FIFTH THIRD BANCORP
Form 10-K
February 25, 2015
Table of Contents

2014 ANNUAL REPORT

FINANCIAL CONTENTS

Glossary of Abbreviations and Acronyms	14
Management s Discussion and Analysis of Financial Condition and Results of Operations	
Selected Financial Data	15
Overview	16
Non-GAAP Financial Measures	21
Recent Accounting Standards	23
Critical Accounting Policies	23
Risk Factors	27
Statements of Income Analysis	36
Business Segment Review	43
Fourth Quarter Review	50
Balance Sheet Analysis	52
Risk Management	57
Off-Balance Sheet Arrangements	81
Contractual Obligations and Other Commitments	82
Management s Assessment as to the Effectiveness of Internal Control over Financial Reporting	83
Reports of Independent Registered Public Accounting Firm	84
Financial Statements	
Consolidated Balance Sheets	85
Consolidated Statements of Income	86
Consolidated Statements of Comprehensive Income	87
Consolidated Statements of Changes in Equity	88
Consolidated Statements of Cash Flows	89

Notes to Consolidated Financial Statements

Summary of Significant Accounting and Reporting Policies	90
Supplemental Cash Flow Information	100
Restrictions on Cash and Dividends	100
Securities	101
Loans and Leases	103
Credit Quality and the Allowance for Loan and Lease Losses	104
Bank Premises and Equipment	113
Goodwill	114
Intangible Assets	115
Commitments, Contingent Liabilities and Guarantees	130
Legal and Regulatory Proceedings	134
Related Party Transactions	136
Income Taxes	137
Retirement and Benefit Plans	138
Accumulated Other Comprehensive Income	143
Common, Preferred and Treasury Stock	145
Stock-Based Compensation	147
Other Noninterest Income and Other Noninterest Expense	151

Variable Interest Entities	116	Earnings Per Share	152
Sales of Receivables and Servicing Rights	119	Fair Value Measurements	153
Derivative Financial Instruments	121	Certain Regulatory Requirements and Capital Ratios	164
Offsetting Derivative Financial Instruments	126	Parent Company Financial Statements	165
Other Assets	126	Business Segments	167
Short-Term Borrowings	127	Subsequent Event	170
Long-Term Debt	128		

Annual Report on Form 10-K	171
Consolidated Ten Year Comparison	187
Directors and Officers	188
Corporate Information	

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, fo projected, intends to, or may include other similar words or phrases such as believes, plans, trend, objective, remain, or similar expressions, or future or conditional verbs such as will, would, should, could, might, can, verbs. 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 and adequate sources of funding and liquidity 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.

Table of Contents

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 Consolidated Financial Statements and the Notes to Consolidated Financial Statements.

ALCO: Asset Liability Management Committee
ALLL: Allowance for Loan and Lease Losses
AML: Anti-Money Laundering
AOCI: Accumulated Other Comprehensive Income
ARM: Adjustable Rate Mortgage
ATM: Automated Teller Machine
BCBS: Basel Committee on Banking Supervision
BHC: Bank Holding Company
BHCA: Bank Holding Company Act
BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion
bps: Basis points
BSA: Bank Secrecy Act
CCAR: Comprehensive Capital Analysis and Review
CDC: Fifth Third Community Development Corporation

CFPB: United States Consumer Financial Protection Bureau
CFTC: Commodity Futures Trading Commission
C&I: Commercial and Industrial
CPP: Capital Purchase Program
CRA: Community Reinvestment Act
DCF: Discounted Cash Flow
DFA: Dodd-Frank Act
DIF: Deposit Insurance Fund
ERISA: Employee Retirement Income Security Act
ERM: Enterprise Risk Management
ERMC: Enterprise Risk Management Committee
EVE: Economic Value of Equity
FASB: Financial Accounting Standards Board
FDIA: Federal Deposit Insurance Act
FDIC: Federal Deposit Insurance Corporation
FHA: Federal Housing Administration
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
GSE: Government Sponsored Enterprise
HAMP: Home Affordable Modification Program
HARP: Home Affordable Refinance Program
HFS: Held for Sale
HQLA: High Quality Liquid Assets
IPO: Initial Public Offering
IRC: Internal Revenue Code
IRLC: Interest Rate Lock Commitment
IRS: Internal Revenue Service
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
NASDAQ: National Association of Securities Dealers Automated Quotations
NII: Net Interest Income
NM: Not Meaningful
NSFR: Net Stable Funding Ratio
OCC: Office of the Comptroller of the Currency
OCI: Other Comprehensive Income
OREO: Other Real Estate Owned
OTTI: Other-Than-Temporary Impairment
PMI: Private Mortgage Insurance
RSAs: Restricted Stock Awards
SARs: Stock Appreciation Rights
SBA: Small Business Administration
SEC: United States Securities and Exchange Commission
TARP: Troubled Asset Relief Program
TBA: To Be Announced
TDR: Troubled Debt Restructuring
TruPS: Trust Preferred Securities

FSOC: Financial Stability Oversight Council
FTAM: Fifth Third Asset Management, Inc.

FTE: Fully Taxable Equivalent
FTP: Funds Transfer Pricing
FTS: Fifth Third Securities
GDP: Gross Domestic Product
GNMA: Government National Mortgage Association

U.S.: United States of America
U.S. GAAP: United States Generally Accepted Accounting
Principles
VA: Department of Veterans Affairs
VIE: Variable Interest Entity
VRDN: Variable Rate Demand Note

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 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 years ended December 31 ($ in millions, except for per share data)		**2014**		2013	2012	2011	2010
Income Statement Data							
Net interest income[(a)]	$	**3,600**		3,581	3,613	3,575	3,622
Noninterest income		**2,473**		3,227	2,999	2,455	2,729
Total revenue[(a)]		**6,073**		6,808	6,612	6,030	6,351
Provision for loan and lease losses		**315**		229	303	423	1,538
Noninterest expense		**3,709**		3,961	4,081	3,758	3,855
Net income attributable to Bancorp		**1,481**		1,836	1,576	1,297	753
Net income available to common shareholders		**1,414**		1,799	1,541	1,094	503
Common Share Data							
Earnings per share, basic	$	**1.68**		2.05	1.69	1.20	0.63
Earnings per share, diluted		**1.66**		2.02	1.66	1.18	0.63
Cash dividends per common share		**0.51**		0.47	0.36	0.28	0.04
Book value per share		**17.35**		15.85	15.10	13.92	13.06
Market value per share		**20.38**		21.03	15.20	12.72	14.68
Financial Ratios (%)							
Return on average assets		**1.12**	%	1.48	1.34	1.15	0.67
Return on average common equity		**10.0**		13.1	11.6	9.0	5.0
Return on average tangible common equity[(b)]		**12.2**		16.0	14.3	11.4	7.0
Dividend payout ratio		**30.3**		22.9	21.3	23.3	6.3
Average Total Bancorp shareholders equity as a percent of average assets		**11.59**		11.56	11.65	11.41	12.22
Tangible common equity[(b)]		**8.43**		8.63	8.83	8.68	7.04
Net interest margin[(a)]		**3.10**		3.32	3.55	3.66	3.66
Efficiency[(a)]		**61.1**		58.2	61.7	62.3	60.7
Credit Quality							
Net losses charged-off	$	**575**		501	704	1,172	2,328
Net losses charged-off as a percent of average portfolio loans and leases		**0.64**	%	0.58	0.85	1.49	3.02
ALLL as a percent of portfolio loans and leases		**1.47**		1.79	2.16	2.78	3.88
Allowance for credit losses as a percent of portfolio loans and leases[(c)]		**1.62**		1.97	2.37	3.01	4.17

Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned[d]		**0.82**		1.10	1.49	2.23	2.79
Average Balances							
Loans and leases, including held for sale	$	**91,127**		89,093	84,822	80,214	79,232
Total securities and other short-term investments		**24,866**		18,861	16,814	17,468	19,699
Total assets		**131,943**		123,732	117,614	112,666	112,434
Transaction deposits[e]		**89,715**		82,915	78,116	72,392	65,662
Core deposits[f]		**93,477**		86,675	82,422	78,652	76,188
Wholesale funding[g]		**19,188**		17,797	16,978	16,939	18,917
Bancorp shareholders equity		**15,290**		14,302	13,701	12,851	13,737
Regulatory Capital Ratios (%)							
Tier I risk-based capital		**10.83**	%	10.43	10.69	12.00	13.89
Total risk-based capital		**14.33**		14.17	14.47	16.19	18.08
Tier I leverage		**9.66**		9.73	10.15	11.25	12.79
Tier I common equity[b]		**9.65**		9.45	9.54	9.41	7.48

*(a) Amounts presented on a FTE basis. The FTE adjustment for the years ended **December 31, 2014**, 2013, 2012, 2011 and 2010 was **$21,** $20, $18, $18 and $18, respectively.*

(b) The return on average tangible common equity, tangible common equity and Tier I common equity ratios are non-GAAP measures. For further information, refer to 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.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At December 31, 2014, the Bancorp had $138.7 billion in assets, operated 15 affiliates with 1,302 full-service Banking Centers, including 101 Bank Mart® locations open seven days a week inside select grocery stores, and 2,638 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 an approximate 23% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $394 million as of December 31, 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. 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 annual report on Form 10-K. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Consolidated Financial Statements and Notes to 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 a 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 year ended December 31, 2014, net interest income, on a FTE basis, and noninterest income provided 59% and 41% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the United States. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Bancorp s 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, other 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 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, technology and communication costs and other noninterest expense.

Vantiv, Inc. Share Sale

The Bancorp s ownership position in Vantiv Holding, LLC was reduced in the second quarter of 2014 when the Bancorp sold an approximate three percent interest and recognized a $125 million gain. The Bancorp s remaining approximate 23% ownership in Vantiv Holding, LLC was accounted for as an equity method investment in the Bancorp s Consolidated Financial Statements and had a carrying value of $394 million as of December, 31, 2014. For more information, refer to Note 19 of the Notes to Consolidated Financial Statements.

Accelerated Share Repurchase Transactions

During 2013 and 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 to be delivered at settlement was or will be 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 Agreement. For more information on the accounting for these instruments, refer to Note 23 of the Notes to Consolidated Financial Statements. For a summary of all accelerated share repurchase transactions entered into or settled during 2013 and 2014 refer to Table 2. For further information on a subsequent event related to capital actions refer to Note 31 of the Notes to Consolidated Financial Statements.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 9, 2012	$ 125	7,710,761	657,914	8,368,675	February 12, 2013
December 19, 2012	100	6,267,410	127,760	6,395,170	February 27, 2013
January 31, 2013	125	6,953,028	849,037	7,802,065	April 5, 2013
May 24, 2013	539	25,035,519	4,270,250	29,305,769	October 1, 2013
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
July 24, 2014	225	9,352,078	1,896,685	11,248,763	October 14, 2014
October 23, 2014	180	8,337,875	794,245	9,132,120	January 8, 2015

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 more information, refer to Note 23 of the Notes to 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.

On September 5, 2014, the Bank issued and sold $850 million of 2.875% unsecured senior fixed-rate bank notes, with a maturity of seven years, due on October 1, 2021. 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 16 of the Notes to Consolidated Financial Statements.

Automobile Loan Securitizations

In securitization transactions that occurred in 2014, the Bancorp transferred an aggregate amount of approximately $3.8 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 Notes 10 and 16 of the Notes to Consolidated Financial Statements.

Legislative Developments

On July 21, 2010, the DFA 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 established the 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, requires changes to rules governing regulatory capital ratios and requires enhanced liquidity standards.

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 an additional $300 million in preferred stock.

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

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The BHCs that participated in the 2014 CCAR, including the Bancorp, were 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 economic scenarios baseline, adverse and severely adverse. As required, the Bancorp reported the mid-cycle stress test results to the FRB on July 7, 2014. In addition, the Bancorp published a Form 8-K providing a summary of the results under the severely adverse scenario on September 18, 2014, which is available on Fifth Third s website at https://www.53.com. These results represented estimates of the Bancorp s results from the second quarter of 2014 through the second quarter of 2016 under the severely adverse scenario, which is considered highly unlikely to occur.

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 of 2013 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. The Bancorp s deposit advance balances are included in other consumer loans and leases in the Bancorp s 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 Consolidated Statements of Income and in Table 8 in the Statements of Income Analysis section of MD&A. On January 17, 2014, given developments in industry practice, Fifth Third announced that it would no longer enroll new customers in its deposit advance product and expected to phase out the service to existing customers by the end of 2014. To avoid a disruption to its existing customers during the extension period while the banking industry awaits further regulatory guidance on the deposit advance product, on November 3, 2014, Fifth Third announced changes to its current deposit advance product for existing customers beginning January 1, 2015, including a lower transaction fee, an extended repayment period and a reduced maximum advance period. The Bancorp currently expects to continue to offer the service to existing deposit advance customers until further regulatory guidance is provided. The Bancorp currently expects these changes to the deposit advance product to negatively impact net interest income by approximately $100 million in 2015.

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 DFA, known as the Volcker Rule, which became effective April 1, 2014. Though the final rule was effective April 1, 2014, the FRB granted the industry an extension of time until July 21, 2015 to conform certain of its activities related to proprietary trading to comply with the Volcker Rule. In addition, the FRB granted the industry an extension of time until July 21, 2016, and announced its intention to grant a one year extension of the conformance period until July 21, 2017, to conform certain ownership interests in, sponsorship activities of and relationships with private equity or hedge funds as well as holding certain collateralized loan obligations that were in place as of December 31, 2013. 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 December 31, 2014, the Bancorp held no collateralized loan obligations. As of December 31, 2014, the Bancorp had approximately $165 million in interests and approximately $60 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 December 31, 2014. As a result of the announced conformance period extension, the Bancorp believes it is likely that these investments will be reduced over time in the ordinary course of events before compliance is required.

On October 10, 2014, the U.S. Banking Agencies published final rules implementing a quantitative liquidity requirement consistent with the LCR standard established 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. In addition, a modified LCR requirement was implemented for BHCs with $50 billion or more in total consolidated assets but that are not internationally active, such as Fifth Third. The modified LCR is effective January 1, 2016 and requires BHCs to calculate its LCR on a monthly basis. 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

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

exclusivity arrangements (the Current Rule) that were adopted to implement Section 1075 of the DFA, 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. The merchants have filed a petition for writ of certiorari to the U.S. Supreme Court. However, on January 20, 2015, the U.S. Supreme Court declined to hear an appeal of the Circuit Court reversal, thereby largely upholding the Current Rule and substantially reducing uncertainty surrounding debit card interchange fees the Bancorp is permitted to charge. 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.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TABLE 3: CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 ($ in millions, except per share data)		**2014**	2013	2012	2011	2010
Interest income (FTE)	$	**4,051**	3,993	4,125	4,236	4,507
Interest expense		**451**	412	512	661	885
Net interest income (FTE)		**3,600**	3,581	3,613	3,575	3,622
Provision for loan and lease losses		**315**	229	303	423	1,538
Net interest income after provision for loan and lease losses (FTE)		**3,285**	3,352	3,310	3,152	2,084
Noninterest income		**2,473**	3,227	2,999	2,455	2,729
Noninterest expense		**3,709**	3,961	4,081	3,758	3,855
Income before income taxes (FTE)		**2,049**	2,618	2,228	1,849	958
Fully taxable equivalent adjustment		**21**	20	18	18	18
Applicable income tax expense		**545**	772	636	533	187
Net income		**1,483**	1,826	1,574	1,298	753
Less: Net income attributable to noncontrolling interests		**2**	(10)	(2)	1	-
Net income attributable to Bancorp		**1,481**	1,836	1,576	1,297	753
Dividends on preferred stock		**67**	37	35	203	250
Net income available to common shareholders	$	**1,414**	1,799	1,541	1,094	503
Earnings per share - basic	$	**1.68**	2.05	1.69	1.20	0.63
Earnings per share - diluted		**1.66**	2.02	1.66	1.18	0.63
Cash dividends declared per common share	$	**0.51**	0.47	0.36	0.28	0.04

Earnings Summary

The Bancorp s net income available to common shareholders for the year ended December 31, 2014 was $1.4 billion, or $1.66 per diluted share, which was net of $67 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the year ended December 31, 2013 was $1.8 billion, or $2.02 per diluted share, which was net of $37 million in preferred stock dividends. Pre-provision net revenue was $2.3 billion and $2.8 billion for the years ended December 31, 2014 and 2013, respectively. Pre-provision net revenue is a non-GAAP measure. For further information, refer to the Non-GAAP Financial Measures section in the MD&A.

Net interest income was $3.6 billion for both the years ended December 31, 2014 and 2013. Net interest income was positively impacted by an increase in average taxable securities of $5.4 billion for the year ended December 31, 2014 coupled with an increase in yields on these securities of 16 bps compared to the prior year. In addition, net interest income also included the benefit of an increase in average loans and leases and a decrease in the rates paid on long-term debt compared to the prior year, partially offset by lower yields on loans and leases and an increase in average long-term debt. The net interest rate spread decreased to 2.94% in 2014 from 3.15% in 2013 primarily due to a 21 bps decrease in yields on average interest-earning assets for the year ended December 31, 2014. Net interest margin was 3.10% and 3.32% for the years ended December 31, 2014 and 2013, respectively.

Noninterest income decreased $754 million, or 23%, in 2014 compared to 2013. The decrease from the prior year was primarily due to decreases in mortgage banking net revenue and other noninterest income. Mortgage banking net revenue decreased $390 million for the year ended December 31, 2014 compared to the prior year primarily due to decreases in origination fees and gains on loan sales and net mortgage servicing revenue. Other noninterest income decreased $429 million compared to the prior year. The decrease included the impact of a gain of $125 million on the sale of Vantiv, Inc. shares in the second quarter of 2014, compared to gains totaling $327 million during the second and third quarters of 2013. The Bancorp recognized gains of $23 million and $9 million associated with a tax receivable agreement with Vantiv, Inc. in the fourth quarter of 2014 and 2013, respectively. Additionally, other noninterest income decreased for the year ended December 31, 2014 compared to 2013 primarily due to decreases in the positive valuation adjustments on the stock warrant associated with Vantiv

Holding, LLC and a decrease in equity method earnings from Vantiv Holding, LLC.

Noninterest expense decreased $252 million, or six percent, in 2014 compared to 2013 primarily due to decreases in total personnel costs and other noninterest expense. Total personnel costs decreased $155 million in 2014 compared to 2013 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. Other noninterest expense decreased $125 million in 2014 compared to 2013 primarily due to decreases in loan and lease expense, FDIC insurance and other taxes, losses and adjustments, marketing expense, debt extinguishment costs and an increase in the benefit from the reserve for unfunded commitments, partially offset by an increase in impairment on affordable housing investments.

Credit Summary

The provision for loan and lease losses was $315 million and $229 million for the years ended December 31, 2014 and 2013, respectively. Net charge-offs as a percent of average portfolio loans and leases increased to 0.64% during 2014 compared to 0.58% during 2013. At December 31, 2014, nonperforming assets as a percent of loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 0.82%, compared to 1.10% at December 31, 2013. For further discussion on credit quality, refer to the Credit Risk Management section in 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 December 31, 2014, the Tier I risk-based capital ratio was 10.83%, the Tier I leverage ratio was 9.66% and the Total risk-based capital ratio was 14.33%.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NON-GAAP FINANCIAL MEASURES

The following are Non-GAAP measures which are important to the reader of the Bancorp s Consolidated Financial Statements but should be supplemental to primary GAAP measures. The Bancorp considers many factors when determining the adequacy of its liquidity profile, including its LCR as defined by the U.S. Banking Agencies Basel III LCR final rule. Generally, the LCR is designed to ensure banks maintain an adequate level of unencumbered HQLA to satisfy the estimated net cash outflows under a 30-day stress scenario. The Bancorp will be subject to the Modified LCR whereby

the net cash outflow under the 30-day stress scenario is multiplied by a factor of 0.7. The final rule is not effective for the Bancorp until January 1, 2016. The Bancorp believes there is no comparable U.S. GAAP financial measure to LCR. The Bancorp believes providing an estimated LCR is important for comparability to other financial institutions. For a further discussion on liquidity management and the LCR, refer to the Liquidity Risk Management section of MD&A.

TABLE 4: Non-GAAP Financial Measures - Liquidity Coverage Ratio

	December 31,
As of ($ in millions)	2014
High Quality Liquid Assets	$ 22,162
Estimated net cash outflow	19,831
Estimated Modified LCR	112 %

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 pre-tax earnings before the impact of provision expense.

The following table reconciles the non-GAAP financial measure of pre-provision net revenue to U.S. GAAP for the years ended December 31:

TABLE 5: Non-GAAP Financial Measures - Pre-Provision Net Revenue

($ in millions)		2014	2013
Net interest income (U.S. GAAP)	$	**3,579**	3,561
Add: Noninterest income		**2,473**	3,227
Less: Noninterest expense		**3,709**	3,961
Pre-provision net revenue	$	**2,343**	2,827

The Bancorp believes return on average tangible common equity is an important measure for comparative purposes with other financial

institutions, but is not defined under U.S. GAAP, and therefore is considered a non-GAAP financial measure.

The following table reconciles the non-GAAP financial measure of return on average tangible common equity to U.S. GAAP for the years ended December 31:

TABLE 6: Non-GAAP Financial Measures - Return on Average Tangible Common Equity

($ in millions)		2014	2013
Net income available to common shareholders (U.S. GAAP)	$	**1,414**	1,799
Add: Intangible amortization, net of tax		**3**	5
Tangible net income available to common shareholders (1)	$	**1,417**	1,804
Average Bancorp s shareholders equity (U.S. GAAP)	$	**15,290**	14,302
Less: Average preferred stock		**(1,205)**	(604)
Average goodwill		**(2,416)**	(2,416)
Average intangible assets and other servicing rights		**(20)**	(29)
Average Tangible common equity (2)	$	**11,649**	11,253
Return on average tangible common equity (1) / (2)		**12.2 %**	16.0

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

Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

The following table reconciles non-GAAP capital ratios to U.S. GAAP as of December 31:

TABLE 7: Non-GAAP Financial Measures - Capital Ratios

($ in millions)		2014	2013
Total Bancorp shareholders equity (U.S. GAAP)	**$**	**15,626**	14,589
Less: Preferred stock		**(1,331)**	(1,034)
Goodwill		**(2,416)**	(2,416)
Intangible assets and other servicing rights		**(16)**	(19)
Tangible common equity, including unrealized gains / losses		**11,863**	11,120
Less: Accumulated other comprehensive income		**(429)**	(82)
Tangible common equity, excluding unrealized gains / losses (1)		**11,434**	11,038
Add: Preferred stock		**1,331**	1,034
Tangible equity (2)		**12,765**	12,072
Total assets (U.S. GAAP)	**$**	**138,706**	130,443
Less: Goodwill		**(2,416)**	(2,416)
Intangible assets and other servicing rights		**(16)**	(19)
Accumulated other comprehensive income, before tax		**(660)**	(126)
Tangible assets, excluding unrealized gains / losses (3)	**$**	**135,614**	127,882
Total Bancorp shareholders equity (U.S. GAAP)	**$**	**15,626**	14,589
Less: Goodwill and certain other intangibles		**(2,476)**	(2,492)
Accumulated other comprehensive income		**(429)**	(82)
Add: Qualifying TruPS		**60**	60
Other		**(17)**	19
Tier I risk-based capital		**12,764**	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)	**$**	**11,372**	10,963

Risk-weighted assets (5)[(a)]	$	**117,878**	115,969
Ratios:			
Tangible equity (2) / (3)		**9.41 %**	9.44
Tangible common equity (1) / (3)		**8.43 %**	8.63
Tier I common equity (4) / (5)		**9.65 %**	9.45
Basel III Final Rule - Estimated Tier I common equity ratio			
Tier I common equity (Basel I)	$	**11,372**	10,963
Add: Adjustment related to capital components[(b)]		**84**	82
Estimated Tier I common equity under Basel III Final Rule without AOCI (opt out) (6)		**11,456**	11,045
Add: Adjustment related to AOCI[(c)]		**429**	82
Estimated Tier I common equity under Basel III Final Rule with AOCI (non opt out) (7)		**11,885**	11,127
Estimated risk-weighted assets under Basel III Final Rule (8)[(d)]		**122,018**	122,074
Estimated Tier I common equity ratio under Basel III Final Rule (opt out) (6) / (8)		**9.39 %**	9.05
Estimated Tier I common equity ratio under Basel III Final Rule (non opt out) (7) / (8)		**9.74 %**	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 Basel III, 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 less than 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.*

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RECENT ACCOUNTING STANDARDS

Note 1 of the Notes to Consolidated Financial Statements provides a discussion of the significant new accounting standards adopted by

the Bancorp during 2014 and the expected impact of significant accounting standards issued, but not yet required to be adopted.

CRITICAL ACCOUNTING POLICIES

The Bancorp s 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, goodwill and legal contingencies. No material changes were made to the valuation techniques or models described below during the year ended December 31, 2014.

ALLL

The Bancorp disaggregates its portfolio loans and leases into portfolio segments for purposes of determining the ALLL. The Bancorp s portfolio segments include commercial, residential mortgage, and consumer. The Bancorp further disaggregates its portfolio segments into classes for purposes of monitoring and assessing credit quality based on certain risk characteristics. Classes within the commercial portfolio segment include commercial and industrial, commercial mortgage owner-occupied, commercial mortgage nonowner-occupied, commercial construction, and commercial leasing. The residential mortgage portfolio segment is also considered a class. Classes within the consumer portfolio segment include home equity, automobile, credit card, and other consumer loans and leases. For an analysis of the Bancorp s ALLL by portfolio segment and credit quality information by class, refer to Note 6 of the Notes to Consolidated Financial Statements.

The Bancorp maintains the ALLL to absorb probable loan and lease losses inherent in its portfolio segments. The ALLL is maintained at a level the Bancorp considers to be adequate and is based on ongoing quarterly assessments and evaluations of the collectability and historical loss experience of loans and leases. Credit losses are charged and recoveries are credited to the ALLL. Provisions for loan and lease losses are based on the Bancorp s review of the historical credit loss experience and such factors that, in management s judgment, deserve consideration under existing economic conditions in estimating probable credit losses. The Bancorp s strategy for credit risk management includes a combination of conservative exposure limits significantly below legal lending limits and conservative underwriting,

documentation and collections standards. The strategy also emphasizes diversification on a geographic, industry and customer level, regular credit examinations and quarterly management reviews of large credit exposures and loans experiencing deterioration of credit quality.

The Bancorp s methodology for determining the ALLL is based on historical loss rates, current credit grades, specific allocation on loans modified in a TDR and impaired commercial credits above specified thresholds and other qualitative adjustments. Allowances on individual commercial loans, TDRs and historical loss rates are reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience. An unallocated allowance is maintained to recognize the imprecision in estimating and measuring losses when evaluating allowances for individual loans or pools of loans.

Larger commercial loans included within aggregate borrower relationship balances exceeding $1 million that exhibit probable or

observed credit weaknesses, as well as loans that have been modified in a TDR, are subject to individual review for impairment. The Bancorp considers the current value of collateral, credit quality of any guarantees, the guarantor s liquidity and willingness to cooperate, the loan structure, and other factors when evaluating whether an individual loan is impaired. Other factors may include the industry and geographic region of the borrower, size and financial condition of the borrower, cash flow and leverage of the borrower, and the Bancorp s evaluation of the borrower s management. When individual loans are impaired, allowances are determined based on management s estimate of the borrower s ability to repay the loan given the availability of collateral and other sources of cash flow, as well as an evaluation of legal options available to the Bancorp. Allowances for impaired loans are measured based on the present value of expected future cash flows discounted at the loan s effective interest rate, fair value of the underlying collateral or readily observable secondary market values. The Bancorp evaluates the collectability of both principal and interest when assessing the need for a loss accrual.

Historical credit loss rates are applied to commercial loans that are not impaired or are impaired, but smaller than the established threshold of $1 million and thus not subject to specific allowance allocations. The loss rates are derived from a migration analysis, which tracks the historical net charge-off experience sustained on loans according to their internal risk grade. The risk grading system utilized for allowance analysis purposes encompasses ten categories.

Homogenous loans and leases in the residential mortgage and consumer portfolio segments are not individually risk graded. Rather, standard credit scoring systems and delinquency monitoring are used to assess credit risks, and allowances are established based on the expected net charge-offs. Loss rates are based on the trailing twelve month net charge-off history by loan category. Historical loss rates may be adjusted for certain prescriptive and qualitative factors that, in management s judgment, are necessary to reflect losses inherent in the portfolio. Factors that management considers in the analysis include the effects of the national and local economies; trends in the nature and volume of delinquencies, charge-offs and nonaccrual loans; changes in loan mix; credit score migration comparisons; asset quality trends; risk management and loan administration; changes in the internal lending policies and credit standards; collection practices; and examination results from bank regulatory agencies and the Bancorp s internal credit reviewers.

The Bancorp s primary market areas for lending are the Midwestern and Southeastern regions of the United States. When evaluating the adequacy of allowances, consideration is given to these regional geographic concentrations and the closely associated effect changing economic conditions have on the Bancorp s customers.

Reserve for Unfunded Commitments

The reserve for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded credit facilities and is included in other liabilities in the Consolidated Balance Sheets. The determination of the adequacy of the reserve is based upon an evaluation of the unfunded credit

facilities, including an assessment of historical commitment utilization experience, credit risk grading and historical loss rates based on credit grade migration. This process takes into consideration the same risk elements that are

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

analyzed in the determination of the adequacy of the Bancorp s ALLL, as discussed above. Net adjustments to the reserve for unfunded commitments are included in other noninterest expense in the Consolidated Statements of Income.

Income Taxes

The Bancorp estimates income tax expense based on amounts expected to be owed to the various tax jurisdictions in which the Bancorp conducts business. On a quarterly basis, management assesses the reasonableness of its effective tax rate based upon its current estimate of the amount and components of net income, tax credits and the applicable statutory tax rates expected for the full year. The estimated income tax expense is recorded in the Consolidated Statements of Income.

Deferred income tax assets and liabilities are determined using the balance sheet method and the net deferred tax asset or liability is reported in other assets or accrued taxes, interest and expenses, respectively, in the Consolidated Balance Sheets. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and reflects enacted changes in tax rates and laws. Deferred tax assets are recognized to the extent they exist and are subject to a valuation allowance based on management s judgment that realization is more likely than not. This analysis is performed on a quarterly basis and includes an evaluation of all positive and negative evidence, such as the limitation on the use of any net operating losses, to determine whether realization is more likely than not.

Accrued taxes represent the net estimated amount due to taxing jurisdictions and are reported in accrued taxes, interest and expenses in the Consolidated Balance Sheets. The Bancorp evaluates and assesses the relative risks and appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other information and maintains tax accruals consistent with its evaluation of these relative risks and merits. Changes to the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by taxing authorities and changes to statutory, judicial and regulatory guidance that impact the relative risks of tax positions. These changes, when they occur, can affect deferred taxes and accrued taxes as well as the current period s income tax expense and can be significant to the operating results of the Bancorp. For additional information on income taxes, refer to Note 20 of the Notes to Consolidated Financial Statements.

Valuation of Servicing Rights

When the Bancorp sells loans through either securitizations or individual loan sales in accordance with its investment policies, it often obtains servicing rights. Servicing rights resulting from loan sales are initially recorded at fair value and subsequently amortized in proportion to, and over the period of, estimated net servicing revenue. Servicing rights are assessed for impairment monthly, based on fair value, with temporary impairment recognized through a valuation allowance and permanent impairment recognized through a write-off of the servicing asset and related valuation allowance. Key economic assumptions used in measuring any potential impairment of the servicing rights include the prepayment speeds of the underlying loans, the weighted-average life, the discount rate and the weighted-average coupon rate, as applicable. The primary risk of material changes to the value of the servicing rights resides in the potential volatility in the economic assumptions used, particularly the prepayment speeds. The Bancorp monitors risk

and adjusts its valuation allowance as necessary to adequately reserve for impairment in the servicing portfolio. For purposes of

measuring impairment, the mortgage servicing rights are stratified into classes based on the financial asset type (fixed-rate vs. adjustable rate) and interest rates. For additional information on servicing rights, refer to Note 11 of the Notes to Consolidated Financial Statements.

Fair Value Measurements

The Bancorp measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques the Bancorp uses to measure fair value include the market approach, income approach and cost approach. The market approach uses prices or relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach involves discounting future amounts to a single present amount and is based on current market expectations about those future amounts. The cost approach is based on the amount that currently would be required to replace the service capacity of the asset.

U.S. GAAP establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument s fair value measurement. The three levels within the fair value hierarchy are described as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bancorp has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Bancorp s own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Bancorp s own financial data such as internally developed pricing models and DCF methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The Bancorp s fair value measurements involve various valuation techniques and models, which involve inputs that are observable, when available. Valuation techniques and parameters used for measuring assets and liabilities are reviewed and validated by the Bancorp on a quarterly basis. Additionally, the Bancorp monitors the fair values of significant assets and liabilities using a variety of methods including the evaluation of pricing runs and

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

exception reports based on certain analytical criteria, comparison to previous trades and overall review and assessments for reasonableness. The following is a summary of valuation techniques utilized by the Bancorp for its significant assets and liabilities measured at fair value on a recurring basis.

Available-for-sale and trading securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or DCFs. Examples of such instruments, which are classified within Level 2 of the valuation hierarchy, include federal agencies, obligations of states and political subdivisions, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities and asset-backed securities and other debt securities. Corporate bonds are included in asset-backed securities and other debt securities. Federal agencies, obligations of states and political subdivisions, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities and asset-backed securities and other debt securities are generally valued using a market approach based on observable prices of securities with similar characteristics.

Residential mortgage loans held for sale and held for investment

For residential mortgage loans held for sale for which the fair value election has been made, fair value is estimated based upon mortgage-backed securities prices and spreads to those prices or, for certain ARM loans, DCF models that may incorporate the anticipated portfolio composition, credit spreads of asset-backed securities with similar collateral, and market conditions. The anticipated portfolio composition includes the effect of interest rate spreads and discount rates due to loan characteristics such as the state in which the loan was originated, the loan amount and the ARM margin. Residential mortgage loans held for sale that are valued based on mortgage-backed securities prices are classified within Level 2 of the valuation hierarchy as the valuation is based on external pricing for similar instruments. ARM loans classified as held for sale are also classified within Level 2 of the valuation hierarchy due to the use of observable inputs in the DCF model. These observable inputs include interest rate spreads from agency mortgage-backed securities market rates and observable discount rates. For residential mortgage loans in which the fair value election has been made that are subsequently reclassified from held for sale to held for investment, the fair value estimation is based on mortgage-backed securities prices, interest rate risk and an internally developed credit component. Therefore, these loans are classified within Level 3 of the valuation hierarchy.

Derivatives

Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation

hierarchy. Most of the Bancorp s derivative contracts are valued using DCF or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties, and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and structured interest rate swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At December 31, 2014, derivatives classified as

Level 3, which are valued using an option-pricing model containing unobservable inputs, consisted primarily of the warrant associated with the initial sale of the Bancorp s 51% interest in Vantiv Holding, LLC to Advent International and a total return swap associated with the Bancorp s sale of its Visa, Inc. Class B shares. Level 3 derivatives also include IRLCs, which utilize internally generated loan closing rate assumptions as a significant unobservable input in the valuation process.

In addition to the assets and liabilities measured at fair value on a recurring basis, the Bancorp measures servicing rights, certain loans and long-lived assets at fair value on a nonrecurring basis. Refer to Note 27 of the Notes to Consolidated Financial Statements for further information on fair value measurements.

Goodwill

Business combinations entered into by the Bancorp typically include the acquisition of goodwill. U.S. GAAP requires goodwill to be tested for impairment at the Bancorp s reporting unit level on an annual basis, which for the Bancorp is September 30, and more frequently if events or circumstances indicate that there may be impairment. The Bancorp has determined that its segments qualify as reporting units under U.S. GAAP.

Impairment exists when a reporting unit s carrying amount of goodwill exceeds its implied fair value. In testing goodwill for impairment, U.S. GAAP permits the Bancorp to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, the Bancorp evaluates events and circumstances which may include, but are not limited to, the general economic environment, banking industry and market conditions, the overall financial performance of the Bancorp, the performance of the Bancorp s stock, the key financial performance metrics of the reporting units, and events affecting the reporting units. If, after assessing the totality of events and circumstances, the Bancorp determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test would be unnecessary. However, if the Bancorp concludes otherwise, it would then be required to perform the first step (Step 1) of the goodwill impairment test, and continue to the second step (Step 2), if necessary. Step 1 compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, Step 2 of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. Since none of the Bancorp s reporting units are publicly traded, individual reporting unit fair value determinations cannot be directly correlated to the Bancorp s stock price. To determine the fair value of a reporting unit, the Bancorp employs an income-based approach, utilizing the

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

reporting unit s forecasted cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) and the reporting unit s estimated cost of equity as the discount rate. Additionally, the Bancorp determines its market capitalization based on the average of the closing price of the Bancorp s stock during the month including the measurement date, incorporating an additional control premium, and compares this market-based fair value measurement to the aggregate fair value of the Bancorp s reporting units in order to corroborate the results of the income approach.

When required to perform Step 2, the Bancorp compares the implied fair value of a reporting unit s goodwill with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss equal to that excess amount is recognized. A recognized impairment loss cannot exceed the carrying amount of that goodwill and cannot be reversed in future periods even if the fair value of the reporting unit recovers.

During Step 2, the Bancorp determines the implied fair value of goodwill for a reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. This assignment process is only performed for purposes of testing goodwill for impairment. The Bancorp does not adjust the carrying values of recognized assets or liabilities (other than goodwill, if appropriate), nor recognize previously unrecognized intangible assets in the Consolidated Financial Statements as a result of this assignment process. Refer to Note 8 of the Notes to Consolidated Financial Statements for further information regarding the Bancorp s goodwill.

Legal Contingencies

The Bancorp is party to numerous claims and lawsuits as well as threatened or potential actions or claims concerning matters arising from the conduct of its business activities. The outcome of claims or litigation and the timing of ultimate resolution are inherently difficult to predict, and significant judgment may be required in the determination of both the probability of loss and whether the amount of the loss is reasonably estimable. The Bancorp s estimates are subjective and are based on the status of legal and regulatory proceedings, the merit of the Bancorp s defenses and consultation with internal and external legal counsel. A reserve for a potential litigation loss is established when information related to the loss contingency indicates both that a loss is probable and that the amount of loss can be reasonably estimated. This reserve is included in Other Liabilities in the Consolidated Balance Sheets and is adjusted from time to time as appropriate to reflect changes in circumstances. Legal expenses are recorded in other noninterest expense in the Consolidated Statements of Income.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RISK FACTORS

The risks listed below present risks that could have a material impact on the Bancorp s financial condition, the results of its operations, or its business.

RISKS RELATING TO ECONOMIC AND MARKET CONDITIONS

Weakness in the U.S. economy, including within Fifth Third s geographic footprint, has adversely affected Fifth Third in the past and may adversely affect Fifth Third in the future.

If the strength of the U.S. economy in general or the strength of the local economies in which Fifth Third conducts operations declines this could result in, among other things, a deterioration in credit quality or a reduced demand for credit, including a resultant effect on Fifth Third s loan portfolio and ALLL and in the receipt of lower proceeds from the sale of loans and foreclosed properties. These factors could result in higher delinquencies, greater charge-offs and increased losses in future periods, which could materially adversely affect Fifth Third s financial condition and results of operations.

The global financial markets continue to be strained as a result of economic slowdowns and concerns, especially about the creditworthiness of the European Union member states and financial institutions in the European Union. These factors could have international implications, which could hinder the U.S. economic recovery and affect the stability of global financial markets.

Certain European Union member states have fiscal obligations greater than their fiscal revenue, which has caused investor concern over such countries ability to continue to service their debt and foster economic growth in their economies. The European debt crisis and measures adopted to address it have significantly weakened European economies. A weaker European economy may cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European member economies. A failure to adequately address sovereign debt concerns in Europe could hamper economic recovery or contribute to recessionary economic conditions and severe stress in the financial markets, including in the United States. Should the U.S. economic recovery be adversely impacted by these factors, the likelihood for loan and asset growth at U.S. financial institutions, like Fifth Third, may deteriorate.

Changes in interest rates could affect Fifth Third s income and cash flows.

Fifth Third s income and cash flows depend to a great extent on the difference between the interest rates earned on interest-earning assets such as loans and investment securities, and the interest rates paid on interest-bearing liabilities such as deposits and borrowings. These rates are highly sensitive to many factors that are beyond Fifth Third s control, including general economic conditions and the policies of various governmental and regulatory agencies (in particular, the FRB). Changes in monetary policy, including changes in interest rates, will influence the origination of loans, the prepayment speed of loans, the purchase of investments, the generation of deposits and the rates received on loans and investment securities and paid on deposits or other sources of funding. The impact of these changes may be magnified

if Fifth Third does not effectively manage the relative sensitivity of its assets and liabilities to changes in market interest rates. Fluctuations in these areas may adversely affect Fifth Third and its shareholders.

Changes and trends in the capital markets may affect Fifth Third s income and cash flows.

Fifth Third enters into and maintains trading and investment positions in the capital markets on its own behalf and manages investment positions on behalf of its customers. These investment positions include derivative financial instruments. The revenues and profits Fifth Third derives from managing proprietary and customer trading and investment positions are dependent on market prices. Market changes and trends may result in a decline in investment advisory revenue or investment or trading losses that may impact Fifth Third. Losses on behalf of its customers could expose Fifth Third to litigation, credit risks or loss of revenue from those customers. Additionally, losses in Fifth Third s trading and investment positions could lead to a loss with respect to those investments and may adversely affect cash flows and funding costs.

Problems encountered by financial institutions larger than or similar to Fifth Third could adversely affect financial markets generally and have indirect adverse effects on Fifth Third.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Bancorp interacts on a daily basis, and therefore could adversely affect Fifth Third.

Fifth Third s stock price is volatile.

Fifth Third s stock price has been volatile in the past and several factors could cause the price to fluctuate substantially in the future. These factors include:

- Actual or anticipated variations in earnings;
- Changes in analysts recommendations or projections;
- Fifth Third s announcements of developments related to its businesses;
- Operating and stock performance of other companies deemed to be peers;
- Actions by government regulators;
- New technology used or services offered by traditional and non-traditional competitors;
- News reports of trends, concerns and other issues related to the financial services industry;
- Natural disasters;
- Geopolitical conditions such as acts or threats of terrorism or military conflicts.

The price for shares of Fifth Third s common stock may fluctuate significantly in the future, and these fluctuations may be unrelated to Fifth Third s performance. General market price declines or market volatility in the future could adversely affect the price for shares of Fifth Third s common stock, and the current market price of such shares may not be indicative of future market prices.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Changes in retail distribution strategies and consumer behavior may adversely impact Fifth Third s investments in its bank premises and equipment and other assets and may lead to increased expenditures to change its retail distribution channel

Fifth Third has significant investments in bank premises and equipment for its branch network including its 1,302 full service banking centers, 93 parcels of land held for the development of future banking centers, as well as its retail work force and other branch banking assets. Advances in technology such as e-commerce, telephone, internet and mobile banking, and in-branch self-service technologies including automatic teller machines and other equipment, as well as changing customer preferences for these other methods of accessing Fifth Third s products and services, could decrease the value of Fifth Third s branch network or other retail distribution assets and may cause it to change its retail distribution strategy, close and/or sell certain branches or parcels of land held for development and restructure or reduce its remaining branches and work force. These actions could lead to losses on these assets or could adversely impact the carrying value of other long-lived assets and may lead to increased expenditures to renovate and reconfigure remaining branches or to otherwise reform its retail distribution channel.

RISKS RELATING TO FIFTH THIRD S GENERAL BUSINESS

Deteriorating credit quality, particularly in real estate loans, has adversely impacted Fifth Third in the past and may adversely impact Fifth Third in the future.

When Fifth Third lends money or commits to lend money the Bancorp incurs credit risk or the risk of loss if borrowers do not repay their loans. The credit performance of the loan portfolios significantly affects the Bancorp s financial results and condition. If the current economic environment were to deteriorate, more customers may have difficulty in repaying their loans or other obligations which could result in a higher level of credit losses and reserves for credit losses. Fifth Third reserves for credit losses by establishing reserves through a charge to earnings. The amount of these reserves is based on Fifth Third s assessment of credit losses inherent in the loan portfolio (including unfunded credit commitments). The process for determining the amount of the ALLL and the reserve for unfunded commitments is critical to Fifth Third s financial results and condition. It requires difficult, subjective and complex judgments about the environment, including analysis of economic or market conditions that might impair the ability of borrowers to repay their loans.

Fifth Third might underestimate the credit losses inherent in its loan portfolio and have credit losses in excess of the amount reserved. Fifth Third might increase the reserve because of changing economic conditions, including falling home prices or higher unemployment, or other factors such as changes in borrower s behavior. As an example, borrowers may strategically default, or discontinue making payments on their real estate-secured loans if the value of the real estate is less than what they owe, even if they are still financially able to make the payments.

Fifth Third believes that both the ALLL and the reserve for unfunded commitments are adequate to cover inherent losses at December 31, 2014; however, there is no assurance that they will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions, Fifth Third may be required to increase reserves in future periods, which would reduce earnings.

For more information, refer to the Risk Management - Credit Risk Management, Critical Accounting Policies - Allowance for

Loan and Leases, and Reserve for Unfunded Commitments sections of MD&A.

Fifth Third must maintain adequate sources of funding and liquidity.

Fifth Third must maintain adequate funding sources in the normal course of business to support its operations and fund outstanding liabilities, as well as meet regulatory expectations. Fifth Third primarily relies on bank deposits to be a low cost and stable source of funding for the loans Fifth Third makes and the operations of Fifth Third s business. Core customer deposits, which include transaction deposits and other time deposits, have historically provided Fifth Third with a sizeable source of relatively stable and low-cost funds (average core deposits funded 71% of average total assets at December 31, 2014). In addition to customer deposits, sources of liquidity include investments in the securities portfolio, Fifth Third s sale or securitization of loans in secondary markets and the pledging of loans and investment securities to access secured borrowing facilities through the FHLB and the FRB, and Fifth Third s ability to raise funds in domestic and international money and capital markets.

Fifth Third s liquidity and ability to fund and run the business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruptions and volatility or a lack of market or customer confidence in financial markets in general similar to what occurred during the financial crisis in 2008 and early 2009, which may result in a loss of customer deposits or outflows of cash or collateral and/or ability to access capital markets on favorable terms.

Other conditions and factors that could materially adversely affect Fifth Third s liquidity and funding include a lack of market or customer confidence in Fifth Third or negative news about Fifth Third or the financial services industry generally which also may result in a loss of deposits and/or negatively affect the ability to access the capital markets; the loss of customer deposits to alternative investments; inability to sell or securitize loans or other assets, increased regulatory requirements, and reductions in one or more of Fifth Third s credit ratings. A reduced credit rating could adversely affect Fifth Third s ability to borrow funds and raise the cost of borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect Fifth Third s ability to raise capital. Many of the above conditions and factors may be caused by events over which Fifth Third has little or no control such as what occurred during the financial crisis. While market conditions have stabilized and, in many cases, improved, there can be no assurance that significant disruption and volatility in the financial markets will not occur in the future.

Recent regulatory changes relating to liquidity and risk management may also negatively impact Fifth Third s results of operations and competitive position. Various regulations recently adopted or proposed, and additional regulations under consideration, impose or could impose more stringent liquidity requirements for large financial institutions, including Fifth Third. These regulations address, among other matters, liquidity stress testing, minimum liquidity requirements and restrictions on short-term debt issued by top-tier holding companies. Given the overlap and complex interactions of these regulations with other regulatory changes, including the resolution and recovery framework applicable to Fifth Third, the full impact of the adopted and proposed regulations will remain uncertain until their full implementation.

If Fifth Third is unable to continue to fund assets through customer bank deposits or access capital markets on favorable terms or if Fifth Third suffers an increase in borrowing costs or otherwise

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

fails to manage liquidity effectively; liquidity, operating margins, financial results and condition may be materially adversely affected. As Fifth Third did during the financial crisis, it may also need to raise additional capital through the issuance of stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate common stock dividends to preserve capital.

Fifth Third may have more credit risk and higher credit losses to the extent loans are concentrated by location or industry of the borrowers or collateral.

Fifth Third s credit risk and credit losses can increase if its loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. Deterioration in economic conditions, housing conditions and real estate values in these states and generally across the country could result in materially higher credit losses.

Fifth Third may be required to repurchase residential mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties.

Fifth Third sells residential mortgage loans to various parties, including GSEs and other financial institutions that purchase residential mortgage loans for investment or private label securitization. Fifth Third may be required to repurchase residential mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 60 days or less) after Fifth Third receives notice of the breach. Contracts for residential mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. If economic conditions and the housing market deteriorate or future investor repurchase demand and success at appealing repurchase requests differ from past experience, Fifth Third could have increased repurchase obligations and increased loss severity on repurchases, requiring material additions to the repurchase reserve.

If Fifth Third does not adjust to rapid changes in the financial services industry, its financial performance may suffer.

Fifth Third s ability to deliver strong financial performance and returns on investment to shareholders will depend in part on its ability to expand the scope of available financial services to meet the needs and demands of its customers. In addition to the challenge of competing against other banks in attracting and retaining customers for traditional banking services, Fifth Third s competitors also include securities dealers, brokers, mortgage bankers, investment advisors, specialty finance and insurance companies who seek to offer one-stop financial services that may include services that banks have not been able or allowed to offer to their customers in the past or may not be currently able or allowed to offer. This increasingly competitive environment is primarily a result of changes in regulation, changes in technology and product delivery systems, as well as the accelerating pace of consolidation among financial service providers.

If Fifth Third is unable to grow its deposits, it may be subject to paying higher funding costs.

The total amount that Fifth Third pays for funding costs is dependent, in part, on Fifth Third s ability to grow its deposits. If Fifth Third is unable to sufficiently grow its deposits to meet liquidity objectives, it may be subject to paying higher funding costs. Fifth Third competes with banks and other financial services

companies for deposits. If competitors raise the rates they pay on deposits, Fifth Third s funding costs may increase, either because Fifth Third raises rates to avoid losing deposits or because Fifth Third loses deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income. Fifth Third s bank customers could take their money out of the bank and put it in alternative investments, causing Fifth Third to lose a lower cost source of funding. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff.

The Bancorp s ability to receive dividends from its subsidiaries accounts for most of its revenue and could affect its liquidity and ability to pay dividends.

Fifth Third Bancorp is a separate and distinct legal entity from its subsidiaries. Fifth Third Bancorp typically receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on Fifth Third Bancorp s stock and interest and principal on its debt. Various federal and/or state laws and regulations, as well as regulatory expectations, limit the amount of dividends that the Bancorp s banking subsidiary and certain nonbank subsidiaries may pay. Regulatory scrutiny of capital levels at bank holding companies and insured depository institution subsidiaries has increased since the financial crisis and has resulted in increased regulatory focus on all aspects of capital planning, including dividends and other distributions to shareholders of banks such as the parent bank holding companies. Also, Fifth Third Bancorp s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of that subsidiary s creditors. Limitations on the Bancorp s ability to receive dividends from its subsidiaries could have a material adverse effect on its liquidity and ability to pay dividends on stock or interest and principal on its debt.

The financial services industry is highly competitive and creates competitive pressures that could adversely affect Fifth Third s revenue and profitability.

The financial services industry in which Fifth Third operates is highly competitive. Fifth Third competes not only with commercial banks, but also with insurance companies, mutual funds, hedge funds, and other companies offering financial services in the U.S., globally and over the internet. Fifth Third competes on the basis of several factors, including capital, access to capital, revenue generation, products, services, transaction execution, innovation, reputation and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms. These developments could result in Fifth Third s competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. Fifth Third may experience pricing pressures as a result of these factors and as some of its competitors seek to increase market share by reducing prices.

Fifth Third and/or the holders of its securities could be adversely affected by unfavorable ratings from rating agencies.

Fifth Third s ability to access the capital markets is important to its overall funding profile. This access is affected by the ratings assigned by rating agencies to Fifth Third, certain of its subsidiaries and particular classes of securities they issue. The interest rates that Fifth Third pays on its securities are also influenced by, among other things, the credit ratings that it, its subsidiaries and/or its

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

securities receive from recognized rating agencies. A downgrade to Fifth Third or its subsidiaries credit rating could affect its ability to access the capital markets, increase its borrowing costs and negatively impact its profitability. A ratings downgrade to Fifth Third, its subsidiaries or their securities could also create obligations or liabilities to Fifth Third under the terms of its outstanding securities that could increase Fifth Third s costs or otherwise have a negative effect on its results of operations or financial condition. Additionally, a downgrade of the credit rating of any particular security issued by Fifth Third or its subsidiaries could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

Fifth Third could suffer if it fails to attract and retain skilled personnel.

Fifth Third s success depends, in large part, on its ability to attract and retain key individuals. Competition for qualified candidates in the activities and markets that Fifth Third serves is great and Fifth Third may not be able to hire these candidates and retain them. If Fifth Third is not able to hire or retain these key individuals, Fifth Third may be unable to execute its business strategies and may suffer adverse consequences to its business, operations and financial condition.

In June 2010, the federal banking agencies issued joint guidance on executive compensation designed to help ensure that a banking organization s incentive compensation policies do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the DFA requires those agencies, along with the SEC, to adopt rules to require reporting of incentive compensation and to prohibit certain compensation arrangements. The federal banking agencies and the SEC proposed such rules in April 2011. In addition, in June 2012, the SEC issued final rules to implement DFA s requirement that the SEC direct the national securities exchanges to adopt certain listing standards related to the compensation committee of a company s board of directors as well as its compensation advisers. If Fifth Third is unable to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if compensation costs required to attract and retain employees become more expensive, Fifth Third s performance, including its competitive position, could be materially adversely affected.

Fifth Third s mortgage banking revenue can be volatile from quarter to quarter.

Fifth Third earns revenue from the fees it receives for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans tends to fall, reducing the revenue Fifth Third receives from loan originations. At the same time, revenue from MSRs can increase through increases in fair value. When rates fall, mortgage originations tend to increase and the value of MSRs tends to decline, also with some offsetting revenue effect. Even though the origination of mortgage loans can act as a natural hedge, the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would accrue over time. It is also possible that even if interest rates were to fall, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

Fifth Third typically uses derivatives and other instruments to hedge its mortgage banking interest rate risk. Fifth Third generally does not hedge all of its risks, and the fact that Fifth Third attempts to hedge any of the risks does not mean Fifth Third will be successful. Hedging is a complex process, requiring sophisticated

models and constant monitoring. Fifth Third may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. Fifth Third could incur significant losses from its hedging activities. There may be periods where Fifth Third elects not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

Fifth Third uses financial models for business planning purposes that may not adequately predict future results.

Fifth Third uses financial models to aid in its planning for various purposes including its capital and liquidity needs, potential charge- offs, reserves, and other purposes. The models used may not accurately account for all variables that could affect future results, may fail to predict outcomes accurately and/or may overstate or understate certain effects. As a result of these potential failures, Fifth Third may not adequately prepare for future events and may suffer losses or other setbacks due to these failures.

Changes in interest rates could also reduce the value of MSRs.

Fifth Third acquires MSRs when it keeps the servicing rights after the sale or securitization of the loans that have been originated or when it purchases the servicing rights to mortgage loans originated by other lenders. Fifth Third initially measures all residential MSRs at fair value and subsequently amortizes the MSRs in proportion to, and over the period of, estimated net servicing income. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. Servicing rights are assessed for impairment monthly, based on fair value, with temporary impairment recognized through a valuation allowance and permanent impairment recognized through a write-off of the servicing asset and related valuation allowance.

Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of MSRs can decrease. Each quarter Fifth Third evaluates the fair value of MSRs, and decreases in fair value below amortized cost reduce earnings in the period in which the decrease occurs.

The preparation of Fifth Third s financial statements requires the use of estimates that may vary from actual results.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make significant estimates that affect the financial statements. If new information arises that results in a material change to a reserve amount, such a change could result in a change to previously announced financial results. Refer to the Critical Accounting Policies section of MD&A for more information regarding management s significant estimates.

Changes in accounting standards or interpretations could impact Fifth Third s reported earnings and financial condition.

The accounting standard setters, including the FASB, the SEC and other regulatory agencies, periodically change the financial accounting and reporting standards that govern the preparation of Fifth Third s consolidated financial statements. These changes can be hard to predict and can materially impact how Fifth Third records and reports its financial condition and results of operations. In some cases, Fifth Third could be required to apply a new or revised standard retroactively, which would result in the recasting of Fifth Third s prior period financial statements.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Future acquisitions may dilute current shareholders ownership of Fifth Third and may cause Fifth Third to become more susceptible to adverse economic events.

Subject to requisite regulatory approvals, future business acquisitions could be material to Fifth Third and it may issue additional shares of stock to pay for those acquisitions, which would dilute current shareholders ownership interests. Acquisitions also could require Fifth Third to use substantial cash or other liquid assets or to incur debt. In those events, Fifth Third could become more susceptible to economic downturns and competitive pressures.

Difficulties in combining the operations of acquired entities with Fifth Third s own operations may prevent Fifth Third from achieving the expected benefits from its acquisitions.

Upon receipt of requisite governmental approvals and consummation of such transactions, inherent uncertainties exist when integrating the operations of an acquired entity. Fifth Third may not be able to fully achieve its strategic objectives and planned operating efficiencies in an acquisition. In addition, the markets and industries in which Fifth Third and its potential acquisition targets operate are highly competitive. Fifth Third may lose customers or the customers of acquired entities as a result of an acquisition. Future acquisition and integration activities may require Fifth Third to devote substantial time and resources and as a result Fifth Third may not be able to pursue other business opportunities.

After completing an acquisition, Fifth Third may find certain items are not accounted for properly in accordance with financial accounting and reporting standards. Fifth Third may also not realize the expected benefits of the acquisition due to lower financial results pertaining to the acquired entity. For example, Fifth Third could experience higher charge-offs than originally anticipated related to the acquired loan portfolio.

Fifth Third may sell or consider selling one or more of its businesses. Should it determine to sell such a business, it may not be able to generate gains on sale or related increase in shareholders equity commensurate with desirable levels. Moreover, if Fifth Third sold such businesses, the loss of income could have an adverse effect on its earnings and future growth.

Fifth Third owns, or owns a minority stake in, as applicable, several non-strategic businesses that are not significantly synergistic with its core financial services businesses. Fifth Third has, from time to time, considered the sale of such businesses and/or interests, including, for example, portions of our stake in Vantiv Holding, LLC. If it were to determine to sell such businesses and/or interests, Fifth Third would be subject to market forces that may make completion of a sale unsuccessful or may not be able to do so within a desirable time frame. If Fifth Third were to complete the sale of non-core businesses and/or interests, it would suffer the loss of income from the sold businesses and/or interests, including those accounted for under the equity method of accounting, and such loss of income could have an adverse effect on its future earnings and growth.

Fifth Third relies on its systems and certain service providers, and certain failures could materially adversely affect operations.

Fifth Third collects, processes and stores sensitive consumer data by utilizing computer systems and telecommunications networks operated by both Fifth Third and third party service providers. Fifth Third has security,

backup and recovery systems in place, as well as a business continuity plan to ensure the systems will not be

inoperable. Fifth Third also has security to prevent unauthorized access to the systems. In addition, Fifth Third requires its third party service providers to maintain similar controls. However, Fifth Third cannot be certain that the measures will be successful. A security breach in the systems and loss of confidential information such as credit card numbers and related information could result in losing the customers confidence and thus the loss of their business as well as additional significant costs for privacy monitoring activities.

Fifth Third s necessary dependence upon automated systems to record and process its transaction volume poses the risk that technical system flaws or employee errors, tampering or manipulation of those systems will result in losses and may be difficult to detect. Fifth Third may also be subject to disruptions of its operating systems arising from events that are beyond its control (for example, computer viruses or electrical or telecommunications outages). Fifth Third is further exposed to the risk that its third party service providers may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors as Fifth Third). These disruptions may interfere with service to Fifth Third s customers and result in a financial loss or liability.

Fifth Third is exposed to cyber-security risks, including denial of service, hacking, and identity theft.

Fifth Third relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in disruptions to its accounting, deposit, loan and other systems, and adversely affect our customer relationships. While Fifth Third has policies and procedures designed to prevent or limit the effect of these possible events, there can be no assurance that any such failure, interruption or security breach will not occur or, if any does occur, that it can be sufficiently remediated. There have been increasing efforts on the part of third parties, including through cyber attacks, to breach data security at financial institutions or with respect to financial transactions. There have been several recent instances involving financial services and consumer-based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data, by both private individuals and foreign governments. In addition, because the techniques used to cause such security breaches change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, Fifth Third may be unable to proactively address these techniques or to implement adequate preventative measures. Furthermore, there has been a well-publicized series of apparently related distributed denial of service attacks on large financial services companies, including Fifth Third Bank. Distributed denial of service attacks are designed to saturate the targeted online network with excessive amounts of network traffic, resulting in slow response times, or in some cases, causing the site to be temporarily unavailable. To date these attacks have not been intended to steal financial data, but meant to interrupt or suspend a company s Internet service. These events did not result in a breach of Fifth Third s client data and account information remained secure; however, the attacks did adversely affect the performance of Fifth Third s website and in some instances prevented customers from accessing Fifth Third s website. While the event was resolved in a timely fashion and primarily resulted in inconvenience to our customers, future cyber-attacks could be more disruptive and damaging. Cyber threats are rapidly evolving and Fifth Third may not be able to anticipate or prevent all such attacks. Fifth Third may incur increasing costs in an effort to minimize these risks or in the investigation of such cyber-attacks or related to the protection of the Bancorp s customers from identity theft as a result

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

of such attacks. Nevertheless, the occurrence of any failure, interruption or security breach of our systems, or of our third-party service providers, particularly if widespread or resulting in financial losses to customers, could also seriously damage Fifth Third s reputation, result in a loss of customer business, subject it to additional regulatory scrutiny, or expose it to civil litigation and financial liability.

Fifth Third is exposed to operational and reputational risk.

Fifth Third is exposed to many types of operational risk, including but not limited to, business continuity risk, information management risk, fraud risk, model risk, third party service provider risk, human resources risk, and process risk.

Negative public opinion can result from Fifth Third s actual or alleged conduct in activities, such as lending practices, data security, corporate governance and acquisitions, and may damage Fifth Third s reputation. Additionally, actions taken by government regulators and community organizations may also damage Fifth Third s reputation. This negative public opinion can adversely affect Fifth Third s ability to attract and keep customers and can expose it to litigation and regulatory action.

The results of Vantiv Holding, LLC could have a negative impact on Fifth Third s operating results and financial condition.

In 2009, Fifth Third sold an approximate 51% interest in its processing business, Vantiv Holding, LLC (formerly Fifth Third Processing Solutions). As a result of additional share sales completed by Fifth Third in 2012, 2013 and 2014 the Bancorp s current ownership share in Vantiv Holding, LLC is approximately 23%. The Bancorp s investment in Vantiv Holding, LLC is accounted for under the equity method of accounting and is not consolidated based on Fifth Third s remaining ownership share in Vantiv Holding, LLC. Vantiv Holding, LLC s operating results could be poor or favorable and could affect the operating results of Fifth Third. In addition, Fifth Third participates in a multi-lender credit facility to Vantiv Holding, LLC and repayment of these loans is contingent on future cash flows from Vantiv Holding, LLC.

Weather related events or other natural disasters may have an effect on the performance of Fifth Third s loan portfolios, especially in its coastal markets, thereby adversely impacting its results of operations.

Fifth Third s footprint stretches from the upper Midwestern to lower Southeastern regions of the United States. This area has experienced weather events including hurricanes and other natural disasters. The nature and level of these events and the impact of global climate change upon their frequency and severity cannot be predicted. If large scale events occur, they may significantly impact its loan portfolios by damaging properties pledged as collateral as well as impairing its borrowers ability to repay their loans.

RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT

As a regulated entity, the Bancorp is subject to certain capital requirements that may limit its operations and potential growth.

The Bancorp is a bank holding company and a financial holding company. As such, it is subject to the comprehensive, consolidated supervision and regulation of the FRB, including risk-based and leverage capital requirements, investment practices, dividend policy and growth. The Bancorp must maintain certain risk-based and leverage capital ratios as required by the FRB which can change depending upon general economic conditions and the Bancorp s

particular condition, risk profile and growth plans. Compliance with the capital requirements, including leverage ratios, may limit operations that require the intensive use of capital and could adversely affect the Bancorp s ability to expand or maintain present business levels.

In June 2012, Federal banking agencies proposed enhancements to the regulatory capital requirements for U.S. banking organizations, which implemented 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 2013, the Federal banking agencies issued final rules for the enhanced regulatory capital requirements, which included modifications to the proposed rules. The final rules provide the option for certain banking organizations, including the Bancorp, to opt out of including AOCI in Tier I capital and retain the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The new capital rules are effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain components and other provisions. The need to maintain more and higher quality capital as well as greater liquidity going forward could limit our business activities, including lending, and our ability to expand, either organically or through acquisitions. Moreover, although these new requirements are being phased in over time, U.S. Federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases and share repurchases.

The Bancorp s banking subsidiary must remain well-capitalized, well-managed and maintain at least a Satisfactory CRA rating for the Bancorp to retain its status as a financial holding company. Failure to meet these requirements could result in the FRB placing limitations or conditions on the Bancorp s activities (and the commencement of new activities) and could ultimately result in the loss of financial holding company status. In addition, failure by the Bancorp s banking subsidiary to meet applicable capital guidelines could subject the bank to a variety of enforcement remedies available to the federal regulatory authorities. These include limitations on the ability to pay dividends, the issuance by the regulatory authority of a capital directive to increase capital, and the termination of deposit insurance by the FDIC.

Fifth Third s business, financial condition and results of operations could be adversely affected by new or changed regulations and by the manner in which such regulations are applied by regulatory authorities.

Previous economic conditions, particularly in the financial markets, have resulted in government regulatory agencies placing increased focus on and scrutiny of the financial services industry. The U.S. government has intervened on an unprecedented scale, responding to what has been commonly referred to as the financial crisis, by introducing various actions and passing legislation such as the DFA. Such programs and legislation subject Fifth Third and other financial institutions to restrictions, oversight and/or costs that may have an impact on Fifth Third s business, financial condition, results of operations or the price of its common stock.

New proposals for legislation and regulations continue to be introduced that could further substantially increase regulation of the financial services industry. Fifth Third cannot predict whether any pending or future legislation will be adopted or the substance and impact of any such new legislation on Fifth Third. Additional regulation could affect Fifth Third in a substantial way and could

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

have an adverse effect on its business, financial condition and results of operations.

Fifth Third is subject to various regulatory requirements that may limit its operations and potential growth.

Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions and their holding companies, the FRB, the FDIC, the CFPB and the Ohio Division of Financial Institutions have the authority to compel or restrict certain actions by Fifth Third and its banking subsidiary. Fifth Third and its banking subsidiary are subject to such supervisory authority and, more generally, must, in certain instances, obtain prior regulatory approval before engaging in certain activities or corporate decisions. There can be no assurance that such approvals, if required, would be forthcoming or that such approvals would be granted in a timely manner. Failure to receive any such approval, if required, could limit or impair Fifth Third s operations, restrict its growth and/or affect its dividend policy. Such actions and activities subject to prior approval include, but are not limited to, increasing dividends paid by Fifth Third or its banking subsidiary, entering into a merger or acquisition transaction, acquiring or establishing new branches, and entering into certain new businesses.

In addition, Fifth Third, as well as other financial institutions more generally, have recently been subjected to increased scrutiny from government authorities, including bank regulatory authorities, stemming from broader systemic regulatory concerns, including with respect to stress testing, capital levels, asset quality, provisioning, AML/BSA, consumer compliance and other prudential matters and efforts to ensure that financial institutions take steps to improve their risk management and prevent future crises. In this regard, government authorities, including the bank regulatory agencies, are also pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures and may also adversely affect our ability to enter into certain transactions or engage in certain activities, or obtain necessary regulatory approvals in connection therewith.

In some cases, regulatory agencies may take supervisory actions that may not be publicly disclosed, which restrict or limit a financial institution. Finally, as part of Fifth Third s regular examination process, Fifth Third s and its banking subsidiary s respective regulators may advise it and its banking subsidiary to operate under various restrictions as a prudential matter. Such supervisory actions or restrictions, if and in whatever manner imposed, could have a material adverse effect on Fifth Third s business and results of operations and may not be publicly disclosed.

Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, investigations and proceedings by various governmental regulatory agencies and law enforcement authorities, as well as self-regulatory agencies which may lead to adverse consequences.

Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by governmental regulatory agencies and law enforcement authorities, as well as self-regulatory agencies, regarding their respective businesses. Such matters may result in material adverse consequences, including without limitation, adverse judgments, settlements, fines, penalties, injunctions or other actions, amendments and/or restatements of Fifth Third s SEC filings

and/or financial statements, as applicable, and/or determinations of material weaknesses in its disclosure controls and procedures.

Deposit insurance premiums levied against Fifth Third Bank may increase if the number of bank failures increase or the cost of resolving failed banks increases.

The FDIC maintains a DIF to protect insured depositors in the event of bank failures. The DIF is funded by fees assessed on insured depository institutions including Fifth Third Bank. Future deposit premiums paid by Fifth Third Bank depend on the level of the DIF and the magnitude and cost of future bank failures. Fifth Third Bank may be required to pay significantly higher FDIC premiums if market developments change such that the DIF balance is reduced.

Legislative or regulatory compliance, changes or actions or significant litigation, could adversely impact Fifth Third or the businesses in which Fifth Third is engaged.

Fifth Third is subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of its operations and limit the businesses in which Fifth Third may engage. These laws and regulations may change from time to time and are primarily intended for the protection of consumers and depositors. The impact of any changes to laws and regulations or other actions by regulatory agencies may negatively impact Fifth Third or its ability to increase the value of its business. Additionally, actions by regulatory agencies or significant litigation against Fifth Third could cause it to devote significant time and resources to defending itself and may lead to penalties that materially affect Fifth Third and its shareholders. Future changes in the laws, including tax laws, or regulations or their interpretations or enforcement may also be materially adverse to Fifth Third and its shareholders or may require Fifth Third to expend significant time and resources to comply with such requirements.

On July 21, 2010 the President of the United States signed into law the DFA. Many parts of the DFA are now in effect, while others are in an implementation stage likely to continue for several years. A number of reform provisions are likely to significantly impact the ways in which banks and bank holding companies, including Fifth Third and its bank subsidiary, conduct their business:

The CFPB has been given authority to regulate consumer financial products and services sold by banks and non-bank companies and to supervise banks with assets of more than $10 billion and their affiliates for compliance with Federal consumer protection laws. Any new regulatory requirements promulgated by the CFPB could require changes to our consumer businesses, result in increased compliance costs and affect the streams of revenue of such businesses. The FSOC has been charged with identifying systemic risks, promoting stronger financial regulation and identifying those non-bank companies that are systemically important and thus should be subject to regulation by the Federal Reserve.

The DFA Volcker Rule provisions and implementing final rule generally prohibit any banking entity from (i) engaging in short-term proprietary trading for its own account and (ii) sponsoring or acquiring ownership interests in private equity or hedge funds. The Volcker Rule, however, contains a number of exceptions to these

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

prohibitions. For example, transactions on behalf of customers or in connection with certain underwriting and market making activities, as well as risk-mitigating hedging activities and certain foreign banking activities are permitted. The risk-mitigating hedging exemption applies to hedging activities that are designed to reduce or significantly mitigate specific, identifiable risks of individual or aggregated positions. Fifth Third is required to conduct an analysis supporting its hedging strategy and the effectiveness of hedges must be monitored and recalibrated as necessary. Fifth Third will be required to document, contemporaneously with the transaction, the hedging rationale for certain transactions that present heighted compliance risks. Under the market-making exemption, a trading desk is required to routinely stand ready to purchase and sell one or more types of financial instruments. The trading desk s inventory in these types of financial instruments has to be designed not to exceed, on an ongoing basis, the reasonably expected near-term demands of customers.

The Volcker Rule and the rulemakings promulgated thereunder restrict banks and their affiliated entities from investing in or sponsoring certain private equity and hedge funds. Fifth Third does not sponsor any private equity or hedge funds that it is prohibited from sponsoring. As of December 31, 2014, the Bancorp had approximately $165 million in interests and approximately $60 million in binding commitments to invest in private equity funds likely to be affected by the Volcker rule. It is expected that the Bancorp may need to eliminate these investments although it is likely that these investments will be reduced over time in the ordinary course before compliance is required. In December 2014, the FRB extended the conformance period through July 2016 for investments in and relationships with such covered funds that were in place prior to December 31, 2013, and indicated that it intends to further extend the compliance period for such investments through July 2017. An ultimate forced sale of some of these investments could result in Fifth Third receiving less value than it would otherwise have received.

The FDIC and the Federal Reserve adopted a final rule that requires bank holding companies that have $50 billion or more in assets, like Fifth Third, to periodically submit to the Federal Reserve, the FDIC and the FSOC a plan discussing how the company could be resolved in a rapid and orderly fashion if the company were to fail or experience material financial distress. In a related rulemaking, the FDIC adopted a final rule that requires insured depository institutions with $50 billion or more in assets, like Fifth Third, to annually prepare and submit a resolution plan to the FDIC, which would include, among other things, an analysis of how the institution could be resolved under the FDIA in a manner that protects depositors and limits losses or costs to creditors of the bank. Initial plans for Fifth Third and its bank subsidiary have been submitted, in accordance with the final
regulatory rules, for review by the FDIC, the Federal Reserve, and the FSOC. The Federal Reserve and the FDIC may jointly impose restrictions on Fifth Third or its bank subsidiary, including additional capital requirements or limitations on growth, if the agencies determine that the institution s plan is not credible or would not facilitate a rapid and orderly resolution of Fifth Third under the U.S. Bankruptcy Code, or Fifth Third Bank under the FDIA, and additionally could require Fifth Third to divest assets or take other actions if it did not submit an acceptable resolution within two years after any such restrictions were imposed.

Title VII of DFA imposes a new regulatory regime on the U.S. derivatives markets. While most of the provisions related to derivatives markets are now in effect, several additional requirements await final regulations from the relevant regulatory agencies for derivatives, the CFTC and the SEC. One aspect of this new regulatory regime for derivatives is that substantial oversight responsibility has been provided to the CFTC, which, as a result, now has a meaningful supervisory role with respect to some of Fifth Third s businesses. In 2014, Fifth Third Bank registered as a swap dealer with the CFTC and became subject to new substantive requirements, including real time trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material incentives and conflicts of interest), and mandatory clearing and exchange trading of all standardized swaps designated by the relevant regulatory agencies as required to be cleared. Although the ultimate impact will depend on the promulgation of all final regulations, Fifth Third s derivatives business will likely be further subject to new substantive requirements, including margin requirements in excess of current market practice and capital requirements specific to this business. These requirements will collectively impose implementation and ongoing compliance burdens on Fifth Third and will introduce additional legal risk (including as a result of newly applicable antifraud and anti-manipulation provisions and private rights of action). Once finalized, the rules may raise the costs and liquidity burden associated with Fifth Third s derivatives businesses and adversely affect or cause Fifth Third to change its derivatives products.

Financial institutions may be required, regardless of risk, to pay taxes or other fees to the U.S. Treasury. Such taxes or other fees could be designed to reimburse the U.S. Treasury for the many government programs and initiatives it has taken or may undertake as part of its economic stimulus efforts. The Department of Treasury issued an interim final rule in 2012 to establish an assessment schedule for the collection of fees from bank holding companies with at least $50 billion in assets and foreign banks with at least $50 billion in assets in the U.S. to cover the expenses of the Office of Financial Research and FSOC. In August 2013, the FRB also adopted a final

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

rule to implement an assessment provision under the DFA equal to the expense the FRB estimates are necessary or appropriate to supervise and regulate bank holding companies with $50 billion or more in assets.

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 DFA, 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. The merchants have filed a petition for writ of certiorari to the U.S. Supreme Court. However, on January 20, 2015, the U.S. Supreme Court declined to hear an appeal of the Circuit Court reversal, thereby largely upholding the Current Rule and substantially reducing uncertainty surrounding debit card interchange fees the Bancorp is permitted to charge. 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.

It is clear that the reforms, both under the DFA and otherwise, are having a significant effect on the entire financial industry. Fifth Third believes compliance with the DFA and implementing its regulations and other initiatives will likely continue to negatively impact revenue and increase the cost of doing business, both in terms of transition expenses and on an ongoing basis, and may also limit Fifth Third s ability to pursue certain desirable business opportunities. Any new regulatory requirements or changes to existing requirements could require changes to Fifth Third s businesses, result in increased compliance costs and affect the profitability of such businesses. Additionally, reform could affect the behaviors of third parties that we deal with in the course of our business, such as rating agencies, insurance companies and investors. The extent to which Fifth Third can adjust its strategies to offset such adverse impacts also is not known at this time.

Fifth Third and/or its affiliates are or may become the subject of litigation which could result in legal liability and damage to Fifth Third s reputation.

Fifth Third and certain of its directors and officers have been named from time to time as defendants in various class actions and

other litigation relating to Fifth Third s business and activities. Past, present and future litigation have included or could include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. The SEC has announced a policy of seeking admissions of liability in certain settled cases, which could adversely impact the defense of private litigation. These matters could result in material adverse judgments,

settlements, fines, penalties, injunctions or other relief, amendments and/or restatements of Fifth Third s SEC filings and/or financial statements, as applicable and/or determinations of material weaknesses in its disclosure controls and procedures. Like other large financial institutions and companies, Fifth Third is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. Substantial legal liability or significant regulatory action against Fifth Third could materially adversely affect its business, financial condition or results of operations and/or cause significant reputational harm to its business.

Fifth Third s ability to pay or increase dividends on its common stock or to repurchase its capital stock is restricted.

Fifth Third s ability to pay dividends or repurchase stock is subject to regulatory requirements and the need to meet regulatory expectations. Fifth Third is subject to an annual assessment by the FRB as part of CCAR. The mandatory elements of the capital plan are an assessment of the expected use and sources of capital over the planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the Bancorp s business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the Bancorp s process for assessing capital adequacy and the Bancorp s capital policy. The capital plan must reflect the revised capital framework that the FRB adopted in connection with the implementation of the Basel III accord, including the framework s minimum regulatory capital ratios and transition arrangements. Fifth Third s stress testing results and 2015 capital plan were submitted to the FRB on January 5, 2015.

The FRB s review of the capital plan will assess the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB will review 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 5 percent under baseline and stressful conditions throughout a nine-quarter planning horizon.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Table 8 presents the components of net interest income, net interest margin and net interest rate spread for the years ended December 31, 2014, 2013 and 2012. 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. Table 9 provides the relative impact of changes in the balance sheet and changes in interest rates on net interest income.

Net interest income was $3.6 billion for both the years ended December 31, 2014 and 2013. Net interest income was positively impacted by an increase in average taxable securities of $5.4 billion for the year ended December 31, 2014 coupled with an increase in yields on these securities of 16 bps for the year ended December 31, 2014 compared to the year ended December 31, 2013. Net interest income also included the benefit of an increase in average loans and leases of $2.0 billion for the year ended December 31, 2014, as well as a decrease in the rates paid on long-term debt for the year ended December 31, 2014 compared to the year ended December 31, 2013. These benefits were partially offset by lower yields on loans and leases and an increase in average long-term debt of $5.0 billion for the year ended December 31, 2014 compared to the year ended December 31, 2013. For the year ended December 31, 2014, the net interest rate spread decreased to 2.94% from 3.15% in 2013 driven by a 21 bps decrease in yields on average interest-earning assets for the year ended December 31, 2014.

Net interest margin was 3.10% for the year ended December 31, 2014 compared to 3.32% for the year ended December 31, 2013. The decrease from December 31, 2013 was driven primarily by the previously mentioned decrease in the net interest rate spread, partially offset by increases in average free funding balances.

Interest income from loans and leases decreased $148 million, or four percent, compared to the year ended December 31, 2013 primarily due to a decrease of 25 bps in yields on average loans and leases partially offset by an increase of two percent in average loans and leases for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in average loans and leases for the year ended December 31, 2014 was driven primarily by an increase of nine percent in average commercial and industrial loans partially offset by a decrease in average residential mortgage loans of eight percent compared to the year ended December 31, 2013. For more information on the Bancorp s loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet

Analysis section of MD&A. Interest income from investment securities and other short-term investments increased $206 million compared to the year ended December 31, 2013 driven by the factors discussed above.

Average core deposits increased $6.8 billion, or eight percent, compared to the year ended December 31, 2013 primarily due to an

increase in average money market deposits, average interest checking deposits and average demand deposits, partially offset by a decrease in average savings deposits. The cost of average interest bearing core deposits was 27 bps for both the years ended December 31, 2014 and 2013. Interest expense on money market deposits increased during the year ended December 31, 2014 compared to the year ended December 31, 2013 driven by a $5.2 billion increase in average money market deposits and a 10 bps increase in the rate paid on average money market deposits. This increase was partially offset by a decrease of 27 bps in the rate paid on other time deposits for the year ended December 31, 2014 compared to the year ended December 31, 2013. Refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s deposits.

Interest expense on average wholesale funding for the year ended December 31, 2014 increased $23 million, or nine percent, compared to the year ended December 31, 2013, primarily due to an increase in interest expense related to long-term debt partially offset by a decrease in average certificates $100,000 and over. Interest expense on long-term debt increased during the year ended December 31, 2014 compared to the year ended December 31, 2013 driven by a $5.0 billion increase in average long-term debt partially offset by a 67 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 and the lower cost of new debt issuances in 2014. Interest expense on average certificates $100,000 and over decreased during the year ended December 31, 2014 compared to the year ended December 31, 2013 driven primarily by a $2.4 billion decrease in average certificates $100,000 and over partially offset by a 7 bps increase in the rate paid on average certificates $100,000 and over. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During both the years ended December 31, 2014 and 2013, wholesale funding represented 24% of average interest-bearing liabilities. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, refer to the Market Risk Management section of MD&A.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TABLE 8: CONSOLIDATED AVERAGE BALANCE SHEET AND ANALYSIS OF NET INTEREST INCOME

For the years ended December 31	**2014**			2013			2012		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate
Assets									
Interest-earning assets:									
Loans and leases:[a]									
Commercial and industrial loans	$ **41,178**	$ **1,346**	**3.27 %**	$ 37,770	$ 1,361	3.60 %	$ 32,911	$ 1,349	4.10 %
Commercial mortgage	**7,745**	**260**	**3.36**	8,481	306	3.60	9,686	369	3.81
Commercial construction	**1,492**	**51**	**3.44**	793	27	3.45	835	25	2.99
Commercial leases	**3,585**	**108**	**3.01**	3,565	116	3.26	3,502	127	3.62
Subtotal commercial	**54,000**	**1,765**	**3.27**	50,609	1,810	3.58	46,934	1,870	3.98
Residential mortgage loans	**13,344**	**518**	**3.88**	14,428	564	3.91	13,370	543	4.06
Home equity	**9,059**	**336**	**3.71**	9,554	355	3.71	10,369	393	3.79
Automobile loans	**12,068**	**334**	**2.77**	12,021	373	3.10	11,849	439	3.70
Credit card	**2,271**	**227**	**9.98**	2,121	209	9.87	1,960	192	9.79
Other consumer loans and leases	**385**	**138**	**35.99**	360	155	42.93	340	155	45.32
Subtotal consumer	**37,127**	**1,553**	**4.18**	38,484	1,656	4.30	37,888	1,722	4.54
Total loans and leases	**91,127**	**3,318**	**3.64**	89,093	3,466	3.89	84,822	3,592	4.23
Securities:									
Taxable	**21,770**	**722**	**3.32**	16,395	518	3.16	15,262	527	3.45
Exempt from income taxes[a]	**53**	**3**	**4.94**	49	3	5.29	57	2	3.29
Other short-term investments	**3,043**	**8**	**0.26**	2,417	6	0.26	1,495	4	0.26
Total interest-earning assets	**115,993**	**4,051**	**3.49**	107,954	3,993	3.70	101,636	4,125	4.06
Cash and due from banks	**2,892**			2,482			2,355		
Other assets	**14,539**			15,053			15,695		
Allowance for loan and lease losses	**(1,481)**			(1,757)			(2,072)		
Total assets	$ **131,943**			$ 123,732			$ 117,614		
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	$ **25,382**	$ **56**	**0.22 %**	$ 23,582	$ 53	0.23 %	$ 23,096	$ 49	0.22 %
Savings	**16,080**	**16**	**0.10**	18,440	22	0.12	21,393	37	0.17
Money market	**14,670**	**51**	**0.35**	9,467	23	0.25	4,903	11	0.22
Foreign office deposits	**1,828**	**5**	**0.29**	1,501	4	0.28	1,528	4	0.27
Other time deposits	**3,762**	**40**	**1.06**	3,760	50	1.33	4,306	68	1.59
Certificates - $100,000 and over	**3,929**	**34**	**0.85**	6,339	50	0.78	3,102	46	1.48
Other deposits	**-**	**-**	**0.02**	17	-	0.11	27	-	0.13
Federal funds purchased	**458**	**-**	**0.09**	503	1	0.12	560	1	0.14
Other short-term borrowings	**1,873**	**2**	**0.10**	3,024	5	0.18	4,246	8	0.18
Long-term debt	**12,928**	**247**	**1.91**	7,914	204	2.58	9,043	288	3.17
Total interest-bearing liabilities	**80,910**	**451**	**0.56**	74,547	412	0.55	72,204	512	0.71

Demand deposits	**31,755**	29,925	27,196
Other liabilities	**3,950**	4,917	4,462
Total liabilities	**116,615**	109,389	103,862
Total equity	**15,328**	14,343	13,752
Total liabilities and equity	**$ 131,943**	$ 123,732	$ 117,614
Net interest income	**$ 3,600**	$ 3,581	$ 3,613
Net interest margin	**3.10 %**	3.32 %	3.55 %
Net interest rate spread	**2.94**	3.15	3.35
Interest-bearing liabilities to interest-earning assets	**69.75**	69.05	71.04

(a) *The FTE adjustments included in the above table were **$21**, $20 and $18 for the years ended **December 31, 2014**, 2013 and 2012, respectively. The federal statutory rate utilized was 35% for all periods presented.*

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TABLE 9: CHANGES IN NET INTEREST INCOME ATTRIBUTABLE TO VOLUME AND YIELD/RATE[(a)]

For the years ended December 31		**2014 Compared to 2013**				2013 Compared to 2012		
($ in millions)		Volume	Yield/Rate	Total		Volume	Yield/Rate	Total
Assets								
Interest-earning assets:								
Loans and leases:								
Commercial and industrial loans	$	**116**	**(131)**	**(15)**	$	187	(175)	12
Commercial mortgage		**(26)**	**(20)**	**(46)**		(44)	(19)	(63)
Commercial construction		**24**	**-**	**24**		(2)	4	2
Commercial leases		**1**	**(9)**	**(8)**		2	(13)	(11)
Subtotal commercial loans and leases		**115**	**(160)**	**(45)**		143	(203)	(60)
Residential mortgage loans		**(42)**	**(4)**	**(46)**		42	(21)	21
Home equity		**(18)**	**(1)**	**(19)**		(31)	(7)	(38)
Automobile loans		**1**	**(40)**	**(39)**		6	(72)	(66)
Credit card		**16**	**2**	**18**		15	2	17
Other consumer loans and leases		**9**	**(26)**	**(17)**		8	(8)	-
Subtotal consumer loans and leases		**(34)**	**(69)**	**(103)**		40	(106)	(66)
Total loans and leases		**81**	**(229)**	**(148)**		183	(309)	(126)
Securities:		**-**						
Taxable		**177**	**27**	**204**		38	(47)	(9)
Exempt from income taxes		**-**	**-**	**-**		1	-	1
Other short-term investments		**2**	**-**	**2**		2	-	2
Subtotal securities and other short-term investments		**179**	**27**	**206**		41	(47)	(6)
Total change in interest income	$	**260**	**(202)**	**58**	$	224	(356)	(132)
Liabilities								
Interest-bearing liabilities:								
Interest checking	$	**3**	**-**	**3**	$	-	4	4
Savings		**(2)**	**(4)**	**(6)**		(4)	(11)	(15)
Money market		**16**	**12**	**28**		11	1	12
Foreign office deposits		**1**	**-**	**1**		-	-	-
Other time deposits		**-**	**(10)**	**(10)**		(8)	(10)	(18)
Certificates - $100,000 and over		**(20)**	**4**	**(16)**		33	(29)	4
Federal funds purchased		**(1)**	**-**	**(1)**		-	-	-
Other short-term borrowings		**(1)**	**(2)**	**(3)**		(3)	-	(3)
Long-term debt		**106**	**(63)**	**43**		(34)	(50)	(84)
Total change in interest expense		**102**	**(63)**	**39**		(5)	(95)	(100)
Total change in net interest income	$	**158**	**(139)**	**19**	$	229	(261)	(32)

(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.*

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. 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 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 increased to $315 million in 2014 compared to $229 million in 2013. The increase in provision expense for 2014 compared to the prior year was primarily due to an increase in net charge-offs related to certain impaired commercial and industrial loans in the first and third quarters of 2014 and an increase in net charge-offs related to the

transfer of certain residential mortgage loans from the portfolio to held for sale in the fourth quarter of 2014. The impact of these increases in charge-offs on provision expense in 2014 was partially offset by decreases in nonperforming loans and leases and improved delinquency metrics. The ALLL declined $260 million from $1.6 billion at December 31, 2013 to $1.3 billion at December 31, 2014. As of December 31, 2014, the ALLL as a percent of portfolio loans and leases decreased to 1.47%, compared to 1.79% at December 31, 2013.

Refer to the Credit Risk Management section of MD&A as well as Note 6 of the Notes to 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.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Noninterest Income

Noninterest income decreased $754 million, or 23%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The components of noninterest income are as follows:

TABLE 10: NONINTEREST INCOME

For the years ended December 31 ($ in millions)		**2014**	2013	2012	2011	2010
Service charges on deposits	$	**560**	549	522	520	574
Corporate banking revenue		**430**	400	413	350	364
Investment advisory revenue		**407**	393	374	375	361
Mortgage banking net revenue		**310**	700	845	597	647
Card and processing revenue		**295**	272	253	308	316
Other noninterest income		**450**	879	574	250	406
Securities gains, net		**21**	21	15	46	47
Securities gains, net, non-qualifying hedges on mortgage servicing rights		**-**	13	3	9	14
Total noninterest income	$	**2,473**	3,227	2,999	2,455	2,729

Service charges on deposits

Service charges on deposits increased $11 million in 2014 compared to 2013. Commercial deposit revenue increased $15 million in 2014 compared to 2013 primarily due to new customer acquisition and product expansion. Consumer deposit revenue decreased $4 million in 2014 compared to 2013 primarily due to a decrease in consumer checking and savings fees from a decline in the percentage of consumer customers being charged service fees, partially offset by an increase in overdraft fees.

Corporate banking revenue

Corporate banking revenue increased $30 million in 2014 compared to 2013. The increase from the prior year was primarily the result of an increase in syndication and lease remarketing fees. Syndication fees increased $22 million compared to 2013 due to the investment

in resources in the commercial business and a strengthening economy in 2014. The increase in lease remarketing fees included the impact of a $9 million write-down of equipment value on an operating lease during the fourth quarter of 2013.

Investment advisory revenue

Investment advisory revenue increased $14 million in 2014 compared to 2013. The increase was primarily due to an increase of $15 million in private client service fees due to growth in personal asset management fees, partially offset

by a decrease in securities broker fees due to a decline in transactional brokerage revenue. The Bancorp had approximately $308 billion and $302 billion in total assets under care as of December 31, 2014 and 2013, respectively, and managed $27 billion in assets for individuals, corporations and not-for-profit organizations as of December 31, 2014 and 2013.

Mortgage banking net revenue

Mortgage banking net revenue decreased $390 million, or 56%, in 2014 compared to 2013. The components of mortgage banking net revenue are as follows:

TABLE 11: COMPONENTS OF MORTGAGE BANKING NET REVENUE

For the years ended December 31 ($ in millions)		**2014**	2013	2012
Origination fees and gains on loan sales	$	**153**	453	821
Net mortgage servicing revenue:				
Gross mortgage servicing fees		**246**	251	250
Mortgage servicing rights amortization		**(119)**	(166)	(186)
Net valuation adjustments on mortgage servicing rights and free-standing derivatives entered into to economically hedge MSR		**30**	162	(40)
Net mortgage servicing revenue		**157**	247	24
Mortgage banking net revenue	$	**310**	700	845

Origination fees and gains on loan sales decreased $300 million in 2014 compared to 2013 primarily as the result of a 66% decrease in residential mortgage loan originations. Residential mortgage loan originations decreased to $7.5 billion in 2014 from $22.3 billion in 2013 due to strong refinancing activity that occurred during the year ended December 31, 2013.

Net mortgage servicing revenue is comprised of gross servicing fees and related 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 servicing revenue decreased $90 million in 2014 compared to 2013 driven primarily by a decrease of $132 million in net valuation adjustments, partially offset by a decrease in mortgage servicing rights amortization of $47 million.

The net valuation adjustment gain of $30 million during 2014 included $95 million in gains from derivatives economically hedging

the MSRs partially offset by temporary impairment of $65 million on the MSRs. The net valuation adjustment gain of $162 million during 2013 included a recovery of temporary impairment of $192 million on MSRs partially offset by $30 million in losses from derivatives economically hedging the MSRs. Mortgage rates decreased during 2014 which caused the modeled prepayments speeds to increase, which led to temporary impairment on servicing rights during the year. Mortgage rates increased in 2013 which caused the modeled prepayment speeds to slow, and led to the recovery of temporary impairment on servicing rights in 2013.

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 11 of the Notes to Consolidated Financial Statements.

The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

associated with changes in the valuation on the MSR portfolio. Refer to Note 12 of the Notes to 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 December 31, 2014 and 2013 was $79.0 billion and $82.7 billion, respectively, with $65.4 billion and $69.2 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 during the year ended December 31, 2014. Net gains on the sale of

these securities were $13 million during the year ended 2013, recorded in securities gains, net, non-qualifying hedges on mortgage servicing rights in the Bancorp s Consolidated Statements of Income.

Card and processing revenue

Card and processing revenue increased $23 million in 2014 compared to 2013. The increase 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 $128 million and $122 million for the years ended December 31, 2014 and 2013, respectively.

Other noninterest income

The major components of other noninterest income are as follows:

TABLE 12: COMPONENTS OF OTHER NONINTEREST INCOME

For the years ended December 31 ($ in millions)		**2014**	2013	2012
Gain on Vantiv, Inc. IPO and sale of Vantiv, Inc. shares	$	**148**	336	272
Operating lease income		**84**	75	60
Equity method income from interest in Vantiv Holding, LLC		**48**	77	61
Cardholder fees		**45**	47	46
BOLI income		**44**	52	35
Valuation adjustments on the warrant and put options associated with Vantiv Holding, LLC		**31**	206	67
Banking center income		**30**	34	32
Consumer loan and lease fees		**25**	27	27
Insurance income		**13**	25	28
Gain on loan sales		**-**	3	20

Loss on OREO		**(14)**	(26)	(57)
Loss on swap associated with the sale of Visa, Inc. Class B shares		**(38)**	(31)	(45)
Other, net		**34**	54	28
Total other noninterest income	**$**	**450**	879	574

Other noninterest income decreased $429 million in 2014 compared to 2013. The decrease included the impact of a gain of $125 million on the sale of Vantiv, Inc. shares in the second quarter of 2014 compared to gains totaling $327 million during the second and third quarters of 2013. The Bancorp recognized gains of $23 million and $9 million associated with a tax receivable agreement with Vantiv, Inc. in the fourth quarter of 2014 and 2013, respectively. In addition, the positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC were $31 million and $206 million for the years ended December 31, 2014 and 2013, respectively. 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 for the years ended December 31, 2014 and 2013 were primarily due to increases of four percent and 60%, respectively, in Vantiv, Inc. s share price from December 31, 2013 to December 31, 2014 and from December 31, 2012 to December 31, 2013, respectively. Equity method earnings from the Bancorp s interest in Vantiv

Holding, LLC decreased $29 million from 2013 primarily due to charges taken by Vantiv Holding, LLC related to an acquisition in 2014 and a decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from approximately 25% at December 31, 2013 to approximately 23% at December 31, 2014.

Insurance income decreased $12 million in 2014 compared to 2013 due to a decrease in premiums and fees collected in 2014. Additionally, the Bancorp recognized $38 million and $31 million in negative valuation adjustments related to the Visa total return swap for the years ended December 31, 2014 and 2013, respectively. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B shares and the valuation of the warrant and put options associated with the sale of Vantiv Holding, LLC, refer to Note 27 of the Notes to Consolidated Financial Statements.

The other caption decreased $20 million for the year ended 2014 compared to 2013. The decrease was primarily the result of $20 million in impairment charges in 2014 for branches and land. For more information on these impairment charges, refer to Note 7 of the Notes to Consolidated Financial Statements.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Noninterest Expense

Noninterest expense decreased $252 million, or six percent, for the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to decreases in total personnel costs (salaries, wages and incentives plus employee benefits) and other noninterest expense. The components of noninterest expense are as follows:

TABLE 13: NONINTEREST EXPENSE

For the years ended December 31 ($ in millions)		2014	2013	2012	2011	2010
Salaries, wages and incentives	$	**1,449**	1,581	1,607	1,478	1,430
Employee benefits		**334**	357	371	330	314
Net occupancy expense		**313**	307	302	305	298
Technology and communications		**212**	204	196	188	189
Card and processing expense		**141**	134	121	120	108
Equipment expense		**121**	114	110	113	122
Other noninterest expense		**1,139**	1,264	1,374	1,224	1,394
Total noninterest expense	$	**3,709**	3,961	4,081	3,758	3,855
Efficiency ratio		**61.1 %**	58.2	61.7	62.3	60.7

Total personnel costs decreased $155 million, or eight percent, in 2014 compared to 2013 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 in 2014. Full time equivalent employees totaled 18,351 at December 31, 2014 compared to 19,446 at December 31, 2013.

The major components of other noninterest expense are as follows:

TABLE 14: COMPONENTS OF OTHER NONINTEREST EXPENSE

For the years ended December 31 ($ in millions)		2014	2013	2012
Losses and adjustments	$	**188**	221	187
Impairment on affordable housing investments		**135**	108	90
Loan and lease		**119**	158	183

Marketing	**98**	114	128
FDIC insurance and other taxes	**89**	127	114
Professional service fees	**72**	76	56
Operating lease	**67**	57	43
Travel	**52**	54	52
Postal and courier	**47**	48	48
Data processing	**41**	42	40
Recruitment and education	**28**	26	28
OREO expense	**17**	16	21
Insurance	**16**	17	18
Supplies	**15**	16	17
Intangible asset amortization	**4**	8	13
Loss on debt extinguishment	**-**	8	169
Benefit from the reserve for unfunded commitments	**(27)**	(17)	(2)
Other, net	**178**	185	169
Total other noninterest expense	**$ 1,139**	1,264	1,374

Total other noninterest expense decreased $125 million, or 10%, in 2014 compared to 2013 primarily due to decreases in loan and lease expense, FDIC insurance and other taxes, losses and adjustments, marketing expense, debt extinguishment costs and an increase in the benefit from the reserve for unfunded commitments, partially offset by increases in impairment on affordable housing investments.

Loan and lease expense decreased $39 million in 2014 compared to 2013 due to lower loan closing and appraisal costs driven by a decline in mortgage originations. FDIC insurance and other taxes decreased $38 million in 2014 compared to 2013 primarily due to the change in the mix of the Bancorp s funding base and higher capital levels, a change in tax laws during 2014 and the implementation of the large bank assessment fee, which included billings for prior periods during 2013. Losses and adjustments decreased $33 million in 2014 compared to 2013 primarily due to a decrease in legal settlements and reserve expense. Marketing expense decreased $16 million in 2014 compared to 2013 due to management s expense control efforts. Debt extinguishment

costs decreased $8 million in 2014 compared to 2013. During the fourth quarter of 2013, the Bancorp incurred $8 million of debt extinguishment costs associated with the redemption of outstanding TruPS issued by Fifth Third Capital Trust IV. The benefit from the reserve for unfunded commitments was $27 million and $17 million in 2014 and 2013, respectively. The increase in the benefit recognized reflects a decrease in estimated loss rates related to unfunded commitments due to improved credit trends partially offset by an increase in unfunded commitments for which the Bancorp holds reserves.

Impairment on affordable housing investments increased $27 million in 2014 compared to 2013, primarily driven by a $12 million benefit from the sale of affordable housing investments in 2013 and incremental losses on previous investments.

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

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

interest income (FTE) and noninterest income) was 61.1% for 2014

compared to 58.2% in 2013.

Applicable Income Taxes

Applicable income tax expense for all periods includes the benefit from tax-exempt income, tax-advantaged investments, certain gains on sales of leveraged leases that are exempt from federal taxation 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 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.

The effective tax rates for the years ended December 31, 2014 and 2013 were primarily impacted by $164 million and $155 million, respectively, in tax credits, $27 million of tax benefit from tax exempt income in 2014 and 2013, respectively, and a $9 million non-cash charge to income tax expense related to stock-based awards during the year ended December 31, 2013. The Bancorp did not recognize a similar non-cash charge related to stock-based awards during the year ended December 31, 2014.

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 recognize a non-cash charge to income tax expense upon the write-off of the deferred tax asset previously established for these stock-based awards. As a result of the expiration of certain stock options and SARs, the lapse of restrictions on certain shares of restricted stock and because the Bancorp did not have an accumulated excess tax benefit, the Bancorp was required to recognize a non-cash charge to income tax expense of $9 million for the write-off of the deferred tax asset previously established for these awards during the year ended December 31, 2013. Based on the accumulated excess tax benefit at December 31, 2014 the Bancorp was not required to recognize a non-cash charge to income tax expense related to stock-based awards for the year ended December 31, 2014.

Based on the Bancorp s stock price at December 31, 2014 and the Bancorp s accumulation of an excess tax benefit through the year ended December 31, 2014, the Bancorp does not believe it will be required 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 need to recognize a non-cash charge to income tax expense in the future.

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

TABLE 15: APPLICABLE INCOME TAXES

For the years ended December 31 ($ in millions)	**2014**	2013	2012	2011	2010
Income before income taxes	**$ 2,028**	2,598	2,210	1,831	940
Applicable income tax expense	**545**	772	636	533	187
Effective tax rate	**26.9 %**	29.7	28.8	29.1	19.8

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 30 of the Notes to 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. 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 during 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. 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 years ended December 31, 2013 and 2012 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 2013 and 2012 balances were adjusted to reflect a change in internal allocation methodology.

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

TABLE 16: BUSINESS SEGMENT NET INCOME AVAILABLE TO COMMON SHAREHOLDERS

For the years ended December 31 ($ in millions)		**2014**	2013	2012
Income Statement Data				
Commercial Banking	**$**	**819**	814	714
Branch Banking		**346**	204	144
Consumer Lending		**(68)**	183	223
Investment Advisors		**54**	68	43
General Corporate & Other		**332**	557	450
Net income		**1,483**	1,826	1,574
Less: Net income attributable to noncontrolling interests		**2**	(10)	(2)
Net income attributable to Bancorp		**1,481**	1,836	1,576
Dividends on preferred stock		**67**	37	35
Net income available to common shareholders	**$**	**1,414**	1,799	1,541

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 17: COMMERCIAL BANKING

For the years ended December 31 ($ in millions)		2014	2013	2012
Income Statement Data				
Net interest income (FTE)[(a)]	$	**1,673**	1,612	1,550
Provision for loan and lease losses		**235**	194	249
Noninterest income:				
Corporate banking revenue		**429**	392	402
Service charges on deposits		**286**	267	251
Other noninterest income		**172**	159	121
Noninterest expense:				
Salaries, incentives and employee benefits		**306**	310	304
Other noninterest expense		**1,013**	925	883
Income before taxes		**1,006**	1,001	888
Applicable income tax expense[(a)(b)]		**187**	187	174
Net income	$	**819**	814	714
Average Balance Sheet Data				
Commercial loans, including held for sale	$	**51,310**	47,762	44,028
Demand deposits		**18,935**	17,116	16,742
Interest checking deposits		**8,068**	7,095	7,795
Savings and money market deposits		**5,946**	4,987	3,368
Other time deposits and certificates - $100,000 and over		**1,399**	1,330	1,795
Foreign office deposits and other deposits		**1,824**	1,486	1,298

(a) *The FTE adjustments included in the above table were **$21**, $20 and $17 million for the years ended **December 31, 2014**, 2013 and 2012, 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 the MD&A for additional information.

Comparison of 2014 with 2013

Net income was $819 million for the year ended December 31, 2014, compared to net income of $814 million for the year ended December 31, 2013. The increase in net income was the result of increases in net interest income and noninterest income, partially offset by increases in noninterest expense and the provision for loan and lease losses.

Net interest income increased $61 million from the prior year primarily due to growth in average commercial construction loans, an increase in FTP credits due to an increase in demand deposits and a decrease in FTP charges, partially offset by a decline in yields of 29 bps on average commercial loans.

Provision for loan and lease losses increased $41 million from the prior year due to an increase in net charge-offs related to certain impaired commercial and industrial loans in the first and third quarters of 2014. Net charge-offs as a percent of average portfolio loans and leases increased to 46 bps for 2014 compared to 41 bps for 2013.

Noninterest income increased $69 million from the prior year due to increases in corporate banking revenue, service charges on deposits and other noninterest income. Corporate banking revenue increased $37 million from 2013 primarily driven by increases in syndication fees and lease remarketing fees. Service charges on deposits increased $19 million from 2013 primarily driven by higher commercial deposit revenue which increased due to the acquisition of new customers and product expansion. Other noninterest income increased $13 million from 2013 primarily due to increases in operating lease income and card and processing revenue.

Noninterest expense increased $84 million from the prior year as a result of an increase in other noninterest expense, partially offset by a decrease in salaries, incentives and benefits. Other

noninterest expense increased $88 million from 2013 driven by increases in corporate overhead allocations, impairment on affordable housing investments and operating lease expense. The decrease in salaries, incentives and employee benefits of $4 million was 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 $3.5 billion from 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 and average commercial construction portfolio loans increased $3.5 billion and $689 million, respectively, from the prior year as a result of an increase in new loan origination activity and utilization resulting from a strengthening economy and targeted marketing efforts. Average commercial mortgage portfolio loans decreased $651 million from 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 $4.1 billion from the prior year. The increase was the result of strong growth in average demand deposits, average interest checking deposits, average savings and money market deposits and average foreign deposits and other deposits which increased $1.8 billion, $973 million, $959 million and $338 million, respectively, from to the prior year.

Comparison of 2013 with 2012

Net income was $814 million for the year ended December 31, 2013, compared to net income of $714 million for the year ended December 31, 2012. The increase in net income was primarily driven by increases in net interest income and noninterest income

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

and a decrease in the provision for loan and lease losses, partially offset by higher noninterest expense.

Net interest income increased $62 million from 2012 primarily due to growth in average commercial and industrial loans, an increase in FTP credits due to increases in savings and money market deposits and demand deposits and a decrease in FTP charges on loans, partially offset by a decline in yields of 28 bps on average commercial loans.

Provision for loan and lease losses decreased $55 million from 2012 as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 41 bps for 2013 compared to 57 bps for 2012.

Noninterest income increased $44 million from 2012 primarily due to increases in other noninterest income and service charges on deposits, partially offset by a decrease in corporate banking revenue. The increase in other noninterest income of $38 million from 2012 was primarily due to decreases in negative valuation adjustments on OREO, increases in operating lease income and card and processing revenue, and decreases in negative valuation adjustments on loans held for sale, partially offset by decreases in gains on loan sales. Service charges on deposits increased $16 million from 2012 primarily driven by commercial deposit revenue which increased due to fee repricing and the acquisition of new customers. The decrease in corporate banking revenue of $10 million from the prior year was primarily driven by decreases in lease remarketing and letter of credit fees, partially offset by increases in syndication fees, foreign exchange fees and business lending fees.

Noninterest expense increased $48 million from 2012 as a result of increases in other noninterest expense and salaries, incentives and employee benefits. Other noninterest expense increased $42 million from the prior year primarily driven by increases in impairment on affordable housing investments and operating lease expense, partially offset by a decrease in loan and lease expense. The increase in salaries, incentives and employee benefits of $6 million from 2012 was primarily the result of an increase in base compensation primarily driven by improved production levels.

Average commercial loans increased $3.7 billion from the prior year primarily due to an increase in average commercial and industrial loans, partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial portfolio loans increased $4.9 billion from December 31, 2012 as a result of an increase in new origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage loans decreased $1.1 billion due to continued run-off as the level of new originations was less than the repayments of the existing portfolio.

Average core deposits increased $1.5 billion from December 31, 2012. The increase was primarily driven by strong growth in average savings and money market deposits and average demand deposits, which increased $1.6 billion and $374 million, respectively, from to the prior year, partially offset by a decrease in interest checking deposits of $700 million.

Branch Banking

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,302 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.

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

TABLE 18: BRANCH BANKING

For the years ended December 31 ($ in millions)	**2014**	2013	2012
Income Statement Data			
Net interest income	**$ 1,546**	1,356	1,261
Provision for loan and lease losses	**181**	210	268
Noninterest income:			
Service charges on deposits	**272**	279	268
Card and processing revenue	**226**	207	195
Investment advisory revenue	**152**	148	129
Other noninterest income	**70**	106	107
Noninterest expense:			
Salaries, incentives and employee benefits	**537**	547	537
Net occupancy and equipment expense	**246**	241	238
Card and processing expense	**133**	125	115
Other noninterest expense	**635**	660	579
Income before taxes	**534**	313	223
Applicable income tax expense	**188**	109	79
Net income	**$ 346**	204	144
Average Balance Sheet Data			
Consumer loans, including held for sale	**$ 14,978**	15,223	14,926
Commercial loans, including held for sale	**1,583**	1,807	1,905
Demand deposits	**11,228**	10,750	8,391
Interest checking deposits	**8,998**	8,841	9,080
Savings and money market deposits	**23,911**	22,110	22,031
Other time deposits and certificates - $100,000 and over	**4,690**	4,709	5,386

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Comparison of 2014 with 2013

Net income was $346 million for the year ended December 31, 2014, compared to net income of $204 million for the year ended December 31, 2013. The increase was driven by an increase in net interest income and declines in the provision for loan and lease losses and noninterest expense, partially offset by a decrease in noninterest income.

Net interest income increased $190 million from the prior year primarily driven by increases in the FTP credit rates for savings and money market deposits, demand deposits and interest checking deposits and a decrease in the FTP charges on loans and leases. These increases were partially offset by declines in yields on average commercial loans and a decrease in interest income relating to the Bancorp s decision to no longer enroll new customers in the deposit advance product.

Provision for loan and lease losses for 2014 decreased $29 million from the prior year as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 110 bps for 2014 compared to 123 bps for 2013.

Noninterest income decreased $20 million from the prior year. The decrease was primarily driven by decreases in other noninterest income and service charges on deposits, partially offset by an increase in card and processing revenue. Other noninterest income decreased $36 million from 2013 primarily due to $20 million in impairment charges in 2014 for branches and land. For more information on these impairment charges, refer to Note 7 of the Notes to Consolidated Financial Statements. The remaining decrease in other noninterest income was primarily due to decreases in gains on loan sales and mortgage origination fees and retail service fees. Service charges on deposits decreased $7 million from 2013 primarily due to a decrease in consumer checking and savings fees from a decline in the percentage of consumer customers being charged service fees. Card and processing revenue increased $19 million from the prior year primarily as a result of an increase in the number of actively used cards as well as higher processing fees related to additional ATM locations.

Noninterest expense decreased $22 million from the prior year, primarily driven by decreases in other noninterest expense and salaries, incentives and employee benefits, partially offset by increases in card and processing expense and net occupancy and equipment expense. Other noninterest expense decreased $25 million from the prior year due to lower marketing expense and loan and lease expense. Salaries, incentives and employee benefits decreased $10 million from the prior year primarily driven by lower compensation costs due to a decline in the number of full-time equivalent employees. Card and processing expense increased $8 million from 2013 primarily due to higher rewards expense relating to credit cards and increased fraud-related charges. Net occupancy and equipment expense increased $5 million from 2013 primarily due to an increase in rent expense driven by additional ATM locations.

Average consumer loans decreased $245 million in 2014 primarily due to a decrease in average home equity loans of $382 million as payoffs exceeded new advances and new loan production. This decrease was partially offset by an increase in average credit card loans of $147 million from the prior year primarily due to an increase in open and active accounts driven by the volume of new accounts.

Average core deposits increased $2.4 billion from the prior year primarily driven by net growth in average savings and money market deposits of $1.8 billion and growth in average demand deposits of $478 million.

Comparison of 2013 with 2012

Net income was $204 million for the year ended December 31, 2013, compared to net income of $144 million for the year ended December 31, 2012. The increase was driven by an increase in net interest income and noninterest income and a decline in the provision for loan and lease losses, partially offset by an increase in noninterest expense.

Net interest income increased $95 million from 2012 primarily driven by an increase in the FTP credit rates for savings and money market deposits, demand deposits and interest checking deposits, a decrease in the FTP charges on loans and leases 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 for 2013 decreased $58 million from 2012 as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 123 bps for 2013 compared to 159 bps for 2012.

Noninterest income increased $41 million from 2012. The increase was primarily driven by increases in investment advisory revenue, card and processing revenue and service charges on deposits. Investment advisory revenue increased $19 million from 2013 primarily due to increased securities and brokerage fees due to an increase in equity and bond market values. Card and processing revenue increased $12 million from the prior year due to higher transaction volumes, higher levels of consumer spending and the benefit of new products. Service charges on deposits increased $11 million from 2012 primarily due to an increase in account maintenance fees due to the full year impact of new deposit product offerings.

Noninterest expense increased $104 million from 2012, primarily driven by increases in salaries, incentives and employee benefits, card and processing expense and other noninterest expense. Salaries, incentives and employee benefits increased from 2012 primarily due to an increase in bonus and incentive compensation associated with improved securities and brokerage revenue. Card and processing expense increased from 2012 due primarily to increases in debit and credit card transaction volumes, consumer spending, fraud insurance costs and credit card rewards expense. The increase in other noninterest expense was primarily due to an increase in corporate overhead allocations during 2013 compared to 2012.

Average consumer loans increased $297 million in 2013 primarily due to increases in average residential mortgage portfolio loans of $942 million from the prior year as a result of continued retention of certain shorter term residential mortgage loans. In addition, average credit card loans increased from 2012 due to increases in average balances per account and the volume of new customers. These increases were partially offset by decreases in average home equity portfolio loans of $743 million from 2012 as payoffs exceeded new loan production.

Average core deposits increased $1.7 billion from the prior year as growth in demand deposits due to excess customer liquidity and a continued low interest rate environment was partially offset by the run-off of higher priced other 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 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 loans to consumers through correspondent lenders and automobile dealers.

46 Fifth Third Bancorp

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

TABLE 19: CONSUMER LENDING

For the years ended December 31 ($ in millions)		**2014**	2013	2012
Income Statement Data				
Net interest income	$	**257**	312	314
Provision for loan and lease losses		**156**	92	176
Noninterest income:				
Mortgage banking net revenue		**304**	687	830
Other noninterest income		**42**	61	46
Noninterest expense:				
Salaries, incentives and employee benefits		**122**	215	231
Other noninterest expense		**430**	470	439
(Loss) income before taxes		**(105)**	283	344
Applicable income tax (benefit) expense		**(37)**	100	121
Net (loss) income	$	**(68)**	183	223
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	$	**8,866**	10,222	10,143
Home equity		**483**	560	643
Automobile loans, including held for sale		**11,517**	11,409	11,191
Other consumer loans and leases		**19**	16	30

Comparison of 2014 with 2013

Consumer Lending incurred a net loss of $68 million in 2014 compared to net income of $183 million in 2013. The decrease was driven by decreases in net interest income and noninterest income and an increase in the provision for loan and lease losses, partially offset by a decrease in noninterest expense.

Net interest income decreased $55 million from the prior year primarily due to 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 and leases.

The provision for loan and lease losses increased $64 million from the prior year primarily due to an $87 million charge-off related to the transfer of certain residential mortgage loans from the portfolio to held for sale in the fourth quarter of 2014, partially offset by improved delinquency metrics on home equity loans. Net charge-offs as a percent of average loans and leases increased to 77 bps for 2014 compared to 46 bps for 2013.

Noninterest income decreased $402 million from 2013 as a result of decreases in mortgage banking net revenue of $383 million and other noninterest income of $19 million. The decrease in mortgage banking net revenue was due to a $293 million decline in mortgage origination fees and gains on loan sales due to a decline in mortgage originations

and a $90 million decrease in net mortgage servicing revenue. Refer to the Noninterest Income section of MD&A for additional information on the fluctuations in mortgage banking net revenue. The decrease in other noninterest income was primarily due to a $16 million decrease in securities gains.

Noninterest expense decreased $133 million due to decreases of $93 million in salaries, incentives and benefits and $40 million in other noninterest expense from the prior year. The decrease in salaries, incentives and employee benefits was primarily the result of lower mortgage loan originations. The decrease in other noninterest expense was primarily due to decreases in loan and lease expense and corporate overhead allocations.

Average consumer loans and leases decreased $1.3 billion from the prior year. Average residential mortgage loans, including held for sale, decreased $1.4 billion from the prior year due primarily to a decline of $1.5 billion in average residential mortgage loans held for sale from reduced origination volumes driven by a reduction in refinance activity and the exit of the broker origination channel

during 2014. This decrease was partially offset by the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches and the decision to retain certain conforming ARMs and certain other fixed-rate loans originated during the year ended December 31, 2014. Average home equity loans decreased $77 million from the prior year as payoffs exceeded new loan production. Average automobile loans, including held for sale, increased $108 million for the current year from the prior year due to new originations exceeding run-off.

Comparison of 2013 with 2012

Net income was $183 million in 2013 compared to net income of $223 million in 2012. The decrease was driven by a decrease in noninterest income and an increase in noninterest expense, partially offset by a decline in the provision for loan and lease losses.

Net interest income decreased $2 million from 2012 due primarily to lower yields on average residential mortgage and automobile loans, partially offset by a decrease in FTP charges on loans and leases and increases in average residential mortgage and average automobile loans.

The provision for loan and lease losses decreased $84 million from 2012 as delinquency metrics and underlying loss trends improved across all consumer loan types. Net charge-offs as a percent of average loans and leases decreased to 46 bps for 2013 compared to 88 bps for 2012.

Noninterest income decreased $128 million from 2012 primarily due to a decrease in mortgage banking net revenue of $143 million, partially offset by an increase in other noninterest income of $15 million. The decrease in mortgage banking net revenue was primarily due to a decrease in gains on loan sales of $368 million as a result of a decrease in profit margins on sold residential mortgage loans coupled with a decrease in residential mortgage loan originations, partially offset by a $223 million increase in net residential mortgage servicing revenue. The increase in net residential mortgage servicing revenue was driven by an increase of $202 million in net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge the MSRs and a decrease of $20 million in servicing rights amortization. The increase in other noninterest income was primarily due to a $12 million increase in securities gains and a $7 million decline in losses on the sale of OREO.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Noninterest expense increased $15 million driven by an increase of $31 million in other noninterest expense, partially offset by a decrease of $16 million in salaries, incentives and employee benefits compared to 2012. The increase in other noninterest expense was primarily due to higher litigation expense and an increase in corporate overhead allocations, partially offset by a decrease in loan and lease expense due to lower appraisal costs. The decrease in salaries, incentives and employee benefits was due to a decline in incentive compensation driven primarily by a decline in originations during 2013 compared to 2012, partially offset by an increase in deferred compensation for 2013 compared to 2012.

Average consumer loans and leases increased $200 million from 2012. Average residential mortgage loans, including held for sale, increased $79 million for 2013 compared to 2012 due to strong refinancing activity that occurred in the first half of 2013. Average automobile loans increased $218 million in 2013 compared to 2012 due to an increase in originations primarily driven by modest improvement in general economic conditions and a continued low interest rate environment. Average home equity portfolio loans decreased $83 million for 2013 compared to 2012 as payoffs exceeded new loan production. Average other consumer loans and

leases decreased $14 million in 2013 resulting from a decrease in average consumer leases due to run-off as the Bancorp discontinued automobile leasing in 2008, partially offset by an increase in average other consumer loans.

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 FTAM), 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 20: INVESTMENT ADVISORS

For the years ended December 31 ($ in millions)		**2014**	2013	2012
Income Statement Data				
Net interest income	$	**121**	154	117
Provision for loan and lease losses		**3**	2	10
Noninterest income:				
Investment advisory revenue		**397**	384	366

Other noninterest income		**13**	22	30
Noninterest expense:				
Salaries, incentives and employee benefits		**162**	159	161
Other noninterest expense		**283**	294	276
Income before taxes		**83**	105	66
Applicable income tax expense		**29**	37	23
Net income	$	**54**	68	43
Average Balance Sheet Data				
Loans and leases	$	**2,270**	2,014	1,877
Core deposits		**9,535**	8,815	7,709

Comparison of 2014 with 2013

Net income was $54 million in 2014 compared to net income of $68 million for 2013. The decrease in net income was primarily due to a decrease in net interest income, partially offset by a decrease in noninterest expense and an increase in noninterest income.

Net interest income decreased $33 million from 2013 primarily due to a decrease in the FTP credit rate on certain interest checking deposits.

Noninterest income increased $4 million from the prior year due to a $13 million increase in investment advisory revenue primarily driven by an increase of $12 million in private client services revenue due to growth in personal asset management fees, partially offset by a decrease in securities broker fees due to a decline in transactional brokerage revenue. This increase was partially offset by a $9 million decrease in other noninterest income as other noninterest income in the prior year included gains on the sale of certain advisory contracts.

Noninterest expense decreased $8 million from the prior year primarily due to a decrease in other noninterest expense driven by decreases in operational losses, marketing expense and corporate overhead allocations.

Average loans and leases increased $256 million from the prior year primarily driven by increases in average residential mortgage loans and average commercial mortgage loans, partially offset by a decrease in average home equity loans. Average core deposits increased $720 million from the prior year due to growth in average interest checking balances as customers have opted to maintain excess funds in liquid transaction accounts as a result of interest rates remaining near historic lows.

Comparison of 2013 with 2012

Net income was $68 million in 2013 compared to net income of $43 million for 2012. The increase in net income was primarily due to increases in net interest income and noninterest income and a decrease in the provision for loan and lease losses, partially offset by an increase in noninterest expense.

Net interest income increased $37 million from 2012 due to an increase in FTP credits resulting from an increase in interest checking deposits.

Provision for loan and lease losses decreased $8 million from the prior year. Net charge-offs as a percent of average loans and leases decreased to 9 bps compared to 53 bps for the prior year reflecting improved credit trends during 2013.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Noninterest income increased $10 million compared to 2012 due to an increase in investment advisory revenue, partially offset a decrease in other noninterest income. The increase in investment advisory revenue was primarily driven by increases in securities and brokerage fees and private client service fees due to strong production and an increase in equity and bond market values. The decrease in other noninterest income was due to a decrease in gains on sales of held for sale loans and the impact of the gain on the sale of certain FTAM funds in the third quarter of 2012.

Noninterest expense increased $16 million compared to 2012 due to an increase in other noninterest expense primarily driven by increases in corporate allocations and fraud losses.

Average loans and leases increased $137 million compared to 2012 primarily driven by increases in average residential mortgage, average other consumer and average commercial and industrial loans, partially offset by a decrease in average commercial mortgage loans. Average core deposits increased $1.1 billion compared to 2012 due to growth in interest checking as customers have opted to maintain excess funds in liquid transaction accounts as a result of the low interest rate environment.

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.

Comparison of 2014 with 2013

Results for 2014 and 2013 were impacted by a benefit of $260 million and $269 million, respectively, due to reductions in the ALLL. Net interest income decreased from $147 million in 2013 to $3 million for 2014 primarily due to increases in FTP credits and interest expense on long-term debt and a decrease in the benefit related to the FTP charges on loans and leases, partially offset by an increase in interest income on taxable securities. Noninterest income was $256 million for 2014 compared to $659 million in 2013. Noninterest income included the impact of a gain of $125 million on the sale of Vantiv, Inc. shares in the second quarter of 2014 compared to gains totaling $327 million during the second and third quarters of 2013. The Bancorp also recognized gains of $23 million and $9 million associated with a tax receivable agreement with Vantiv, Inc. in the fourth quarter of 2014 and 2013, respectively. The positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC were $31 million and $206 million for the years ended December 31, 2014 and 2013, respectively. Additionally, the equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $29 million from 2013. Noninterest income also included $38 million in negative valuation adjustments related to the Visa total return swap for the year ended December 31, 2014 compared to $31 million for the year ended December 31, 2013.

Noninterest expense for the year ended December 31, 2014 was a benefit of $12 million compared to an expense of $159 million for the year ended December 31, 2013. The decrease was driven by decreases in compensation expense, FDIC insurance and other taxes and litigation and regulatory activity, partially offset by a decrease in the benefit from other noninterest expense driven by decreased corporate overhead allocations from General Corporate and Other to

the other business segments.

Comparison of 2013 with 2012

Results for 2013 and 2012 were impacted by a benefit of $269 million and $400 million, respectively, due to reductions in the ALLL. The decrease in provision expense was primarily due to a decrease in nonperforming loans and leases and improvements in delinquency metrics and underlying loss trends. Net interest income decreased from $370 million in 2012 to $147 million for 2013 primarily due to a decrease in FTP charges partially offset by a decrease in interest expense on long-term debt. Noninterest income increased $278 million compared to 2012 primarily due to positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC which increased $139 million in 2013 compared to 2012. In addition, gains of $242 million and $85 million were recognized on the sales of Vantiv, Inc. shares in the second and third quarters of 2013, respectively, compared to gains of $115 million related to the Vantiv, Inc. IPO and $157 million on the sale of Vantiv, Inc. shares in 2012. The Bancorp also recognized a gain of $9 million associated with a tax receivable agreement with Vantiv, Inc. in the fourth quarter of 2013. The equity method earnings from the Bancorp s interest in Vantiv Holding, LLC increased $16 million from 2012.

Noninterest expense decreased $286 million compared to 2012 due to decreases in other noninterest expense and total personnel costs. Other noninterest expense decreased due to a decrease in debt extinguishment costs, an increase in corporate overhead allocations assigned to the segments, a decrease in loan and lease expense and a decrease in losses and adjustments. Debt extinguishment costs decreased $161 million during 2013 compared to 2012. During the fourth quarter of 2013, the Bancorp incurred $8 million of debt extinguishment costs associated with the redemption of outstanding TruPS issued by Fifth Third Capital Trust IV. During 2012, the Bancorp incurred $160 million of debt extinguishment costs associated with the redemption of certain TruPS and the termination of certain FHLB debt. Loan and lease expense decreased $72 million during 2013 compared to 2012 primarily due to a decrease in loan closing fees due to a decline in mortgage originations. Losses and adjustments decreased $17 million compared to 2012 primarily driven by a decline in the provision for representation and warranty claims partially offset by an increase in litigation expense. The provision for representation and warranty claims changed from a $49 million expense for the year ended December 31, 2012 to a benefit of $39 million for the year ended December 31, 2013 due to the Bancorp recording significant additions to the reserve in 2012 as the result of additional information obtained from FHLMC regarding their file selection criteria which enabled the Bancorp to better estimate the losses that were probable on loans sold to FHLMC with representation and warranty provisions. In addition, 2013 included a decrease in the representation and warranty reserve due to improving underlying repurchase metrics and the settlement with FHLMC. The decrease in representation and warranty expense was partially offset by a $54 million increase in litigation expense. Total personnel costs decreased $38 million from 2012 due primarily to decreases in incentive compensation and employee benefits.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOURTH QUARTER REVIEW

The Bancorp s 2014 fourth quarter net income available to common shareholders was $362 million, or $0.43 per diluted share, compared to net income available to common shareholders of $328 million, or $0.39 per diluted share, for the third quarter of 2014 and net income available to common shareholders of $383 million, or $0.43 per diluted share, for the fourth quarter of 2013. Fourth quarter 2014 earnings included a $56 million positive adjustment on the valuation of the warrant associated with the sale of Vantiv Holding, LLC, a $23 million gain from Vantiv Inc. pursuant to a tax receivable agreement and a $19 million charge related to the valuation of the total return swap entered into as part of the 2009 sale of Visa, Inc. Class B shares. Third quarter 2014 results included a $53 million negative adjustment on the valuation of the warrant associated with the sale of Vantiv Holding, LLC. Fourth quarter 2013 earnings included a $91 million positive adjustment on the valuation of the warrant associated with the sale of Vantiv Holding, LLC, $69 million in net charges to increase litigation reserves, an $18 million charge related to the valuation of the total return swap entered into as part of the 2009 sale of Visa, Inc. Class B shares and $8 million of debt extinguishment costs associated with the redemption of TruPS issued by Fifth Third Capital Trust IV.

Fourth quarter 2014 net interest income of $888 million decreased $20 million from the third quarter of 2014 and $17 million from the same period a year ago. Interest income decreased $7 million from the third quarter of 2014 primarily driven by the effects of loan repricing and lower average investment securities balances. Interest expense increased $13 million from the third quarter of 2014 primarily driven by the issuance of $850 million of long-term debt during the third quarter and higher deposit costs during the quarter. The decrease in net interest income in comparison to the fourth quarter of 2013 was driven by the effects of loan repricing and higher interest expense from increased long-term debt balances, partially offset by higher average investment securities balances and average loan balances.

Fourth quarter 2014 noninterest income of $653 million increased $133 million compared to the third quarter of 2014 and decreased $50 million compared to the fourth quarter of 2013. The increase from the third quarter of 2014 was primarily due to increases in other noninterest income and corporate banking revenue. The year-over-year decline was primarily the result of lower mortgage banking net revenue and other noninterest income, partially offset by higher corporate banking revenue.

Service charges on deposits of $142 million decreased $3 million from the previous quarter and were flat compared to the fourth quarter of 2013. The decrease from the third quarter of 2014 was primarily due to a decrease in commercial service charges due to a decrease in treasury management fees and a decrease in retail service charges due to lower overdraft occurrences.

Corporate banking revenue of $120 million increased $20 million from the previous quarter and $26 million from the fourth quarter of 2013. The increase from the third quarter of 2014 was primarily due to a $13 million increase in syndication fees during the fourth quarter of 2014 due to the investment in resources in the commercial business. In addition, the increase from the third quarter of 2014 was due to an increase in business lending fees and an increase in foreign exchange fees, partially offset by a decrease in institutional sales revenue. The year-over-year increase was driven by higher syndication fees and lease remarketing fees. The increase in syndication fees from the fourth quarter of 2013 was due to the investment in resources in the commercial business and a strengthening economy. The increase

in lease remarketing fees year-over-year was impacted by a $9 million write-down of equipment value on an operating lease during the fourth quarter of 2013.

Investment advisory revenue of $100 million decreased $3 million from the previous quarter and increased $2 million from the fourth quarter of 2013. The decline from the third quarter of 2014 was due to a decrease in private client service fees and insurance fees relative to elevated levels in the third quarter, as well as a decrease in securities and brokerage fees due to a continued shift from transaction-based fees to recurring revenue streams. The year-over-year increase was due to an increase in personal asset management fees due to market-related growth, partially offset by a decrease in securities and brokerage fees.

Mortgage banking net revenue was $61 million in both the fourth and third quarters of 2014 and $126 million in the fourth quarter of 2013. Fourth quarter 2014 originations were $1.7 billion, compared with $2.1 billion in the previous quarter and $2.6 billion in the fourth quarter of 2013. Fourth quarter 2014 originations resulted in gains of $36 million on mortgages sold, compared with gains of $34 million during the previous quarter and $60 million during the fourth quarter of 2013. The increase from the prior quarter was driven by higher gain on sale margins, partially offset by lower production. The decrease from the prior year was due to lower production, including Fifth Third s exit from the broker channel, partially offset by higher gain on sale margins. Mortgage servicing fees were $60 million in the fourth quarter of 2014, $61 million in the third quarter of 2014 and $63 million in the fourth quarter of 2013. Mortgage banking net revenue is also affected by net servicing asset valuation adjustments, which include MSR amortization and MSR valuation adjustments, including mark-to-market adjustments on free-standing derivatives used to economically hedge the MSR portfolio. These net servicing asset valuation adjustments were negative $34 million in both the fourth and third quarters of 2014 and positive $3 million in the fourth quarter of 2013.

Card and processing revenue of $76 million increased $1 million compared to the third quarter of 2014 and $5 million from the fourth quarter of 2013. The increases from both periods were driven by higher transaction volumes and an increase in the number of actively used cards.

Other noninterest income of $150 million increased $117 million compared to the third quarter of 2014 and decreased $20 million from the fourth quarter of 2013. Fourth quarter 2014 results included a $56 million positive valuation adjustment on the Vantiv Holding, LLC warrant and $23 million in gains pursuant to Fifth Third s tax receivable agreement with Vantiv Holding, LLC. This compares with a $53 million negative warrant valuation adjustment in the third quarter of 2014, and a $91 million positive warrant valuation adjustment in the fourth quarter of 2013 as well as $9 million in gains pursuant to Fifth Third s tax receivable agreement with Vantiv Holding, LLC, recognized in the fourth quarter of 2013. Quarterly results also included charges related to the valuation of the total return swap entered into as part of the 2009 sale of Visa, Inc. Class B shares. Negative valuation adjustments on this swap were $19 million, $3 million and $18 million in the fourth quarter of 2014, the third quarter of 2014 and the fourth quarter of 2013, respectively.

The net gains on investment securities were $4 million in the fourth quarter of 2014, $3 million in the third quarter of 2014 and $2 million in the fourth quarter of 2013.

Noninterest expense of $918 million increased $30 million from the previous quarter and decreased $71 million from the fourth quarter of 2013. The increase in noninterest expense compared to the third quarter of 2014 was driven by an increase in personnel costs, an increase in provision expense from the reserve for unfunded commitments and an increase in operational losses in the fourth quarter of 2014. The decrease in noninterest expense

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

from the fourth quarter of 2013 was primarily due to $69 million in charges to litigation reserves in the fourth quarter of 2013 compared to a $3 million reversal of litigation reserves in the fourth quarter of 2014, partially offset by an increase in credit-related costs in the fourth quarter of 2014.

The ALLL as a percentage of portfolio loans and leases was 1.47% as of December 31, 2014, compared to 1.56% as of September 30, 2014 and 1.79% as of December 31, 2013. Net

charge-offs were $191 million in the fourth quarter of 2014, or 83 bps of average loans on an annualized basis, compared with net charge-offs of $115 million in the third quarter of 2014 and $148 million in the fourth quarter of 2013. During the fourth quarter of 2014, the Bancorp transferred certain residential mortgage loans from the portfolio to held for sale resulting in a charge-off of $87 million.

TABLE 21: QUARTERLY INFORMATION (unaudited)

	2014				2013			
For the three months ended ($ in millions, except per share data)	**12/31**	**9/30**	**6/30**	**3/31**	12/31	9/30	6/30	3/31
Net interest income[(a)]	**$ 888**	**908**	**905**	**898**	905	898	885	893
Provision for loan and lease losses	**99**	**71**	**76**	**69**	53	51	64	62
Noninterest income	**653**	**520**	**736**	**564**	703	721	1,060	743
Noninterest expense	**918**	**888**	**954**	**950**	989	959	1,035	978
Net income attributable to Bancorp	**385**	**340**	**439**	**318**	402	421	591	422
Net income available to common shareholders	**362**	**328**	**416**	**309**	383	421	582	413
Earnings per share, basic	**0.44**	**0.39**	**0.49**	**0.36**	0.44	0.47	0.67	0.47
Earnings per share, diluted	**0.43**	**0.39**	**0.49**	**0.36**	0.43	0.47	0.65	0.46

(a) *Amounts presented on a FTE basis. The FTE adjustment for the three months ended* ***December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014,*** *December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013 was* ***$5****.*

COMPARISON OF THE YEAR ENDED 2013 WITH 2012

The Bancorp s net income available to common shareholders for the year ended December 31, 2013 was $1.8 billion, or $2.02 per diluted share, which was net of $37 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the year ended December 31, 2012 was $1.5 billion, or $1.66 per diluted share,

which was net of $35 million in preferred stock dividends. Overall, credit trends improved in 2013, and as a result, the provision for loan and lease losses decreased to $229 million in 2013 compared to $303 million in 2012.

Net interest income was $3.6 billion for both the years ended December 31, 2013 and 2012. Net interest income was negatively impacted by a decline of 36 bps in yields on the Bancorp s interest-earning assets, partially offset by a $4.3 billion increase in average loans and leases due primarily to increases in average commercial and industrial loans and average residential mortgage loans. In addition, interest expense decreased primarily due to a decrease in rates paid on average long-term debt and a reduction in higher cost average long-term debt.

Noninterest income increased $228 million, or eight percent, in 2013 compared to 2012. The increase from 2012 was primarily due to increases in other noninterest income partially offset by decreases in mortgage banking net revenue. Other noninterest income increased $305 million compared to 2012, primarily due to positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC. In addition, the Bancorp recognized gains of $242 million and $85 million, on the sale of Vantiv, Inc. shares in the second and third quarters of 2013, respectively, compared to gains of $115 million related to the Vantiv, Inc. IPO recorded in the first quarter of 2012 and a $157 million gain on the sale of Vantiv shares during the fourth quarter of 2012. Mortgage banking net revenue decreased $145 million for the year ended December 31, 2013 compared to 2012 primarily due to a decrease in origination fees and gains on loan sales partially offset by an increase in positive net valuation adjustments on mortgage servicing rights and free-standing derivatives entered into to economically hedge the MSR portfolio.

Noninterest expense decreased $120 million, or three percent, in 2013 compared to 2012 primarily due to a decrease in other noninterest expense driven by a decrease in debt extinguishment

costs and a decrease in the provision for representation and warranty claims partially offset by an increase in litigation expense.

Net charge-offs as a percent of average portfolio loans and leases decreased to 0.58% during 2013 compared to 0.85% during 2012 largely due to improved credit trends across all commercial and consumer loan types.

The Bancorp took a number of actions that impacted its capital position in 2013. In March of 2013, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2013 CCAR. The FRB indicated to the Bancorp that it did not object to the following proposed capital actions for the period beginning April 1, 2013 and ending March 31, 2014: the potential increase in its quarterly common stock dividend to $0.12 per share; the potential repurchase of up to $750 million in TruPS, subject to the determination of a regulatory capital event and replacement with the issuance of a similar amount of Tier II-qualifying subordinated debt; the potential conversion of the $398 million in outstanding Series G 8.5% convertible preferred stock into approximately 35.5 million common shares issued to the holders and the repurchase of an equivalent amount of common shares issued in the conversion up to $550 million in market value, and the issuance of $550 million in preferred shares; the potential repurchase of common shares in an amount up to $984 million, including any shares issued in a Series G preferred stock conversion; incremental repurchase of common shares in the amount of any after-tax gains from the sale of Vantiv, Inc stock and the potential issuance of an additional $500 million in preferred stock. Actions consistent with these proposed capital actions were substantially completed in 2013.

The FRB launched the 2014 stress testing program and CCAR on November 1, 2013. The stress testing results and capital plan were submitted by the Bancorp to the FRB on January 6, 2014.

Additionally, the Bancorp entered into a number of accelerated share repurchase transactions in 2013. Refer to Note 23 of the Notes to Consolidated Financial Statements for more information on the accelerated share repurchase transactions.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its loans and leases based upon the primary purpose of the loan or lease. Table 22 summarizes end of period loans and leases, including loans held for sale and Table 23

summarizes average total loans and leases, including loans held for sale.

TABLE 22: COMPONENTS OF TOTAL LOANS AND LEASES (INCLUDES HELD FOR SALE)

As of December 31 ($ in millions)		**2014**	2013	2012	2011	2010
Commercial:						
Commercial and industrial loans	$	**40,801**	39,347	36,077	30,828	27,275
Commercial mortgage loans		**7,410**	8,069	9,116	10,214	10,992
Commercial construction loans		**2,071**	1,041	707	1,037	2,111
Commercial leases		**3,721**	3,626	3,549	3,531	3,378
Subtotal commercial		**54,003**	52,083	49,449	45,610	43,756
Consumer:						
Residential mortgage loans		**13,582**	13,570	14,873	13,474	10,857
Home equity		**8,886**	9,246	10,018	10,719	11,513
Automobile loans		**12,037**	11,984	11,972	11,827	10,983
Credit card		**2,401**	2,294	2,097	1,978	1,896
Other consumer loans and leases		**436**	381	312	364	702
Subtotal consumer		**37,342**	37,475	39,272	38,362	35,951
Total loans and leases	$	**91,345**	89,558	88,721	83,972	79,707
Total portfolio loans and leases (excludes loans held for sale)	$	**90,084**	88,614	85,782	81,018	77,491

Loans and leases, including loans held for sale, increased $1.8 billion, or two percent, from December 31, 2013. The increase in loans and leases from December 31, 2013 was the result of a $1.9 billion, or four percent, increase in commercial loans and leases partially offset by a $133 million decrease in consumer loans and leases.

Commercial loans and leases increased from December 31, 2013 primarily due to increases in commercial and industrial loans and commercial construction loans partially offset by a decrease in commercial mortgage loans. Commercial and industrial loans increased $1.5 billion, or four percent, from December 31, 2013 and commercial construction loans increased $1.0 billion, or 99%, from December 31, 2013 primarily driven by an increase in new loan

origination activity and utilization resulting from a strengthening economy and targeted marketing efforts. Commercial mortgage loans decreased $659 million, or eight percent, from December 31, 2013 due to continued run-off as the level of new originations was outpaced by increased repayments on the current portfolio.

Consumer loans and leases decreased from December 31, 2013 primarily due to a decrease in home equity partially offset by an increase in credit card loans. Home equity decreased $360 million, or four percent, from December 31, 2013 as payoffs exceeded new loan production. Credit card loans increased $107 million, or five percent, from December 31, 2013 primarily due to an increase in average balances per account and an increase in new customer accounts.

TABLE 23: COMPONENTS OF AVERAGE TOTAL LOANS AND LEASES (INCLUDES HELD FOR SALE)

For the years ended December 31 ($ in millions)		**2014**	2013	2012	2011	2010
Commercial:						
Commercial and industrial loans	$	**41,178**	37,770	32,911	28,546	26,334
Commercial mortgage loans		**7,745**	8,481	9,686	10,447	11,585
Commercial construction loans		**1,492**	793	835	1,740	3,066
Commercial leases		**3,585**	3,565	3,502	3,341	3,343
Subtotal commercial		**54,000**	50,609	46,934	44,074	44,328
Consumer:						
Residential mortgage loans		**13,344**	14,428	13,370	11,318	9,868
Home equity		**9,059**	9,554	10,369	11,077	11,996
Automobile loans		**12,068**	12,021	11,849	11,352	10,427
Credit card		**2,271**	2,121	1,960	1,864	1,870
Other consumer loans and leases		**385**	360	340	529	743
Subtotal consumer		**37,127**	38,484	37,888	36,140	34,904
Total average loans and leases	$	**91,127**	89,093	84,822	80,214	79,232
Total average portfolio loans and leases (excludes loans held for sale)	$	**90,485**	86,950	82,733	78,533	77,045

Average loans and leases, including loans held for sale, increased $2.0 billion, or two percent, from December 31, 2013. The increase from December 31, 2013 was the result of a $3.4 billion, or seven percent, increase in average commercial loans and leases partially offset by a $1.4 billion, or four percent, decrease in average consumer loans and leases.

Average commercial loans and leases increased from December 31, 2013 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 loans increased $3.4 billion, or nine percent, from December 31, 2013 and average commercial construction loans increased $699

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

million, or 88%, from December 31, 2013 primarily due to an increase in new loan origination activity and utilization resulting from a strengthening economy and targeted marketing efforts. Average commercial mortgage loans decreased $736 million, or nine percent, from December 31, 2013 due to continued run-off as the level of new originations was outpaced by increased repayments on the current portfolio.

Average consumer loans and leases decreased from December 31, 2013 primarily due to decreases in average residential mortgage loans and average home equity partially offset by an increase in average credit card loans. Average residential mortgage loans decreased $1.1 billion, or eight percent, from December 31, 2013 primarily due to a decline in average loans held for sale of $1.5

billion from reduced origination volumes driven by a reduction in refinance activity and the exit of the broker origination channel during 2014. This decrease was partially offset by the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches and the decision to retain certain conforming ARMs and certain other fixed-rate loans originated during the year ended December 31, 2014. Average home equity decreased $495 million, or five percent, from December 31, 2013 as payoffs exceeded new loan production. Average credit card loans increased $150 million, or seven percent, from December 31, 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. As of December 31, 2014, total investment securities were $23.0 billion compared to $19.1 billion at December 31, 2013. Refer to Note 1 of the Notes to Consolidated Financial Statements for the Bancorp s methodology for both classifying investment securities and management s evaluation of securities in an unrealized loss position for OTTI.

At December 31, 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 December 31, 2014 and 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 recognized $24 million, $74 million and $58 million of OTTI on its available-for-sale and other debt securities, included in securities gains, net and securities gains, net non-qualifying hedges on mortgage servicing rights, in the Bancorp s Consolidated Statements of Income during the years ended December 31, 2014, 2013 and 2012, respectively. The Bancorp did not recognize OTTI on any of its available-for-sale equity securities or held-to-maturity debt securities for the years ended December 31, 2014, 2013 and 2012.

TABLE 24: COMPONENTS OF INVESTMENT SECURITIES

As of December 31 ($ in millions)		**2014**	2013	2012	2011	2010
Available-for-sale and other: (amortized cost basis)						
U.S. Treasury and federal agencies	$	**1,545**	1,549	1,771	1,953	1,789
Obligations of states and political subdivisions		**185**	187	203	96	170
Mortgage-backed securities:						
Agency residential mortgage-backed securities		**11,968**	12,294	8,403	9,743	10,570
Agency commercial mortgage-backed securities		**4,465**	-	-	-	-
Non-agency residential mortgage-backed securities		**-**	-	-	28	41
Non-agency commercial mortgage-backed securities		**1,489**	1,368	1,089	498	-
Asset-backed securities and other debt securities		**1,324**	2,146	2,072	1,266	1,297
Equity securities[(a)]		**701**	865	1,033	1,030	1,052
Total available-for-sale and other securities	$	**21,677**	18,409	14,571	14,614	14,919
Held-to-maturity: (amortized cost basis)						
Obligations of states and political subdivisions	$	**186**	207	282	320	348
Asset-backed securities and other debt securities		**1**	1	2	2	5
Total held-to-maturity	$	**187**	208	284	322	353
Trading: (fair value)						
U.S. Treasury and federal agencies	$	**14**	5	7	-	1
Obligations of states and political subdivisions		**8**	13	17	9	21
Mortgage-backed securities:						
Agency residential mortgage-backed securities		**9**	3	7	11	8
Non-agency residential mortgage-backed securities		**-**	-	-	1	-
Asset-backed securities and other debt securities		**13**	7	15	12	120
Equity securities		**316**	315	161	144	144
Total trading	$	**360**	343	207	177	294

(a) Equity 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.

As of December 31, 2014, available-for-sale and other securities on an amortized cost basis increased $3.3 billion, or 18%, from December 31, 2013 primarily due to an increase in agency commercial mortgage-backed securities partially offset by a decrease in asset-backed securities and other debt securities. Agency commercial mortgage-backed securities increased $4.5 billion from December 31, 2013 due to $4.7 billion in purchases of agency

commercial mortgage-backed securities partially offset by $196 million in sales and $20 million in paydowns on the portfolio during the year ended December 31, 2014. Asset-backed securities and other debt securities decreased $822 million, or 38%, due primarily to sales of $1.1 billion of asset-backed securities, collateralized loan obligations and corporate bonds and paydowns on the portfolio of

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

$45 million partially offset by the purchase of $297 million of asset-backed securities during the year ended December 31, 2014.

On an amortized cost basis, available-for-sale and other securities were 18% and 16% of total interest-earning assets at December 31, 2014 and 2013, respectively. The estimated weighted-average life of the debt securities in the available-for-sale and other portfolio was 5.8 years at December 31, 2014, compared to 6.7 years at December 31, 2013. In addition, at December 31, 2014, the available-for-sale and other securities portfolio had a weighted-average yield of 3.31%, compared to 3.39% at December 31, 2013.

Information presented in Table 25 is on a weighted-average life basis, anticipating future prepayments. Yield information is

presented on a 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 and other securities portfolio were $731 million at December 31, 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 year ended December 31, 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 25: CHARACTERISTICS OF AVAILABLE-FOR-SALE AND OTHER SECURITIES

As of December 31, 2014 ($ in millions)		Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies:					
Average life 1 5 years	$	1,545	1,632	2.0	3.62 %
Total		1,545	1,632	2.0	3.62
Obligations of states and political subdivisions:[(a)]					
Average life of one year or less		39	39	0.4	0.03
Average life 1 5 years		111	115	2.9	3.72
Average life 5 10 years		30	32	7.9	3.67
Average life greater than 10 years		5	6	10.3	3.78
Total		185	192	3.4	2.93
Agency residential mortgage-backed securities:					
Average life of one year or less		42	43	0.4	5.61
Average life 1 5 years		3,224	3,361	4.1	3.80
Average life 5 10 years		8,386	8,665	5.9	3.33
Average life greater than 10 years		316	335	12.9	3.83
Total		11,968	12,404	5.6	3.47

Agency commercial mortgage-backed securities:				
Average life of one year or less	15	15	0.3	-
Average life 1 5 years	865	874	4.4	2.83
Average life 5 10 years	3,350	3,427	7.7	3.13
Average life greater than 10 years	235	249	13.6	3.90
Total	4,465	4,565	7.3	3.10
Non-agency commercial mortgage-backed securities:				
Average life of one year or less	54	54	0.5	2.19
Average life 1 5 years	561	576	2.3	2.69
Average life 5 10 years	874	920	7.9	3.67
Total	1,489	1,550	5.5	3.25
Asset-backed securities and other debt securities:				
Average life of one year or less	97	102	0.2	2.05
Average life 1 5 years	514	524	3.1	2.76
Average life 5 10 years	244	253	6.9	1.90
Average life greater than 10 years	469	483	14.5	1.91
Total	1,324	1,362	7.6	2.25
Equity securities	701	703		
Total available-for-sale and other securities	$ 21,677	22,408	5.8	3.31 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.01%, 0.00%, 1.94%, 2.01% and 0.37 for securities with an average life of one 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 71% of the Bancorp s asset funding base for both of the years ended December 31, 2014 and 2013.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TABLE 26: DEPOSITS

As of December 31 ($ in millions)		**2014**	2013	2012	2011	2010
Demand	**$**	**34,809**	32,634	30,023	27,600	21,413
Interest checking		**26,800**	25,875	24,477	20,392	18,560
Savings		**15,051**	17,045	19,879	21,756	20,903
Money market		**17,083**	11,644	6,875	4,989	5,035
Foreign office		**1,114**	1,976	885	3,250	3,721
Transaction deposits		**94,857**	89,174	82,139	77,987	69,632
Other time		**3,960**	3,530	4,015	4,638	7,728
Core deposits		**98,817**	92,704	86,154	82,625	77,360
Certificates - $100,000 and over		**2,895**	6,571	3,284	3,039	4,287
Other		**-**	-	79	46	1
Total deposits	**$**	**101,712**	99,275	89,517	85,710	81,648

Core deposits increased $6.1 billion, or seven percent, compared to December 31, 2013, driven by an increase of $5.7 billion, or six percent, in transaction deposits and an increase of $430 million, or 12%, in other time deposits. Total transaction deposits increased from December 31, 2013 due to increases in money market deposits, demand deposits and interest checking deposits partially offset by decreases in savings deposits and foreign office deposits. Money market deposits increased $5.4 billion, or 47%, from December 31, 2013 primarily driven by balance migration from savings deposits which decreased $2.0 billion, or 12%. The remaining increase in money market deposits was due to a promotional product offering and the acquisition of new customers. Demand deposits increased $2.2 billion, or seven percent, from December 31, 2013 primarily due to an increase in commercial customer balances and new commercial customer accounts. Interest

checking deposits increased $925 million, or four percent, from December 31, 2013 primarily due to an increase in commercial customer balances and new commercial customer accounts. Foreign office deposits decreased $862 million, or 44%, from December 31, 2013 primarily due to lower balances per account. Other time deposits increased $430 million, or 12%, from December 31, 2013 primarily from the acquisition of new customers due to promotional interest rates.

The Bancorp uses certificates $100,000 and over as a method to fund earning assets. At December 31, 2014, certificates $100,000 and over decreased $3.7 billion, or 56%, compared to December 31, 2013 primarily due to the maturity and run-off of retail and institutional certificates of deposit during the year ended December 31, 2014.

The following table presents average deposits for the years ended December 31:

TABLE 27: AVERAGE DEPOSITS

($ in millions)		**2014**	2013	2012	2011	2010
Demand	$	**31,755**	29,925	27,196	23,389	19,669
Interest checking		**25,382**	23,582	23,096	18,707	18,218
Savings		**16,080**	18,440	21,393	21,652	19,612
Money market		**14,670**	9,467	4,903	5,154	4,808
Foreign office		**1,828**	1,501	1,528	3,490	3,355
Transaction deposits		**89,715**	82,915	78,116	72,392	65,662
Other time		**3,762**	3,760	4,306	6,260	10,526
Core deposits		**93,477**	86,675	82,422	78,652	76,188
Certificates - $100,000 and over		**3,929**	6,339	3,102	3,656	6,083
Other		**-**	17	27	7	6
Total average deposits	$	**97,406**	93,031	85,551	82,315	82,277

On an average basis, core deposits increased $6.8 billion, or eight percent, compared to December 31, 2013 primarily due to an increase of $6.8 billion, or eight percent, in average transaction deposits. The increase in average transaction deposits was driven by an increase in average money market deposits, average demand deposits and average interest checking deposits, partially offset by a decrease in average savings deposits. Average money market deposits increased $5.2 billion, or 55%, from December 31, 2013 primarily driven by balance migration from savings deposits which decreased $2.4 billion, or 13%. The remaining increase in average money market deposits was due to a promotional product offering,

an increase in average commercial account balances and new customer accounts. Average demand deposits increased $1.8 billion, or six percent, from December 31, 2013 primarily due to an increase in average commercial account balances and new commercial customer accounts. Average interest checking deposits increased $1.8 billion, or eight percent from December 31, 2013 primarily due to an increase in average balance per account and new commercial customer accounts. Average certificates $100,000 and over decreased $2.4 billion, or 38%, from December 31, 2013 due primarily to the maturity and run-off of retail and institutional certificates of deposit during the year ended December 31, 2014.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The contractual maturities of certificates $100,000 and over as of December 31, 2014 are summarized in the following table:

TABLE 28: CONTRACTUAL MATURITIES OF CERTIFICATES $100,000 AND OVER

($ in millions)		2014
Three months or less	$	759
After three months through six months		203
After six months through 12 months		273
After 12 months		1,660
Total	$	2,895

The contractual maturities of other time deposits and certificates $100,000 and over as of December 31, 2014 are summarized in the following table:

TABLE 29: CONTRACTUAL MATURITIES OF OTHER TIME DEPOSITS AND CERTIFICATES $100,000 AND OVER

($ in millions)		2014
Next 12 months	$	2,507
13-24 months		1,617
25-36 months		961
37-48 months		626
49-60 months		884
After 60 months		260
Total	$	6,855

Borrowings

Total borrowings increased $5.4 billion, or 48%, from December 31, 2013 due to increases in other short-term borrowings and long-term

debt, partially offset by a decrease in federal funds purchased. Total borrowings as a percentage of interest-bearing liabilities were 20% and 14% at December 31, 2014 and 2013, respectively.

TABLE 30: BORROWINGS

As of December 31 ($ in millions)		**2014**	2013	2012	2011	2010
Federal funds purchased	**$**	**144**	284	901	346	279

Other short-term borrowings		**1,556**	1,380	6,280	3,239	1,574
Long-term debt		**14,967**	9,633	7,085	9,682	9,558
Total borrowings	$	**16,667**	11,297	14,266	13,267	11,411

Federal funds purchased decreased $140 million, or 49%, 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 $176 million, or 13%, from December 31, 2013 driven by an increase in cash held as collateral related to derivative agreements with various counterparties. Additionally, the utilization of short-term funding remained low in 2014 due to strong deposit growth and to comply with regulatory standards which require greater dependency on long-term and stable funding. Long-term

debt increased $5.3 billion, or 55%, from December 31, 2013 primarily driven by the issuance of $2.9 billion of unsecured senior bank notes and the issuance of asset-backed securities by consolidated VIEs of $3.8 billion related to automobile loan securitizations during 2014, partially offset by $1.4 billion of paydowns on long-term debt associated with automobile loan securitizations. For additional information regarding automobile securitizations and long-term debt, refer to Note 10 and 16, respectively, of the Notes to Consolidated Financial Statements.

TABLE 31: AVERAGE BORROWINGS

For the years ended December 31 ($ in millions)		**2014**	2013	2012	2011	2010
Federal funds purchased	$	**458**	503	560	345	291
Other short-term borrowings		**1,873**	3,024	4,246	2,777	1,635
Long-term debt		**12,928**	7,914	9,043	10,154	10,902
Total average borrowings	$	**15,259**	11,441	13,849	13,276	12,828

Average total borrowings increased $3.8 billion, or 33%, compared to December 31, 2013, due to an increase in average long-term debt partially offset by decreases in average federal funds purchased and average other short-term borrowings. The increase in average long-term debt of $5.0 billion, or 63%, was driven primarily by the issuances of long-term debt as discussed above. The level of average federal funds purchased and average other short-term borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Additionally, the utilization of short-term funding remained low in 2014 due to strong deposit growth and to comply with regulatory standards which require greater dependency on long-term and stable funding.

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.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RISK MANAGEMENT

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, led by the Bancorp s Chief Risk Officer ensures 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 regulatory capital buffers required per Capital Policy Targets 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, CRA 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 oversee risk management throughout the Bancorp.

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

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Committee, the Asset/Liability Committee and the Enterprise Marketing Committee. Other committees accountable to the ERMC oversee the ALLL, capital and CRA/fair lending functions. In addition, the Legal and Regulatory Reserve Committee, which is accountable to the Operational Risk Committee, reviews and monitors significant legal and regulatory matters to ensure that reserves for potential litigation losses are established when such losses are both probable and subject to reasonable estimation. 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 business it serves based on the changing competitive and regulatory environment. Based on the most recent review, 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 and leases as those rated substandard that do not meet the definition of a nonperforming asset or a restructured loan. Refer to Note 6 of the Notes to 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 and leases as of December 31:

TABLE 32: POTENTIAL PROBLEM LOANS AND LEASES

2014 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	**$**	**1,022**	**1,028**	**1,344**
Commercial mortgage		**272**	**273**	**273**
Commercial construction		**7**	**7**	**11**
Commercial leases		**29**	**29**	**29**
Total	**$**	**1,330**	**1,337**	**1,657**

TABLE 33: POTENTIAL PROBLEM LOANS AND LEASES

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

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 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 maintain its modest expansionary pattern. 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. As of December 31, 2014, consumer real estate loans originated from 2005 through 2008 represent approximately 24% of the consumer real estate portfolio and approximately 68% of total losses in 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 nonowner-occupied commercial lending 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 TDRs 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 December 31, 2014, repurchased loans restructured or refinanced under these programs were immaterial to the Bancorp s Consolidated Financial Statements. Additionally, as of December 31, 2014 and 2013, $22 million and $111 million, respectively, of loans refinanced under HARP 2.0 were included in loans held for sale in the Bancorp s Consolidated Balance Sheets. For the years ended December 31, 2014 and 2013, the Bancorp recognized $13 million and $97 million, respectively, of noninterest income in mortgage banking net revenue in the Bancorp s 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 nonowner-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), sensitivity and pro-forma analysis requirements and interest rate sensitivity. 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

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

value ascribed in the assessment of charge-offs and specific reserves. In addition, the Bancorp applies incremental valuation adjustments to older appraisals that relate to collateral dependent loans, which can currently be up to 20-30% of the appraised value based on the type of collateral. These incremental valuation adjustments 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 adjustments 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 tables provide 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 34: COMMERCIAL MORTGAGE LOANS OUTSTANDING BY LTV, LOANS GREATER THAN $1 MILLION

As of December 31, 2014 ($ in millions)		LTV > 100%	LTV 80-100%	LTV £ 80%
Commercial mortgage owner-occupied loans	$	**148**	**248**	**1,982**
Commercial mortgage nonowner-occupied loans		**243**	**333**	**2,423**
Total	$	**391**	**581**	**4,405**

TABLE 35: 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 nonowner-occupied loans		274	353	1,798
Total	$	514	698	3,950

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table provides detail on commercial loan 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:

TABLE 36: COMMERCIAL LOAN AND LEASE PORTFOLIO (EXCLUDING LOANS HELD FOR SALE)

As of December 31 ($ in millions)		2014				2013		
		Outstanding	Exposure	Nonaccrual		Outstanding	Exposure	Nonaccrual
By industry:								
Manufacturing	$	**10,315**	**20,496**	**55**	$	10,299	19,955	55
Financial services and insurance		**6,097**	**13,557**	**20**		5,998	14,010	25
Real estate		**5,392**	**8,612**	**32**		5,027	7,302	70
Business services		**4,644**	**7,109**	**79**		4,910	7,411	55
Wholesale trade		**4,314**	**8,004**	**62**		4,407	8,406	35
Healthcare		**4,133**	**6,322**	**20**		4,038	6,220	26
Retail trade		**3,754**	**7,190**	**22**		3,301	6,673	18
Transportation and warehousing		**3,012**	**4,276**	**1**		3,134	4,416	1
Communication and information		**2,409**	**4,140**	**3**		1,801	3,295	2
Construction		**1,864**	**3,352**	**25**		1,865	3,196	36
Mining		**1,862**	**3,323**	**3**		1,580	3,206	55
Accommodation and food		**1,712**	**2,945**	**9**		1,668	2,556	12
Entertainment and recreation		**1,451**	**2,321**	**10**		1,149	1,955	12
Utilities		**1,044**	**2,551**	**-**		773	2,332	-
Other services		**881**	**1,207**	**11**		1,013	1,362	24
Public administration		**567**	**658**	**-**		541	734	-
Agribusiness		**318**	**444**	**11**		356	504	26
Individuals		**170**	**201**	**4**		174	218	6
Other		**14**	**17**	**-**		12	12	-
Total	$	**53,953**	**96,725**	**367**	$	52,046	93,763	458

By loan size:

Less than $200,000	**1 %**	**1**	**6**	1 %	1	8
$200,000 to $1 million	**5**	**3**	**15**	5	4	18
$1 million to $5 million	**11**	**9**	**22**	13	10	23
$5 million to $10 million	**8**	**7**	**19**	10	8	10
$10 million to $25 million	**25**	**22**	**24**	27	23	34
Greater than $25 million	**50**	**58**	**14**	44	54	7
Total	**100 %**	**100**	**100**	100 %	100	100
By state:						
Ohio	**17 %**	**20**	**11**	19 %	22	16
Michigan	**9**	**8**	**11**	10	8	11
Illinois	**7**	**8**	**6**	7	7	8
Florida	**7**	**6**	**17**	7	6	19
Indiana	**5**	**5**	**5**	5	5	9
Kentucky	**3**	**3**	**2**	3	3	2
North Carolina	**3**	**4**	**2**	3	3	1
Tennessee	**3**	**3**	**-**	3	3	1
Pennsylvania	**3**	**2**	**7**	3	3	7
All other states	**43**	**41**	**39**	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.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following tables provide an analysis of nonowner-occupied commercial real estate loans (excluding loans held for sale):

TABLE 37: NONOWNER-OCCUPIED COMMERCIAL REAL ESTATE[(a)]

As of December 31, 2014 ($ in millions)						**For the Year Ended December 31, 2014**
By State:		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs (Recoveries)
Ohio	**$**	**1,283**	**1,685**	**-**	**7**	**(1)**
Michigan		**724**	**797**	**-**	**9**	**8**
Florida		**575**	**871**	**-**	**16**	**5**
Illinois		**449**	**964**	**-**	**6**	**2**
North Carolina		**369**	**537**	**-**	**-**	**-**
Indiana		**250**	**344**	**-**	**-**	**-**
All other states		**1,865**	**3,560**	**-**	**19**	**4**
Total	**$**	**5,515**	**8,758**	**-**	**57**	**18**

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

TABLE 38: NONOWNER-OCCUPIED COMMERCIAL REAL ESTATE[(a)]

As of December 31, 2013 ($ in millions)						For the Year Ended December 31, 2013
By State:		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$	1,086	1,377	-	14	12
Michigan		851	925	-	17	5
Florida		508	629	-	7	3
Illinois		353	593	-	6	4
North Carolina		248	428	-	2	1
Indiana		161	253	-	4	1
All other states		1,270	2,173	-	7	1
Total	$	4,477	6,378	-	57	27

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

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 ARMs are not expected to have a material impact on credit costs in the current interest rate environment, as approximately $900 million of adjustable rate residential mortgage loans will have rate resets during the next twelve months. Approximately three fourths of those resets are expected to experience an increase in rate, with an average increase of approximately an eighth of a percent.

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 a 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:

TABLE 39: RESIDENTIAL MORTGAGE PORTFOLIO LOANS BY LTV AT ORIGINATION

	2014		2013	
As of December 31 ($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV

LTV £ 80%	**$**	**9,220**	**65.1 %**	$	9,507	65.2 %
LTV > 80%, with mortgage insurance		**1,206**	**93.8**		1,242	93.7
LTV > 80%, no mortgage insurance		**1,963**	**96.2**		1,931	95.9
Total	**$**	**12,389**	**73.0 %**	$	12,680	72.7 %

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