE 8: Components of Other Noninterest Income

($ in millions)	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Gain on sale of Vantiv, Inc. shares	**$ 125**	242	**$ 125**	242
Valuation adjustments on stock warrant associated with Vantiv Holding, LLC	**63**	76	**28**	110
Operating lease income	**21**	18	**42**	34
Cardholder fees	**11**	12	**23**	23
BOLI income	**11**	20	**21**	31
Banking center income	**8**	8	**16**	18
Consumer loan and lease fees	**6**	7	**12**	13
Equity method income from interest in Vantiv Holding, LLC	**4**	19	**19**	36
Insurance income	**3**	8	**6**	16
Loss on swap associated with the sale of Visa, Inc. class B shares	**(16)**	(5)	**(15)**	(12)
Loss on OREO	**(3)**	(5)	**(14)**	(15)
Other, net	**(7)**	14	**5**	27
Total other noninterest income	**$ 226**	414	**$ 268**	523

Other noninterest income decreased $188 million in the second quarter of 2014 compared to the second quarter of 2013 and $255 million for the six months ended June 30, 2014 compared to the same period in the prior year. The decrease for both periods was driven by a gain of $125 million on the sale of Vantiv, Inc. shares in the second quarter of 2014 compared to a gain of $242 million related to the sale of Vantiv, Inc. shares recorded in the second quarter of 2013. In addition, the positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC decreased $13 million and $82 million, respectively, for the three and six months ended June 30, 2014 from the comparable prior year periods. The fair value of the stock warrant is calculated using the Black-Scholes valuation model, which utilizes several key inputs (Vantiv, Inc. stock price, strike price of the warrant and several unobservable inputs). The positive valuation adjustments of $63 million and $28 million for the three and six months ended June 30, 2014, respectively, were primarily due to an increase of 11% and three percent, respectively, in Vantiv, Inc. s share price from December 31, 2013 to June 30, 2014. The positive valuation adjustments of $76 million and $110 million for the three and six months ended June 30, 2013, respectively, were primarily due to an increase of 16% and 35%, respectively, in Vantiv, Inc. s share price from December 31, 2012 to June 30, 2013. For additional information on the valuation of the warrant, see Note 21 of the Notes to Condensed Consolidated Financial Statements.

Equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $15 million and $17 million compared to the three and six months ended June 30, 2013, respectively. The decrease for the three months ended June 30, 2014 was primarily due to charges taken by Vantiv Holding, LLC related to an acquisition. The decrease for the six months ended June 30, 2014 was also due to Vantiv s acquisition charges and a decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from 28% as of June 30, 2013 to 23% as of June 30, 2014 due primarily to share sales.

Other noninterest income also included an $11 million increase in the loss related to the Visa total return swap for the three months ended June 30, 2014 compared to the three months ended June 30, 2013. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B shares, see Note 21 of the Notes to Condensed Consolidated Financial Statements. BOLI income decreased $9 million and $10 million for the three and six months ended June 30, 2014 compared to the same period in the prior year primarily due to a $10 million settlement in the second quarter of 2013 related to a previously surrendered BOLI policy. The other caption decreased $21 million and $22

million for the three and six months ended June 30, 2014, respectively, compared to the prior year periods primarily due to a $17 million impairment charge in the second quarter of 2014 for branches and land. For more information on this impairment charge, see Note 7 of the Notes to Condensed Consolidated Financial Statements.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Noninterest Expense

Total noninterest expense decreased $81 million, or eight percent, for the three months ended June 30, 2014, and decreased $110 million, or five percent, for the six months ended June 30, 2014 compared to the three and six months ended June 30, 2013, respectively.

The major components of noninterest expense are as follows:

TABLE 9: Noninterest Expense

($ in millions)	For the three months ended June 30, 2014	2013	% Change	For the six months ended June 30, 2014	2013	% Change
Salaries, wages and incentives	**$ 368**	404	(9)	**$ 727**	803	(10)
Employee benefits	**79**	83	(5)	**180**	197	(8)
Net occupancy expense	**79**	76	3	**158**	155	2
Technology and communications	**52**	50	4	**105**	99	6
Card and processing expense	**37**	33	10	**68**	65	5
Equipment expense	**30**	28	9	**60**	56	8
Other noninterest expense	**309**	361	(14)	**605**	638	(5)
Total noninterest expense	**$ 954**	1,035	(8)	**$ 1,903**	2,013	(5)
Efficiency ratio	**58.2 %**	53.2 %		**61.4 %**	56.2 %	

Total personnel costs (salaries, wages and incentives plus employee benefits) decreased $40 million and $93 million, respectively, for the three and six months ended June 30, 2014 compared to the same periods in 2013. The decrease for both periods was driven by a decrease in incentive compensation primarily in the mortgage business due to lower production levels and a decrease in base compensation and employee benefits as a result of a decline in the number of full-time equivalent employees. Full time equivalent employees totaled 18,732 at June 30, 2014 compared to 20,569 at June 30, 2013.

TABLE 10: Components of Other Noninterest Expense

($ in millions)	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Losses and adjustments	**$ 72**	92	**$ 137**	129
Affordable housing investments impairment	**32**	27	**64**	47
Loan and lease	**29**	46	**58**	87
FDIC insurance and other taxes	**26**	33	**54**	67
Marketing	**25**	32	**46**	59
Professional service fees	**18**	17	**36**	31
Operating lease	**16**	13	**33**	26
Travel	**14**	15	**26**	28
Postal and courier	**12**	12	**24**	24
Data processing	**10**	12	**20**	22

Recruitment and education	**7**	6	**13**	12
Insurance	**4**	4	**8**	9
OREO expense	**3**	3	**8**	7
Intangible asset amortization	**1**	2	**2**	4
Benefit from the reserve for unfunded commitments and letters of credit	**(11)**	(2)	**(19)**	(13)
Other, net	**51**	49	**95**	99
Total other noninterest expense	**$ 309**	361	**$ 605**	638

Total other noninterest expense decreased $52 million for the three months ended June 30, 2014 compared to the same period in 2013. Losses and adjustments decreased $20 million for the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily due to a decrease in the provision for representation and warranty claims, partially offset by higher legal settlements and reserves expense. The provision for representation and warranty claims decreased $16 million for the three months ended June 30, 2014 compared to the same period in the prior year due to improving underlying repurchase metrics and the settlement in the fourth quarter of 2013 with FHLMC. Litigation settlements and reserves expense increased $10 million for the three months ended June 30, 2014 compared to the same period in the prior year due to increased litigation and regulatory activity. Loan and lease expenses decreased $17 million due to lower loan closing and appraisal costs due to a decline in mortgage originations. FDIC insurance and other taxes decreased $7 million due to a change in the mix of the Bancorp s funding base.

Total other noninterest expense decreased $33 million for the six months ended June 30, 2014 compared to the same period in 2013. Loan and lease expenses decreased $29 million due to lower loan closing and appraisal costs due to a decline in mortgage originations. Impairment on affordable housing investments increased $17 million for the six months ended June 30, 2014 compared to the same period in 2013, as the prior period included a $9 million benefit from the sale of affordable housing investments. Losses and adjustments increased $8 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to an increase in litigation settlements and reserves expense, partially offset by a $31 million decrease in the provision for representation and warranty claims for the reasons noted previously. Total litigation settlements and reserves expense increased $43 million compared to the same period in the prior year due to increased litigation and regulatory activity. FDIC insurance and other taxes decreased $13 million compared to the same period in the prior year primarily due to the change in the mix of the Bancorp s funding base and higher capital levels.

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The Bancorp continues to focus on efficiency initiatives as part of its core emphasis on operating leverage and expense control. The efficiency ratio (noninterest expense divided by the sum of net interest income (FTE) and noninterest income) was 58.2% and 61.4% for the three and six months ended June 30, 2014, respectively, compared to 53.2% and 56.2% for the three and six months ended June 30, 2013, respectively.

Applicable Income Taxes

The Bancorp s income before income taxes, applicable income tax expense and effective tax rate are as follows:

TABLE 11: Applicable Income Taxes

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2014**	2013	**2014**	2013
Income before income taxes	**$ 606**	841	**$ 1,044**	1,432
Applicable income tax expense	**167**	250	**287**	429
Effective tax rate	**27.6 %**	29.7	**27.5 %**	30.0

Applicable income tax expense for all periods includes the benefit from tax-exempt income, tax-advantaged investments, and tax credits, partially offset by the effect of certain nondeductible expenses. The tax credits are associated with the Low-Income Housing Tax Credit program established under Section 42 of the Internal Revenue Code (IRC), the New Markets Tax Credit program established under Section 45D of the IRC, the Rehabilitation Investment Tax Credit program established under Section 47 of the IRC, and the Qualified Zone Academy Bond program established under Section 1397E of the IRC.

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees and directors. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised and where the Bancorp has not accumulated an excess tax benefit for previously exercised or released stock-based awards, the Bancorp is required to write-off the deferred tax asset previously established for these stock-based awards. The stock-based awards granted in March of 2003 had an exercise period that expired in March of 2013. As these stock-based awards were not exercised on or before their expiration date and because the Bancorp did not have an accumulated excess tax benefit, the Bancorp was required to write-off the $12 million deferred tax asset established for these awards during the first quarter of 2013. Based on the Bancorp s stock price at June 30, 2014 and the Bancorp s accumulation of an excess tax benefit through the period ended June 30, 2014, the Bancorp does not believe it will be necessary to recognize a non-cash charge to income tax expense over the next twelve months related to stock-based awards. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future. Therefore, it is possible the Bancorp may recognize a non-cash charge to income tax expense in the future.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies loans and leases based upon their primary purpose. Table 12 summarizes end of period loans and leases, including loans held for sale and Table 13 summarizes average total loans and leases, including loans held for sale.

TABLE 12: Components of Total Loans and Leases (includes held for sale)

	June 30, 2014		December 31, 2013	
As of ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial:				
Commercial and industrial loans	**$ 41,364**	**45**	39,347	45
Commercial mortgage loans	**7,807**	**9**	8,069	9
Commercial construction loans	**1,426**	**2**	1,041	1
Commercial leases	**3,572**	**4**	3,626	4
Subtotal commercial	**54,169**	**60**	52,083	59
Consumer:				
Residential mortgage loans	**13,250**	**15**	13,570	15
Home equity	**9,056**	**10**	9,246	10
Automobile loans	**12,050**	**13**	11,984	13
Credit card	**2,261**	**2**	2,294	3
Other consumer loans and leases	**380**		381	
Subtotal consumer	**36,997**	**40**	37,475	41
Total loans and leases	**$ 91,166**	**100**	89,558	100
Total portfolio loans and leases (excludes loans held for sale)	**$ 90,484**		88,614	

Loans and leases, including loans held for sale, increased $1.6 billion, or two percent, from December 31, 2013. The increase from December 31, 2013 was the result of a $2.1 billion, or four percent, increase in commercial loans and leases partially offset by a $478 million, or one percent, decrease in consumer loans and leases.

Commercial loans and leases increased from December 31, 2013 primarily due to an increase in commercial and industrial loans and commercial construction loans partially offset by a decrease in commercial mortgage loans. Commercial and industrial loans increased $2.0 billion, or five percent, from December 31, 2013 and commercial construction loans increased $385 million, or 37%, from December 31, 2013 as a result of an increase in new loan origination activity from higher demand due to a strengthening economy and targeted marketing efforts. Commercial mortgage loans decreased $262 million, or three percent, from December 31, 2013 due to continued run-off as the level of new originations was less than the repayments on the existing portfolio.

Consumer loans and leases decreased from December 31, 2013 primarily due to a decrease in residential mortgage loans and home equity. Residential mortgage loans decreased $320 million, or two percent, primarily due to a decline in loans held for sale of $292 million from reduced origination volumes. Home equity decreased $190 million, or two percent, from December 31, 2013 as payoffs exceeded new loan production.

TABLE 13: Components of Average Total Loans and Leases (includes held for sale)

	June 30, 2014		June 30, 2013	
For the three months ended ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial:				
Commercial and industrial loans	**$ 41,451**	**47**	37,636	42
Commercial mortgage loans	**7,886**	**9**	8,627	10
Commercial construction loans	**1,364**	**1**	717	1
Commercial leases	**3,556**	**4**	3,553	4
Subtotal commercial	**54,257**	**61**	50,533	57
Consumer:				
Residential mortgage loans	**13,202**	**14**	14,984	17
Home equity	**9,101**	**10**	9,625	11
Automobile loans	**12,070**	**13**	11,887	13
Credit card	**2,232**	**2**	2,071	2
Other consumer loans and leases	**379**		373	
Subtotal consumer	**36,984**	**39**	38,940	43
Total average loans and leases	**$ 91,241**	**100**	89,473	100
Total average portfolio loans and leases (excludes loans held for sale)	**$ 90,549**		86,707	

Average loans and leases, including loans held for sale, increased $1.8 billion, or two percent, from June 30, 2013. The increase from June 30, 2013 was the result of a $3.7 billion, or seven percent, increase in average commercial loans and leases partially offset by a $2.0 billion, or five percent, decrease in average consumer loans and leases.

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Average commercial loans and leases increased from June 30, 2013 primarily due to an increase in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial loans increased $3.8 billion, or 10%, from June 30, 2013 and average commercial construction loans increased $647 million, or 90%, from June 30, 2013 due to an increase in new loan origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage loans decreased $741 million, or nine percent, from June 30, 2013 due to continued run-off as the level of new originations was less than the repayments on the current portfolio.

Average consumer loans and leases decreased from June 30, 2013 primarily due to a decrease in average residential mortgage loans and average home equity, partially offset by increases in average automobile loans and average credit card loans. Average residential mortgage loans decreased $1.8 billion, or 12%, from June 30, 2013 primarily due to a decline in average loans held for sale of $2.1 billion from reduced origination volumes driven by higher mortgage rates partially offset by the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches. Average home equity decreased $524 million, or five percent, from June 30, 2013 as payoffs exceeded new loan production. Average automobile loans increased $183 million, or two percent, from June 30, 2013 driven by loan originations exceeding run-offs. Average credit card loans increased $161 million, or eight percent, from June 30, 2013 primarily due to an increase in open and active accounts driven by the volume of new customer accounts.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing liquidity support and providing collateral for pledging purposes. Total investment securities were $23.4 billion at June 30, 2014 and $19.1 billion at December 31, 2013.

Securities are classified as trading when bought and held principally for the purpose of selling them in the near term. Securities are classified as available-for-sale when, in management s judgment, they may be sold in response to, or in anticipation of, changes in market conditions. Securities that management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost.

At June 30, 2014, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. The Bancorp did not hold asset-backed securities backed by subprime mortgage loans in its investment portfolio. Additionally, securities classified as below investment grade were immaterial as of June 30, 2014 and December 31, 2013. The Bancorp s management has evaluated the securities in an unrealized loss position in the available-for-sale and held-to-maturity portfolios for OTTI. The Bancorp did not recognize OTTI for the three months ended June 30, 2014 and recognized $17 million of OTTI on its available-for-sale and other debt securities during the six months ended June 30, 2014. During the three and six months ended June 30, 2013, the Bancorp recognized $12 million of OTTI. The Bancorp did not recognize any OTTI on any of its available-for-sale equity securities or held-to-maturity debt securities during the three and six months ended June 30, 2014 and 2013.

TABLE 14: Components of Investment Securities

As of ($ in millions)	**June 30, 2014**	December 31, 2013
Available-for-sale and other: (amortized cost basis)		
U.S. Treasury and government agencies	**$ 26**	26
U.S. Government sponsored agencies	**1,522**	1,523
Obligations of states and political subdivisions	**186**	187
Agency mortgage-backed securities[(a)]	**13,657**	12,294
Other bonds, notes and debentures[(b)]	**6,069**	3,514
Other securities[(c)]	**724**	865
Total available-for-sale and other securities	**$ 22,184**	18,409

Held-to-maturity: (amortized cost basis)			
Obligations of states and political subdivisions	$	**193**	207
Other bonds, notes and debentures		**1**	1
Total held-to-maturity	$	**194**	208
Trading: (fair value)			
U.S. Treasury and government agencies	$		1
U.S. Government sponsored agencies		**6**	4
Obligations of states and political subdivisions		**24**	13
Agency mortgage-backed securities		**8**	3
Other bonds, notes and debentures		**13**	7
Other securities[(c)]		**310**	315
Total trading	$	**361**	343

*(a) Includes interest-only mortgage-backed securities of $**201** and $262 as of **June 30, 2014** and December 31, 2013, respectively, recorded at fair value with fair value changes recorded in securities gains, net and securities gains, net non-qualifying hedges on mortgage servicing rights in the Condensed Consolidated Financial Statements.*

*(b) Includes **$3,051** and $0 of agency CMBS, **$1,586** and $1,368 of non-agency CMBS, and **$1,225** and $1,400 of ABS as of **June 30, 2014** and December 31, 2013, respectively.*

(c) Other securities consist of FHLB and FRB restricted stock holdings that are carried at par, FHLMC and FNMA preferred stock holdings and certain mutual fund holdings and equity security holdings.

On an amortized cost basis, available-for-sale and other securities increased $3.8 billion, or 21%, from December 31, 2013 primarily due to increases in other bonds, notes, and debentures and agency mortgage-backed securities. Other bonds, notes, and debentures increased $2.6 billion, or 73%, due primarily to the purchase of $3.5 billion of agency commercial mortgage-backed securities and asset-backed securities

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

partially offset by the sale of $1.1 billion of asset-backed securities, collateralized loan obligations, commercial mortgage-backed securities and corporate bonds and $34 million of paydowns during the six months ended June 30, 2014. Agency mortgage-backed securities increased $1.4 billion, or 11%, from December 31, 2013 primarily due to $4.9 billion in purchases of agency mortgage-backed securities partially offset by $2.4 billion in sales and $862 million in paydowns on the portfolio during the six months ended June 30, 2014.

On an amortized cost basis, available-for-sale and other securities were 19% and 16% of total interest-earning assets at June 30, 2014 and December 31, 2013, respectively. The estimated weighted-average life of the debt securities in the available-for-sale portfolio was 6.7 years at both June 30, 2014 and December 31, 2013. In addition, at June 30, 2014, the available-for-sale securities portfolio had a weighted-average yield of 3.35%, compared to 3.39% at December 31, 2013.

Information presented in Table 15 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using historical cost balances. Maturity and yield calculations for the total available-for-sale portfolio exclude equity securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale securities portfolio were $630 million at June 30, 2014 compared to $188 million at December 31, 2013. The increase from December 31, 2013 was primarily due to a decrease in interest rates during the six months ended June 30, 2014. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally increases when interest rates decrease or when credit spreads contract.

TABLE 15: Characteristics of Available-for-Sale and Other Securities

As of June 30, 2014 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and government agencies:				
Average life 1 5 years	$ 25	25	2.2	0.80 %
Average life 5 10 years	1	1	5.2	1.50
Total	26	26	2.2	0.81
U.S. Government sponsored agencies:				
Average life 1 5 years	1,522	1,630	2.5	3.65
Total	1,522	1,630	2.5	3.65
Obligations of states and political subdivisions:[(a)]				
Average life of one year or less	36	36	0.8	0.05
Average life 1 5 years	115	120	3.3	3.62
Average life 5 10 years	28	30	8.3	3.89
Average life greater than 10 years	7	8	10.7	2.84
Total	186	194	3.9	2.94
Agency mortgage-backed securities:				
Average life of one year or less	76	77	0.5	5.36
Average life 1 5 years	1,523	1,596	4.0	3.88
Average life 5 10 years	11,034	11,277	6.5	3.34
Average life greater than 10 years	1,024	1,066	12.1	3.84
Total	13,657	14,016	6.6	3.45
Other bonds, notes and debentures:				
Average life of one year or less	87	89	0.4	2.97

Average life 1 5 years	1,278	1,320	3.0	2.78
Average life 5 10 years	3,682	3,761	8.2	3.13
Average life greater than 10 years	1,022	1,048	13.8	3.13
Total	6,069	6,218	7.9	3.05
Other securities	724	730		
Total available-for-sale and other securities	$ 22,184	22,814	6.7	3.35 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.02%, 0.00%, 2.07%, 1.51% and 0.37% for securities with an average life of 1 year or less, 1-5 years, 5-10 years, greater than 10 years and in total, respectively.

Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 70% and 71% of the Bancorp s asset funding base at June 30, 2014 and December 31, 2013, respectively.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

TABLE 16: Deposits

	June 30, 2014		December 31, 2013	
As of ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Demand	**$ 32,140**	**33**	32,634	32
Interest checking	**24,744**	**26**	25,875	26
Savings	**16,087**	**17**	17,045	17
Money market	**14,216**	**15**	11,644	12
Foreign office	**1,418**	**1**	1,976	2
Transaction deposits	**88,605**	**92**	89,174	89
Other time	**3,724**	**4**	3,530	4
Core deposits	**92,329**	**96**	92,704	93
Certificates-$100,000 and over	**3,623**	**4**	6,571	7
Total deposits	**$ 95,952**	**100**	99,275	100

Core deposits decreased $375 million from December 31, 2013 driven by a decrease of $569 million, or one percent, in transaction deposits partially offset by an increase of $194 million, or five percent, in other time deposits. Total transaction deposits decreased from December 31, 2013 due to decreases in interest checking deposits, savings deposits, foreign office deposits and demand deposits, partially offset by an increase in money market deposits. Interest checking deposits decreased $1.1 billion, or four percent, primarily due to consumer customer seasonality and lower commercial customer balances. Foreign office deposits decreased $558 million, or 28%, primarily due to a decrease in commercial customer balances. Demand deposits decreased $494 million, or two percent, from December 31, 2013 primarily due to uninvested trust funds held in demand deposit accounts at December 31, 2013 that were invested during the first quarter of 2014. This decrease was partially offset by an increase in commercial customer account balances. Money market deposits increased $2.6 billion, or 22%, from December 31, 2013 driven by a promotional product offering which drove balance migration from savings deposits which decreased $958 million, or six percent, from December 31, 2013 and the acquisition of new customers. The increase in other time deposits from December 31, 2013 was primarily the result of the acquisition of new customers due to competitive interest rates.

The Bancorp uses certificates $100,000 and over as a method to fund earning assets. At June 30, 2014, certificates $100,000 and over decreased $2.9 billion compared to December 31, 2013 primarily due to the maturity and run-off of retail and institutional certificates of deposit during the first six months of 2014.

The following table presents average deposits for the three months ending:

TABLE 17: Average Deposits

	June 30, 2014		June 30, 2013	
($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Demand	**$ 31,275**	**32**	29,682	32
Interest checking	**25,222**	**26**	22,796	25
Savings	**16,509**	**17**	18,864	20

Money market	**13,942**	**15**	8,918	10
Foreign office	**2,200**	**2**	1,418	2
Transaction deposits	**89,148**	**92**	81,678	89
Other time	**3,693**	**4**	3,859	4
Core deposits	**92,841**	**96**	85,537	93
Certificates-$100,000 and over	**3,840**	**4**	6,519	7
Other			10	
Total average deposits	**$ 96,681**	**100**	92,066	100

On an average basis, core deposits increased $7.3 billion, or nine percent, from June 30, 2013 due to an increase of $7.5 billion, or nine percent, in average transaction deposits partially offset by a decrease of $166 million, or four percent, in average other time deposits. The increase in average transaction deposits was driven by increases in average money market deposits, average interest checking deposits, average demand deposits and average foreign office deposits partially offset by a decrease in average savings deposits. Average money market deposits increased $5.0 billion, or 56%, from June 30, 2013 primarily due to a promotional product offering which drove balance migration from savings deposits which decreased $2.4 billion, or 12%, from June 30, 2013. The remaining increase in average money market deposits is due to an increase in average commercial account balances and new commercial customer accounts. Average interest checking deposits increased $2.4 billion, or 11%, from June 30, 2013 primarily due to an increase in average balance per account and new commercial customer accounts. Average demand deposits increased $1.6 billion, or five percent, from June 30, 2013 due to an increase in average balance per account and new commercial customer accounts. Average foreign office deposits increased $782 million, or 55%, from June 30, 2013 due primarily to an increase in average balance per account. Average other time deposits decreased $166 million, or four percent, from June 30, 2013 primarily as a result of continued run-off of certificates of deposits due to the low interest rate environment, as customers have opted to maintain balances in more liquid transaction accounts. Average certificates $100,000 and over decreased $2.7 billion, or 41%, from June 30, 2013 due to the maturity and run-off of retail and institutional certificates of deposit during the first six months of 2014.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Contractual maturities

The contractual maturities of certificates $100,000 and over as of June 30, 2014 are summarized in the following table:

TABLE 18: Contractual Maturities of Certificates $100,000 and over

($ in millions)	
Three months or less	$ 946
After three months through six months	722
After six months through 12 months	421
After 12 months	1,534
Total	$ 3,623

The contractual maturities of other time deposits and certificates $100,000 and over as of June 30, 2014 are summarized in the following table:

TABLE 19: Contractual Maturities of Other Time Deposits and Certificates $100,000 and over

($ in millions)	
Next 12 months	$ 3,871
13-24 months	1,325
25-36 months	712
37-48 months	897
49-60 months	274
After 60 months	268
Total	$ 7,347

Borrowings

Total borrowings increased $6.0 billion, or 53%, from December 31, 2013. Table 20 summarizes the end of period components of total borrowings. As of June 30, 2014, total borrowings as a percentage of interest-bearing liabilities were 21% compared to 14% at December 31, 2013.

TABLE 20: Borrowings

As of ($ in millions)	**June 30, 2014**	December 31, 2013
Federal funds purchased	**$ 153**	284
Other short-term borrowings	**3,146**	1,380
Long-term debt	**13,961**	9,633
Total borrowings	**$ 17,260**	11,297

Federal funds purchased decreased $131 million, or 46%, from December 31, 2013 driven by a decrease in excess balances in reserve accounts held at Federal Reserve Banks that the Bancorp purchased from other member banks on an overnight basis. Other short-term borrowings increased $1.8 billion from December 31, 2013 driven by an increase of $1.8 billion in short-term FHLB borrowings. The level of these borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Long-term debt increased by $4.3 billion, or 45%, from December 31, 2013 primarily driven by the issuance of $2.0 billion of unsecured senior notes and the issuance of asset-backed securities by consolidated VIEs of $2.8 billion related to automobile loan securitizations during the six months ended June 30, 2014, partially offset by $464 million of paydowns on long-term debt associated with automobile loan securitizations. For additional information regarding automobile securitizations and long-term debt issuances, see Note 9 and Note 13, respectively, of the Notes to Condensed Consolidated Financial Statements.

The following table presents average borrowings for the three months ending:

TABLE 21: Average Borrowings

($ in millions)		**June 30, 2014**	June 30, 2013
Federal funds purchased	**$**	**606**	560
Other short-term borrowings		**2,234**	2,867
Long-term debt		**12,524**	7,552
Total average borrowings	**$**	**15,364**	10,979

Average total borrowings increased $4.4 billion, or 40%, compared to June 30, 2013, primarily due to increases in average long-term debt and average federal funds purchased partially offset by a decrease in average other short-term borrowings. The increase in average long-term debt was driven by the aforementioned issuances of long-term debt as discussed above as well as the issuance of $3.1 billion of unsecured senior notes during 2013 and the issuance of $750 million of subordinated notes during the fourth quarter of 2013, as well as the issuance of asset-backed securities by a consolidated VIE of $1.3 billion related to an automobile loan securitization during the third quarter of 2013. The impact of these issuances was partially offset by the maturity of $1.3 billion of senior notes during the second quarter of 2013 and the redemption of $750 million of outstanding TruPS during the fourth quarter of 2013. The level of average other short-term borrowings and average federal funds purchased can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Information on the average rates paid on borrowings is discussed in the net interest income section of MD&A. In addition, refer to the Liquidity Risk Management section for a discussion on the role of borrowings in the Bancorp s liquidity management.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. Additional detailed financial information on each business segment is included in Note 22 of the Notes to Condensed Consolidated Financial Statements. Results of the Bancorp s business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp s business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management s accounting practices or businesses change.

The Bancorp manages interest rate risk centrally at the corporate level and employs a FTP methodology at the business segment level. This methodology insulates the business segments from interest rate volatility, enabling them to focus on serving customers through loan and deposit products. The FTP system assigns charge rates and credit rates to classes of assets and liabilities, respectively, based on expected duration and the U.S. swap curve. Matching duration allocates interest income and interest expense to each segment so its resulting net interest income is insulated from interest rate risk. In a rising rate environment, the Bancorp benefits from the widening spread between deposit costs and wholesale funding costs. However, the Bancorp s FTP system credits this benefit to deposit-providing businesses, such as Branch Banking and Investment Advisors, on a duration-adjusted basis. The net impact of the FTP methodology is captured in General Corporate and Other.

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities and by the review of the estimated durations for the indeterminate-lived deposits. The credit rate provided for demand deposit accounts is reviewed annually based upon the account type, its estimated duration and the corresponding fed funds, U.S. swap curve or swap rate. The credit rates for several deposit products were reset January 1, 2014 to reflect the current market rates and updated duration assumptions. These rates were generally higher than those in place during 2013, thus net interest income for deposit providing businesses was positively impacted for the three and six months ended June 30, 2014.

The business segments are charged provision expense based on the actual net charge-offs experienced on the loans and leases owned by each segment. Provision expense attributable to loan and lease growth and changes in ALLL factors are captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Even with these allocations, the financial results are not necessarily indicative of the business segments financial condition and results of operations as if they existed as independent entities. Additionally, the business segments form synergies by taking advantage of cross-sell opportunities and when funding operations by accessing the capital markets as a collective unit.

The results of operations and financial position for the three and six months ended June 30, 2013 were adjusted to reflect the transfer of certain customers and Bancorp employees from Branch Banking to Commercial Banking, effective January 1, 2014. In addition, the prior year balances were adjusted to reflect a change in internal allocation methodology.

Net income (loss) by business segment is summarized in the following table:

TABLE 22: Business Segment Net Income Available to Common Shareholders

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2014**	2013	**2014**	2013
Income Statement Data				
Commercial Banking	**$ 214**	213	**$ 378**	412
Branch Banking	**75**	48	**154**	82
Consumer Lending	**(15)**	67	**(22)**	138
Investment Advisors	**12**	7	**27**	23
General Corporate & Other	**153**	256	**220**	348

Net income	**439**	591	**757**	1,003
Less: Net income attributable to noncontrolling interests			**1**	(10)
Net income attributable to Bancorp	**439**	591	**756**	1,013
Dividends on preferred stock	**23**	9	**32**	18
Net income available to common shareholders	**$ 416**	582	**$ 724**	995

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Commercial Banking

Commercial Banking offers credit intermediation, cash management and financial services to large and middle-market businesses and government and professional customers. In addition to the traditional lending and depository offerings, Commercial Banking products and services include global cash management, foreign exchange and international trade finance, derivatives and capital markets services, asset-based lending, real estate finance, public finance, commercial leasing and syndicated finance.

The following table contains selected financial data for the Commercial Banking segment:

TABLE 23: Commercial Banking

($ in millions)	For the three months ended June 30, **2014**	2013	For the six months ended June 30, **2014**	2013
Income Statement Data				
Net interest income (FTE)[(a)]	**$ 414**	392	**$ 824**	781
Provision for loan and lease losses	**40**	39	**139**	84
Noninterest income:				
Corporate banking revenue	**108**	103	**212**	201
Service charges on deposits	**71**	65	**141**	131
Other noninterest income	**40**	42	**77**	71
Noninterest expense:				
Salaries, incentives and benefits	**75**	73	**157**	163
Other noninterest expense	**255**	228	**506**	436
Income before taxes	**263**	262	**452**	501
Applicable income tax expense[(a)(b)]	**49**	49	**74**	89
Net income	**$ 214**	213	**$ 378**	412
Average Balance Sheet Data				
Commercial loans, including held for sale	**$ 51,582**	47,672	**$ 50,962**	47,231
Demand deposits	**18,350**	16,310	**18,259**	16,343
Interest checking	**8,119**	7,016	**8,237**	7,099
Savings and money market	**5,905**	4,736	**5,903**	4,622
Certificates-$100,000 and over	**1,280**	1,291	**1,302**	1,282
Foreign office deposits and other deposits	**2,196**	1,403	**2,105**	1,248

(a) *Includes FTE adjustments of **$5** for the three months ended **June 30, 2014** and 2013 and **$10** and $9 for the six months ended **June 30, 2014** and 2013, respectively.*

(b) *Applicable income tax expense for all periods includes the tax benefit from tax-exempt income and business tax credits, partially offset by the effect of certain nondeductible expenses. Refer to the Applicable Income Taxes section of MD&A for additional information.*

Net income was $214 million for the three months ended June 30, 2014, compared to net income of $213 million for the three months ended June 30, 2013. The increase was driven by increases in net interest income and noninterest income, partially offset by an increase in noninterest expense. For the six months ended June 30, 2014, net income was $378 million compared to $412 million for the same period of the prior year. The decrease was driven by increases in noninterest expense and the provision for loan and lease losses, partially offset by increases in net

interest income and noninterest income.

Net interest income increased $22 million and $43 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The increases were primarily driven by growth in average commercial construction loans, an increase in FTP credits due to an increase in average demand deposits and a decrease in FTP charges, partially offset by a decline in yields of 29 bps and 33 bps on average commercial loans for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year.

Provision for loan and lease losses increased $1 million for the three months ended June 30, 2014 and $55 million for the six months ended June 30, 2014, compared to the same periods of the prior year. The increase for the six months ended June 30, 2014 compared to the same period of the prior year was due to an increase in net charge-offs related to certain impaired commercial loans in the first quarter of 2014. Net charge-offs as a percent of average portfolio loans and leases decreased to 32 bps for the three months ended June 30, 2014 compared to 33 bps for the same period of the prior year and increased to 55 bps for the six months ended June 30, 2014 compared to 36 bps for the same period of the prior year.

Noninterest income increased $9 million and $27 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2014 was due to increases in service charges on deposits and corporate banking revenue, partially offset by a decrease in other noninterest income. Service charges on deposits increased $6 million for the three months ended June 30, 2014 from the same period in the prior year primarily driven by higher commercial deposit revenue which increased due to the acquisition of new customers and higher deposit balances. Corporate banking revenue increased $5 million for the three months ended June 30, 2014 from the same period in the prior year primarily driven by increases in syndication fees and institutional sales revenue, partially offset by decreases in interest rate derivative revenue, lease remarketing fees and business lending fees. The decrease in other noninterest income for the three months ended June 30, 2014 was primarily due to decreases in gains on loan sales, partially offset by an increase in operating lease income. The increase for the six months ended June 30, 2014 was due to increases in corporate banking revenue, service charges on deposits and other noninterest income. Corporate banking revenue increased $11 million for the six months ended June 30, 2014 from the same period in the prior year primarily driven by increases in syndication fees and institutional sales revenue, partially offset by decreases in interest rate derivative revenue, business lending fees and lease remarketing fees. Service charges on deposits increased $10 million for the six months ended June 30,

2014 from the same period of the prior year primarily driven by higher commercial deposit revenue which increased due to the acquisition of new customers and higher deposit balances. The increase in other noninterest income for the six months ended June 30, 2014 was primarily due to an increase in operating lease income partially offset by a decrease in gains on loan sales.

Noninterest expense increased $29 million for the three months ended June 30, 2014 compared to the same period of the prior year primarily driven by an increase in other noninterest expense. The increase in other noninterest expense was primarily due to increases in corporate overhead allocations, litigation expense, impairment on affordable housing investments and operating lease expense. Noninterest expense increased $64 million for the six months ended June 30, 2014 compared to the same period of the prior year driven by an increase in other noninterest expense, partially offset by a decrease in salaries, incentives and benefits. The increase in other noninterest expense was primarily due to increases in corporate overhead allocations, impairment on affordable housing investments, operating lease expense and litigation expense. Salaries, incentives and benefits decreased due to a decrease in incentive compensation resulting from a change to the structure of the incentive compensation plans in the first quarter of 2014.

Average commercial loans increased $3.9 billion and $3.7 billion for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial portfolio loans increased $3.9 billion and $4.0 billion for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year and average commercial construction portfolio loans increased $636 million and $522 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year as a result of an increase in new loan origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage portfolio loans decreased $643 million and $796 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year due to continued run-off as the level of new originations was less than the repayments on the current portfolio.

Average core deposits increased $5.1 billion and $5.2 billion for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The increase for the three months ended June 30, 2014 was primarily driven by strong growth in average demand deposits, average savings and money market deposits, average interest checking balances and average foreign deposits, which increased $2.0 billion, $1.2 billion, $1.1 billion and $793 million, respectively, compared to the same period of the prior year. The increase for the six months ended June 30, 2014 was primarily driven by strong growth in average demand deposits, average savings and money market deposits, average interest checking balances and average foreign deposits, which increased $1.9 billion, $1.3 billion, $1.1 billion and $857 million, respectively, compared to the same period of the prior year.

Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,309 full-service Banking Centers. Branch Banking offers depository and loan products, such as checking and savings accounts, home equity loans and lines of credit, credit cards and loans for automobiles and other personal financing needs, as well as products designed to meet the specific needs of small businesses, including cash management services.

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The following table contains selected financial data for the Branch Banking segment:

TABLE 24: Branch Banking

($ in millions)	For the three months ended June 30, **2014**	2013	For the six months ended June 30, **2014**	2013
Income Statement Data				
Net interest income	**$ 377**	332	**$ 762**	655
Provision for loan and lease losses	**47**	49	**91**	106
Noninterest income:				
Service charges on deposits	**67**	70	**130**	135
Card and processing revenue	**58**	51	**108**	100
Investment advisory revenue	**39**	37	**75**	74
Other noninterest income	**6**	27	**26**	54
Noninterest expense:				
Salaries, incentives and benefits	**132**	134	**272**	279
Net occupancy and equipment expense	**62**	60	**123**	121
Card and processing expense	**34**	32	**63**	61
Other noninterest expense	**156**	167	**315**	323
Income before taxes	**116**	75	**237**	128
Applicable income tax expense	**41**	27	**83**	46
Net income	**$ 75**	48	**$ 154**	82
Average Balance Sheet Data				
Consumer loans, including held for sale	**$ 14,968**	15,185	**$ 15,034**	15,155
Commercial loans, including held for sale	**1,578**	1,821	**1,630**	1,832
Demand deposits	**11,278**	11,042	**11,133**	10,541
Interest checking	**8,980**	8,559	**9,090**	8,762
Savings and money market	**23,691**	22,268	**23,153**	22,217
Other time and certificates-$100,000 and over	**4,635**	4,854	**4,563**	4,912

Net income was $75 million for the three months ended June 30, 2014, compared to net income of $48 million for the three months ended June 30, 2013. For the six months ended June 30, 2014, net income was $154 million compared to $82 million for the same period of the prior year. Both increases were driven by an increase in net interest income and declines in noninterest expense and the provision for loan and lease losses partially offset by a decline in noninterest income.

Net interest income increased $45 million and $107 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The primary drivers of the increases were increases in the FTP credit rates for demand deposits, savings and money market deposits and interest checking deposits and a decline in interest expense on core deposits due to favorable shifts from certificates of deposit to lower cost transaction deposits.

Provision for loan and lease losses decreased $2 million and $15 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. Net charge-offs as a percent of average loans and leases decreased to 113 bps for the three months ended June 30, 2014 compared to 114 bps for the three months ended June 30, 2013 and decreased to 111 bps for the six months ended June 30, 2014 compared to 125 bps for the same period of the prior year as a result of improved credit trends.

Noninterest income decreased $15 million and $24 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. These decreases were primarily driven by declines in other noninterest income and service charges on deposits, partially offset by increases in card and processing revenue. Other noninterest income decreased primarily due to a $17 million impairment charge in the second quarter of 2014 for branches and land. For more information on this impairment charge, see Note 7 of the Notes to Condensed Consolidated Financial Statements. The remaining decrease in other noninterest income was due primarily to decreases in gains on loan sales and mortgage origination fees of $2 million and $5 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. Service charges on deposits decreased $3 million and $5 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 due to a decrease in consumer checking fees from a decline in the percentage of consumer customers being charged service fees as well as a decrease in identity alert fees. Card and processing revenue increased $7 million and $8 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 due to an increase in the number of actively used cards as well as higher processing fees related to additional ATM locations.

Noninterest expense decreased $9 million and $11 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The decrease for the three months ended June 30, 2014 was primarily due to a decline of $11 million in other noninterest expense due to decreases in marketing expense, loan and lease expense and corporate overhead allocations. The decrease for the six months ended June 30, 2014 was due to declines in salaries, incentives and benefits and other noninterest expense. The decrease in salaries, incentives and benefits was primarily driven by lower compensation due to a decline in the number of full-time equivalent employees. The decrease in other noninterest expense was primarily driven by lower marketing expense and loan and lease expense partially offset by higher corporate overhead allocations.

Average consumer loans decreased $217 million for the three months ended June 30, 2014 and $121 million for the six months ended June 30, 2014 compared to the same periods in the prior year. These decreases were primarily due to decreases in average home equity loans of

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$447 million and $533 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year as payoffs exceeded new advances and new loan production. The decreases in average home equity loans were partially offset by increases in average residential mortgage loans of $132 million and $310 million for the three and six months ended June 30, 2014, respectively, and increases in average credit card loans of $156 million for both the three and six months ended June 30, 2014. The increases in average residential mortgage loans were primarily due to the continued retention of certain shorter term residential mortgage loans. The increases in average credit card loans were primarily due to an increase in open and active accounts driven by the volume of new customer accounts.

Average core deposits increased $1.9 billion and $1.6 billion for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year as the growth in average demand deposits, average savings deposits and average money market deposits, resulting in part from excess customer liquidity, outpaced the run-off of higher priced time deposits.

Consumer Lending

Consumer Lending includes the Bancorp s mortgage, home equity, automobile and other indirect lending activities. Lending activities include the origination, retention and servicing of mortgage, automobile and home equity loans or lines of credit, sales and securitizations of those loans, pools of loans or lines of credit, and all associated hedging activities. Indirect lending activities include extending loans to consumers through correspondent lenders and automobile dealers.

The following table contains selected financial data for the Consumer Lending segment:

TABLE 25: Consumer Lending

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2014**	2013	**2014**	2013
Income Statement Data				
Net interest income	**$ 65**	85	**$ 129**	170
Provision for loan and lease losses	**13**	22	**38**	51
Noninterest income:				
Mortgage banking net revenue	**76**	230	**184**	445
Other noninterest income	**13**	20	**23**	34
Noninterest expense:				
Salaries, incentives and benefits	**32**	68	**66**	131
Other noninterest expense	**132**	140	**265**	254
(Loss) income before taxes	**(23)**	105	**(33)**	213
Applicable income tax (benefit) expense	**(8)**	38	**(11)**	75
Net (loss) income	**$ (15)**	67	**$ (22)**	138
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	**$ 8,732**	10,859	**$ 8,775**	10,956
Home equity	**493**	571	**502**	583
Automobile loans, including held for sale	**11,513**	11,266	**11,483**	11,366
Other consumer loans and leases	**20**	25	**23**	17

Consumer Lending incurred a net loss of $15 million and $22 million, respectively, for the three and six months ended June 30, 2014 compared to net income of $67 million and $138 million for the same periods in the prior year. The net loss for the three and six months ended June 30, 2014 was driven by decreases in noninterest income and net interest income partially offset by decreases in noninterest expense and the provision for loan and lease losses.

Net interest income decreased $20 million and $41 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. The decrease for the three and six months ended June 30, 2014 was primarily driven by decreases in average residential mortgage loans and average home equity loans as well as lower yields on average automobile loans partially offset by a decrease in FTP charges on loans.

Provision for loan and lease losses decreased $9 million and $13 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year, as delinquency metrics and underlying loss trends improved primarily in residential mortgage loans and home equity loans. Net charge-offs as a percent of average loans and leases decreased to 26 bps for the three months ended June 30, 2014 compared to 45 bps for the same period of the prior year and decreased to 39 bps for the six months ended June 30, 2014 compared to 51 bps for the same period of the prior year.

Noninterest income decreased $161 million and $272 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The decrease for the three months ended June 30, 2014 was driven by a decrease in mortgage banking net revenue of $154 million primarily due to a decrease in mortgage origination fees and gains on loan sales of $105 million due to a decline in mortgage originations and a decrease in residential mortgage servicing revenue of $49 million. The decrease for the six months ended June 30, 2014 was driven by a decrease in mortgage banking net revenue of $261 million primarily due to a decrease in mortgage origination fees and gains on loan sales of $230 million due to a decline in mortgage originations and a decrease in residential mortgage servicing revenue of $31 million. Refer to the Noninterest Income section of MD&A for additional information on the fluctuations in mortgage banking net revenue.

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Noninterest expense decreased $44 million and $54 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The decrease for the three months ended June 30, 2014 was due to a decline of $36 million in salaries, incentives and benefits which decreased primarily as a result of lower mortgage loan originations and a decline of $8 million in other noninterest expense. Other noninterest expense decreased primarily due to lower representation and warranty expense, loan and lease expense, and corporate overhead allocations, partially offset by higher litigation expense. The decrease for the six months ended June 30, 2014 was due to a decline of $65 million in salaries, incentives and benefits which decreased primarily as a result of lower mortgage originations, partially offset by an increase of $11 million in other noninterest expense. Other noninterest expense increased primarily due to an increase in litigation expense, partially offset by decreases in representation and warranty expense, loan and lease expense, and corporate overhead allocations.

Average consumer loans and leases decreased $1.9 billion and $2.1 billion for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. Average residential mortgage loans, including held for sale, decreased $2.1 billion and $2.2 billion for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year due primarily to a decline of $2.1 billion for both periods in average residential mortgage loans held for sale from reduced origination volumes driven by higher mortgage rates. The decrease was partially offset by the continued retention of certain shorter term residential mortgage loans. Average automobile loans, including held for sale, increased $247 million and $117 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year due to new originations exceeding run-off.

Investment Advisors

Investment Advisors provides a full range of investment alternatives for individuals, companies and not-for-profit organizations. Investment Advisors is made up of four main businesses: FTS, an indirect wholly-owned subsidiary of the Bancorp; ClearArc Capital, Inc. (formerly Fifth Third Asset Management, Inc.), an indirect wholly-owned subsidiary of the Bancorp; Fifth Third Private Bank; and Fifth Third Institutional Services. FTS offers full service retail brokerage services to individual clients and broker dealer services to the institutional marketplace. ClearArc Capital, Inc. provides asset management services. Fifth Third Private Bank offers holistic strategies to affluent clients in wealth planning, investing, insurance and wealth protection. Fifth Third Institutional Services provides advisory services for institutional clients including states and municipalities.

The following table contains selected financial data for the Investment Advisors segment:

TABLE 26: Investment Advisors

($ in millions)	For the three months ended June 30, **2014**	2013	For the six months ended June 30, **2014**	2013
Income Statement Data				
Net interest income	**$ 29**	35	**$ 60**	70
Provision for loan and lease losses	**1**	1	**2**	2
Noninterest income:				
Investment advisory revenue	**99**	96	**199**	194
Other noninterest income	**2**	3	**6**	12
Noninterest expense:				
Salaries, incentives and benefits	**40**	40	**83**	82
Other noninterest expense	**71**	83	**139**	156
Income before taxes	**18**	10	**41**	36
Applicable income tax expense	**6**	3	**14**	13
Net income	**$ 12**	7	**$ 27**	23

Average Balance Sheet Data				
Loans and leases	**$ 2,271**	1,983	**$ 2,240**	1,954
Core deposits	**9,340**	8,326	**9,448**	8,535

Net income was $12 million for the three months ended June 30, 2014 compared to net income of $7 million for the three months ended June 30, 2013. The increase was driven primarily by a decrease in noninterest expense and an increase in noninterest income partially offset by a decrease in net interest income. For the six months ended June 30, 2014, net income was $27 million compared to $23 million for the same period of the prior year. The increase was driven primarily by a decrease in noninterest expense partially offset by decreases in net interest income and noninterest income. Net interest income decreased $6 million and $10 million for the three and six months ended June 30, 2014, respectively, due primarily to a decrease in FTP credits on interest checking deposits.

Noninterest income increased $2 million and decreased $1 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The increase for the three months ended June 30, 2014 was primarily due to a $3 million increase in private client services revenue partially offset by a $1 million decrease in other noninterest income. The decrease for the six months ended June 30, 2014 was driven by a $6 million decrease in other noninterest income partially offset by a $5 million increase in investment advisory revenue. Other noninterest income in the prior year period included a $7 million gain on the sale of certain advisory contracts which were sold in the first quarter of 2013. The increase in investment advisory revenue was due primarily to an increase in private client services revenue.

Noninterest expense decreased $12 million and $16 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year. The decrease for the three months ended June 30, 2014 was primarily driven by an $11 million decrease in fraud loss. The decrease for the six months ended June 30, 2014 was primarily due to an $11 million decrease in fraud loss and a decrease in corporate overhead allocations.

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Average loans and leases increased $288 million and $286 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 primarily due to increases in residential mortgage, commercial mortgage and other consumer loans. Average core deposits increased $1.0 billion and $913 million for the three and six months ended June 30, 2014, respectively, compared to the same periods of the prior year primarily due to growth in interest checking as customers have opted to maintain excess funds in liquid transaction accounts as a result of interest rates remaining near historic lows.

General Corporate and Other

General Corporate and Other includes the unallocated portion of the investment securities portfolio, securities gains and losses, certain non-core deposit funding, unassigned equity, provision expense in excess of net charge-offs or a benefit from the reduction of the ALLL, representation and warranty expense in excess of actual losses or a benefit from the reduction of representation and warranty reserves, the payment of preferred stock dividends and certain support activities and other items not attributed to the business segments.

Results for the three and six months ended June 30, 2014 were impacted by a benefit of $25 million and $124 million, respectively, due to reductions in the ALLL. Net interest income for the three months ended June 30, 2014 was $20 million compared to $41 million in the same period of the prior year. Net interest income for the six months ended June 30, 2014 was $28 million compared to $101 million in the same period of the prior year. Decreases in net interest income for both periods were due to decreases in the benefit related to the FTP charges on loans and increases in interest expense on long-term debt, partially offset by increases in interest income on taxable securities. Noninterest income was $195 million and $191 million for the three and six months ended June 30, 2014, respectively, compared to $353 million and $424 million for the three and six months ended June 30, 2013, respectively. Decreases in noninterest income for both periods included a gain of $125 million from the sale of Vantiv, Inc. shares in the second quarter of 2014, compared to a $242 million gain from the sale of Vantiv, Inc. shares in the second quarter of 2013. In addition, the positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC decreased $13 million and $82 million, respectively, for the three and six months ended June 30, 2014 from the comparable prior year periods. Additionally, the equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $15 million compared to the three months ended June 30, 2013 and decreased $17 million compared to the six months ended June 30, 2013. Noninterest income also included a $16 million and $15 million negative valuation adjustments related to the Visa total return swap for the three and six months ended June 30, 2014, respectively, compared with a $5 million and $12 million negative valuation adjustments related to the Visa total return swap for the three and six months ended June 30, 2013, respectively.

Noninterest expense for the three months ended June 30, 2014 was $3 million compared to $47 million for the three months ended June 30, 2013 primarily due to decreases in litigation and regulatory activity and representation and warranty provisions and a decrease in other noninterest expense driven by increased corporate overhead allocations from General Corporate and Other to the other business segments. Noninterest expense for the six months ended June 30, 2014 was a benefit of $14 million compared to an expense of $79 million for the six months ended June 30, 2013 primarily due to decreases in litigation settlements and reserves expense and representation and warranty provisions and an increase in the benefit from other noninterest expense driven by increased corporate overhead allocations from Generate Corporate and Other to the other business segments.

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RISK MANAGEMENT OVERVIEW

Managing risk is an essential component of successfully operating a financial services company. The Bancorp s risk management approach includes processes for identifying, assessing, managing, monitoring and reporting risks. The ERM division and the Bancorp Credit division, led by the Bancorp s Chief Risk and Credit Officer, ensure the consistency and adequacy of the Bancorp s risk management approach within the structure of the Bancorp s affiliate operating model. In addition, the Internal Audit division provides an independent assessment of the Bancorp s internal control structure and related systems and processes.

The assumption of risk requires robust and active risk management practices that comprise an integrated and comprehensive set of activities, measures and strategies that apply to the entire organization. The Bancorp has established a Risk Appetite Framework, approved by the Board, that provides the foundations of corporate risk capacity, risk appetite and risk tolerances. The Bancorp s risk capacity is represented by its available financial resources. Risk capacity sets an absolute limit on risk-assumption in the Bancorp s annual and strategic plans. The Bancorp understands that not all financial resources may persist as viable loss buffers over time. Further, consideration must be given to planned or foreseeable events that would reduce risk capacity. Those factors take the form of capacity adjustments to arrive at an Operating Risk Capacity which represents the operating risk level the Bancorp can assume while maintaining its solvency standard. The Bancorp s policy currently discounts its Operating Risk Capacity by a minimum of five percent to provide a buffer; as a result, the Bancorp s risk appetite is limited by policy to, at most, 95% of its Operating Risk Capacity.

Economic capital is the amount of unencumbered financial resources required to support the Bancorp s risks. The Bancorp measures economic capital under the assumption that it expects to maintain debt ratings at strong investment grade levels over time. The Bancorp s capital policies require that the Operating Risk Capacity less the aforementioned buffer exceed the calculated economic capital required in its business.

Risk appetite is the aggregate amount of risk the Bancorp is willing to accept in pursuit of its strategic and financial objectives. By establishing boundaries around risk taking and business decisions, and by incorporating the needs and goals of its shareholders, regulators, rating agencies and customers, the Bancorp s risk appetite is aligned with its priorities and goals. Risk tolerance is the maximum amount of risk applicable to each of the eight specific risk categories included in its Enterprise Risk Management Framework. This is expressed primarily in qualitative terms. The Bancorp s risk appetite and risk tolerances are supported by risk targets and risk limits. Those limits are used to monitor the amount of risk assumed at a granular level. On a quarterly basis, the Risk and Compliance Committee of the Board reviews performance against key risk limits as well as current assessments of each of the eight risk types relative to the established tolerance. Any results over limits or outside of tolerance require the development of an action plan that describes actions to be taken to return the measure to within the limit or tolerance.

The risks faced by the Bancorp include, but are not limited to, credit, market, liquidity, operational, regulatory compliance, legal, reputational and strategic. Each of these risks is managed through the Bancorp s risk program which includes the following key functions:

- Enterprise Risk Management is responsible for developing and overseeing the implementation of risk programs and reporting that facilitate a broad integrated view of risk. The department also leads the continual fostering of a strong risk management culture and the framework, policies and committees that support effective risk governance, including the oversight of Sarbanes-Oxley compliance;

- Commercial Credit Risk Management is responsible for overseeing the safety and soundness of the commercial loan portfolio within an independent portfolio management framework that supports the Bancorp s commercial loan growth strategies and underwriting practices, ensuring portfolio optimization and appropriate risk controls;

- Risk Strategies and Reporting is responsible for quantitative analysis needed to support the commercial dual rating methodology, ALLL methodology and analytics needed to assess credit risk and develop mitigation strategies related to that risk. The department

also provides oversight, reporting and monitoring of commercial underwriting and credit administration processes. The Risk Strategies and Reporting department is also responsible for the economic capital program and risk management governance and reporting;

Consumer Credit Risk Management is responsible for overseeing the safety and soundness of the consumer portfolio within an independent management framework that supports the Bancorp s consumer loan growth strategies, ensuring portfolio optimization, appropriate risk controls and oversight, reporting, and monitoring of underwriting and credit administration processes;

Operational Risk Management works with lines of business and affiliates to maintain processes to monitor and manage all aspects of operational risk, including ensuring consistency in application of operational risk programs;

Bank Protection oversees and manages fraud prevention and detection and provides investigative and recovery services for the Bancorp;

Capital Markets Risk Management is responsible for instituting, monitoring, and reporting appropriate trading limits, monitoring liquidity, interest rate risk and risk tolerances within Treasury, Mortgage, and Capital Markets groups and utilizing a value at risk model for Bancorp market risk exposure;

Regulatory Compliance Risk Management ensures that processes are in place to monitor and comply with federal and state banking regulations, including processes related to fiduciary, community reinvestment act and fair lending compliance. The function also has the responsibility for maintenance of an enterprise-wide compliance framework; and

The ERM division creates and maintains other functions, committees or processes as are necessary to effectively manage risk throughout the Bancorp.

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Risk management oversight and governance is provided by the Risk and Compliance Committee of the Board of Directors and through multiple management committees whose membership includes a broad cross-section of line-of-business, affiliate and support representatives. The Risk and Compliance Committee of the Board of Directors consists of five outside directors and has the responsibility for the oversight of risk management for the Bancorp, as well as for the Bancorp s overall aggregate risk profile. The Risk and Compliance Committee of the Board of Directors has approved the formation of key management governance committees that are responsible for evaluating risks and controls. The primary committee responsible for the oversight of risk management is the ERMC. Committees accountable to the ERMC, which support the core risk programs, are the Corporate Credit Committee, the Operational Risk Committee, the Management Compliance Committee, the Asset/Liability Committee and the Enterprise Marketing Committee. Other committees accountable to the ERMC oversee the ALLL, capital and community reinvestment act/fair lending functions. There are also new products and initiatives processes applicable to every line of business to ensure an appropriate standard readiness assessment is performed before launching a new product or initiative. Significant risk policies approved by the management governance committees are also reviewed and approved by the Risk and Compliance Committee of the Board of Directors.

Credit Risk Review is an independent function responsible for evaluating the sufficiency of underwriting, documentation and approval processes for consumer and commercial credits, the accuracy of risk grades assigned to commercial credit exposure, nonaccrual status, specific reserves and monitoring for charge-offs. Credit Risk Review reports directly to the Risk and Compliance Committee of the Board of Directors and administratively to the Chief Auditor.

The Bancorp conducts regular reviews of the industries it serves based on the changing competitive and regulatory environment. Based on the most recent review and the significant changes within the mortgage industry over the past several years, the Bancorp exited the Residential Wholesale Loan Broker business during the first quarter of 2014.

CREDIT RISK MANAGEMENT

The objective of the Bancorp s credit risk management strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bancorp. The Bancorp s credit risk management strategy is based on three core principles: conservatism, diversification and monitoring. The Bancorp believes that effective credit risk management begins with conservative lending practices. These practices include conservative exposure and counterparty limits and conservative underwriting, documentation and collection standards. The Bancorp s credit risk management strategy also emphasizes diversification on a geographic, industry and customer level as well as ongoing portfolio monitoring and timely management reviews of large credit exposures and credits experiencing deterioration of credit quality. Credit officers with the authority to extend credit are delegated specific authority amounts, the utilization of which is closely monitored. Underwriting activities are centrally managed, and ERM manages the policy and the authority delegation process directly. The Credit Risk Review function provides objective assessments of the quality of underwriting and documentation, the accuracy of risk grades and the charge-off, nonaccrual and reserve analysis process. The Bancorp s credit review process and overall assessment of the adequacy of the allowance for credit losses is based on quarterly assessments of the probable estimated losses inherent in the loan and lease portfolio. The Bancorp uses these assessments to promptly identify potential problem loans or leases within the portfolio, maintain an adequate reserve and take any necessary charge-offs. The Bancorp defines potential problem loans as those rated substandard that do not meet the definition of a nonperforming asset or a restructured loan. See Note 6 of the Notes to Condensed Consolidated Financial Statements for further information on the Bancorp s credit grade categories, which are derived from standard regulatory rating definitions.

The following tables provide a summary of potential problem loans:

TABLE 27: Potential Problem Loans

As of June 30, 2014 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	$ 1,103	1,110	1,533

Commercial mortgage	**384**	**385**	**385**
Commercial construction	**4**	**4**	**7**
Commercial leases	**26**	**26**	**26**
Total	**$ 1,517**	**1,525**	**1,951**

TABLE 28: Potential Problem Loans

As of December 31, 2013 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	$ 1,032	1,034	1,323
Commercial mortgage	517	520	520
Commercial construction	44	44	50
Commercial leases	18	18	18
Total	$ 1,611	1,616	1,911

In addition to the individual review of larger commercial loans that exhibit probable or observed credit weaknesses, the commercial credit review process includes the use of two risk grading systems. The risk grading system currently utilized for reserve analysis purposes encompasses ten categories. The Bancorp also maintains a dual risk rating system for credit approval and pricing, portfolio monitoring and

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capital allocation that includes a through-the-cycle rating philosophy for modeling expected losses. The dual risk rating system includes thirteen probabilities of default grade categories and an additional six grade categories for estimating losses given an event of default. The probability of default and loss given default evaluations are not separated in the ten-category risk rating system. The Bancorp has completed significant validation and testing of the dual risk rating system as a commercial credit risk management tool. The Bancorp is assessing the necessary modifications to the dual risk rating system outputs to develop a U.S. GAAP compliant ALLL model and will make a decision on the use of modified dual risk ratings for purposes of determining the Bancorp s ALLL once the FASB has issued a final standard regarding proposed methodology changes to the determination of credit impairment as outlined in the FASB s Proposed Accounting Standard Update-Financial Instruments-Credit Losses (Subtopic 825-15) issued on December 20, 2012. Scoring systems, various analytical tools and portfolio performance monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

Overview

Economic growth is improving and GDP is expected to rise as the year progresses. The job market is slowly but steadily improving. Housing prices have largely stabilized and are increasing in many markets, but overall current economic conditions are causing weaker than desired qualified loan demand and a relatively low interest rate environment, which directly impacts the Bancorp s growth and profitability.

Among consumer portfolios, residential mortgage and brokered home equity portfolios exhibited the most stress. Management suspended homebuilder and developer lending in 2007 and new commercial non-owner occupied real estate lending in 2008, discontinued the origination of brokered home equity products at the end of 2007 and tightened underwriting standards across both the commercial and consumer loan product offerings. As of June 30, 2014, consumer real estate loans originated from 2005-2008 represent approximately 20% of the consumer real estate portfolio and approximately 46% of total losses for the second quarter of 2014. Loss rates continue to improve as newer vintages are performing within expectations. With the stabilization of certain real estate markets, the Bancorp began to selectively originate new homebuilder and developer lending and non-owner occupied commercial lending real estate in the third quarter of 2011. Currently, the level of new commercial real estate fundings is slightly above the amortization and pay-off of the portfolio. The Bancorp continues to aggressively engage in other loss mitigation strategies such as reducing credit commitments, restructuring certain commercial and consumer loans, as well as utilizing commercial and consumer loan workout teams. For commercial and consumer loans owned by the Bancorp, loan modification strategies are developed that are workable for both the borrower and the Bancorp when the borrower displays a willingness to cooperate. These strategies typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. For residential mortgage loans serviced for FHLMC and FNMA, the Bancorp participates in the HAMP and HARP 2.0 programs. For loans refinanced under the HARP 2.0 program, the Bancorp strictly adheres to the underwriting requirements of the program and promptly sells the refinanced loan back to the agencies. Loan restructuring under the HAMP program is performed on behalf of FHLMC or FNMA and the Bancorp does not take possession of these loans during the modification process. Therefore, participation in these programs does not significantly impact the Bancorp s credit quality statistics. The Bancorp participates in trial modifications in conjunction with the HAMP program for loans it services for FHLMC and FNMA. As these trial modifications relate to loans serviced for others, they are not included in the Bancorp s troubled debt restructurings as they are not assets of the Bancorp. In the event there is a representation and warranty violation on loans sold through the programs, the Bancorp may be required to repurchase the sold loan. As of June 30, 2014, repurchased loans restructured or refinanced under these programs were immaterial to the Bancorp s Condensed Consolidated Financial Statements. Additionally, as of June 30, 2014, $28 million of loans refinanced under HARP 2.0 were included in loans held for sale in the Bancorp s Condensed Consolidated Balance Sheets. For the three and six months ended June 30, 2014, the Bancorp recognized $4 million and $8 million, respectively, of noninterest income in mortgage banking net revenue in the Bancorp s Condensed Consolidated Statements of Income related to the sale of loans restructured or refinanced under the HAMP and HARP 2.0 programs.

In the financial services industry, there has been heightened focus on foreclosure activity and processes. The Bancorp actively works with borrowers experiencing difficulties and has regularly modified or provided forbearance to borrowers where a workable solution could be found. Foreclosure is a last resort, and the Bancorp undertakes foreclosures only when it believes they are necessary and appropriate and is careful to ensure that customer and loan data are accurate.

During the fourth quarter of 2013, the Bancorp settled certain repurchase claims related to mortgage loans originated and sold to FHLMC prior to January 1, 2009 for $25 million, after paid claim credits and other adjustments. The settlement removes the Bancorp s responsibility to repurchase or indemnify FHLMC for representation and warranty violations on any loan sold prior to January 1, 2009 except in limited

circumstances.

Commercial Portfolio

The Bancorp s credit risk management strategy includes minimizing concentrations of risk through diversification. The Bancorp has commercial loan concentration limits based on industry, lines of business within the commercial segment, geography and credit product type.

The risk within the commercial loan and lease portfolio is managed and monitored through an underwriting process utilizing detailed origination policies, continuous loan level reviews, monitoring of industry concentration and product type limits and continuous portfolio risk management reporting. The origination policies for commercial real estate outline the risks and underwriting requirements for owner and non-owner occupied and construction lending. Included in the policies are maturity and amortization terms, maximum LTVs, minimum debt service coverage ratios, construction loan monitoring procedures, appraisal requirements, pre-leasing requirements (as applicable) and sensitivity and pro-forma analysis requirements. The Bancorp requires a valuation of real estate collateral, which may include third-party appraisals, be performed at the time of origination and renewal in accordance with regulatory requirements and on an as needed basis when market conditions justify. Although the Bancorp does not back test these collateral value assumptions, the Bancorp maintains an appraisal review department to order and review third-party appraisals in accordance with regulatory requirements. Collateral values on criticized assets with relationships exceeding $1 million are reviewed quarterly to assess the appropriateness of the value ascribed in the assessment of charge-offs and specific reserves. In addition, the Bancorp applies incremental valuation haircuts to older appraisals that relate to collateral

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dependent loans, which can currently be up to 20-30% of the appraised value based on the type of collateral. These incremental valuation haircuts generally reflect the age of the most recent appraisal as well as collateral type. Trends in collateral values, such as home price indices and recent asset dispositions, are monitored in order to determine whether changes to the appraisal haircuts are warranted. Other factors such as local market conditions or location may also be considered as necessary.

The Bancorp assesses all real estate and non-real estate collateral securing a loan and considers all cross collateralized loans in the calculation of the LTV ratio. The following table provides detail on the most recent LTV ratios for commercial mortgage loans greater than $1 million, excluding impaired commercial mortgage loans individually evaluated. The Bancorp does not typically aggregate the LTV ratios for commercial mortgage loans less than $1 million.

TABLE 29: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of June 30, 2014 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner occupied loans	**$ 193**	**310**	**2,070**
Commercial mortgage non-owner occupied loans	**230**	**440**	**2,028**
Total	**$ 423**	**750**	**4,098**

TABLE 30: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of December 31, 2013 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner occupied loans	$ 240	345	2,152
Commercial mortgage non-owner occupied loans	274	353	1,798
Total	$ 514	698	3,950

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The following table provides detail on commercial loans and leases by industry classification (as defined by the North American Industry Classification System), by loan size and by state, illustrating the diversity and granularity of the Bancorp s commercial loans and leases as of:

TABLE 31: Commercial Loan and Lease Portfolio (excluding loans held for sale)

	June 30, 2014			December 31, 2013		
(S in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By industry:						
Manufacturing	**$ 11,056**	**20,366**	**63**	$ 10,299	19,955	55
Financial services and insurance	**5,783**	**13,916**	**28**	5,998	14,010	25
Real estate	**5,273**	**8,003**	**67**	5,027	7,302	70
Business services	**5,018**	**7,595**	**26**	4,910	7,411	55
Wholesale trade	**4,480**	**8,263**	**49**	4,407	8,406	35
Healthcare	**4,125**	**6,232**	**23**	4,038	6,220	26
Retail trade	**3,447**	**6,856**	**37**	3,301	6,673	18
Transportation and warehousing	**3,059**	**4,354**	**1**	3,134	4,416	1
Communication and information	**2,182**	**3,717**	**3**	1,801	3,295	2
Construction	**1,992**	**3,245**	**38**	1,865	3,196	36
Accommodation and food	**1,758**	**2,736**	**11**	1,668	2,556	12
Mining	**1,618**	**3,056**	**11**	1,580	3,206	55
Entertainment and recreation	**1,294**	**2,149**	**11**	1,149	1,955	12
Utilities	**1,012**	**2,563**		773	2,332	
Other services	**945**	**1,269**	**12**	1,013	1,362	24
Public administration	**520**	**756**		541	734	
Agribusiness	**344**	**490**	**13**	356	504	26
Individuals	**173**	**217**	**3**	174	218	6
Other	**16**	**17**		12	12	
Total	**$ 54,095**	**95,800**	**396**	$ 52,046	93,763	458
By loan size:						
Less than $200,000	**1 %**	**1**	**7**	1 %	1	8
$200,000 to $1 million	**5**	**4**	**19**	5	4	18
$1 million to $5 million	**12**	**9**	**23**	13	10	23
$5 million to $10 million	**9**	**7**	**14**	10	8	10
$10 million to $25 million	**26**	**23**	**37**	27	23	34
Greater than $25 million	**47**	**56**		44	54	7
Total	**100 %**	**100**	**100**	100 %	100	100
By state:						
Ohio	**18 %**	**20**	**14**	19 %	22	16
Michigan	**10**	**8**	**13**	10	8	11
Illinois	**7**	**8**	**8**	7	7	8
Florida	**7**	**6**	**21**	7	6	19
Indiana	**5**	**5**	**5**	5	5	9
Kentucky	**3**	**3**	**2**	3	3	2
North Carolina	**3**	**3**	**3**	3	3	1

Tennessee	**3**	**3**		3	3	1
Pennsylvania	**3**	**3**		3	3	7
All other states	**41**	**41**	**34**	40	40	26
Total	**100 %**	**100**	**100**	100 %	100	100

The Bancorp has identified certain categories of loans which it believes represent a higher level of risk compared to the rest of the Bancorp s commercial loan portfolio, due to economic or market conditions within the Bancorp s key lending areas. The following tables provide analysis of non-owner occupied commercial real estate loans (excluding loans held for sale):

TABLE 32: Non-Owner Occupied Commercial Real Estate[(a)]

As of June 30, 2014 ($ in millions)					**Net Charge-offs for June 30, 2014**	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
Ohio	**$ 1,157**	**1,619**		**11**	**(1)**	
Michigan	**806**	**879**		**17**	**5**	**5**
Florida	**544**	**745**		**5**	**1**	**1**
Illinois	**495**	**849**		**9**	**1**	**1**
North Carolina	**311**	**516**		**2**		
Indiana	**214**	**317**		**3**		
All other states	**1,445**	**2,518**		**4**		
Total	**$ 4,972**	**7,443**		**51**	**6**	**7**

(a) Included in commercial mortgage and commercial construction loans on the Condensed Consolidated Balance Sheets.

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TABLE 33: Non-Owner Occupied Commercial Real Estate[(a)]

As of June 30, 2013 ($ in millions)					Net Charge-offs for June 30, 2013	
			90 Days		Three Months	Six Months
By State:	Outstanding	Exposure	Past Due	Nonaccrual	Ended	Ended
Ohio	$ 1,051	1,298		26	2	15
Michigan	977	1,093		48	3	3
Florida	524	638		18		3
Illinois	414	559		16	1	2
Indiana	228	246		10		
North Carolina	155	211		6		
All other states	1,024	1,679		3		
Total	$ 4,373	5,724		127	6	23

(a) Included in commercial mortgage and commercial construction loans on the Condensed Consolidated Balance Sheets.

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Consumer Portfolio

The Bancorp s consumer portfolio is materially comprised of three categories of loans: residential mortgage, home equity, and automobile. The Bancorp has identified certain categories within these loan types which it believes represent a higher level of risk compared to the rest of the consumer loan portfolio due to high loan amount to collateral value. The Bancorp does not update LTV ratios for the consumer portfolio subsequent to origination except as part of the charge-off process for real estate secured loans.

Residential Mortgage Portfolio

The Bancorp manages credit risk in the residential mortgage portfolio through conservative underwriting and documentation standards and geographic and product diversification. The Bancorp may also package and sell loans in the portfolio.

The Bancorp does not originate mortgage loans that permit customers to defer principal payments or make payments that are less than the accruing interest. The Bancorp originates both fixed and adjustable rate residential mortgage loans. Resets of rates on adjustable rate mortgages are not expected to have a material impact on credit costs in the current interest rate environment, as approximately $924 million of adjustable rate residential mortgage loans will have rate resets during the next twelve months, with less than one percent of those resets expected to experience an increase in monthly payments in comparison to the monthly payment at the time of origination.

Certain residential mortgage products have contractual features that may increase credit exposure to the Bancorp in the event of a decline in housing values. These types of mortgage products offered by the Bancorp include loans with high LTV ratios, multiple loans on the same collateral that when combined result in an LTV greater than 80% and interest-only loans. The Bancorp has deemed residential mortgage loans with greater than 80% LTV ratios and no mortgage insurance as loans that represent a higher level of risk.

The following table provides an analysis of the residential mortgage portfolio loans outstanding by LTV at origination as of:

TABLE 34: Residential Mortgage Portfolio Loans by LTV at Origination

	June 30, 2014		December 31, 2013	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 80%	**$ 9,321**	**65.3 %**	$ 9,507	65.2 %
LTV > 80%, with mortgage insurance	**1,241**	**93.5**	1,242	93.7
LTV > 80%, no mortgage insurance	**2,090**	**96.1**	1,931	95.9
Total	**$ 12,652**	**73.3 %**	$ 12,680	72.7 %

The following tables provide analysis of the residential mortgage portfolio loans outstanding with a greater than 80% LTV ratio and no mortgage insurance:

TABLE 35: Residential Mortgage Portfolio Loans, LTV Greater Than 80%, No Mortgage Insurance

As of June 30, 2014 ($ in millions)			**Net Charge-offs for June 30, 2014**
By State:	Outstanding	Nonaccrual	

		90 Days Past Due		Three Months Ended	Six Months Ended
Ohio	**$ 593**	**3**	**15**	**1**	**3**
Michigan	**323**	**1**	**7**	**1**	**2**
Illinois	**270**		**6**		**1**
Florida	**265**	**1**	**7**		**1**
Indiana	**132**	**2**	**3**		**1**
North Carolina	**105**		**1**		
Kentucky	**90**		**1**		
All other states	**312**		**3**	**1**	**1**
Total	**$ 2,090**	**7**	**43**	**3**	**9**

TABLE 36: Residential Mortgage Portfolio Loans, LTV Greater Than 80%, No Mortgage Insurance

As of June 30, 2013 ($ in millions)				Net Charge-offs for June 30, 2013	
By State:	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
Ohio	$ 590	2	21	2	5
Michigan	307	1	9	1	3
Illinois	215	1	5	1	1
Florida	258	1	14	1	2
Indiana	120	1	4		
North Carolina	101		3		
Kentucky	88		3	2	2
All other states	215	1	2		1
Total	$ 1,894	7	61	7	14

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Home Equity Portfolio

The Bancorp s home equity portfolio is primarily comprised of home equity lines of credit. Beginning in the first quarter of 2013, the Bancorp s newly originated home equity lines of credit have a 10-year interest only draw period followed by a 20-year amortization period. The home equity line of credit previously offered by the Bancorp was a revolving facility with a 20-year term, minimum payments of interest only and a balloon payment of principal at maturity.

The ALLL provides coverage for probable and estimable losses in the home equity portfolio. The allowance attributable to the portion of the home equity portfolio that has not been restructured in a TDR is calculated on a pooled basis with senior lien and junior lien categories segmented in the determination of the probable credit losses in the home equity portfolio. The modeled loss factor for the home equity portfolio is based on the trailing twelve month historical loss rate for each category, as adjusted for certain prescriptive loss rate factors and certain qualitative adjustment factors to reflect risks associated with current conditions and trends. The prescriptive loss rate factors include adjustments for delinquency trends, LTV trends, refreshed FICO score trends and product mix. The qualitative factors include adjustments for credit administration and portfolio management, credit policy and underwriting and the national and local economy. The Bancorp considers home price index trends when determining the national and local economy qualitative factor.

The home equity portfolio is managed in two primary groups: loans outstanding with a LTV greater than 80% and those loans with a LTV 80% or less based upon appraisals at origination. The carrying value of the greater than 80% LTV home equity loans and 80% or less LTV home equity loans were $3.1 billion and $6.0 billion, respectively, as of June 30, 2014. Of the total $9.1 billion of outstanding home equity loans:

- 83% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois;
- 34% are in senior lien positions and 66% are in junior lien positions at June 30, 2014;
- Over 80% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended June 30, 2014; and
- The portfolio had an average refreshed FICO score of 738 at June 30, 2014 and 736 at December 31, 2013.

The Bancorp actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation. The Bancorp does not routinely obtain appraisals on performing loans to update LTV ratios after origination. However, the Bancorp monitors the local housing markets by reviewing various home price indices and incorporates the impact of the changing market conditions in its ongoing credit monitoring processes. For junior lien home equity loans which become 60 days or more past due, the Bancorp tracks the performance of the senior lien loans in which the Bancorp is the servicer and utilizes consumer credit bureau attributes to monitor the status of the senior lien loans that the Bancorp does not service. If the senior lien loan is found to be 120 days or more past due, the junior lien home equity loan is placed on nonaccrual status unless both loans are well-secured and in the process of collection. Additionally, if the junior lien home equity loan becomes 120 days or more past due and the senior lien loan is also 120 days or more past due, the junior lien home equity loan is assessed for charge-off, unless it is well-secured and in the process of collection. Refer to the Analysis of Nonperforming Assets section of MD&A for more information.

The following table provides an analysis of home equity loans outstanding disaggregated based upon refreshed FICO score as of:

TABLE 37: Home Equity Loans Outstanding by Refreshed FICO Score

($ in millions)	June 30, 2014 Outstanding	% of Total	December 31, 2013 Outstanding	% of Total
Senior Liens:				
FICO < 620	**$ 183**	**2 %**	$ 201	2 %
FICO 621-719	**627**	**7**	638	7
FICO > 720	**2,255**	**25**	2,253	24
Total Senior Liens	**3,065**	**34**	3,092	33
Junior Liens:				
FICO < 620	**515**	**6**	565	6
FICO 621-719	**1,598**	**18**	1,662	18
FICO > 720	**3,878**	**42**	3,927	43
Total Junior Liens	**5,991**	**66**	6,154	67
Total	**$ 9,056**	**100 %**	$ 9,246	100 %

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The Bancorp believes that home equity loans with a greater than 80% combined LTV ratio present a higher level of risk. The following table provides an analysis of the home equity loans outstanding in a senior and junior lien position by LTV at origination as of:

TABLE 38: Home Equity Loans Outstanding by LTV at Origination

	June 30, 2014		December 31, 2013	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
Senior Liens:				
LTV £ 80%	**$ 2,634**	**55.1 %**	$ 2,645	54.9 %
LTV > 80%	**431**	**89.2**	447	89.2
Total Senior Liens	**3,065**	**60.1**	3,092	60.1
Junior Liens:				
LTV £ 80%	**3,313**	**67.4**	3,353	67.3
LTV > 80%	**2,678**	**91.2**	2,801	91.4
Total Junior Liens	**5,991**	**79.9**	6,154	80.2
Total	**$ 9,056**	**72.7 %**	$ 9,246	72.9 %

The following tables provide analysis of home equity loans by state with LTV greater than 80%:

TABLE 39: Home Equity Loans Outstanding with LTV Greater than 80%

As of June 30, 2014 ($ in millions)					**Net Charge-offs for June 30, 2014**	
By State:	Outstanding	Exposure	90 Days Past Due and Accruing	Nonaccrual*(a)*	Three Months Ended*(b)*	Six Months Ended*(b)*
Ohio	**$ 1,142**	**1,852**		**8**	**3**	**5**
Michigan	**656**	**938**		**7**	**2**	**4**
Illinois	**364**	**533**		**7**	**1**	**4**
Indiana	**279**	**430**		**3**		**1**
Kentucky	**262**	**414**		**2**	**1**	**2**
Florida	**111**	**150**		**2**	**1**	**2**
All other states	**295**	**403**		**5**	**2**	**3**
Total	**$ 3,109**	**4,720**		**34**	**10**	**21**

(a) During the fourth quarter of 2013, the Bancorp modified its nonaccrual policy for home equity loans and lines of credit. For further information, refer to Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013.

(b)

During the fourth quarter of 2013, the Bancorp modified its charge-off policy for home equity loans and lines of credit. For further information, refer to Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013.

TABLE 40: Home Equity Loans Outstanding with LTV Greater than 80%

As of June 30, 2013 ($ in millions)					Net Charge-offs for June 30, 2013	
By State:	Outstanding	Exposure	90 Days Past Due and Accruing	Nonaccrual	Three Months Ended	Six Months Ended
Ohio	$ 1,187	1,876	6	5	4	9
Michigan	744	1,045	4	3	3	8
Illinois	405	582	4	2	2	5
Indiana	320	486	2	2	1	2
Kentucky	300	466	2	1	1	2
Florida	122	165	2	2	2	2
All other states	343	459	3	3	1	4
Total	$ 3,421	5,079	23	18	14	32

Automobile Portfolio

The automobile portfolio is characterized by direct and indirect lending products to consumers. As of June 30, 2014, 51% of the automobile loan portfolio is comprised of loans collateralized by new automobiles. It is a common practice to advance on automobile loans an amount in excess of the automobile value due to the inclusion of taxes, title, and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans.

The following table provides an analysis of automobile loans outstanding by LTV at origination as of:

TABLE 41: Automobile Loans Outstanding by LTV at Origination

	June 30, 2014		December 31, 2013	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 100%	**$ 8,327**	**81.5 %**	$ 8,306	81.4 %
LTV > 100%	**3,723**	**110.8**	3,678	110.7
Total	**$ 12,050**	**90.8 %**	$ 11,984	90.7 %

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The following tables provide analysis of the Bancorp s automobile loans with a LTV at origination greater than 100%:

TABLE 42: Automobile Loans Outstanding by LTV Greater than 100%

As of ($ in millions)	Outstanding	90 Days Past Due and Accruing	Nonaccrual	Net Charge-offs for the Three Months Ended	Net Charge-offs for the Six Months Ended
June 30, 2014	**$ 3,723**	**4**	**1**	**2**	**8**
June 30, 2013	3,769	4	1	3	6

European Exposure

The Bancorp has no direct sovereign exposure to any European nation as of June 30, 2014. In providing services to our customers, the Bancorp routinely enters into financial transactions with foreign domiciled and U.S. subsidiaries of foreign businesses as well as foreign financial institutions. These financial transactions are in the form of loans, loan commitments, letters of credit, derivatives and securities. The Bancorp s risk appetite for foreign country exposure is managed by having established country exposure limits. The Bancorp s total exposure to European domiciled or owned businesses and European financial institutions was $3.9 billion and funded exposure was $2.3 billion as of June 30, 2014. Additionally, the Bancorp was within its established country exposure limits for all European countries.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have been experiencing increased levels of stress throughout 2013 and during the six months ended June 30, 2014. The Bancorp s total exposure to businesses domiciled or owned by companies and financial institutions in these countries was approximately $180 million and funded exposure was $89 million as of June 30, 2014.

The following table provides detail about the Bancorp s exposure to all European domiciled and owned businesses and financial institutions as of June 30, 2014:

TABLE 43: European Exposure

	Sovereigns		Financial Institutions		Non-Financial Institutions		Total	
($ in millions)	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure*(a)*	Funded Exposure
Peripheral Europe[(b)]	$				180	89	180	89
Other Eurozone[(c)]			120	90	2,461	1,480	2,581	1,570
Total Eurozone			120	90	2,641	1,569	2,761	1,659
Other Europe[(d)]			34	33	1,101	640	1,135	673
Total Europe	$		154	123	3,742	2,209	3,896[(e)]	2,332

(a) Total exposure includes funded exposure and unfunded commitments, reported net of collateral.

(b) *Peripheral Europe includes Greece, Ireland, Italy, Portugal and Spain.*
(c) *Eurozone includes countries participating in the European common currency (Euro).*
(d) *Other Europe includes European countries not part of the Euro (primarily the United Kingdom and Switzerland).*
(e) *Includes $1,717 related to U.S. based customers owned by European entities.*

Analysis of Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial and credit card loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 44. Refer to the nonaccrual section of Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013 for additional delinquency and nonperforming information.

Total nonperforming assets, including loans held for sale, were $837 million at June 30, 2014 compared to $986 million at December 31, 2013. At June 30, 2014, $5 million of nonaccrual loans, consisting primarily of real estate secured loans, were held for sale, compared to $6 million at December 31, 2013.

Nonperforming assets as a percentage of total loans, leases and other assets, including OREO and nonaccrual loans held for sale as of June 30, 2014 were 0.92%, compared to 1.10% as of December 31, 2013. The composition of nonaccrual loans and leases continues to be concentrated in real estate as 59% of nonaccrual loans and leases were secured by real estate as of June 30, 2014 compared with 60% as of December 31, 2013.

Commercial nonperforming loans and leases were $401 million at June 30, 2014, a decrease of $63 million from December 31, 2013 as charge-offs, loan paydowns/payoffs, loan transfers to performing and loans sold from the portfolio outpaced new nonaccruals. Excluding commercial nonperforming loans and leases held for sale, commercial nonperforming loans and leases at June 30, 2014 decreased $62 million compared to December 31, 2013.

Consumer nonperforming loans and leases were $244 million at June 30, 2014, a decrease of $49 million from December 31, 2013. The decrease is primarily due to residential mortgage loan paydowns/payoffs and transfers to performing and OREO which outpaced new residential mortgage nonaccrual loans. Geographical market conditions continue to be a large driver of nonaccrual activity as Florida properties represent approximately 13% and 8% of residential mortgage and home equity balances, respectively, but represent 35% and 15% of nonaccrual loans for each category. Refer to Table 45 for a rollforward of the nonperforming loans and leases.

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OREO and other repossessed property was $192 million at June 30, 2014, compared to $229 million at December 31, 2013. The Bancorp recognized $6 million and $7 million in losses on the sale or write-down of OREO properties for the three months ended June 30, 2014 and 2013, respectively, and $19 million and $29 million in losses for the six months ended June 30, 2014 and 2013, respectively. The decrease from the three and six months ended June 30, 2013 was primarily due to a modest improvement in general economic conditions.

For the three and six months ended June 30, 2014, approximately $13 million and $26 million, respectively, of interest income would have been recognized if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. For the three and six months ended June 30, 2013 approximately $18 million and $38 million, respectively, of interest income would have been recognized. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

TABLE 44: Summary of Nonperforming Assets and Delinquent Loans

As of ($ in millions)	**June 30, 2014**	December 31, 2013
Nonaccrual loans and leases:		
Commercial and industrial loans	**$ 103**	127
Commercial mortgage loans	**86**	90
Commercial construction loans	**3**	10
Commercial leases	**2**	3
Residential mortgage loans	**56**	83
Home equity	**73**	74
Restructured loans and leases:		
Commercial and industrial loans	**143**	154
Commercial mortgage loans[e]	**53**	53
Commercial construction loans	**5**	19
Commercial leases	**1**	2
Residential mortgage loans	**62**	83
Home equity	**20**	19
Automobile loans	**1**	1
Credit card	**32**	33
Total nonperforming loans and leases[d]	**640**	751
OREO and other repossessed property[c]	**192**	229
Total nonperforming assets	**832**	980
Nonaccrual loans held for sale	**5**	6
Total nonperforming assets including loans held for sale	**$ 837**	986
Loans and leases 90 days past due and accruing		
Residential mortgage loans[b]	**60**	66
Automobile loans	**8**	8
Credit card	**26**	29
Total loans and leases 90 days past due and accruing	**$ 94**	103
Nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO[a]	**0.92%**	1.10

Allowance for loan and lease losses as a percent of nonperforming assets[(a)]	**175**	161

(a) Excludes nonaccrual loans held for sale.

*(b) Information for all periods presented excludes loans whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. These loans were **$333** as of **June 30, 2014** and $378 as of December 31, 2013. The Bancorp recognized **$2** and **$7** of losses on these insured or guaranteed loans for the three and six months ended **June 30, 2014**, respectively, and $1 for both the three and six months ended June 30, 2013.*

*(c) Excludes **$92** and $77 of OREO related to government insured loans at **June 30, 2014** and December 31, 2013, respectively.*

*(d) Includes **$10** of nonaccrual government insured commercial loans whose repayments are insured by the SBA at both **June 30, 2014** and December 31, 2013, and **$3** and $2 of restructured nonaccrual government insured commercial loans at **June 30, 2014** and December 31, 2013, respectively.*

*(e) Excludes **$21** of restructured nonaccrual loans at both **June 30, 2014** and December 31, 2013, associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

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The following table provides a rollforward of portfolio nonperforming loans and leases, by portfolio segment:

TABLE 45: Rollforward of Portfolio Nonperforming Loans and Leases

For the six months ended June 30, 2014 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Beginning Balance	$ 458	166	127	751
Transfers to nonperforming	305	65	113	483
Transfers to performing	(22)	(21)	(31)	(74)
Transfers to performing (restructured)	(48)	(19)	(23)	(90)
Transfers to held for sale	(1)			(1)
Loans sold from portfolio	(26)			(26)
Loan paydowns/payoffs	(97)	(39)	(1)	(137)
Transfers to other real estate owned	(25)	(37)	(11)	(73)
(Charge-offs) recoveries	(151)	3	(48)	(196)
Draws/other extensions of credit	3			3
Ending Balance	$ 396	118	126	640
For the six months ended June 30, 2013 ($ in millions)				
Beginning Balance	$ 697	237	95	1,029
Transfers to nonperforming	231	109	133	473
Transfers to performing	(7)	(26)	(31)	(64)
Transfers to performing (restructured)	(11)	(23)	(34)	(68)
Transfers to held for sale	(3)			(3)
Loans sold from portfolio	(5)			(5)
Loan paydowns/payoffs	(133)	(53)	(7)	(193)
Transfers to other real estate owned	(55)	(38)		(93)
Charge-offs	(99)	(5)	(71)	(175)
Draws/other extensions of credit	8			8
Ending Balance	$ 623	201	85	909

Troubled Debt Restructurings

If a borrower is experiencing financial difficulty, the Bancorp may consider, in certain circumstances, modifying the terms of their loan to maximize collection of amounts due. Typically, these modifications reduce the loan interest rate, extend the loan term, reduce the accrued interest or in limited circumstances, reduce the principal balance of the loan. These modifications are classified as TDRs.

At the time of modification, the Bancorp maintains certain consumer loan TDRs (including residential mortgage loans, home equity loans, and other consumer loans) on accrual status, provided there is reasonable assurance of repayment and performance according to the modified terms based upon a current, well-documented credit evaluation. Commercial loans modified as part of a TDR are maintained on accrual status provided there is a sustained payment history of six months or greater prior to the modification in accordance with the modified terms and all remaining contractual payments under the modified terms are reasonably assured of collection. TDRs of commercial loans and credit card loans that do not have a sustained payment history of six months or greater in accordance with the modified terms remain on nonaccrual status until a six-month payment history is sustained.

Consumer restructured loans on accrual status totaled $1.6 billion and $1.7 billion at June 30, 2014 and December 31, 2013, respectively. As of June 30, 2014, the percentage of restructured residential mortgage loans, home equity loans, and credit card loans that are past due 30 days or more from their modified terms were 20%, 10% and 17%, respectively.

The following table summarizes TDRs by loan type and delinquency status:

TABLE 46: Performing and Nonperforming TDRs

		Performing			
As of June 30, 2014 ($ in millions)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial[(b)(c)]	**$ 914**			**202**	**1,116**
Residential mortgages[(a)]	**1,012**	**85**	**104**	**62**	**1,263**
Home equity	**353**	**23**		**20**	**396**
Credit card	**22**			**32**	**54**
Automobile and other consumer loans and leases	**23**	**1**		**1**	**25**
Total	**$ 2,324**	**109**	**104**	**317**	**2,854**

*(a) Information includes loans whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of **June 30, 2014**, these loans represented **$154** of current loans, **$38** of 30-89 days past due loans and **$80** of 90 days or more past due loans.*

*(b) Excludes **$7** of restructured accruing loans and **$21** of restructured nonaccrual loans associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

(c) Excludes restructured nonaccrual loans held for sale.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

As of December 31, 2013 ($ in millions)	Current	Performing 30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial[(b)(c)]	$ 869			228	1,097
Residential mortgages[(a)]	1,045	82	114	84	1,325
Home equity	368	26		18	412
Credit card	25			33	58
Automobile and other consumer loans and leases	24	1		1	26
Total	$ 2,331	109	114	364	2,918

(a) *Information includes loans whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of December 31, 2013, these loans represented $155 of current loans, $31 of 30-89 days past due loans and $88 of 90 days or more past due loans.*
(b) *Excludes $8 of restructured accruing loans and $21 of restructured nonaccrual loans associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*
(c) *Excludes restructured nonaccrual loans held for sale.*

Analysis of Net Loan Charge-offs

Net charge-offs were 45 bps and 51 bps of average portfolio loans and leases for the three months ended June 30, 2014 and 2013, respectively, and were 60 bps and 57 bps for the six months ended June 30, 2014 and 2013, respectively. Table 47 provides a summary of credit loss experience and net charge-offs as a percentage of average loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs to average portfolio commercial loans and leases decreased to 35 bps and increased to 57 bps during the three and six months ended June 30, 2014, respectively, compared to 36 bps and 40 bps during the three and six months ended June 30, 2013, respectively. The decrease for the three months ended June 30, 2014 was the result of an increase in the average portfolio commercial loan and lease balance of $3.7 billion compared to the same period in the prior year partially offset by increases in net charge-offs of $3 million. The increase for the six months ended June 30, 2014 was the result of increases in net charge-offs of $52 million compared to the same period in the prior year partially offset by an increase in the average commercial loan and lease balances of $3.6 billion. The increase in net charge-offs for the three months ended June 30, 2014 was driven by charge-offs on commercial construction loans due to one large credit which experienced a charge-off of $8 million during the second quarter of 2014. The increase in commercial construction loan net charge-offs was partially offset by decreases in net charge-offs on commercial and industrial loans, commercial mortgage loans and commercial leases due to improvements in general economic conditions and previous actions taken by the Bancorp to address problem loans. The increase in net charge-offs for the six months ended June 30, 2014 was driven by charge-offs on commercial and industrial loans, primarily due to three large credits which experienced combined charge-offs of $60 million during the first quarter of 2014, and commercial construction loans, due to the aforementioned charge-off of $8 million during the second quarter of 2014. The increases in commercial and industrial loan and commercial construction loan net charge-offs were partially offset by decreases in commercial mortgage loan and commercial lease net charge-offs due to improvements in general economic conditions and previous actions taken by the Bancorp to address problem loans. Net charge-offs related to non-owner occupied commercial real estate were $6 million for both the three months ended June 30, 2014 and 2013. Net charge-offs for the six months ended June 30, 2014 related to non-owner occupied commercial real estate were $7 million compared to $23 million for the six months ended June 30, 2013. Net charge-offs related to non-owner occupied commercial real estate are recorded in the commercial mortgage loans and commercial construction loans captions in Table 47. Net charge-offs on these loans represented 5% and 23% of total commercial loan and lease net charge-offs for the six months ended June 30, 2014 and 2013, respectively.

The ratio of consumer loan and lease net charge-offs to average portfolio consumer loans and leases decreased to 60 bps and 66 bps during the three and six months ended June 30, 2014, respectively, compared to 73 bps and 81 bps during the three and six months ended June 30, 2013, respectively. Residential mortgage loan net charge-offs, which typically involve partial charge-offs based upon appraised values of underlying collateral, decreased $7 million and $12 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year as a result of improvements in loss severities. The Bancorp expects the composition of the residential mortgage portfolio to improve as it continues to retain high quality, shorter duration residential mortgage loans that were originated through its branch network as a

low-cost, refinance product of conforming residential mortgage loans.

Home equity net charge-offs decreased $5 million and $19 million compared to the three and six months ended June 30, 2013, respectively, primarily due to improvements in loss severities. In addition, management actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation.

Automobile loans, credit card and other consumer loans and leases net charge-offs remained relatively flat compared to the same periods in the prior year. The Bancorp utilizes a risk-adjusted pricing methodology to ensure adequate compensation is received for those products that have higher credit costs.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

TABLE 47: Summary of Credit Loss Experience

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2014**	2013	**2014**	2013
Losses charged off:				
Commercial and industrial loans	**$ (36)**	(42)	**(135)**	(77)
Commercial mortgage loans	**(11)**	(15)	**(16)**	(45)
Commercial construction loans	**(8)**		**(13)**	(4)
Commercial leases		(2)		(2)
Residential mortgage loans	**(11)**	(18)	**(30)**	(40)
Home equity	**(22)**	(27)	**(42)**	(61)
Automobile loans	**(10)**	(11)	**(22)**	(23)
Credit card	**(24)**	(23)	**(46)**	(46)
Other consumer loans and leases	**(5)**	(7)	**(14)**	(15)
Total losses	**(127)**	(145)	**(318)**	(313)
Recoveries of losses previously charged off:				
Commercial and industrial loans	**5**	9	**8**	20
Commercial mortgage loans	**2**	5	**4**	8
Commercial construction loans			**1**	1
Residential mortgage loans	**3**	3	**7**	5
Home equity	**4**	4	**8**	8
Automobile loans	**5**	6	**9**	14
Credit card	**3**	4	**7**	8
Other consumer loans and leases	**4**	2	**4**	4
Total recoveries	**26**	33	**48**	68
Net losses charged off:				
Commercial and industrial loans	**(31)**	(33)	**(127)**	(57)
Commercial mortgage loans	**(9)**	(10)	**(12)**	(37)
Commercial construction loans	**(8)**		**(12)**	(3)
Commercial leases		(2)		(2)
Residential mortgage loans	**(8)**	(15)	**(23)**	(35)
Home equity	**(18)**	(23)	**(34)**	(53)
Automobile loans	**(5)**	(5)	**(13)**	(9)
Credit card	**(21)**	(19)	**(39)**	(38)
Other consumer loans and leases	**(1)**	(5)	**(10)**	(11)
Total net losses charged off	**$ (101)**	(112)	**(270)**	(245)
Net charge-offs as a percent of average loans and leases (excluding held for sale):				
Commercial and industrial loans	**0.30 %**	0.35	**0.63**	0.31
Commercial mortgage loans	**0.44**	0.50	**0.30**	0.85
Commercial construction loans	**2.26**	(0.04)	**1.99**	0.69
Commercial leases		0.18	**(0.02)**	0.11
Total commercial loans	**0.35**	0.36	**0.57**	0.40

Residential mortgage loans	**0.24**	0.48	**0.37**	0.58
Home equity	**0.80**	0.96	**0.76**	1.09
Automobile loans	**0.15**	0.16	**0.22**	0.16
Credit card	**3.71**	3.68	**3.56**	3.75
Other consumer loans and leases	**4.08**	5.02	**5.29**	5.74
Total consumer loans and leases	**0.60**	0.73	**0.66**	0.81
Total net losses charged off	**0.45 %**	0.51	**0.60**	0.57

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. The ALLL provides coverage for probable and estimable losses in the loan and lease portfolio. The Bancorp evaluates the ALLL each quarter to determine its adequacy to cover inherent losses. Several factors are taken into consideration in the determination of the overall ALLL, including an unallocated component. These factors include, but are not limited to, the overall risk profile of the loan and lease portfolios, net charge-off experience, the extent of impaired loans and leases, the level of nonaccrual loans and leases, the level of 90 days past due loans and leases and the overall level of the ALLL as a percentage of loans. The Bancorp also considers overall asset quality trends, credit administration and portfolio management practices, risk identification practices, credit policy and underwriting practices, overall portfolio growth, portfolio concentrations and current national and local economic conditions that might impact the portfolio. More information on the ALLL can be found in Management s Discussion and Analysis Critical Accounting Policies in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013.

During the six months ended June 30, 2014, the Bancorp did not substantively change any material aspect of its overall approach in the determination of the ALLL and there have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance. In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the Condensed Consolidated Balance Sheets. The methodology used to determine the adequacy of this reserve is similar to the Bancorp s methodology for determining the ALLL. The provision for unfunded commitments is included in other noninterest expense in the Condensed Consolidated Statements of Income.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

The ALLL attributable to the portion of the residential mortgage and consumer loan and lease portfolio that has not been restructured is determined on a pooled basis with the segmentation being based on the similarity of credit risk characteristics. Loss factors for real estate backed consumer loans are developed for each pool based on the trailing twelve month historical loss rate, as adjusted for certain prescriptive loss rate factors and certain qualitative adjustment factors. The prescriptive loss rate factors and qualitative adjustments are designed to reflect risks associated with current conditions and trends which are not believed to be fully reflected in the trailing twelve month historical loss rate. For real estate backed consumer loans, the prescriptive loss rate factors include adjustments for delinquency trends, LTV trends, refreshed FICO score trends and product mix, and the qualitative factors include adjustments for credit administration and portfolio management practices, credit policy and underwriting practices and the national and local economy. The Bancorp considers home price index trends in its footprint when determining the national and local economy qualitative factor. The Bancorp also considers the volatility of collateral valuation trends when determining the unallocated component of the ALLL.

The Bancorp s determination of the ALLL for commercial loans is sensitive to the risk grades it assigns to these loans. In the event that 10% of commercial loans in each risk category would experience a downgrade of one risk category, the allowance for commercial loans would increase by approximately $152 million at June 30, 2014. In addition, the Bancorp s determination of the allowance for residential and consumer loans is sensitive to changes in estimated loss rates. In the event that estimated loss rates would increase by 10%, the allowance for residential and consumer loans would increase by approximately $40 million at June 30, 2014. As several qualitative and quantitative factors are considered in determining the ALLL, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the ALLL. They are intended to provide insights into the impact of adverse changes to risk grades and estimated loss rates and do not imply any expectation of future deterioration in the risk ratings or loss rates. Given current processes employed by the Bancorp, management believes the risk grades and estimated loss rates currently assigned are appropriate.

TABLE 48: Changes in Allowance for Credit Losses

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2014**	2013	**2014**	2013
ALLL:				
Balance, beginning of period	**$ 1,483**	1,783	**1,582**	1,854
Losses charged off	**(127)**	(145)	**(318)**	(313)
Recoveries of losses previously charged off	**26**	33	**48**	68
Provision for loan and lease losses	**76**	64	**146**	126
Balance, end of period	**$ 1,458**	1,735	**1,458**	1,735
Reserve for unfunded commitments:				
Balance, beginning of period	**$ 153**	168	**162**	179
Benefit for unfunded commitments	**(11)**	(2)	**(20)**	(13)
Balance, end of period	**$ 142**	166	**142**	166

Certain inherent but unconfirmed losses are probable within the loan and lease portfolio. The Bancorp s current methodology for determining the level of losses is based on historical loss rates, current credit grades, specific allocation on impaired commercial credits above specified thresholds and restructured loans and other qualitative adjustments. Due to the heavy reliance on realized historical losses and the credit grade rating process, the model-derived estimate of ALLL tends to slightly lag behind the deterioration in the portfolio in a stable or deteriorating credit environment, and tend not to be as responsive when improved conditions have presented themselves. Given these model limitations, the qualitative adjustment factors may be incremental or decremental to the quantitative model results.

An unallocated component of the ALLL is maintained to recognize the imprecision in estimating and measuring loss. The unallocated allowance as a percent of total portfolio loans and leases was 0.11% and 0.12% at June 30, 2014 and December 31, 2013, respectively. The unallocated allowance was seven percent of the total allowance as of both June 30, 2014 and December 31, 2013.

As shown in Table 49, the ALLL as a percent of portfolio loan and leases was 1.61% at June 30, 2014 compared to 1.79% at December 31, 2013. The ALLL was $1.5 billion as of June 30, 2014 compared to $1.6 billion as of December 31, 2013. The decrease from December 31, 2013 was reflective of decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases and improvement in underlying loss trends.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

TABLE 49: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

As of ($ in millions)	June 30, 2014	December 31, 2013
Allowance attributed to:		
Commercial and industrial loans	**$ 721**	767
Commercial mortgage loans	**176**	212
Commercial construction loans	**18**	26
Commercial leases	**46**	53
Residential mortgage loans	**174**	189
Home equity	**96**	94
Automobile loans	**27**	23
Credit card	**84**	92
Other consumer loans and leases	**14**	16
Unallocated	**102**	110
Total ALLL	**$ 1,458**	1,582
Portfolio loans and leases:		
Commercial and industrial loans	**$ 41,299**	39,316
Commercial mortgage loans	**7,805**	8,066
Commercial construction loans	**1,424**	1,039
Commercial leases	**3,567**	3,625
Residential mortgage loans	**12,652**	12,680
Home equity	**9,056**	9,246
Automobile loans	**12,050**	11,984
Credit card	**2,261**	2,294
Other consumer loans and leases	**370**	364
Total portfolio loans and leases	**$ 90,484**	88,614
Attributed allowance as a percent of respective portfolio loans and leases:		
Commercial and industrial loans	**1.75 %**	1.95
Commercial mortgage loans	**2.25**	2.63
Commercial construction loans	**1.26**	2.50
Commercial leases	**1.29**	1.46
Residential mortgage loans	**1.38**	1.49
Home equity	**1.06**	1.02
Automobile loans	**0.22**	0.19
Credit card	**3.72**	4.01
Other consumer loans and leases	**3.78**	4.40
Unallocated (as a percent of total portfolio loans and leases)	**0.11**	0.12
Attributed allowance as a percent of total portfolio loans and leases	**1.61 %**	1.79

MARKET RISK MANAGEMENT

Market risk arises from the potential for market fluctuations in interest rates, foreign exchange rates and equity prices that may result in potential reductions in net income. Interest rate risk, a component of market risk, is the exposure to adverse changes in net interest income or financial position due to changes in interest rates. Management considers interest rate risk a prominent market risk in terms of its potential impact on earnings. Interest rate risk can occur for any one or more of the following reasons:

- Assets and liabilities may mature or reprice at different times;
- Short-term and long-term market interest rates may change by different amounts; or
- The expected maturity of various assets or liabilities may shorten or lengthen as interest rates change.

In addition to the direct impact of interest rate changes on net interest income, interest rates can indirectly impact earnings through their effect on loan demand, credit losses, mortgage originations, the value of servicing rights and other sources of the Bancorp s earnings. Stability of the Bancorp s net income is largely dependent upon the effective management of interest rate risk. Management continually reviews the Bancorp s balance sheet composition and earnings flows and models the interest rate risk, and possible actions to reduce this risk, given numerous possible future interest rate scenarios.

Interest Rate Risk Management Oversight

The Bancorp s Executive ALCO, which includes senior management representatives and is accountable to the ERM Committee, monitors and manages interest rate risk within Board approved policy limits. In addition to the risk management activities of ALCO, the Bancorp has a Market Risk Management function as part of ERM that provides independent oversight of market risk activities.

Net Interest Income Sensitivity

The Bancorp utilizes a variety of measurement techniques to identify and manage its interest rate risk, including the use of an NII simulation model to analyze the sensitivity of net interest income to changing interest rates. The model is based on contractual and assumed cash flows and repricing characteristics for all of the Bancorp s assets, liabilities and off-balance sheet exposures and incorporates market-based assumptions regarding the effect of changing interest rates on the prepayment rates of certain assets and attrition rates for certain liabilities. The model also includes senior management s projections of the future volume and pricing of each of the product lines offered by the Bancorp as well as other pertinent assumptions. Actual results may differ from these simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management strategies.

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The Bancorp s interest rate risk exposure is currently evaluated by measuring the anticipated change in net interest income over 12-month and 24-month horizons assuming 100 bps and 200 bps parallel ramped increases in interest rates. The analysis would typically include 100 bps and 200 bps parallel ramped decreases in interest rates; however, this analysis is currently omitted due to the current low levels of short-term interest rates. Applying the ramps would result in certain short-term interest rates becoming negative in the parallel ramped decrease scenarios. In accordance with the current policy, the rate movements are assumed to occur over one year and are sustained thereafter.

The following table shows the Bancorp s estimated net interest income sensitivity profile and ALCO policy limits as of:

TABLE 50: Estimated NII Sensitivity Profile

	June 30, 2014				June 30, 2013			
	% Change in NII (FTE)		ALCO Policy Limits		% Change in NII (FTE)		ALCO Policy Limits	
Change in Interest Rates (bps)	12 Months	13 to 24 Months	12 Months	13 to 24 Months	12 Months	13 to 24 Months	12 Months	13 to 24 Months
+ 200	**1.95 %**	**8.08**	**(4.00)**	**(6.00)**	1.39 %	6.55	(4.00)	(6.00)
+ 100	**1.07**	**4.97**			0.67	3.39		

At June 30, 2014, the Bancorp s net interest income would benefit in year one and year two due to these parallel ramp increases. The benefit is attributable to the combination of floating-rate assets, including the predominantly floating-rate commercial loan portfolio, and certain intermediate-term fixed rate liabilities. The benefit is up modestly as compared to June 30, 2013 and is attributable to continued growth in commercial loans and core deposits.

Economic Value of Equity Sensitivity

The Bancorp also utilizes EVE as a measurement tool in managing interest rate risk. Whereas the net interest income sensitivity analysis highlights the impact on forecasted NII over 1- and 2-year time horizons, the EVE analysis is a point in time analysis of the current positions and incorporates all cash flows over their estimated remaining lives. The EVE of the balance sheet is defined as the discounted present value of all remaining asset and net derivative cash flows less the discounted value of all remaining liability cash flows. Due to this longer horizon, the sensitivity of EVE to changes in the level of interest rates is a measure of longer-term interest rate risk. EVE values only the current balance sheet and does not incorporate the growth assumptions used in the NII sensitivity analysis. As with the NII simulation model, assumptions about the timing and variability of existing balance sheet cash flows are critical in the EVE analysis. Particularly important are assumptions driving loan and security prepayments and the expected balance attrition and pricing of transaction deposits.

The following table shows the Bancorp s EVE sensitivity profile as of:

TABLE 51: Estimated EVE Sensitivity Profile

	June 30, 2014		June 30, 2013	
Change in Interest Rates (bps)	Change in EVE	ALCO Policy Limit	Change in EVE	ALCO Policy Limit
+ 200	**(3.64)%**	**(12.00)**	(3.73)%	(12.00)
+ 100	**(1.62)**		(1.66)	
+ 25	**(0.36)**		(0.32)	
- 25	**0.27**		0.14	

The EVE sensitivity is modestly negative at June 30, 2014 and is consistent with the EVE sensitivity at June 30, 2013. The impact of the increase in investment portfolio balances, which moved the EVE sensitivity more negative, was more than offset by the issuance of long-term

debt and core deposit growth.

While an instantaneous shift in interest rates is used in this analysis to provide an estimate of exposure, the Bancorp believes that a gradual shift in interest rates would have a much more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (e.g., the current fiscal year). Further, EVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships and changing product spreads that could mitigate or exacerbate the impact of changes in interest rates. The NII simulations and EVE analyses do not necessarily include certain actions that management may undertake to manage risk in response to anticipated changes in interest rates.

The Bancorp regularly evaluates its exposures to LIBOR and Prime basis risks, nonparallel shifts in the yield curve and embedded options risk. In addition, the impact on NII and EVE of extreme changes in interest rates is modeled, wherein the Bancorp employs the use of yield curve shocks and environment-specific scenarios.

Use of Derivatives to Manage Interest Rate Risk

An integral component of the Bancorp s interest rate risk management strategy is its use of derivative instruments to minimize significant fluctuations in earnings caused by changes in market interest rates. Examples of derivative instruments that the Bancorp may use as part of its interest rate risk management strategy include interest rate swaps, interest rate floors, interest rate caps, forward contracts, options, swaptions and TBA securities.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

As part of its overall risk management strategy relative to its mortgage banking activity, the Bancorp enters into forward contracts accounted for as free-standing derivatives to economically hedge interest rate lock commitments that are also considered free-standing derivatives. Additionally, the Bancorp economically hedges its exposure to mortgage loans held for sale through the use of forward contracts and mortgage options.

The Bancorp also establishes derivative contracts with major financial institutions to economically hedge significant exposures assumed in commercial customer accommodation derivative contracts. Generally, these contracts have similar terms in order to protect the Bancorp from market volatility. Credit risk arises from the possible inability of counterparties to meet the terms of their contracts, which the Bancorp minimizes through collateral arrangements, approvals, limits and monitoring procedures. For further information including the notional amount and fair values of these derivatives, see Note 11 of the Notes to Condensed Consolidated Financial Statements.

Portfolio Loans and Leases and Interest Rate Risk

Although the Bancorp s portfolio loans and leases contain both fixed and floating/adjustable rate products, the rates of interest earned by the Bancorp on the outstanding balances are generally established for a period of time. The interest rate sensitivity of loans and leases is directly related to the length of time the rate earned is established. The following table summarizes the expected cash flows of the carrying value of the Bancorp s portfolio loans and leases as of June 30, 2014:

TABLE 52: Portfolio Loan and Lease Expected Maturities

($ in millions)		Less than 1 year	1-5 years	Over 5 years	Total
Commercial and industrial loans	$	23,790	16,799	710	41,299
Commercial mortgage loans		3,489	3,848	468	7,805
Commercial construction loans		579	818	27	1,424
Commercial leases		681	1,560	1,326	3,567
Subtotal - commercial loans and leases		28,539	23,025	2,531	54,095
Residential mortgage loans		2,481	4,946	5,225	12,652
Home equity		1,165	3,378	4,513	9,056
Automobile loans		5,219	6,712	119	12,050
Credit card		452	1,809		2,261
Other consumer loans and leases		353	17		370
Subtotal - consumer loans and leases		9,670	16,862	9,857	36,389
Total	$	38,209	39,887	12,388	90,484

Additionally, the following table displays a summary of expected cash flows, excluding interest receivable, occurring after one year for both fixed and floating/adjustable rate loans and leases as of June 30, 2014:

TABLE 53: Portfolio Loan and Lease Cash Flows Occurring After One Year

($ in millions)	Interest Rate Fixed	Floating or Adjustable
Commercial and industrial loans	$ 2,611	14,898
Commercial mortgage loans	1,101	3,215
Commercial construction loans	25	820
Commercial leases	2,886	
Subtotal - commercial loans and leases	6,623	18,933
Residential mortgage loans	7,690	2,481
Home equity	802	7,089
Automobile loans	6,789	42
Credit card	614	1,195
Other consumer loans and leases		17
Subtotal - consumer loans and leases	15,895	10,824
Total	$ 22,518	29,757

Residential Mortgage Servicing Rights and Interest Rate Risk

The net carrying amount of the residential MSR portfolio was $928 million and $967 million as of June 30, 2014 and December 31, 2013, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally, as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk associated with changes in the value of its MSR portfolio as a result of changing interest rates.

Actual prepayments on the servicing portfolio increased during the three months ended June 30, 2014. This caused modeled prepayment speeds to increase, which led to a temporary impairment of $32 million and $28 million on servicing rights during the three and six months ended June 30, 2014, respectively. Mortgage rates increased during the first half of 2013 causing modeled prepayment speeds to slow, which led to recoveries of temporary impairment of $102 million and $151 million on servicing rights during the three and six months ended June 30, 2013, respectively. Servicing rights are deemed temporarily impaired when a borrower s loan rate is distinctly higher than prevailing rates. Temporary impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

loan rate. In addition to the mortgage servicing rights valuation, the Bancorp recognized net gains of $38 million and $61 million on its non-qualifying hedging strategy during the three and six months ended June 30, 2014, respectively, compared to net losses of $24 million and $29 million during the same periods in the prior year. These amounts include net gains on securities related to the Bancorp s non-qualifying hedging strategy which were zero during the three and six months ended June 30, 2014 and $6 million and $8 million during the same periods in the prior year. The Bancorp may adjust its hedging strategy to reflect its assessment of the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges given the economic environment. See Note 10 of the Notes to Condensed Consolidated Financial Statements for further discussion on servicing rights and the instruments used to hedge interest rate risk on MSRs.

Foreign Currency Risk

The Bancorp may enter into foreign exchange derivative contracts to economically hedge certain foreign denominated loans. The derivatives are classified as free-standing instruments with the revaluation gain or loss being recorded in other noninterest income in the Condensed Consolidated Statements of Income. The balance of the Bancorp s foreign denominated loans at June 30, 2014 and December 31, 2013 was $651 million and $581 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations. The Bancorp has internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of currency volatility and credit equivalent exposure on these contracts, counterparty credit approvals and country limits.

LIQUIDITY RISK MANAGEMENT

The goal of liquidity management is to provide adequate funds to meet changes in loan and lease demand, unexpected levels of deposit withdrawals and other contractual obligations. Mitigating liquidity risk is accomplished by maintaining liquid assets in the form of investment securities, maintaining sufficient unused borrowing capacity in the debt markets and delivering consistent growth in core deposits. A summary of certain obligations and commitments to make future payments under contracts is included in Note 15 of the Notes to Condensed Consolidated Financial Statements.

The Bancorp maintains a contingency funding plan that assesses the liquidity needs under various scenarios of market conditions, asset growth and credit rating downgrades. The plan includes liquidity stress testing which measures various sources and uses of funds under the different scenarios. The contingency plan provides for ongoing monitoring of unused borrowing capacity and available sources of contingent liquidity to prepare for unexpected liquidity needs and to cover unanticipated events that could affect liquidity.

Sources of Funds

The Bancorp s primary sources of funds relate to cash flows from loan and lease repayments, payments from securities related to sales and maturities, the sale or securitization of loans and leases and funds generated by core deposits, in addition to the use of public and private debt offerings.

Projected contractual maturities from loan and lease repayments are included in Table 52 of the Market Risk Management section of MD&A. Of the $22.8 billion of securities in the Bancorp s available-for-sale and other portfolio at June 30, 2014, $3.3 billion in principal and interest is expected to be received in the next 12 months and an additional $2.5 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp s securities portfolio, see the Investment Securities subsection of the Balance Sheet Analysis section of MD&A.

Asset-driven liquidity is provided by the Bancorp s ability to sell or securitize loans and lease assets. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination. Additional assets such as certain other residential mortgages, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. The Bancorp sold or securitized loans totaling $3.2 billion and $6.1 billion, respectively, for the three and six months ended June 30, 2014 compared to $7.2 billion and $14.6 billion, respectively, for the three and six months ended June 30, 2013. For further information on the transfer of financial assets, see Note 10 of the Notes to Condensed Consolidated Financial Statements.

Core deposits have historically provided the Bancorp with a sizeable source of relatively stable and low cost funds. The Bancorp s average core deposits and shareholders equity funded 82% of its average total assets for both the three and six months ended June 30, 2014 and 2013. In addition to core deposit funding, the Bancorp also accesses a variety of other short-term and long-term funding sources, which include the use of the FHLB system. Certificates of deposit carrying a balance of $100,000 or more and deposits in the Bancorp s foreign branch located in the Cayman Islands are wholesale funding tools utilized to fund asset growth. Management does not rely on any one source of liquidity and manages availability in response to changing balance sheet needs.

As of June 30, 2014, $3.0 billion of debt or other securities were available for issuance under the current Bancorp s Board of Directors authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. On February 25, 2014, the Bancorp issued and sold $500 million of unsecured senior fixed rate notes. On June 5, 2014, the Bancorp issued in a registered public offering 300,000 depositary shares, representing 12,000 shares of 4.90% fixed-to-floating rate non-cumulative Series J perpetual preferred stock, for net proceeds of $297 million. Additionally, the Bancorp has approximately $39.7 billion of borrowing capacity available through secured borrowing sources including the FHLB and FRB.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

In 2013, the Bancorp s banking subsidiary updated and amended its existing global bank note program to increase the capacity from $20 billion to $25 billion. On April 25, 2014, the Bank issued and sold $1.5 billion in aggregate principal amount of unsecured senior bank notes. The Bancorp has $20 billion of funding available for issuance under the global bank note program as of June 30, 2014.

During the six months ended June 30, 2014, the Bancorp transferred approximately $2.8 billion in fixed-rate consumer automobile loans to bankruptcy remote trusts which were deemed to be VIEs. The Bancorp concluded that it is the primary beneficiary of these VIEs and, therefore, has consolidated these VIEs. The assets of these VIEs are restricted to the settlement of the notes and other obligations of the VIEs. Third-party holders of the notes do not have recourse to the general assets of the Bancorp.

Liquidity Coverage Ratio and Net Stable Funding Ratio

The BCBS key reform within the Basel III framework to strengthen international liquidity standards was the introduction of the LCR and NSFR. On January 7, 2013, the BCBS issued a final standard for the LCR applicable to large internationally active banking organizations. The BCBS plans on introducing the NSFR final standard in the next two years.

The BCBS LCR would promote the short-term resilience of a bank s liquidity profile by ensuring an adequate level of unencumbered high-quality liquid assets that can be converted into cash easily and immediately in private markets to meet its liquidity needs within 30 calendar days. Financial institutions subject to the LCR generally would be expected to hold unencumbered high-quality assets of at least 100% of net cash flows over the next 30 calendar days upon full implementation in 2019.

The BCBS NSFR is intended to promote medium and long-term funding of the assets and activities of financial institutions. This ratio would establish a minimum acceptable amount of stable funding based on the liquidity characteristics of a financial institution s assets and activities over a one year horizon. Management is currently monitoring the progress of the BCBS work on the NSFR.

Section 165 of the Dodd-Frank Act requires the FRB to establish enhanced liquidity standards for BHCs with total assets of $50 billion or greater. On October 24, 2013, the U.S. Banking Agencies issued a NPR that would implement a LCR requirement that is generally consistent with the international LCR standards published by the BCBS for large internationally active banking organizations, generally those with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure. Additionally, a Modified LCR requirement was proposed for BHC s with total consolidated assets of at least $50 billion that are not large internationally active banking organizations, like Fifth Third. The Modified LCR requirement incorporates a shorter (21-calendar days) stress scenario for calculating total net cash outflows than the LCR s 30 calendar day requirement. Therefore, the estimated net cash outflows for the Modified LCR generally would be 70% of the LCR s estimated net cash outflows. The NPR s transition period will begin on January 1, 2015 whereby LCR and Modified LCR entities must comply with a minimum ratio of 80%. On January 1, 2016 and 2017, the minimum ratio would increase to 90% and 100%, respectively. The NPR was open for public comment until January 31, 2014. Management is evaluating the NPR and the potential impact on its businesses and expects to meet or exceed the final LCR requirement within the regulatory timelines.

Credit Ratings

The cost and availability of financing to the Bancorp are impacted by its credit ratings. A downgrade to the Bancorp s credit ratings could affect its ability to access the credit markets and increase its borrowing costs, thereby adversely impacting the Bancorp s financial condition and liquidity. Key factors in maintaining high credit ratings include a stable and diverse earnings stream, strong credit quality, strong capital ratios and diverse funding sources, in addition to disciplined liquidity monitoring procedures.

The Bancorp s credit ratings are summarized in Table 54. The ratings reflect the ratings agencies view on the Bancorp s capacity to meet financial commitments. *

** As an investor, you should be aware that a security rating is not a recommendation to buy, sell or hold securities, that it may be subject to revision or withdrawal at any time by the assigning rating organization and that each rating should be evaluated independently of any other rating. Additional information on the credit rating ranking within the overall classification system is located on the website of each credit rating*

agency.

TABLE 54: Agency Ratings

As of August 7, 2014	Moody s	Standard and Poor s	Fitch	DBRS
Fifth Third Bancorp:				
Short-term	No rating	A-2	F1	R-1L
Senior debt	Baa1	BBB+	A	AL
Subordinated debt	Baa2	BBB	A-	BBBH
Fifth Third Bank:				
Short-term	P-2	A-2	F1	R-1L
Long-term deposit	A3	No rating	A+	A
Senior debt	A3	A-	A	A
Subordinated debt	Baa1	BBB+	A-	AL

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

CAPITAL MANAGEMENT

Management regularly reviews the Bancorp s capital levels to help ensure it is appropriately positioned under various operating environments. The Bancorp has established a Capital Committee which is responsible for making capital plan recommendations to management. These recommendations are reviewed by the ERM Committee and the capital plan is approved by the board. The Capital Committee is responsible for execution oversight of the capital actions of the capital plan.

Capital Ratios

The U.S banking agencies established quantitative measures that assign risk weightings to assets and off-balance sheet items and also define and set minimum regulatory capital requirements. The U.S. banking agencies define well capitalized ratios for Tier I and total risk-based capital as 6% and 10%, respectively. The Bancorp exceeded these well-capitalized ratios for all periods presented.

The Basel II advanced approach framework was finalized by U.S. banking agencies in 2007. Core banks, defined as those with consolidated total assets in excess of $250 billion or on-balance sheet foreign exposures of $10 billion were required to adopt the advanced approach effective April 1, 2008. The Bancorp does not meet these thresholds and, therefore, is not subject to the requirements of Basel II.

The Dodd-Frank Act requires more stringent prudential standards, including capital and liquidity requirements, for larger institutions. It also addresses the quality of capital components by limiting the degree to which certain hybrid instruments can be included. The Dodd-Frank Act will phase out the inclusion of certain TruPS as a component of Tier I risk-based capital when the Bancorp implements the revised regulatory capital rules known as Basel III.

In December of 2010 and revised in June of 2011, the BCBS issued Basel III, a global regulatory framework, to enhance international capital standards. In June of 2012, U.S. banking regulators proposed enhancements to the regulatory capital requirements for U.S. banks, which implement aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. In July of 2013, U.S. banking regulators approved final enhanced regulatory capital requirements (Basel III Final Rule), which included modifications to the proposed rules. The Basel III Final Rule provided for certain banks, including the Bancorp, to opt out of including AOCI in Tier I capital and also retained the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The Basel III Final Rule will phase out the inclusion of certain TruPS as a component of Tier I capital. Under these provisions, these TruPS would qualify as a component of Tier II capital. At June 30, 2014, the Bancorp s Tier I capital included $60 million of TruPS representing approximately 5 bps of risk weighted assets. The Basel III Final Rule is effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain of its components and other provisions. The Bancorp is in the process of evaluating the Basel III Final Rule and its potential impact. The Bancorp s current estimate of the pro-forma fully phased in Tier I common equity ratio at June 30, 2014 under the Basel III Final Rule is approximately 9.27% compared with 9.61% as calculated under the existing Basel I capital framework. The primary drivers of the change from the existing Basel I capital framework to the Basel III Final Rule are an increase in Tier I common equity of approximately 79 bps (primarily from the elimination of the current 10% deduction of mortgage servicing rights from capital), which would be more than offset by the impact of increases in risk-weighted assets (primarily from the treatment of securitization exposures, mortgage servicing rights and commitments with an original maturity of one year or less). If the Bancorp were to elect to include AOCI components in capital, the June 30, 2014 pro forma Basel III Final Rule Tier I common ratio would be increased by approximately 31 bps. The pro-forma Tier I common equity ratio exceeds the proposed minimum Tier I common equity ratio of 7% comprised of a minimum ratio of 4.5% plus a capital conservation buffer of 2.5%. The pro-forma Tier I common equity ratio does not include the effect of any mitigating actions the Bancorp may undertake to offset the impact of the proposed capital enhancements. Additionally, pursuant to the Basel III Final Rule, the minimum capital ratios as of January 1, 2015 will be 6% for the Tier I capital ratio, 8% for the total risk-based capital ratio and 4% for the Tier I capital to average consolidated assets (leverage ratio). For further discussion on the Basel I and Basel III Tier I common equity ratios, see the Non-GAAP Financial Measures section of MD&A.

TABLE 55: Capital Ratios

As of ($ in millions)	June 30, 2014	December 31, 2013
Average equity as a percent of average assets	**11.57 %**	11.51
Tangible equity as a percent of tangible assets[(a)]	**9.77**	9.44
Tangible common equity as a percent of tangible assets[(a)]	**8.74**	8.63
Tier I capital	**$ 12,644**	12,094
Total risk-based capital	**16,745**	16,431
Risk-weighted assets[(b)]	**117,117**	115,969
Regulatory capital ratios:		
Tier I risk-based capital	**10.80 %**	10.43
Total risk-based capital	**14.30**	14.17
Tier I leverage	**9.86**	9.70
Tier I common equity[(a)]	**9.61**	9.45

(a) For further information on these ratios, see the Non-GAAP Financial Measures section of MD&A.

(b) Under the banking agencies risk-based capital guidelines, assets and credit equivalent amounts of derivatives and off-balance sheet exposures are assigned to broad risk categories. The aggregate dollar amount in each risk category is multiplied by the associated risk weight of the category. The resulting weighted values are added together resulting in the Bancorp s total risk-weighted assets.

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Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Stress Tests and CCAR

In 2011 the FRB adopted the capital plan rule, which requires BHCs with consolidated assets of $50 billion or more to submit annual capital plans to the FRB for review. Under the rule, these capital plans must included detailed descriptions of the following: the BHC s internal processes for assessing capital adequacy; the policies governing capital actions such as common stock issuances, dividends, and share repurchases; and all planned capital actions over a nine-quarter planning horizon. Further, each BHC must also report to the FRB the results of stress tests conducted by the BHC under a number of scenarios that assess the sources and uses of capital under baseline and stressed economic scenarios. The FRB launched the 2014 stress testing program and CCAR on November 1, 2013, with firm submissions of stress test results and capital plans to the FRB due on January 6, 2014, which the Bancorp submitted as required.

The FRB s review of the capital plan assessed the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB reviewed the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above the minimum regulatory capital ratios and above a Tier I common ratio of five percent on a pro forma basis under expected and stressful conditions throughout the planning horizon. The FRB assessed the Bancorp s strategies for addressing proposed revisions to the regulatory capital framework agreed upon by the BCBS and requirements arising from the Dodd-Frank Act.

On March 26, 2014, the FRB announced it had completed the 2014 CCAR. For BHCs that proposed capital distributions in their plans, the FRB either objected to the plan or provided a non-objection whereby the FRB permitted the proposed 2014 capital distributions. The FRB indicated to the Bancorp that it did not object to the following proposed capital actions for the period beginning April 1, 2014 and ending March 31, 2015:

- The potential increase in the quarterly common stock dividend to $0.13 per share;
- The potential repurchase of common shares in an amount up to $669 million;
- The additional ability to repurchase shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock; and
- The issuance of $300 million in preferred stock.

As contemplated by the 2014 CCAR, during the second quarter of 2014, the Bancorp increased the quarterly common stock dividend from $0.12 to $0.13 per share, entered into a $150 million accelerated share repurchase transaction and issued 300,000 depositary shares of non-cumulative perpetual preferred stock for net proceeds of $297 million. The remaining potential capital actions above are subject to Board approval and other factors including regulatory developments and market conditions.

Additionally, as a CCAR institution, the Bancorp is required to disclose the results of its company-run stress test under the supervisory severely adverse scenario, and to provide information related to the types of risk included in its stress testing; a general description of the methodologies used; estimates of certain financial results and pro forma capital ratios; and an explanation of the most significant causes of changes in regulatory capital ratios. On March 26, 2014 the Bancorp publicly disclosed the results of its company-run stress test as required by the Dodd-Frank Act stress testing rules, in a Form 8-K.

The BHCs that participated in the 2014 CCAR, including the Bancorp, are required to conduct mid-cycle company-run stress tests using data as of March 31, 2014. The stress tests must be based on three BHC defined scenarios baseline, adverse and severely adverse. As required by the FRB, the Bancorp reported the mid-cycle stress test results on July 7, 2014. In addition, between September 15 and September 30, 2014, the BHCs must publicly disclose a summary of the results under the severely adverse scenario.

Preferred Stock Offering

As contemplated by the 2014 CCAR, on June 5, 2014, the Bancorp issued in a registered public offering 300,000 depositary shares, representing 12,000 shares of 4.90% fixed-to-floating rate non-cumulative Series J perpetual preferred stock, for net proceeds of $297 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends, on a non-cumulative semi-annual basis, at an annual rate of 4.90% through but excluding September 30, 2019, at which time it converts to a quarterly floating rate dividend of three-month LIBOR plus 3.129%. Subject to any required regulatory approval, the Bancorp may redeem the Series J preferred shares at its option in whole or in part, at

any time on or after September 30, 2019, or at any time following a regulatory capital event. The Series J preferred shares are not convertible into Bancorp common shares or any other securities.

Dividend Policy and Stock Repurchase Program

The Bancorp s common stock dividend policy and stock repurchase program reflect its earnings outlook, desired payout ratios, the need to maintain adequate capital levels, the ability of its subsidiaries to pay dividends, the need to comply with safe and sound banking practices as well as meet regulatory requirements and expectations. The Bancorp declared dividends per common share of $0.13 and $0.12 for the three months ended June 30, 2014 and 2013, respectively, and $0.25 and $0.23 for the six months ended June 30, 2014 and 2013, respectively. The Bancorp entered into accelerated share repurchase transactions during 2013 and the six months ended June 30, 2014. Refer to Note 14 of the Notes to Condensed Consolidated Financial Statements for additional information on the accelerated share repurchase transactions.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

TABLE 56: Share Repurchases

Period	Total Number of Shares Purchased*(a)*	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs*(b)*
April 1, 2014 - April 30, 2014		$		100,000,000
May 1, 2014 - May 31, 2014	6,216,480	20.50	6,216,480	93,783,520
June 1, 2014 - June 30, 2014				93,783,520
Total	6,216,480	$ 20.50	6,216,480	93,783,520

(a) The Bancorp repurchased 1,265,238 shares during the second quarter of 2014 in connection with various employee compensation plans. These purchases are not included in the calculation for average price paid per share and do not count against the maximum number of shares that may yet be purchased under the Board of Directors authorization.

(b) In March of 2014, the Bancorp announced that its Board of Directors had authorized management to purchase 100 million shares of the Bancorp s common stock through the open market or in any private party transactions. The authorization does not include specific price targets or an expiration date.

Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, the Bancorp enters into financial transactions that are considered off-balance sheet arrangements as they involve varying elements of market, credit and liquidity risk in excess of the amounts recognized in the Bancorp s Condensed Consolidated Balance Sheets. The Bancorp s off-balance sheet arrangements include commitments, contingent liabilities, guarantees, and transactions with non-consolidated VIEs. A brief discussion of these transactions is as follows:

Commitments

The Bancorp has certain commitments to make future payments under contracts, including commitments to extend credit, letters of credit, forward contracts related to held for sale mortgage loans, noncancelable lease obligations, capital commitments for private equity investments and purchase obligations. Refer to Note 15 of the Notes to Condensed Consolidated Financial Statements for additional information on commitments.

Guarantees and Contingent Liabilities

The Bancorp has performance obligations upon the occurrence of certain events provided in certain contractual arrangements, including residential mortgage loans sold with representation and warranty provisions or credit recourse. Refer to Note 15 of the Notes to Condensed Consolidated Financial Statements for additional information on guarantees and contingent liabilities.

Transactions with Non-consolidated VIEs

The Bancorp engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity to finance their activities, or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The investments in those entities in which the Bancorp was determined not to be the primary beneficiary but holds a variable interest in the entity are accounted for under the equity method of accounting or other accounting standards as appropriate and not consolidated. Refer to Note 9 of the Notes to Condensed Consolidated Financial Statements for additional information on non-consolidated VIEs.

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Quantitative and Qualitative Disclosure about Market Risk (Item 3)

Information presented in the Market Risk Management section of Management s Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

Controls and Procedures (Item 4)

The Bancorp conducted an evaluation, under the supervision and with the participation of the Bancorp s management, including the Bancorp s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Bancorp s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act). Based on the foregoing, as of the end of the period covered by this report, the Bancorp s Chief Executive Officer and Chief Financial Officer concluded that the Bancorp s disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Bancorp files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required and information is accumulated and communicated to the Bancorp s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Bancorp s management also conducted an evaluation of internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bancorp s internal control over financial reporting. Based on this evaluation, there has been no such change during the period covered by this report.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (Item 1)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share data)	As of **June 30, 2014**	December 31, 2013
Assets		
Cash and due from banks[a]	**$ 3,312**	3,178
Available-for-sale and other securities[b]	**22,814**	18,597
Held-to-maturity securities[c]	**194**	208
Trading securities	**361**	343
Other short-term investments	**2,386**	5,116
Loans held for sale[d]	**682**	944
Portfolio loans and leases:		
Commercial and industrial loans	**41,299**	39,316
Commercial mortgage loans[a]	**7,805**	8,066
Commercial construction loans	**1,424**	1,039
Commercial leases	**3,567**	3,625
Residential mortgage loans[e]	**12,652**	12,680
Home equity	**9,056**	9,246
Automobile loans[a]	**12,050**	11,984
Credit card	**2,261**	2,294
Other consumer loans and leases	**370**	364
Portfolio loans and leases	**90,484**	88,614
Allowance for loan and lease losses[a]	**(1,458)**	(1,582)
Portfolio loans and leases, net	**89,026**	87,032
Bank premises and equipment	**2,491**	2,531
Operating lease equipment	**667**	730
Goodwill	**2,416**	2,416
Intangible assets	**17**	19
Servicing rights	**931**	971
Other assets[a]	**7,265**	8,358
Total Assets	**$ 132,562**	130,443
Liabilities		
Deposits:		
Demand	**$ 32,140**	32,634
Interest checking	**24,744**	25,875
Savings	**16,087**	17,045
Money market	**14,216**	11,644
Other time	**3,724**	3,530
Certificates - $100,000 and over	**3,623**	6,571
Foreign office and other	**1,418**	1,976
Total deposits	**95,952**	99,275
Federal funds purchased	**153**	284

Other short-term borrowings	**3,146**	1,380
Accrued taxes, interest and expenses	**1,824**	1,758
Other liabilities[(a)]	**2,018**	3,487
Long-term debt[(a)]	**13,961**	9,633
Total Liabilities	**117,054**	115,817
Equity		
Common stock[(f)]	**2,051**	2,051
Preferred stock[(g)]	**1,331**	1,034
Capital surplus	**2,613**	2,561
Retained earnings	**10,666**	10,156
Accumulated other comprehensive income	**382**	82
Treasury stock[(f)]	**(1,574)**	(1,295)
Total Bancorp shareholders equity	**15,469**	14,589
Noncontrolling interests	**39**	37
Total Equity	**15,508**	14,626
Total Liabilities and Equity	**$ 132,562**	130,443

(a) *Includes **$158** and $49 of cash and due from banks, **$48** and $48 of commercial mortgage loans, **$3,200** and $1,010 of automobile loans, **$(20)** and $(15) of ALLL, **$32** and $13 of other assets, **$6** and $1 of other liabilities, and **$3,333** and $1,048 of long-term debt from consolidated VIEs that are included in their respective captions above at **June 30, 2014** and December 31, 2013, respectively. See Note 9.*

(b) *Amortized cost of **$22,184** and $18,409 at **June 30, 2014** and December 31, 2013, respectively.*

(c) *Fair value of **$194** and $208 at **June 30, 2014** and December 31, 2013, respectively.*

(d) *Includes **$598** and $890 of residential mortgage loans held for sale measured at fair value at **June 30, 2014** and December 31, 2013, respectively.*

(e) *Includes **$99** and $92 of residential mortgage loans measured at fair value at **June 30, 2014** and December 31, 2013, respectively.*

(f) *Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at **June 30, 2014** **844,488,849** (excludes **79,403,732** treasury shares), December 31, 2013 855,305,745 (excludes 68,586,836 treasury shares).*

(g) ***446,000** and 458,000 shares of undesignated no par value preferred stock are authorized and unissued at **June 30, 2014** and December 31, 2013, respectively; fixed-to-floating rate non-cumulative Series H perpetual preferred stock with a $25,000 liquidation preference: **24,000** authorized shares, issued and outstanding at **June 30, 2014** and December 31, 2013; fixed-to-floating rate non-cumulative Series I perpetual preferred stock with a $25,000 liquidation preference; **18,000** authorized shares, issued and outstanding at **June 30, 2014** and December 31, 2013; and fixed-to-floating rate non-cumulative Series J perpetual preferred stock with a $25,000 liquidation preference: **12,000** authorized shares, issued and outstanding at **June 30, 2014**.*

See Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions, except per share data)	**2014**	2013	**2014**	2013
Interest Income				
Interest and fees on loans and leases	**$ 826**	864	**1,649**	1,746
Interest on securities	**181**	119	**349**	231
Interest on other short-term investments	**1**	1		