FIFTH THIRD BANCORP
Form 10-Q
November 06, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2013

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

Ohio	**31-0854434**
(State or other jurisdiction	**(I.R.S. Employer**

of incorporation or organization)	**Identification Number)**

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

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

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

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

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

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

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

There were 882,835,548 shares of the Registrant s common stock, without par value, outstanding as of October 31, 2013.

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FORWARD-LOOKING STATEMENTS

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

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

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Glossary of Abbreviations and Acronyms

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

ARM: Adjustable Rate Mortgage

ATM: Automated Teller Machine

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

bps: Basis points

BPO: Broker Price Opinion

CapPR: Capital Plan Review

CCAR: Comprehensive Capital Analysis and Review

CDC: Fifth Third Community Development Corporation

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

DCF: Discounted Cash Flow

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London InterBank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

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

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

NM: Not Meaningful

NPR: Notice of Proposed Rulemaking

NSFR: Net Stable Funding Ratio

OCC: Office of the Comptroller of the Currency

OCI: Other Comprehensive Income

OIS: Overnight Index Swap Rate

OREO: Other Real Estate Owned

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FTAM: Fifth Third Asset Management, Inc.

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GNMA: Government National Mortgage Association

GSE: Government Sponsored Enterprise

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

HFS: Held for Sale

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

SBA: Small Business Administration

SCAP: Supervisory Capital Assessment Program

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

U.S.: United States of America

U.S. GAAP: Generally Accepted Accounting Principles in the United States of America

UST: United States Treasury

VaR: Value-at-Risk

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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

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

TABLE 1: Selected Financial Data

	For the three months ended September 30,			For the nine months ended September 30,		
($ in millions, except for per share data)	**2013**	2012	% Change	**2013**	2012	% Change
Income Statement Data						
Net interest income[(a)]	$ **898**	907	(1)	$ **2,675**	2,709	(1)
Noninterest income	**721**	671	7	**2,524**	2,119	19
Total revenue[(a)]	**1,619**	1,578	3	**5,199**	4,828	8
Provision for loan and lease losses	**51**	65	(22)	**176**	227	(22)
Noninterest expense	**959**	1,006	(5)	**2,972**	2,918	2
Net income attributable to Bancorp	**421**	363	16	**1,433**	1,178	22
Net income available to common shareholders	**421**	354	19	**1,415**	1,152	23
Common Share Data						
Earnings per share, basic	$ **0.47**	0.39	21	$ **1.62**	1.26	29
Earnings per share, diluted	**0.47**	0.38	24	**1.58**	1.23	29
Cash dividends per common share	**0.12**	0.10	20	**0.35**	0.26	35
Book value per share	**15.84**	14.84	7	**15.84**	14.84	7
Market value per share	**18.05**	15.51	16	**18.05**	15.51	16
Financial Ratios (%)						
Return on average assets	**1.35 %**	1.23	10	**1.57 %**	1.34	17
Return on average common equity	**12.1**	10.4	15	**13.9**	11.6	20
Dividend payout ratio	**25.5**	25.6		**21.6**	20.6	5
Average Bancorp shareholders equity as a percent of average assets	**11.71**	11.82	(1)	**11.58**	11.65	(1)
Tangible common equity[(b)]	**9.27**	9.10	2	**9.27**	9.10	2
Net interest margin[(a)]	**3.31**	3.56	(7)	**3.35**	3.58	(6)
Efficiency[(a)]	**59.2**	63.7	(7)	**57.2**	60.4	(5)
Credit Quality						
Net losses charged off	$ **109**	156	(31)	$ **353**	557	(37)
Net losses charged off as a percent of average loans and leases	**0.49 %**	0.75	(34)	**0.54 %**	0.90	(40)
ALLL as a percent of portfolio loans and leases	**1.92**	2.32	(17)	**1.92**	2.32	(17)
Allowance for credit losses as a percent of portfolio loans and leases[(c)]	**2.11**	2.53	(16)	**2.11**	2.53	(16)
Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned[(d)]	**1.16**	1.73	(33)	**1.16**	1.73	(33)
Average Balances						
Loans and leases, including held for sale	$ **89,154**	84,829	5	$ **89,170**	84,367	6
Total securities and other short-term investments	**18,528**	16,588	12	**17,452**	16,829	4
Total assets	**123,346**	117,521	5	**122,233**	117,168	4
Transaction deposits[(e)]	**83,245**	77,498	7	**81,962**	77,418	6
Core deposits[(f)]	**86,921**	81,722	6	**85,800**	81,795	5

Wholesale funding[g]	**16,924**	17,431	(3)	**17,369**	17,188	1
Bancorp shareholders equity	**14,440**	13,887	4	**14,149**	13,650	4
Regulatory Capital Ratios (%)						
Tier I risk-based capital	**11.14 %**	10.85	3	**11.14 %**	10.85	3
Total risk-based capital	**14.35**	14.76	(3)	**14.35**	14.76	(3)
Tier I leverage	**10.58**	10.09	5	**10.58**	10.09	5
Tier I common equity[b]	**9.88**	9.67	2	**9.88**	9.67	2

*(a) Amounts presented on an FTE basis. The FTE adjustment for the three months ended **September 30, 2013** and 2012 was **$5** and $4, respectively, and for the nine months ended **September 30, 2013** and 2012 was **$15** and $13, respectively.*

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

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At September 30, 2013, the Bancorp had $125.7 billion in assets, operated 18 affiliates with 1,326 full-service Banking Centers, including 104 Bank Mart® locations open seven days a week inside select grocery stores, and 2,374 ATMs in 12 states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has a 25% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $415 million as of September 30, 2013.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the 2012 Form 10-K. Each of these items could have an impact on the Bancorp s financial condition, results of operations and cash flows. In addition, see the Glossary of Abbreviations and Acronyms in this report for a list of terms included as a tool for the reader of this quarterly report on Form 10-Q. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements.

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

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

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the three months ended September 30, 2013, net interest income, on an FTE basis, and noninterest income provided 55% and 45% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries is immaterial to the Bancorp s Condensed Consolidated Financial Statements. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

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

Vantiv, Inc. Share Sales

The Bancorp s ownership position in Vantiv Holding, LLC was reduced in the second quarter of 2013 when the Bancorp sold an approximate five percent interest and recognized a $242 million gain. The Bancorp s ownership percentage was further reduced in the third quarter of 2013 when the Bancorp sold an approximate three percent interest and recognized an $85 million gain. The Bancorp s remaining approximate 25% ownership in Vantiv Holding, LLC continues to be accounted for as an equity method investment in the Bancorp s Condensed Consolidated Financial Statements and had a carrying value of $415 million as of September 30, 2013.

As of September 30, 2013, the Bancorp continued to hold approximately 48.8 million Class B units of Vantiv Holding, LLC and a warrant to purchase approximately 20.4 million Class C non-voting units of Vantiv Holding, LLC, both of which may be exchanged for Class A Common Stock of Vantiv, Inc. on a one for one basis or at Vantiv, Inc. s option for cash. In addition, the Bancorp holds approximately 48.8 million Class B common shares of Vantiv, Inc. The Class B common shares give the Bancorp voting rights, but no economic interest in Vantiv, Inc. The voting rights attributable to the Class B common shares are limited to 18.5% of the voting power in Vantiv, Inc. at any time other than in connection with a stockholder vote with respect to a change in control in Vantiv, Inc. These securities are subject to certain terms and restrictions.

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

Accelerated Share Repurchase Transactions

On November 6, 2012, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 7,710,761 shares, or approximately $125 million, of its outstanding common stock on November 9, 2012. The Bancorp repurchased the shares of its common stock as part of its 100 million share repurchase program announced in August of 2012. As part of this transaction and all subsequent accelerated share repurchases, the Bancorp entered into a forward contract in which the final number of shares to be delivered at settlement of the accelerated share repurchase transaction 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. The accelerated share repurchase was treated as two separate transactions (i) the acquisition of treasury shares on the acquisition date and (ii) a forward contract indexed to the Bancorp s stock. At settlement of the forward contract on February 12, 2013, the Bancorp received an additional 657,914 shares which were recorded as an adjustment to the basis in the treasury shares purchased on the acquisition date.

Following the sale of a portion of the Bancorp s shares of Class A Vantiv, Inc. common stock in 2012, the Bancorp entered into an accelerated share repurchase transaction on December 14, 2012 with a counterparty pursuant to which the Bancorp purchased 6,267,410 shares, or approximately $100 million, of its outstanding common stock on December 19, 2012. The Bancorp repurchased the shares of its common stock as part of its previously announced 100 million share repurchase program. At settlement of the transaction on February 27, 2013, the Bancorp received an additional 127,760 shares which were recorded as an adjustment to the basis in the treasury shares purchased on the acquisition date.

On January 28, 2013, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 6,953,028 shares, or approximately $125 million, of its outstanding common stock on January 31, 2013. The Bancorp repurchased the shares of its common stock as part of its previously announced Board approved 100 million share repurchase program. This repurchase transaction concluded the $600 million of common share repurchases not objected to by the FRB in the 2012 CCAR process. At settlement of the forward contract on April 5, 2013, the Bancorp received an additional 849,037 shares which were recorded as an adjustment to the basis in the treasury shares purchased on the acquisition date.

On March 19, 2013, the Board of Directors authorized the Bancorp to repurchase up to 100 million common shares in the open market or in privately negotiated transactions, and to utilize any derivative or similar instrument to effect share repurchase transactions. This share repurchase authorization replaced the Board s previous authorization from August of 2012.

On May 21, 2013, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 25,035,519 shares, or approximately $539 million, of its outstanding common stock on May 24, 2013. The Bancorp repurchased the shares of its common stock as part of its 100 million share repurchase program previously announced on March 19, 2013. At settlement of the forward contract on October 1, 2013, the Bancorp received an additional 4,270,250 shares which were recorded in the fourth quarter of 2013 as an adjustment to the basis in the treasury shares purchased on the acquisition date. Approximately $650 million of potential share repurchases remain under the 2013 CCAR the Bancorp submitted, excluding any after-tax gains realized by the Bancorp from future sales of Vantiv, Inc. shares.

Preferred Stock Offering and Conversion

As contemplated by the 2013 CCAR, on May 13, 2013 the Bancorp issued in a registered public offering 600,000 depositary shares, representing 24,000 shares of 5.10% fixed-to-floating rate non-cumulative Series H perpetual preferred stock, for net proceeds of $593 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends, on a non-cumulative semi-annual basis, at an annual rate of 5.10% through but excluding June 30, 2023, at which time it converts to a quarterly floating rate dividend of three-month LIBOR plus 3.033%. Subject to any required regulatory approval, the Bancorp may redeem the Series H preferred shares at its option in whole or in part, at any time on or after June 30, 2023 and following a regulatory capital event at any time prior to June 30, 2023. The Series H preferred shares are not convertible into Bancorp common shares or any other securities. Under the 2013 CCAR, the Bancorp has $450 million of remaining preferred stock available for issuance as of September 30, 2013.

On June 11, 2013, the Bancorp s Board of Directors authorized the conversion into common stock, no par value, of all outstanding shares of the Bancorp s 8.50% non-cumulative convertible perpetual preferred stock, Series G, which shares are represented by depositary shares each

representing 1/250th of a share of Series G preferred stock, pursuant to the Amended Articles of Incorporation. The Articles grant the Bancorp the right, at its option, to convert all outstanding shares of Series G preferred stock if the closing price of common stock exceeded 130% of the applicable conversion price for 20 trading days within any period of 30 consecutive trading days. The closing price of shares of common stock satisfied such threshold for the 30 trading days ended June 10, 2013, and the Bancorp gave the required notice of its exercise of its conversion right.

On July 1, 2013, the Bancorp converted the remaining 16,442 outstanding shares of Series G preferred stock, which represented 4,110,500 depositary shares, into shares of Fifth Third s common stock. Each share of Series G preferred stock was converted into 2,159.8272 shares of common stock, representing a total of 35,511,740 issued shares. The common shares issued in the conversion are exempt securities pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended, as the securities exchanged were exclusively with the Bancorp s existing security holders where no commission or other remuneration was paid. Upon conversion, the depositary shares were delisted from the NASDAQ Global Select Market and withdrawn from the Exchange.

Senior Notes Offering

On February 25, 2013, the Bancorp s banking subsidiary updated and amended its existing global bank note program. The amended global bank note program increased the Bank s capacity to issue its senior and subordinated unsecured bank notes from $20 billion to $25 billion. Additionally, on February 28, 2013, the Bank issued and sold, under its amended bank notes program, $1.3 billion in aggregate principal amount of unsecured senior bank notes. The bank notes consisted of: $600 million of 1.45% senior fixed rate notes, with a maturity of five

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

years, due on February 28, 2018; $400 million of 0.90% senior fixed rate notes with a maturity of three years, due on February 26, 2016; and $300 million of senior floating rate notes. Interest on the floating rate notes is 3-month LIBOR plus 41 bps, with a maturity of three years, due on February 26, 2016. The 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 through the redemption date.

Automobile Loan Securitizations

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. As part of the sale, the Bancorp obtained servicing responsibilities and recognized a servicing asset with an initial fair value of $6 million.

In August of 2013, the Bancorp transferred approximately $1.3 billion in fixed-rate consumer automobile loans to a bankruptcy remote trust which was deemed to be a VIE. The Bancorp concluded that it is the primary beneficiary of the VIE and, therefore, has consolidated this VIE. For additional information on the automobile loan securitizations, refer to the Liquidity Risk Management section of MD&A.

Legislative Developments

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

The Bancorp was impacted by a number of components of the Dodd-Frank Act which were implemented in 2012 and 2013. On October 9, 2012, the FRB published final stress testing rules that implement section 165(i)(1) and (i)(2) of the Dodd-Frank Act. The bank holding companies that participated in the 2009 SCAP and subsequent CCAR, which includes the Bancorp, are subject to the final stress testing rules. The rules require both supervisory and company-run stress tests, which provide forward-looking information to supervisors to help assess whether institutions have sufficient capital to absorb losses and support operations during adverse economic conditions.

The FRB launched the 2013 capital planning and stress testing program on November 9, 2012. The program includes the CCAR, which included the 19 BHCs that participated in the 2009 SCAP, as well as the CapPR which includes an additional 11 BHCs with $50 billion or more of total consolidated assets. The mandatory elements of the capital plan were 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 stress testing results and capital plan were submitted by the Bancorp to the FRB on January 7, 2013. In March of 2013, 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.

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

On March 14, 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 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 the 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 and the potential issuance of an additional $500 million in preferred stock. In addition, the Bancorp intends to make incremental repurchases of common shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock. For more information on the 2013 CCAR results, refer to the Capital Management section of MD&A.

Beginning in 2013, the Bancorp and other large bank holding companies were required to conduct a separate mid-year stress test using financial data as of March 31st under three company-derived macro-economic scenarios (base, adverse and severely adverse). The Bancorp submitted the results of its mid-year stress test to the FRB in July of 2013 and the Bancorp published a summary of the results under the severely adverse scenario in September of 2013 which is available on Fifth Third s website at http://www.53.com. For further discussion on the 2013 Stress Tests and CCAR, see the Capital Management section in MD&A.

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

Fifth Third offers qualified deposit customers a deposit advance product if they choose to avail themselves of this service to meet short term, small-dollar financial needs. In April of 2013, the CFPB issued a White Paper which studied financial services industry offerings and customer use of deposit advance products as well as payday loans and is considering whether rules governing these products are warranted. At the same time, the OCC and FDIC each issued proposed supervisory guidance for public comment to institutions they supervise which supplements existing OCC and FDIC guidance, detailing the principles they expect financial institutions to follow in connection with deposit advance products and supervisory expectations for the use of deposit advance products. The Federal Reserve also issued a statement in April to state member banks like Fifth Third for whom the Federal Reserve is the primary regulator. This statement encouraged state member banks to respond to customers small-dollar credit needs in a responsible manner; emphasized that they should take into consideration the risks associated with deposit advance products, including potential consumer harm and potential elevated compliance risk; and reminded them that these product offerings must comply with applicable laws and regulations. Fifth Third s deposit advance product was designed to fully comply with all applicable federal and state laws. Use of this product is subject to strict eligibility requirements and advance restriction guidelines to limit dependency on this product as a borrowing source. Fifth Third believes this product provides customers with a relatively low-cost alternative for such needs. Fifth Third is currently evaluating the Federal Reserve s statement, the proposed guidance by other regulators, and the CFPB s White Paper, to determine whether any changes need to be made to this offering and alternative methods, products and services to ensure that we are able to continue to meet our customers needs. As a result, we cannot at this time estimate the negative financial impact of any changes that may be required as a result of these or future developments. These advance balances are included in other consumer loans and leases on the Bancorp s Condensed Consolidated Balance Sheets with revenue reported in interest and fees on loans and leases in the Bancorp s Condensed Consolidated Statements of Income and in Tables 3 and 4 in the Statements of Income Analysis section of MD&A.

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), which included modifications to the proposed rules. The Bancorp continues to evaluate the final rules and their potential impact. For more information on the impact of the regulatory capital enhancements, refer to the Capital Management section of MD&A.

In October of 2011, the banking agencies issued an NPR that would implement the provisions of the Volcker Rule. These provisions prohibit banks and bank holding companies from engaging in certain types of proprietary trading. The scope of the proprietary trading prohibition, and its impact on Fifth Third, will depend on the definitions in the final rule, particularly those definitions related to statutory exemptions for risk-mitigating hedging activities, market-making and customer-related activities. The Volcker Rule and the rulemakings promulgated thereunder are also expected to 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, under the proposed rule, it is prohibited from sponsoring. As of September 30, 2013, the Bancorp had approximately $182 million in interests and approximately $84 million in binding commitments to invest in private equity funds likely to be affected by the Volcker Rule. It is expected that over time the Bancorp may need to eliminate these investments although it is likely that these amounts will be reduced over time in the ordinary course of business before compliance is required.

In November 2010, the FDIC implemented a final rule amending its deposit insurance regulations to implement section 343 of the Dodd-Frank Act providing for unlimited deposit insurance for noninterest-bearing transaction accounts for two years starting December 31, 2010. The FDIC did not charge a separate assessment for the insurance unlike the previous Transaction Account Guarantee Program. Beginning January 1, 2013, noninterest-bearing transaction accounts are no longer insured separately from depositors other accounts at the same insured depository institution.

On January 7, 2013, the BCBS issued a final standard for the LCR, which would phase in the LCR beginning in 2015 with full implementation in 2019. In addition, the BCBS plans on introducing the NSFR final standard in the next two years. On October 24, 2013, the U.S. banking agencies issued an NPR that would implement a LCR requirement that is generally consistent with the international LCR standards published by the BCBS for large, internationally active banking organizations and a Modified LCR for BHCs with at least $50 billion in total consolidated assets that are not internationally active. The NPR is open for public comment until January 31, 2014. Refer to the Liquidity Risk Management section in MD&A for further discussion on these ratios.

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

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

Earnings Summary

The Bancorp s net income available to common shareholders for the third quarter of 2013 was $421 million, or $0.47 per diluted share. The Bancorp s net income available to common shareholders for the third quarter of 2012 was $354 million, or $0.38 per diluted share, which was net of $9 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the nine months ended September 30, 2013 was $1.4 billion, or $1.58 per diluted share, which was net of $18 million in preferred stock dividends. For the nine months ended September 30, 2012, the Bancorp s net income available to common shareholders was $1.2 billion, or $1.23 per diluted share, which was net of $26 million in preferred stock dividends. Pre-provision net revenue was $655 million and $2.2 billion for the three and nine months ended September 30, 2013 compared to $568 million and $1.9 billion in the same periods in 2012. Pre-provision net revenue is a non-GAAP measure. For further information, see the Non-GAAP Financial Measures section in MD&A.

Net interest income was $898 million and $2.7 billion, respectively, for the three and nine months ended September 30, 2013 compared to $907 million and $2.7 billion, respectively, for the three and nine months ended September 30, 2012. For the three and nine months ended September 30, 2013, net interest income was negatively impacted by a decline of 35 bps and 36 bps, respectively, in yields on the Bancorp s interest-earning assets, partially offset by a $4.3 billion and $4.8 billion, respectively, 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 for the three and nine months ended September 30, 2013 compared to the same periods in the prior year primarily due to a reduction in higher cost average long-term debt along with a decrease in the rates paid on average long-term debt. Net interest margin was 3.31% and 3.35% for the three and nine months ended September 30, 2013, respectively, compared to 3.56% and 3.58% for the same periods in the prior year.

Noninterest income increased $50 million, or seven percent, in the third quarter of 2013 compared to the same period in the prior year and increased $405 million, or 19%, for the nine months ended September 30, 2013 compared to the same period in the prior year. The increase for both periods was primarily due to increases in other noninterest income partially offset by decreases in mortgage banking net revenue. Other noninterest income increased $107 million and $349 million, respectively, for the three and nine months ended September 30, 2013 compared to the same periods in the prior year, primarily due to a $242 million gain and an $85 million gain, respectively, on the sale of Vantiv, Inc. shares recognized in the second and third quarters of 2013 compared to gains of $115 million related to the Vantiv, Inc. IPO recorded in the first quarter of 2012. Additionally, other noninterest income increased for the three and nine months ended September 30, 2013 compared to the same periods in the prior year due to an increase in the positive valuation adjustments on stock warrants associated with Vantiv Holding, LLC and a decrease in the loss related to the Visa total return swap. Mortgage banking net revenue decreased $79 million and $14 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. The decrease in mortgage banking net revenue for both periods was 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 $47 million, or five percent, in the third quarter of 2013 compared to the same period in 2012. The decrease was primarily due to decreases in other noninterest expense of $47 million for the three months ended September 30, 2013 compared to the same period in the prior year primarily due to a decrease in the provision for representation and warranty claims and a decrease in debt extinguishment costs partially offset by an increase in legal settlements and reserves expense. Noninterest expense increased $54 million, or two percent, for the nine months ended September 30, 2013 compared to the same period in the prior year. The increase was primarily due to increases in other noninterest expense due to an increase in legal settlements and reserves expense and FDIC insurance and other taxes partially offset by a decrease in the provision for representation and warranty claims.

Credit Summary

The Bancorp does not originate subprime mortgage loans and does not hold asset-backed securities backed by subprime mortgage loans in its securities portfolio. However, the Bancorp has exposure to disruptions in the capital markets and weakened economic conditions. During the nine months ended September 30, 2013, credit trends have improved, and as a result, the provision for loan and lease losses decreased to $51 million and $176 million for the three and nine months ended September 30, 2013 compared to $65 million and $227 million, respectively, for the same periods in 2012. In addition, net charge-offs as a percent of average portfolio loans and leases decreased to 0.49% during the third quarter of 2013 compared to 0.75% during the third quarter of 2012 and decreased to 0.54% for the nine months ended September 30, 2013

compared to 0.90% for the nine months ended September 30, 2012. At September 30, 2013, nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 1.16%, compared to 1.49% at December 31, 2012. For further discussion on credit quality, see 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 September 30, 2013, the Tier I risk-based capital ratio was 11.14%, the Tier I leverage ratio was 10.58% and the total risk-based capital ratio was 14.35%.

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

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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The following table reconciles non-GAAP financial measures to U.S. GAAP as of or for the three and nine months ended:

TABLE 2: Non-GAAP Financial Measures

($ in millions)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Income before income taxes (U.S. GAAP)	$ **604**	503	**2,037**	1,670
Add: Provision expense (U.S. GAAP)	**51**	65	**176**	227
Pre-provision net revenue	**655**	568	**2,213**	1,897
Net income available to common shareholders (U.S. GAAP)	$ **421**	354	**1,415**	1,152
Add: Intangible amortization, net of tax	**1**	2	**4**	7
Tangible net income available to common shareholders	$ **422**	356	**1,419**	1,159

	September 30, 2013	December 31, 2012
Total Bancorp shareholders equity (U.S. GAAP)	$ **14,641**	13,716
Less: Preferred stock	**(593)**	(398)
Goodwill	**(2,416)**	(2,416)
Intangible assets	**(21)**	(27)
Tangible common equity, including unrealized gains / losses	**11,611**	10,875
Less: Accumulated other comprehensive income	**(218)**	(375)
Tangible common equity, excluding unrealized gains / losses (1)	**11,393**	10,500
Add: Preferred stock	**593**	398
Tangible equity (2)	$ **11,986**	10,898
Total assets (U.S. GAAP)	$ **125,673**	121,894
Less: Goodwill	**(2,416)**	(2,416)
Intangible assets	**(21)**	(27)
Accumulated other comprehensive income, before tax	**(335)**	(577)
Tangible assets, excluding unrealized gains / losses (3)	$ **122,901**	118,874
Total Bancorp shareholders equity (U.S. GAAP)	$ **14,641**	13,716
Less: Goodwill and certain other intangibles	**(2,492)**	(2,499)
Accumulated other comprehensive income	**(218)**	(375)
Add: Qualifying TruPS	**810**	810
Other	**21**	33
Tier I risk-based capital	**12,762**	11,685

Less: Preferred stock	**(593)**	(398)
Qualifying TruPS	**(810)**	(810)
Qualified noncontrolling interests in consolidated subsidiaries	**(39)**	(48)
Tier I common equity (4)	**$ 11,320**	10,429
Risk-weighted assets [(a)] (5)	**$ 114,544**	109,699
Ratios:		
Tangible equity (2) / (3)	**9.75 %**	9.17
Tangible common equity (1) / (3)	**9.27 %**	8.83
Tier I common equity (4) / (5)	**9.88 %**	9.51
Basel III Estimated Tier I common equity ratio		
Tier I common equity (Basel I)	**$ 11,320**	
Add: Adjustment related to capital components[(b)]	**88**	
Estimated Tier I common equity under final Basel III rules without AOCI (opt out) (6)	**11,408**	
Add: Adjustment related to AOCI[(c)]	**218**	
Estimated Tier I common equity under final Basel III rules with AOCI (non opt out) (7)	**11,626**	
Estimated risk-weighted assets under final Basel III rules [(d)] (8)	**120,447**	
Estimated Tier I common equity ratio under final Basel III rules (opt out) (6) / (8)	**9.47 %**	
Estimated Tier I common equity ratio under final Basel III rules (non opt out) (7) / (8)	**9.65 %**	

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

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

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

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

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RECENT ACCOUNTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES

The Bancorp s Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements and goodwill. These accounting policies are discussed in detail in Management s Discussion and Analysis Critical Accounting Policies in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2012. No material changes were made to the valuation techniques or models during the nine months ended September 30, 2013.

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, short-term borrowings and long-term debt). The net interest margin is calculated by dividing net interest income by average interest-earning assets. Net interest rate spread is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities. Net interest margin is typically greater than net interest rate spread due to the interest income earned on those assets that are funded by noninterest-bearing liabilities, or free funding, such as demand deposits or shareholders equity.

Tables 3 and 4 present the components of net interest income, net interest margin and net interest rate spread for the three and nine months ended September 30, 2013 and 2012, as well as the relative impact of changes in the balance sheet and changes in interest rates on net interest income. Nonaccrual loans and leases and loans held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses on available-for-sale securities included in other assets.

Net interest income was $898 million for the three months ended September 30, 2013, a decrease of $9 million compared to the three months ended September 30, 2012. Net interest income was $2.7 billion for the nine months ended September 30, 2013, a decrease of $34 million from the nine months ended September 30, 2012. Included within net interest income are amounts related to the accretion of discounts on acquired loans and deposits, primarily as a result of acquisitions in previous years, which increased net interest income by $4 million and $13 million during the three and nine months ended September 30, 2013, respectively, compared to $6 million and $25 million during the three and nine months ended September 30, 2012, respectively. The original purchase accounting discounts reflected the high discount rates in the market at the time of the acquisitions; the total loan discounts are being accreted into net interest income over the remaining period to maturity of the loans acquired. Based upon the remaining period to maturity, and excluding the impact of potential prepayments, the Bancorp anticipates recognizing approximately $2 million in additional net interest income during the remainder of 2013 as a result of the amortization and accretion of premiums and discounts on acquired loans and deposits.

For the three and nine months ended September 30, 2013, net interest income was negatively impacted by a 35 bps and 36 bps, respectively, decline in yields on the Bancorp s interest-earnings assets compared to the three and nine months ended September 30, 2012. The decrease in yields on interest-earning assets was partially offset by an increase in average loans and leases of $4.3 billion and $4.8 billion, respectively, for the three and nine months ended September 30, 2013 compared to the same periods in the prior year, as well as a decrease in interest expense compared to the prior year periods. The decrease in interest expense was primarily the result of a $1.4 billion and $1.9 billion, respectively, decrease in average long-term debt coupled with a 50 bps and 48 bps decrease in the rate paid on average long-term debt for the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012. For the three and nine months ended September 30, 2013, the net interest rate spread decreased to 3.14% and 3.18%, respectively, from 3.36% and 3.37% in the same periods in 2012, as the benefit of the decreases in rates on interest-bearing liabilities was more than offset by a decrease in yields on average interest-earnings assets.

Net interest margin was 3.31% and 3.35% for the three and nine months ended September 30, 2013, respectively, compared to 3.56% and 3.58% for the three and nine months ended September 30, 2012, respectively. Net interest margin was impacted by the amortization and accretion of premiums and discounts on acquired loans and deposits that resulted in an increase in net interest margin of 1 bps and 2 bps during the three and nine months ended September 30, 2013 compared to a 2 bps and 3 bps increase during the three and nine months ended September 30, 2012. Exclusive of these amounts, net interest margin decreased 24 bps and 22 bps for the three and nine months ended September 30, 2013 compared to the same periods in the prior year. The decrease from both periods in 2012 was driven primarily by the previously mentioned decline in the yield on average interest-earning assets, partially offset by an increase in average loans and leases and a reduction in higher cost long-term debt coupled with a decrease in the rates paid on average long-term debt.

Interest income from loans and leases decreased $36 million, or four percent, compared to the three months ended September 30, 2012 and decreased $80 million, or three percent, compared to the nine months ended September 30, 2012. The decrease from the three and nine months

ended September 30, 2012 was primarily the result of a decrease of 38 bps and 35 bps, respectively, in yields on average loans and leases partially offset by an increase of five percent and six percent, respectively, in average loans and leases for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year. The increase in average loans and leases for the three and nine months ended September 30, 2013 was driven primarily by an increase of 15% for both periods in average commercial and industrial loans and an increase in average residential mortgage loans of seven percent and 12%, respectively, for the three and nine months ended September 30, 2013 compared to the same periods in the prior year. For more information on the Bancorp s loan and lease portfolio, see the Loans and Leases section of the Balance Sheet Analysis section of MD&A. In addition, interest income from investment securities and other short-term investments increased $6 million, or five percent, compared to the three months ended September 30, 2012 primarily as the result of an increase in average taxable securities of $1.6 billion partially offset by 21 bps decrease in the average yield on taxable securities. Interest income from investment securities and other short-term investments decreased $39 million, or 10%, compared to the nine months ended September 30, 2012, primarily due to a 44 bps decrease in the average yield on taxable securities partially offset by an increase of $438 million in average taxable securities.

Average core deposits increased $5.2 billion, or six percent, compared to the three months ended September 30, 2012 and increased $4.0 billion, or five percent, compared to the nine months ended September 30, 2012. The increase from both periods was primarily due to an increase in average money market deposits and average demand deposits partially offset by decreases in average savings deposits and average other time deposits. The cost of average core deposits decreased to 17 bps and 18 bps for the three and nine months ended September 30, 2013, respectively, from 20 bps and 21 bps for the three and nine months ended September 30, 2012. This decrease was primarily the result

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

of a mix shift to lower cost core deposits as a result of run-off of higher priced CDs combined with decreases of 4 bps and 6 bps, respectively, in the rate paid on average savings deposits and decreases of 26 bps and 17 bps, respectively, on average other time deposits compared to the three and nine months ended September 30, 2012.

For the three and nine months ended September 30, 2013, interest expense on average wholesale funding decreased $17 million and $72 million, respectively, compared to the three and nine months ended September 30, 2012 primarily as a result of a $1.4 billion and $1.9 billion decrease in average long-term debt. In addition, the decrease in interest expense on average wholesale funding for both periods was also due to a decrease in the rates paid on average long-term debt of 50 bps and 48 bps for the three and nine months ended September 30, 2013 compared to the same periods in 2012, respectively. The reduction in higher cost long-term debt was primarily the result of the redemption of outstanding TruPS and FHLB debt in the second half of 2012. In the third quarter of 2012, the Bancorp redeemed $1.4 billion of outstanding TruPS which had a 7.25% distribution rate. Additionally, in the fourth quarter of 2012, the Bancorp terminated $1.0 billion of FHLB debt with a fixed rate of 4.56%. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During the three and nine months ended September 30, 2013, average wholesale funding represented 23% and 24%, respectively, of average interest-bearing liabilities compared to 24% during both periods in the prior year. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management section of MD&A.

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TABLE 3: Condensed Average Balance Sheets and Analysis of Net Interest Income

For the three months ended	September 30, 2013			September 30, 2012			Attribution of Change in Net Interest Income[a]		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Yield/Rate	Total
Assets									
Interest-earning assets:									
Loans and leases:[b]									
Commercial and industrial loans	$ 38,145	$ 336	3.49 %	$ 33,124	$ 339	4.08 %	$ 50	(53)	(3)
Commercial mortgage	8,280	75	3.60	9,592	91	3.76	(12)	(4)	(16)
Commercial construction	797	7	3.71	751	5	2.83		2	2
Commercial leases	3,574	29	3.22	3,483	32	3.62	1	(4)	(3)
Subtotal commercial	50,796	447	3.49	46,950	467	3.96	39	(59)	(20)
Residential mortgage loans	14,333	140	3.87	13,458	136	4.03	10	(6)	4
Home equity	9,432	89	3.74	10,312	98	3.78	(8)	(1)	(9)
Automobile loans	12,083	92	3.02	11,812	107	3.61	3	(18)	(15)
Credit card	2,140	53	9.93	1,971	49	9.82	3	1	4
Other consumer loans/leases	370	40	42.84	326	40	49.00	5	(5)	
Subtotal consumer	38,358	414	4.29	37,879	430	4.52	13	(29)	(16)
Total loans and leases	89,154	861	3.83	84,829	897	4.21	52	(88)	(36)
Securities:									
Taxable	16,590	134	3.20	15,005	129	3.41	14	(9)	5
Exempt from income taxes[b]	44	1	5.08	48		3.29	1		1
Other short-term investments	1,894	1	0.26	1,535	1	0.25			
Total interest-earning assets	107,682	997	3.68	101,417	1,027	4.03	67	(97)	(30)
Cash and due from banks	2,380			2,368					
Other assets	15,015			15,749					
Allowance for loan and lease losses	(1,731)			(2,013)					
Total assets	$ 123,346			$ 117,521					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	$ 23,116	$ 13	0.23 %	$ 22,967	$ 12	0.21 %	$ (1)	2	1
Savings	18,026	5	0.11	21,283	8	0.15	(1)	(2)	(3)
Money market	9,693	6	0.24	4,776	3	0.22	3		3
Foreign office deposits	1,755	1	0.29	1,345	1	0.29			
Other time deposits	3,676	12	1.33	4,224	17	1.59	(2)	(3)	(5)
Certificates - $100,000 and over	7,315	14	0.74	3,016	11	1.49	11	(8)	3
Other deposits	17		0.08	32		0.13			
Federal funds purchased	464		0.10	664		0.13			
Other short-term borrowings	1,675	1	0.21	4,856	3	0.19	(2)		(2)

Long-term debt	**7,453**	**47**	**2.47**	8,863	65	2.97	(8)	(10)	(18)
Total interest-bearing liabilities	**73,190**	**99**	**0.54**	72,026	120	0.67		(21)	(21)
Demand deposits	**30,655**			27,127					
Other liabilities	**5,023**			4,430					
Total liabilities	**108,868**			103,583					
Total equity	**14,478**			13,938					
Total liabilities and equity	**$ 123,346**			$ 117,521					
Net interest income		**$ 898**			$ 907		$ 67	(76)	(9)
Net interest margin			**3.31 %**			3.56 %			
Net interest rate spread			**3.14**			3.36			
Interest-bearing liabilities to interest-earning assets			**67.97**			71.02			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
(b) The FTE adjustments included in the above table were ***$5*** *and $4 for the three months ended* ***September 30, 2013*** *and 2012, respectively.*

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

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

For the nine months ended	**September 30, 2013**			September 30, 2012			Attribution of Change in Net Interest Income[a]		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield Rate	Average Balance	Revenue/ Cost	Average Yield Rate	Volume	Yield/Rate	Total
Assets									
Interest-earning assets:									
Loans and leases:[b]									
Commercial and industrial loans	$ 37,407	$ 1,022	3.65 %	$ 32,440	$ 1,004	4.13 %	$ 143	(125)	18
Commercial mortgage	8,626	234	3.63	9,846	283	3.84	(34)	(15)	(49)
Commercial construction	738	19	3.45	881	19	2.98	(3)	3	
Commercial leases	3,561	88	3.32	3,499	97	3.69	1	(10)	(9)
Subtotal commercial	50,332	1,363	3.62	46,666	1,403	4.02	107	(147)	(40)
Residential mortgage loans	14,726	432	3.92	13,149	404	4.11	47	(19)	28
Home equity	9,641	270	3.75	10,449	298	3.81	(23)	(5)	(28)
Automobile loans	12,022	283	3.15	11,817	335	3.79	5	(57)	(52)
Credit card	2,094	154	9.86	1,937	141	9.72	11	2	13
Other consumer loans/leases	355	114	42.84	349	115	44.02	2	(3)	(1)
Subtotal consumer	38,838	1,253	4.31	37,701	1,293	4.58	42	(82)	(40)
Total loans and leases	89,170	2,616	3.92	84,367	2,696	4.27	149	(229)	(80)
Securities:									
Taxable	15,725	364	3.09	15,287	404	3.53	11	(51)	(40)
Exempt from income taxes[b]	50	2	5.17	56	1	3.42	1		1
Other short-term investments	1,677	3	0.25	1,486	3	0.25			
Total interest-earning assets	106,622	2,985	3.74	101,196	3,104	4.10	161	(280)	(119)
Cash and due from banks	2,322			2,326					
Other assets	15,076			15,772					
Allowance for loan and lease losses	(1,787)			(2,126)					
Total assets	$ 122,233			$ 117,168					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	$ 23,222	$ 40	0.23 %	$ 22,941	$ 37	0.22 %	$ (1)	4	3
Savings	18,816	17	0.12	21,788	30	0.18	(3)	(10)	(13)
Money market	8,854	16	0.24	4,527	7	0.22	8	1	9
Foreign office deposits	1,428	3	0.28	1,646	3	0.27			
Other time deposits	3,838	41	1.44	4,377	53	1.61	(7)	(5)	(12)
Certificates - $100,000 and over	5,962	38	0.84	3,108	35	1.51	23	(20)	3
Other deposits	22		0.11	25		0.12			
Federal funds purchased	571	1	0.12	481		0.13	1		1
Other short-term borrowings	3,310	4	0.18	4,142	6	0.17	(2)		(2)

Long-term debt	**7,504**	**150**	**2.69**	9,432	224	3.17	(43)	(31)	(74)
Total interest-bearing liabilities	**73,527**	**310**	**0.56**	72,467	395	0.73	(24)	(61)	(85)
Demand deposits	**29,642**			26,516					
Other liabilities	**4,873**			4,485					
Total liabilities	**108,042**			103,468					
Total equity	**14,191**			13,700					
Total liabilities and equity	**$ 122,233**			$ 117,168					
Net interest income		**$ 2,675**			$ 2,709		$ 185	(219)	(34)
Net interest margin			**3.35 %**			3.58 %			
Net interest rate spread			**3.18**			3.37			
Interest-bearing liabilities to interest-earning assets			**68.96**			71.61			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
*(b) The FTE adjustments included in the above table are **$15** and $13 for the nine months ended **September 30, 2013** and 2012, respectively.*

Provision for Loan and Lease Losses

The Bancorp provides as an expense an amount for probable loan and lease losses within the loan and lease portfolio that is based on factors previously discussed in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2012. The provision is recorded to bring the ALLL to a level deemed appropriate by the Bancorp to cover losses inherent in the portfolio. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans actually removed from the Condensed Consolidated Balance Sheets is referred to as charge-offs. Net charge-offs include current period charge-offs less recoveries on previously charged-off loans and leases.

The provision for loan and lease losses was $51 million and $176 million for the three and nine months ended September 30, 2013, respectively, compared to $65 million and $227 million during the same periods in 2012. The decrease in provision expense for both periods was due to decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases, and improvement in underlying loss trends. The ALLL declined $177 million from $1.9 billion at December 31, 2012 to $1.7 billion at September 30, 2013. As of September 30, 2013, the ALLL as a percent of portfolio loans and leases decreased to 1.92%, compared to 2.16% at December 31, 2012.

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

Noninterest Income

Noninterest income increased $50 million, or seven percent, for the third quarter of 2013 compared to the third quarter of 2012 and increased $405 million, or 19%, for the nine months ended September 30, 2013 compared to the same period in the prior year.

The components of noninterest income for the three and nine months ended September 30, 2013 and 2012 are as follows:

TABLE 5: Noninterest Income

($ in millions)	For the three months ended September 30, 2013	2012	% Change	For the nine months ended September 30, 2013	2012	% Change
Mortgage banking net revenue	**$ 121**	200	(40)	**$ 574**	588	(2)
Service charges on deposits	**140**	128	10	**407**	387	5
Corporate banking revenue	**102**	101	1	**307**	299	2
Investment advisory revenue	**97**	92	6	**295**	281	5
Card and processing revenue	**69**	65	6	**201**	187	8
Other noninterest income	**185**	78	NM	**708**	359	97
Securities gains, net	**2**	2	56	**19**	13	49
Securities gains, net - non-qualifying hedges on mortgage servicing rights	**5**	5	5	**13**	5	NM
Total noninterest income	**$ 721**	671	7	**$ 2,524**	2,119	19

Mortgage banking net revenue

Mortgage banking net revenue decreased $79 million and $14 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012.

The components of mortgage banking net revenue are as follows:

TABLE 6: Components of Mortgage Banking Net Revenue

($ in millions)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Origination fees and gains on loan sales	**$ 74**	226	**$ 393**	583
Net mortgage servicing revenue:				
Gross mortgage servicing fees	**63**	62	**187**	186
Mortgage servicing rights amortization	**(39)**	(48)	**(143)**	(134)

Net valuation adjustments on servicing rights and free-standing derivatives entered into to economically hedge MSR	**23**	(40)	**137**	(47)
Net mortgage servicing revenue	**47**	(26)	**181**	5
Mortgage banking net revenue	**$ 121**	200	**$ 574**	588

Origination fees and gains on loan sales decreased $152 million and $190 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. The decrease for the three month period was primarily the result of an 18% decline in residential mortgage loan originations from the three months ended September 30, 2012 coupled with lower profit margins on sold residential mortgage loans. Residential mortgage loan originations decreased to $4.8 billion during the third quarter of 2013 compared to $5.8 billion during the third quarter of 2012 as fewer borrowers were able to achieve savings by refinancing their mortgage. The decrease in origination fees and gains on loan sales for the nine months ended September 30, 2013 was the result of lower profit margins on sold residential mortgage loans partially offset by an eight percent increase in originations. Residential mortgage loan originations increased to $19.7 billion during the nine months ended September 30, 2013 from $18.2 billion during the nine months ended September 30, 2012 due to strong refinancing activity that occurred in the first half of 2013.

Net mortgage servicing revenue is comprised of gross mortgage servicing fees and related mortgage servicing rights amortization as well as valuation adjustments on MSRs and mark-to-market adjustments on both settled and outstanding free-standing derivative financial instruments used to economically hedge the MSR portfolio. Net mortgage servicing revenue increased $73 million for the three months ended September 30, 2013 compared to the three months ended September 30, 2012 driven primarily by an increase of $63 million in net valuation adjustments and a decrease in mortgage servicing rights amortization of $9 million. Net mortgage servicing revenue increased $176 million for the nine months ended September 30, 2013 compared to the same period in the prior year driven primarily by an increase of $184 million in net valuation adjustments partially offset by an increase in mortgage servicing rights amortization of $9 million.

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Servicing rights are deemed impaired when a borrower s loan rate is distinctly higher than prevailing rates. Impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. Further detail on the valuation of MSRs can be found in Note 10 of the Notes to Condensed Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation on the MSR portfolio. See Note 11 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio. The net valuation adjustment gain of $23 million during the third quarter of 2013 included $24 million in gains from derivatives economically hedging the MSRs partially offset by temporary impairment of $1 million on the MSRs. The net valuation adjustment loss of $40 million during the third quarter of 2012 included $72 million in temporary impairment on the MSR portfolio partially offset by $32 million in gains from derivatives economically hedging the MSRs. The net valuation adjustment gain of $137 million for the nine months ended September 30, 2013 included a recovery of temporary impairment of $150 million on the MSRs partially offset by $13 million in losses from derivatives economically hedging the MSRs. Mortgage rates increased during the nine months ended September 30, 2013 which caused modeled prepayment speeds to slow, which led to the recovery of temporary impairment on servicing rights during the period. The net valuation adjustment loss of $47 million for the nine months ended September 30, 2012 included $122 million of temporary impairment on the MSR portfolio partially offset by $75 million in gains from derivatives economically hedging the MSR portfolio.

The Bancorp s total residential loans serviced as of September 30, 2013 and 2012 were $82.8 billion and $75.9 billion, respectively, with $69.0 billion, and $62.4 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 sold the securities related to the non-qualifying hedging strategy during the three months ended September 30, 2013 and recognized a gain of $5 million and $13 million, respectively, recorded in securities gains, net, non-qualifying hedges on mortgage servicing rights in the Bancorp s Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013. Net gains on sales of these securities were $5 million for both the three and nine months ended September 30, 2012.

Service charges on deposits

Service charges on deposits increased $12 million and $20 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year. Commercial deposit revenue increased $5 million and $13 million compared to the same periods in the prior year primarily due to increased treasury management fees as a result of a pricing change implemented in 2012 and the acquisition of new customers. For the three months ended September 30, 2013, consumer deposit revenue increased $7 million compared to the same period in the prior year due to an increase in consumer checking fees due to new deposit product offerings coupled with an increase in overdraft fees due to an increase in occurrences. For the nine months ended September 30, 2013, consumer deposit revenue increased $7 million compared to the nine months ended September 30, 2012 due to the previously mentioned increase in consumer checking fees partially offset by the elimination of daily overdraft fees on continuing consumer overdraft positions which took effect late in the second quarter of 2012.

Corporate banking revenue

Corporate banking revenue increased $1 million and $8 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. The increase was primarily due to a $9 million and $13 million increase in syndication fees compared to the three and nine months ended September 30, 2012, respectively, partially offset by decreases in lease remarketing income and institutional sales revenue.

Investment advisory revenue

Investment advisory revenue increased $5 million and $14 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The increase for both periods was primarily due to increased securities and brokerage fees due to an increase in equity and bond market values coupled with increased private client service fees, partially offset by a decrease in mutual fund fees. Due to the sale of certain FTAM funds during the third quarter of 2012, mutual fund fees decreased $3 million and $12 million for the three and nine months ended September 30, 2013 compared to the same prior year periods. The Bancorp had approximately $318.4 billion and $299.8 billion in total assets under care as of September 30, 2013 and 2012, respectively, and managed $27.4 billion and $26.2 billion in assets,

respectively, for individuals, corporations and not-for-profit organizations for the same comparative periods.

Card and processing revenue

Card and processing revenue increased $4 million and $14 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. The increase for both periods was primarily the result of higher transaction volumes. Debit card interchange revenue, included in card and processing revenue, was $31 million and $90 million for the three and nine months ended September 30, 2013, respectively compared to $30 million and $89 million for the same periods in the prior year.

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

Other noninterest income

The major components of other noninterest income are as follows:

TABLE 7: Components of Other Noninterest Income

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
Gain on sale of Vantiv, Inc. shares and Vantiv, Inc. IPO	**$ 85**		**$ 327**	115
Valuation adjustments on stock warrants associated with Vantiv Holding, LLC	**6**	(16)	**116**	85
Equity method earnings from interest in Vantiv Holding, LLC	**18**	25	**54**	27
Operating lease income	**20**	15	**54**	44
BOLI income	**10**	7	**41**	26
Cardholder fees	**12**	12	**35**	34
Banking center income	**9**	9	**26**	24
Insurance income	**5**	7	**21**	21
Consumer loan and lease fees	**7**	7	**20**	21
Gain on loan sales	**1**	2	**3**	16
Loss on sale of OREO	**(5)**	(11)	**(20)**	(47)
Loss on swap associated with the sale of Visa, Inc. class B shares	**(2)**	(1)	**(13)**	(30)
Other, net	**19**	22	**44**	23
Total other noninterest income	**$ 185**	78	**$ 708**	359

Other noninterest income increased $107 million in the third quarter of 2013 compared to the third quarter of 2012 and $349 million for the nine months ended September 30, 2013 compared to the same period in the prior year. The increase for both periods was primarily due to 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. In addition, the positive valuation adjustments on the stock warrants associated with Vantiv Holding, LLC increased $22 million and $31 million, respectively, for the three and nine months ended September 30, 2013 from the comparable prior year periods. Additionally, the equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $7 million compared to the three months ended September 30, 2012 and increased $27 million compared to the nine months ended September 30, 2012. The decrease for the three months ended September 30, 2013 was due to the decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from 39% as of September 30, 2012 to 25% as of September 30, 2013 primarily due to the previously mentioned share sales. The increase for the nine months ended September 30, 2013 was primarily due to $34 million in debt termination charges incurred in the first quarter of 2012 related to Vantiv Holding, LLC s debt refinancing which was included in equity method earnings.

BOLI income increased $15 million for the nine months ended September 30, 2013 compared to the same period in the prior year primarily due to a $10 million settlement in the second quarter of 2013 related to a previously surrendered BOLI policy. The other caption increased $21 million for the nine months ended September 30, 2013 compared to the prior year period, primarily due to $17 million in lower of cost or market adjustments associated with bank premises held-for-sale recorded in the second quarter of 2012. In addition, other noninterest income benefited from a $17 million decrease in the loss related to the Visa total return swap for nine months ended September 30, 2013 compared to the nine months ended September 30, 2012. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B shares and the valuation of warrants associated with Vantiv Holding, LLC, see Note 21 of the Notes to Condensed Consolidated Financial Statements. For the nine months ended September 30, 2013 compared to the same period in the prior year, other noninterest income benefited from a decrease in losses on the sale of OREO of $27 million, which decreased primarily as a result of fewer new commercial OREO properties during 2013.

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Noninterest Expense

Total noninterest expense decreased $47 million, or five percent, for the three months ended September 30, 2013, and increased $54 million, or two percent, for the nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012, respectively.

The major components of noninterest expense are as follows:

TABLE 8: Noninterest Expense

($ in millions)	For the three months ended September 30, 2013	2012	% Change	For the nine months ended September 30, 2013	2012	% Change
Salaries, wages and incentives	**$ 389**	399	(2)	**$ 1,193**	1,191	
Employee benefits	**83**	79	4	**280**	274	2
Net occupancy expense	**75**	76	(1)	**230**	227	2
Technology and communications	**52**	49	6	**151**	144	5
Card and processing expense	**33**	30	9	**97**	90	8
Equipment expense	**29**	28	5	**85**	82	3
Other noninterest expense	**298**	345	(14)	**936**	910	3
Total noninterest expense	**$ 959**	1,006	(5)	**$ 2,972**	2,918	2
Efficiency ratio	**59.2 %**	63.7 %		**57.2 %**	60.4 %	

Total personnel costs (salaries, wages and incentives plus employee benefits) decreased $6 million and increased $8 million, respectively, for the three and nine months ended September 30, 2013 compared to the same periods in 2012. The decrease for the three month period is primarily due to a decrease in incentive compensation primarily in the mortgage business due to lower production levels in the current quarter partially offset by a $4 million expense related to a pension settlement which in the prior year was recorded in the fourth quarter. The increase for the nine month period is primarily due to the previously mentioned pension settlement. Full time equivalent employees totaled 20,256 at September 30, 2013 compared to 20,789 at September 30, 2012.

TABLE 9: Components of Other Noninterest Expense

($ in millions)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Losses and adjustments	**$ 35**	53	**$ 164**	122
Loan and lease	**39**	45	**125**	136
FDIC insurance and other taxes	**31**	32	**98**	77
Marketing	**32**	39	**91**	98
Affordable housing investments impairment	**29**	22	**77**	68
Professional service fees	**19**	14	**52**	39
Travel	**13**	13	**42**	38
Operating lease	**15**	11	**41**	31

Postal and courier	**11**	12	**36**	36
Data processing	**10**	10	**32**	29
Recruitment and education	**7**	7	**20**	21
Insurance	**4**	5	**13**	14
OREO expense	**5**	6	**12**	16
Intangible asset amortization	**2**	3	**6**	10
Provision (benefit) for unfunded commitments and letters of credit	**1**	(2)	**(13)**	(5)
Other, net	**45**	75	**140**	180
Total other noninterest expense	**$ 298**	345	**$ 936**	910

Total other noninterest expense decreased $47 million for the three months ended September 30, 2013 compared to the same period in 2012. Losses and adjustments decreased $18 million for the three months ended September 30, 2013 compared to the three months ended September 30, 2012 primarily due to a decrease in the provision for representation and warranty claims partially offset by an increase in legal settlements and reserves expense. The provision for representation and warranty claims decreased $38 million for the three months ended September 30, 2013 compared to the same period in the prior year as the Bancorp recorded significant additions to the reserve in the third quarter of 2012, due to additional information obtained from FHLMC regarding their file selection criteria which enabled the Bancorp to better estimate the losses that are probable on loans sold to FHLMC with representation and warranty provisions. In addition, the decrease in the representation and warranty reserve is due to improving underlying repurchase metrics in the current year. Litigation settlements and reserves expense increased $24 million for the three months ended September 30, 2013 compared to the same period in the prior year due to increased litigation and regulatory activity. Additionally, during the third quarter of 2012 the Bancorp incurred $26 million of debt extinguishment costs associated with the redemption of the outstanding TruPS issued by Fifth Third Capital Trust V and Fifth Third Capital Trust VI recorded in the other caption above.

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Total other noninterest expense increased $26 million for the nine months ended September 30, 2013 compared to the same period in 2012. Losses and adjustments increased $42 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 as an increase in litigation expense of $65 million due to the reason previously discussed was partially offset by a $29 million decrease in the provision for representation and warranty claims for the reason noted previously. Additionally, FDIC insurance and other taxes increased $21 million for the nine months ended September 30, 2013 compared to the same period in the prior year due to a $23 million expense reduction in the first quarter of 2012 from an agreement reached on certain outstanding disputes for non-income tax related assessments.

The Bancorp continues to focus on efficiency initiatives as part of its core emphasis on operating leverage and expense control. The efficiency ratio (noninterest expense divided by the sum of net interest income (FTE) and noninterest income) was 59.2% and 57.2% for the three and nine months ended September 30, 2013, respectively, compared to 63.7% and 60.4% for the three and nine months ended September 30, 2012.

Applicable Income Taxes

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

TABLE 10: Applicable Income Taxes

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
Income before income taxes	**$ 604**	503	**$ 2,037**	1,670
Applicable income tax expense	**183**	139	**613**	491
Effective tax rate	**30.3 %**	27.7	**30.1 %**	29.4

Applicable income tax expense for all periods includes the benefit from tax-exempt income, tax-advantaged investments, and certain gains on sales of 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.

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees. 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, the Bancorp is required to write-off the deferred tax asset previously established for these stock-based awards. As a result of the Bancorp s stock price as of September 30, 2013, it is probable that the Bancorp will be required to record an additional $2 million of income tax expense during the next twelve months, primarily in the second quarter of 2014. 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 that the total impact to income tax expense will be greater than or less than this amount.

On September 13, 2013, the Internal Revenue Service released final tangible property regulations under Sections 162(a) and 263(a) of the IRC and proposed regulations under Section 168 of the IRC. These regulations generally apply to taxable years beginning on or after January 1, 2014 and will affect all taxpayers that acquire, produce, or improve tangible property. The Bancorp does not expect the adoption of these regulations to have a material impact on the Bancorp s Condensed Consolidated Financial Statements.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its loans and leases based upon the primary purpose of the loan. Table 11 summarizes end of period loans and leases, including loans held for sale and Table 12 summarizes average total loans and leases, including loans held for sale.

TABLE 11: Components of Total Loans and Leases (includes held for sale)

	September 30, 2013		December 31, 2012	
($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial:				
Commercial and industrial loans	**$ 38,260**	**43**	36,077	42
Commercial mortgage loans	**8,058**	**9**	9,116	10
Commercial construction loans	**879**	**1**	707	1
Commercial leases	**3,572**	**4**	3,549	4
Subtotal commercial	**50,769**	**57**	49,449	57
Consumer:				
Residential mortgage loans	**13,832**	**16**	14,873	17
Home equity	**9,356**	**11**	10,018	11
Automobile loans	**12,072**	**14**	11,972	13
Credit card	**2,157**	**2**	2,097	2
Other consumer loans and leases	**375**		312	
Subtotal consumer	**37,792**	**43**	39,272	43
Total loans and leases	**$ 88,561**	**100**	88,721	100
Total portfolio loans and leases (excludes loans held for sale)	**$ 87,231**		85,782	

Loans and leases, including loans held for sale, decreased $160 million from December 31, 2012. The decrease from December 31, 2012 was comprised of a decrease of $1.5 billion, or four percent, in consumer loans and leases partially offset by an increase of $1.3 billion, or three percent, in commercial loans and leases.

Commercial loans and leases increased from December 31, 2012 primarily due to an increase in commercial and industrial loans partially offset by a decrease in commercial mortgage loans. Commercial and industrial loans increased $2.2 billion, or six percent, from December 31, 2012 as a result of an increase in new loan origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Commercial mortgage loans decreased $1.1 billion, or 12%, from December 31, 2012 due to continued runoff as the level of new originations was less than the repayments of the existing portfolio.

Consumer loans and leases decreased from December 31, 2012 primarily due to a decrease in residential mortgage loans and home equity, partially offset by an increase in automobile loans. Residential mortgage loans decreased $1.0 billion, or seven percent, primarily due to a decline in loans held for sale of $1.6 billion from reduced origination volume driven by higher mortgage rates. This decline was partially offset by an increase in portfolio residential mortgage loans which increased $517 million from December 31, 2012 due to the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches. Home equity decreased $662 million, or seven

percent, from December 31, 2012 as payoffs exceeded new loan production. Additionally, automobile loans increased $100 million, or one percent, from December 31, 2012 due to an increase in originations, partially offset by the securitization and sale in the first quarter of 2013 of $509 million of automobile loans.

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

	September 30, 2013		September 30, 2012	
For the three months ended ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial:				
Commercial and industrial loans	**$ 38,145**	**43**	33,124	40
Commercial mortgage loans	**8,280**	**9**	9,592	11
Commercial construction loans	**797**	**1**	751	1
Commercial leases	**3,574**	**4**	3,483	4
Subtotal commercial	**50,796**	**57**	46,950	56
Consumer:				
Residential mortgage loans	**14,333**	**16**	13,458	16
Home equity	**9,432**	**11**	10,312	12
Automobile loans	**12,083**	**14**	11,812	14
Credit card	**2,140**	**2**	1,971	2
Other consumer loans and leases	**370**		326	
Subtotal consumer	**38,358**	**43**	37,879	44
Total average loans and leases	**$ 89,154**	**100**	84,829	100
Total average portfolio loans and leases (excludes loans held for sale)	**$ 87,272**		82,888	

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

Average loans and leases, including held for sale, increased $4.3 billion, or five percent, from September 30, 2012. The increase from September 30, 2012 was comprised of an increase of $3.8 billion, or eight percent, in average commercial loans and leases and an increase of $479 million, or one percent, in average consumer loans and leases.

Average commercial loans and leases increased from September 30, 2012 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 loans increased $5.0 billion, or 15%, from September 30, 2012 due to an increase in new loan origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage loans decreased $1.3 billion, or 14%, from September 30, 2012 due to continued runoff as the level of new originations was less than the repayments on the current portfolio.

Average consumer loans and leases increased from September 30, 2012 due to an increase in average residential mortgage loans, average automobile loans, and average credit card loans, partially offset by a decrease in average home equity. Average residential mortgage loans increased $875 million, or seven percent, from September 30, 2012 due to strong refinancing activity in the first half of 2013 and due to the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches. Average automobile loans increased $271 million, or two percent, from September 30, 2012 due to loan originations exceeding runoff, partially offset by the impact of the previously mentioned securitization and sale in the first quarter of 2013. Average credit card loans increased $169 million, or nine percent, from September 30, 2012 due to an increase in average balances per account and the volume of new customer accounts. Average home equity decreased $880 million, or nine percent, from September 30, 2012 as payoffs exceeded new loan production.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing liquidity support and providing collateral for pledging purposes. Total investment securities were $18.6 billion at September 30, 2013 and $15.7 billion at December 31, 2012. The increase from December 31, 2012 was primarily driven by the Bancorp s decision to grow the securities portfolio in order to take advantage of an increase in rates throughout 2013 as well as the desire to return the portfolio to more normalized levels.

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

At September 30, 2013, 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 had a carrying value of $1 million as of September 30, 2013, compared to $31 million as of December 31, 2012. 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 $45 million and $57 million of OTTI on its available-for-sale and other debt securities during the three and nine months ended September 30, 2013 and $23 million and $39 million of OTTI during the three and nine months ended September 30, 2012, respectively. The Bancorp did not recognize any OTTI on any of its available-for-sale equity securities or held-to-maturity debt securities during the three and nine months ended September 30, 2013 and 2012. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for further information on OTTI.

TABLE 13: Components of Investment Securities

($ in millions)	**September 30, 2013**	December 31, 2012
Available-for-sale and other: (amortized cost basis)		
U.S. Treasury and government agencies	**$ 26**	41
U.S. Government sponsored agencies	**1,524**	1,730

Obligations of states and political subdivisions		**201**	203
Agency mortgage-backed securities[(a)]		**11,149**	8,403
Other bonds, notes and debentures[(b)]		**3,773**	3,161
Other securities[(c)]		**992**	1,033
Total available-for-sale and other securities	$	**17,665**	14,571
Held-to-maturity: (amortized cost basis)			
Obligations of states and political subdivisions	$	**264**	282
Other bonds, notes and debentures		**1**	2
Total held-to-maturity	$	**265**	284
Trading: (fair value)			
U.S. Treasury and government agencies	$	**1**	1
U.S. Government sponsored agencies		**20**	6
Obligations of states and political subdivisions		**21**	17
Agency mortgage-backed securities		**1**	7
Other bonds, notes and debentures		**9**	15
Other securities		**194**	161
Total trading	$	**246**	207

*(a) Includes interest-only mortgage backed securities of **$279** and $408 as of **September 30, 2013** and December 31, 2012, respectively, recorded at fair value with fair value changes recorded in securities gains, net and securities gains, net-non-qualifying hedges on mortgage servicing rights in the Condensed Consolidated Statements of Income.*

(b) Other bonds, notes, and debentures consist of non-agency mortgage-backed securities, certain other asset-backed securities (primarily automobile and commercial loan-backed securities) and corporate bond securities.

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

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

Available-for-sale securities on an amortized cost basis increased $3.1 billion, or 21%, from December 31, 2012 primarily due to an increase in agency mortgage-backed securities and other bonds, notes, and debentures partially offset by a decrease in U.S. Government sponsored agencies. Agency mortgage-backed securities increased $2.7 billion, or 33%, from December 31, 2012 due to $11.3 billion in purchases of agency mortgage-backed securities partially offset by $6.5 billion in sales and $2.1 billion in paydowns on the portfolio during the nine months ended September 30, 2013. Other bonds, notes, and debentures increased $612 million, or 19%, due to the purchase of $1.5 billion of asset backed securities, collateralized loan obligations and collateralized mortgage backed securities partially offset by the sale of $799 million of asset backed securities, collateralized loan obligations and corporate bonds and $128 million of paydowns and TruPS that were called during the nine months ended September 30, 2013. U.S. Government sponsored agencies securities decreased $206 million, or 12%, primarily due to approximately $204 million of agency debentures that were called in the second and third quarter of 2013.

Available-for-sale securities on an amortized cost basis were 16% and 14% of total interest-earning assets at September 30, 2013 and December 31, 2012, respectively. The estimated weighted-average life of the debt securities in the available-for-sale portfolio was 6.1 years at September 30, 2013 compared to 3.8 years at December 31, 2012. In addition, at September 30, 2013, the available-for-sale securities portfolio had a weighted-average yield of 3.24%, compared to 3.30% at December 31, 2012.

Information presented in Table 14 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using historical cost balances. Maturity and yield calculations for the total available-for-sale portfolio exclude equity securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale securities portfolio were $415 million at September 30, 2013 compared to $636 million at December 31, 2012. The decrease from December 31, 2012 was primarily due to the sale of available-for-sale and other securities and an increase in interest rates during 2013. 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 decreases when interest rates increase or when credit spreads widen.

TABLE 14: Characteristics of Available-for-Sale and Other Securities

As of September 30, 2013 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and government agencies:				
Average life 1 5 years	$ 25	25	2.9	0.82 %
Average life 5 10 years	1	1	5.7	1.50
Total	26	26	3.0	0.83
U.S. Government sponsored agencies:				
Average life 1 5 years	1,524	1,653	3.3	3.65
Total	1,524	1,653	3.3	3.65
Obligations of states and political subdivisions:[(a)]				
Average life of one year or less	7	7	0.1	0.12
Average life 1 5 years	127	129	2.9	2.32
Average life 5 10 years	56	57	6.9	4.88
Average life greater than 10 years	11	12	11.1	5.02
Total	201	205	4.4	3.10
Agency mortgage-backed securities:				
Average life of one year or less	273	282	0.7	5.52
Average life 1 5 years	2,808	2,891	4.1	3.55
Average life 5 10 years	7,591	7,690	7.1	3.49

Average life greater than 10 years	477	490	12.9	3.96
Total	11,149	11,353	6.5	3.57
Other bonds, notes and debentures:				
Average life of one year or less	230	238	0.4	1.45
Average life 1 5 years	1,691	1,732	3.2	1.91
Average life 5 10 years	1,298	1300	7.2	2.60
Average life greater than 10 years	554	569	15.2	1.87
Total	3,773	3,839	6.2	2.11
Other securities	992	1,004		
Total available-for-sale and other securities	$ 17,665	18,080	6.1	3.24 %

(a) *Taxable-equivalent yield adjustments included in the above table are 0.03%, 0.01%, 0.89%, 1.74% and 0.35% 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 69% and 71% of the Bancorp s asset funding base at September 30, 2013 and December 31, 2012, respectively.

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

TABLE 15: Deposits

($ in millions)	September 30, 2013 Balance	September 30, 2013 % of Total	December 31, 2012 Balance	December 31, 2012 % of Total
Demand	**$ 30,153**	**32**	30,023	34
Interest checking	**23,527**	**25**	24,477	27
Savings	**17,583**	**19**	19,879	22
Money market	**10,433**	**11**	6,875	8
Foreign office	**1,409**	**1**	885	1
Transaction deposits	**83,105**	**88**	82,139	92
Other time	**3,524**	**4**	4,015	4
Core deposits	**86,629**	**92**	86,154	96
Certificates-$100,000 and over	**7,497**	**8**	3,284	4
Other			79	
Total deposits	**$ 94,126**	**100**	89,517	100

Core deposits increased $475 million, or one percent, from December 31, 2012 driven by an increase of $966 million, or one percent, in transaction deposits, partially offset by a decrease of $491 million, or 12%, in other time deposits. Total transaction deposits increased from December 31, 2012 due to an increase in money market deposits and foreign office deposits partially offset by a decrease in interest checking deposits and saving deposits. Money market deposits increased $3.6 billion, or 52%, from December 31, 2012 partially driven by account migration from savings deposits which decreased $2.3 billion, or 12%. The remaining increase in money market deposits was due to an increase in consumer average balances per account. Interest checking deposits decreased $950 million, or four percent, primarily due to account migration to demand deposit accounts. Demand deposit accounts remained relatively flat increasing $130 million from December 31, 2012. The account migration from interest checking deposits to demand deposit accounts was offset by balance migration to foreign office deposits, which increased $524 million, or 59%, from December 31, 2012 and a decrease in commercial average interest checking balances per account from December 31, 2012. These balances were elevated as of December 31, 2012 due to uncertainty over tax increases and U.S. fiscal policy. The decrease in other time deposits from December 31, 2012 was primarily the result of continued run-off of certificates of deposits due to the low interest rate environment, as customers have opted to maintain balances in more liquid transaction accounts.

The Bancorp uses certificates $100,000 and over as a method to fund earning assets. At September 30, 2013, certificates $100,000 and over increased $4.2 billion compared to December 31, 2012 due to the diversification of funding sources through the issuance of retail and institutional certificates of deposits during 2013.

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

TABLE 16: Average Deposits

($ in millions)	September 30, 2013 Balance	September 30, 2013 % of Total	September 30, 2012 Balance	September 30, 2012 % of Total
Demand	**$ 30,655**	**32**	27,127	32

Interest checking	**23,116**	**25**	22,967	27
Savings	**18,026**	**19**	21,283	25
Money market	**9,693**	**10**	4,776	6
Foreign office	**1,755**	**2**	1,345	1
Transaction deposits	**83,245**	**88**	77,498	91
Other time	**3,676**	**4**	4,224	5
Core deposits	**86,921**	**92**	81,722	96
Certificates-$100,000 and over	**7,315**	**8**	3,016	4
Other	**17**		32	
Total average deposits	**$ 94,253**	**100**	84,770	100

On an average basis, core deposits increased $5.2 billion, or six percent, from September 30, 2012 due to an increase of $5.7 billion, or seven percent, in average transaction deposits partially offset by a decrease of $548 million, or 13%, in average other time deposits. The increase in average transaction deposits was driven by an increase in average demand deposits and average money market deposits partially offset by a decrease in average savings deposits. Average demand deposits increased $3.5 billion, or 13%, from September 30, 2012 due to an increase in average balances per account for consumer customers, new product offerings, and new commercial deposit growth. Average money market deposits increased $4.9 billion from September 30, 2012 primarily due to account migration from savings deposits which decreased $3.3 billion, or 15%, from September 30, 2012 and account migration from interest checking deposits. Despite the migration to money market deposits, average interest checking deposits remained relatively flat increasing $149 million, or one percent, from September 30, 2012, primarily due to new commercial customer accounts. The remaining increase in average money market deposits is due to an increase in the average balance per account. Average other time deposits decreased $548 million, or 13%, from September 30, 2012 primarily as a result of continued run-off of certificates of deposits due to the low interest rate environment, as customers have opted to maintain balances in more liquid transaction accounts. Average certificates $100,000 and over increased $4.3 billion from September 30, 2012 due to the diversification of funding sources through the issuance of retail and institutional certificates of deposits during 2013.

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

Other time deposits and certificates $100,000 and over totaled $11.0 billion and $7.3 billion at September 30, 2013 and December 31, 2012, respectively. All of these deposits were interest-bearing.

The contractual maturities of certificates $100,000 and over as of September 30, 2013 are summarized in the following table:

TABLE 17: Contractual Maturities of Certificates $100,000 and over

($ in millions)	September 30, 2013
Three months or less	$ 3,151
After three months through six months	1,712
After six months through 12 months	1,728
After 12 months	906
Total	$ 7,497

The contractual maturities of other time deposits and certificates $100,000 and over as of September 30, 2013 are summarized in the following table:

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

($ in millions)	September 30, 2013
Next 12 months	$ 8,713
13-24 months	1,408
25-36 months	395
37-48 months	238
49-60 months	211
After 60 months	56
Total	$ 11,021

Borrowings

Total borrowings decreased $2.5 billion, or 17%, from December 31, 2012. Table 19 summarizes the end of period components of total borrowings. As of September 30, 2013, total borrowings as a percentage of interest-bearing liabilities were 16% compared to 19% at December 31, 2012.

TABLE 19: Borrowings

($ in millions)	**September 30, 2013**	December 31, 2012
Federal funds purchased	**$ 225**	901
Other short-term borrowings	**3,487**	6,280
Long-term debt	**8,098**	7,085

Total borrowings	$	**11,810**	14,266

Federal funds purchased decreased by $676 million, or 75%, from December 31, 2012 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 decreased $2.8 billion, or 44%, from December 31, 2012 driven by a decrease of $2.6 billion in short-term FHLB borrowings. The level of these borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Long-term debt increased by $1.0 billion, or 14%, from December 31, 2012 primarily driven by the issuance of $1.3 billion of unsecured senior bank notes in the first quarter of 2013 and the issuance of asset-backed securities by a consolidated VIE of $1.3 billion related to an automobile loan securitization in the third quarter of 2013, partially offset by the maturity of $1.3 billion of senior notes in the second quarter of 2013 and $221 million of declines due to fair value adjustments on hedged subordinated debt. For additional information regarding long-term debt and the automobile securitization, see Note 9 and Note 13 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 20: Average Borrowings

($ in millions)		**September 30, 2013**	September 30, 2012
Federal funds purchased	$	**464**	664
Other short-term borrowings		**1,675**	4,856
Long-term debt		**7,453**	8,863
Total average borrowings	$	**9,592**	14,383

Average total borrowings decreased $4.8 billion, or 33%, compared to September 30, 2012, primarily due to decreases in average other short-term borrowings, average long-term debt and average federal funds purchased. The level of average other short-term borrowings and average federal funds purchased can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. The decrease in average long-term debt was driven by the redemption of certain TruPS and long-term FHLB borrowings in the third quarter of 2012 partially offset by the issuance of unsecured senior bank notes. Information on the average rates paid on borrowings is discussed in the net interest income section of the 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.

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

BUSINESS SEGMENT REVIEW

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

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

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities and by the review of the estimated durations for the indeterminate-lived deposits. The credit rate provided for demand deposit accounts is reviewed annually based upon the account type, its estimated duration and the corresponding fed funds, U.S. swap curve or swap rate. The credit rates for several deposit products were reset January 1, 2013 to reflect the current market rates and updated duration assumptions. These rates were generally higher than those in place during 2012, thus net interest income for deposit providing businesses was positively impacted for the three and nine months ended September 30, 2013.

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

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

TABLE 21: Business Segment Net Income Available to Common Shareholders

($ in millions)	For the three months ended September 30, **2013**	2012	For the nine months ended September 30, **2013**	2012
Income Statement Data				
Commercial Banking	**$ 206**	182	**$ 591**	486
Branch Banking	**71**	46	**180**	125
Consumer Lending	**15**	54	**151**	136
Investment Advisors	**20**	16	**45**	32
General Corporate & Other	**109**	66	**457**	400
Net income	**421**	364	**1,424**	1,179
Less: Net income attributable to noncontrolling interests		1	**(9)**	1

Net income attributable to Bancorp	**421**	363	**1,433**	1,178
Dividends on preferred stock		9	**18**	26
Net income available to common shareholders	**$ 421**	354	**$ 1,415**	1,152

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Commercial Banking

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

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

TABLE 22: Commercial Banking

($ in millions)	For the three months ended September 30, **2013**	2012	For the nine months ended September 30, **2013**	2012
Income Statement Data				
Net interest income (FTE)[(a)]	$ **379**	358	$ **1,110**	1,062
Provision for loan and lease losses	**37**	45	**116**	181
Noninterest income:				
Corporate banking revenue	**98**	96	**295**	286
Service charges on deposits	**61**	57	**179**	166
Other noninterest income	**46**	30	**115**	85
Noninterest expense:				
Salaries, incentives and benefits	**63**	60	**207**	198
Other noninterest expense	**224**	211	**637**	631
Income before taxes	**260**	225	**739**	589
Applicable income tax expense[(a)(b)]	**54**	43	**148**	103
Net income	$ **206**	182	$ **591**	486
Average Balance Sheet Data				
Commercial loans, including held for sale	$ **45,204**	41,463	$ **44,760**	41,073
Demand deposits	**15,720**	14,796	**14,975**	14,706
Interest checking	**6,648**	7,094	**6,821**	7,729
Savings and money market	**4,170**	2,566	**4,017**	2,612
Certificates-$100,000 and over	**1,281**	1,782	**1,280**	1,829
Foreign office deposits and other deposits	**1,718**	1,316	**1,394**	1,329

(a) *Includes FTE adjustments of **$5** and $4 for the three months ended **September 30, 2013** and 2012, respectively, and **$15** and $13 for the nine months ended **September 30, 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 MD&A for additional information.*

Net income was $206 million for the three months ended September 30, 2013, compared to net income of $182 million for the three months ended September 30, 2012. The increase was driven by increases in noninterest income and net interest income and a decrease in the provision for loan and lease losses, partially offset by an increase in noninterest expense. For the nine months ended September 30, 2013, net income was $591 million compared to $486 million for the same period of the prior year. The increase was driven by a decrease in the provision for loan and

lease losses, increases in noninterest income and net interest income, partially offset by an increase in noninterest expense.

Net interest income increased $21 million and $48 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. The increases were primarily driven by growth in average commercial and industrial portfolio loans, a decrease in the FTP charges on loans and an increase in FTP credits due to an increase in savings and money market deposits, partially offset by a decline in yields of 32 bps and 28 bps on average commercial loans for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012.

Provision for loan and lease losses decreased $8 million and $65 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 32 bps for the three months ended September 30, 2013 compared to 43 bps for the same period of the prior year and decreased to 35 bps for the nine months ended September 30, 2013 compared to 59 bps for the same period of the prior year.

Noninterest income increased $22 million and $52 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year due to increases in service charges on deposits, corporate banking revenue and other noninterest income. Service charges on deposits increased $4 million and $13 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year primarily driven by commercial deposit revenue which increased due to fee repricing and the acquisition of new customers. Corporate banking revenue increased $2 million and $9 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012. The increase compared to the three months ended September 30, 2012 was primarily due to a $9 million increase in syndication fees partially offset by a decrease of $5 million in lease remarketing fees. The increase compared to the nine months ended September 30, 2012 was primarily due to a $13 million increase in syndication fees partially offset by a $4 million decrease in letter of credit fees. The increases in other noninterest income were driven by increases in gains on private equity investments, decreases in valuation adjustments on OREO, increases in operating lease income and decreases in valuation adjustments on loans held for sale for the three and nine months ended September 30, 2013 compared to the same periods of the prior year, partially offset by decreases in gains on loan sales.

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

Noninterest expense increased $16 million for the three months ended September 30, 2013 compared to the same period of the prior year primarily driven by increases in other noninterest expense. The increase in other noninterest expense was primarily due to a $7 million increase in impairment on affordable housing investments and a $4 million increase in operating lease expense. Noninterest expense increased $15 million for the nine months ended September 30, 2013 compared to the same period of the prior year driven by increases in salaries, incentives and benefits and other noninterest expense. Salaries, incentives and benefits increased $9 million due to an increase in base and incentive compensation primarily driven by improved production levels. The increase in other noninterest expense was primarily due to a $9 million increase in both operating lease expense and impairment on affordable housing investments, partially offset by a decrease in corporate overhead allocations.

Average commercial loans increased $3.7 billion for both the three and nine months ended September 30, 2013 compared to the same periods of 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 for both the three and nine months ended September 30, 2013 compared to the same periods of the prior year 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 portfolio loans decreased $1.2 billion and $1.1 billion for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year due to continued run-off as the level of new originations was less than the repayments of the existing portfolio.

Average core deposits increased $2.5 billion and $829 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. The increase for the three months ended September 30, 2013 was primarily driven by strong growth in savings and money market deposits, which increased $1.6 billion, and demand deposits, which increased $924 million, compared to the same period of the prior year, partially offset by a decrease in interest checking deposits of $446 million. The increase for the nine months ended September 30, 2013 was primarily driven by strong growth in savings and money market deposits, which increased $1.4 billion, and demand deposits, which increased $269 million, compared to the same period of the prior year, partially offset by a decrease in interest checking deposits of $908 million.

Branch Banking

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,326 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 23: Branch Banking

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
Income Statement Data				
Net interest income	**$ 374**	344	**$ 1,079**	1,021
Provision for loan and lease losses	**52**	71	**162**	226
Noninterest income:				
Service charges on deposits	**78**	70	**226**	219
Card and processing revenue	**74**	72	**215**	202
Investment advisory revenue	**36**	33	**110**	96
Other noninterest income	**29**	28	**85**	81
Noninterest expense:				

Salaries, incentives and benefits	**146**	142	**442**	435
Net occupancy and equipment expense	**61**	61	**182**	180
Card and processing expense	**31**	29	**91**	86
Other noninterest expense	**192**	173	**560**	499
Income before taxes	**109**	71	**278**	193
Applicable income tax expense	**38**	25	**98**	68
Net income	**$ 71**	46	**$ 180**	125
Average Balance Sheet Data				
Consumer loans, including held for sale	**$ 15,317**	14,951	**$ 15,210**	14,879
Commercial loans, including held for sale	**4,556**	4,546	**4,538**	4,585
Demand deposits	**12,873**	10,289	**12,485**	9,796
Interest checking	**8,930**	9,272	**8,945**	9,286
Savings and money market	**22,747**	22,717	**22,848**	22,766
Other time and certificates-$100,000 and over	**4,635**	5,292	**4,821**	5,470

Net income was $71 million for the three months ended September 30, 2013, compared to net income of $46 million for the three months ended September 30, 2012. For the nine months ended September 30, 2013, net income was $180 million compared to $125 million for the same period of the prior year. Both increases were 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.

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Net interest income increased $30 million and $58 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. The primary drivers of the increases were decreases in the FTP charge rates on loans and leases, increases in the FTP credits for savings products, and a decline in interest expense on core deposits due to favorable shifts from certificates of deposit to lower cost transaction deposits. These increases were partially offset by lower yields on average commercial loans.

Provision for loan and lease losses for the three months ended September 30, 2013 decreased $19 million compared to the third quarter of 2012, and declined $64 million for the nine months ended September 30, 2013 compared to the same period of the prior year as a result of improved credit trends. Net charge-offs as a percent of average loans and leases decreased to 104 bps for the three months ended September 30, 2013 compared to 145 bps for the three months ended September 30, 2012 and decreased to 109 bps for the nine months ended September 30, 2013 compared to 156 bps for the same period of the prior year.

Noninterest income increased $14 million and $38 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. These increases were primarily driven by higher investment advisory revenue, higher card and processing revenue and higher service charges on deposits. Investment advisory revenue increased $3 million and $14 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012 primarily due to increased securities and brokerage fees due to an increase in equity and bond market values coupled with increased private client service fees, partially offset by a decrease in mutual fund fees. Card and processing revenue increased $2 million and $13 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012 primarily due to higher transaction volumes, higher levels of consumer spending and the benefit of new products. Service charges on deposits increased $8 million and $7 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012 primarily due to an increase in account maintenance fees due to new deposit product offerings.

Noninterest expense increased $25 million and $75 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year, primarily driven by increases in other noninterest expense, which increased $19 million and $61 million, respectively. The increases in other noninterest expense for the three and nine months ended September 30, 2013 were primarily due to increases in corporate overhead allocations.

Average consumer loans increased $366 million for the three months ended 2013 and $331 million for the nine months ended September 30, 2013 compared to the same periods in the prior year. These increases were primarily due to increases in average residential mortgage portfolio loans of $1.0 billion and $984 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year due to an increase in originations due to a low interest rate environment in the first half of 2013. The increases in average residential mortgage portfolio loans were partially offset by decreases in average home equity portfolio loans of $793 million and $743 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year as payoffs exceeded new loan production.

Average core deposits increased $1.7 billion and $1.9 billion for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year as the growth in demand deposits due to excess customer liquidity and historically low interest rates outpaced 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. Mortgage and home equity 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 extending loans to consumers through mortgage brokers and automobile dealers.

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

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

TABLE 24: Consumer Lending

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
Income Statement Data				
Net interest income	**$ 76**	77	**$ 246**	234
Provision for loan and lease losses	**20**	38	**71**	140
Noninterest income:				
Mortgage banking net revenue	**118**	197	**563**	577
Other noninterest income	**18**	15	**52**	35
Noninterest expense:				
Salaries, incentives and benefits	**49**	58	**182**	169
Other noninterest expense	**119**	109	**374**	327
Income before taxes	**24**	84	**234**	210
Applicable income tax expense	**9**	30	**83**	74
Net income	**$ 15**	54	**$ 151**	136
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	**$ 9,938**	10,163	**$ 10,613**	10,024
Home equity	**547**	633	**571**	652
Automobile loans, including held for sale	**11,474**	11,159	**11,402**	11,156
Other consumer loans and leases	**13**	11	**16**	37

Net income was $15 million and $151 million for the three and nine months ended September 30, 2013 compared to net income of $54 million and $136 million, respectively, for the same periods in the prior year. For the three months ended September 30, 2013, the decrease in net income was primarily driven by a decrease in noninterest income, partially offset by a decline in provision for loan and lease losses. For the nine months ended September 30, 2013, the increase in net income was driven by a decline in provision for loan and lease losses, and increases in net interest income and noninterest income, partially offset by an increase in noninterest expense.

Net interest income decreased $1 million and increased $12 million for the three and nine months ended September 30, 2013 compared to the same periods in the prior year. The decrease for the three months ended September 30, 2013 was primarily driven by lower yields on average automobile loans and average residential mortgage loans, and a decrease in average residential mortgage loans, partially offset by an increase in average automobile loans. The increase for the nine months ended September 30, 2013 was primarily driven by increases in average automobile loans and average residential mortgage loans, partially offset by lower yields on average residential mortgage loans and average automobile loans.

Provision for loan and lease losses decreased $18 million and $69 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year, 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 40 bps for the three months ended September 30, 2013 compared to 75 bps for the same period of the prior year and decreased to 47 bps for the nine months ended September 30, 2013 compared to 94 bps for the same period of the prior year.

Noninterest income decreased $76 million for the three months ended September 30, 2013 and increased $3 million for the nine months ended September 30, 2013 compared to the same periods of the prior year. The decrease for the three month period was driven by a decrease in mortgage banking net revenue of $79 million, primarily due to a decrease in gains on loan sales of $151 million resulting from an 18% decline in residential mortgage loan originations coupled with lower profit margins on sold residential mortgage loans. The decrease was offset by an increase in net residential mortgage servicing revenue of $72 million, primarily driven by an increase in net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge the MSRs of $63 million and a decrease in servicing rights amortization of $9 million. The $3 million increase for the nine months ended September 30, 2013 was primarily due to an increase in other noninterest income of $17 million partially offset by a decrease of $14 million in mortgage banking net revenue. The increase in other noninterest income was primarily due to an $11 million increase in securities gains and a $6 million decrease in losses on the sale of OREO. The decrease in mortgage banking net revenue was primarily due to a decrease in gains on loan sales of $190 million, partially offset by a $176 million increase in net residential mortgage servicing revenue. The increase in net residential mortgage servicing revenue was driven by an increase of $184 million in net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge the MSRs, partially offset by an $8 million increase in servicing rights amortization.

Noninterest expense increased $1 million and $60 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. The $1 million increase for the three months ended September 30, 2013 was due to an increase of $10 million in other noninterest expense partially offset by a decrease of $9 million in salaries, incentives and benefits. The $60 million increase for the nine months ended September 30, 2013 was due to an increase of $47 million in other noninterest expense and an increase of $13 million in salaries, incentives and benefits. The decrease in salaries, incentives and benefits for the three months ended September 30, 2013 was due to a decline in mortgage loan originations during the period. The increase in salaries, incentives and benefits for the nine months ended September 30, 2013 was due to higher mortgage loan originations during the period. For both periods, the increases in other noninterest expense were primarily due to higher legal settlements and reserves expense and an increase in corporate overhead allocations.

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

Average consumer loans and leases increased $6 million and $733 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. Average residential mortgage loans, including held for sale, decreased $225 million for the three months ended September 30, 2013 due to a decrease in originations in the current quarter. Average residential mortgage loans, including held for sale, increased $589 million for the nine months ended September 30, 2013 due to the strong refinancing activity that occurred in the first half of 2013. Average automobile loans, including held for sale, increased $315 million and $246 million for the three and nine months ended September 30, 2013, respectively, compared to the three and nine months ended September 30, 2012 due to an increase in originations. Average home equity portfolio loans decreased $86 million and $81 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production. Average other consumer loans and leases increased $2 million and decreased $21 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2013 was due to an increase in average other consumer loans partially offset by a decrease in average consumer leases due to run-off as the Bancorp discontinued automobile leasing in 2008. The decrease for the nine months ended September 30, 2013 was due to a decrease in average consumer leases due to the previously mentioned run-off in automobile leasing 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; 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. FTAM provides asset management services and previously advised the Bancorp s proprietary family of mutual funds. 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 25: Investment Advisors

($ in millions)	For the three months ended September 30, **2013**	2012	For the nine months ended September 30, **2013**	2012
Income Statement Data				
Net interest income	**$ 38**	30	**$ 109**	87
Provision for loan and lease losses		3	**1**	9
Noninterest income:				
Investment advisory revenue	**95**	90	**289**	275
Other noninterest income	**4**	17	**16**	27
Noninterest expense:				
Salaries, incentives and benefits	**39**	39	**120**	123
Other noninterest expense	**68**	70	**224**	208
Income before taxes	**30**	25	**69**	49
Applicable income tax expense	**10**	9	**24**	17
Net income	**$ 20**	16	**$ 45**	32
Average Balance Sheet Data				
Loans and leases	**$ 2,026**	1,839	**$ 1,978**	1,883

Core deposits	**8,712**	7,714	**8,595**	7,527

Net income was $20 million for the three months ended September 30, 2013 compared to net income of $16 million for the three months ended September 30, 2012. The increase was driven primarily by an increase in net interest income and a decline in the provision for loan and lease losses, partially offset by a decrease in noninterest income. For the nine months ended September 30, 2013, net income was $45 million compared to $32 million for the same period of the prior year. The increase was driven by an increase in net interest income, a decline in the provision for loan and lease losses and an increase in noninterest income, partially offset by an increase in noninterest expense. Net interest income increased $8 million and $22 million for the three and nine months ended September 30, 2013 due to an increase in FTP credits resulting from an increase in interest checking deposits.

Provision for loan and leases losses decreased $3 million and $8 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year as a result of improved credit trends. Net charge-offs as a percent of average loans and leases decreased to 10 bps for the nine months ended September 30, 2013 compared to 63 bps for the same period of the prior year.

Noninterest income decreased $8 million and increased $3 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. The $8 million decrease for the three months ended September 30, 2013 was primarily due to the gain on the sale of contracts due to certain FTAM funds which were sold in the third quarter of 2012, partially offset by an increase in private client service fees and an increase in securities and brokerage fees due to an increase in equity and bond market values. The $3 million increase for the nine months ended September 30, 2013 was driven by an increase in securities and brokerage fees due to an increase in equity and bond market values and an increase in private client service fees. These increases were partially offset by the gain on the previously mentioned sale of certain FTAM funds in the third quarter of 2012.

Noninterest expense decreased $2 million and increased $13 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year. The decrease for the three months ended September 30, 2013 was primarily driven by a $4 million recovery of previously recognized fraud losses partially offset by an increase in corporate overhead allocations. The increase for the nine months ended September 30, 2013 was primarily due to an increase in corporate overhead allocations and a $6 million increase in fraud loss.

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

Average loans and leases increased $187 million for the three months ended September 30, 2013 compared to the same period in 2012 primarily due to increases in commercial and industrial, residential mortgage and other consumer loans, partially offset by a decrease in commercial mortgage loans. Average loans and leases increased $95 million for the nine months ended September 30, 2013 compared to the same period in 2012 primarily due to increases in other consumer, commercial and industrial, residential mortgage and home equity loans, partially offset by a decrease in commercial mortgage loans. Average core deposits increased $998 million, or 13%, and $1.1 billion, or 14%, for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year primarily due to growth in interest checking as customers have opted to maintain excess funds in liquid transaction accounts as a result of the low interest rate environment. For the nine months ended September 30, 2013, the growth in interest checking was partially offset by account migration from foreign office deposits.

General Corporate and Other

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

Results for the three months and nine months ended September 30, 2013 were impacted by a benefit of $58 million and $174 million, respectively, due to reductions in the ALLL. The decrease in provision expense was due to a decrease in nonperforming loans and improvements in delinquency metrics and underlying loss trends. Net interest income for the three months ended September 30, 2013 was $31 million compared to $98 million in the same period of the prior year. Net interest income for the nine months ended September 30, 2013 was $132 million compared to $305 million in the same period of the prior year. Both decreases in net interest income were primarily due to an increase in the FTP charge on loans partially offset by a decrease in interest expense on long-term debt. The increase in noninterest income for both periods was primarily due to gains of $242 million and $85 million on the sale of Vantiv, Inc. shares in the second and third quarter of 2013, respectively, compared to a $115 million gain from the Vantiv, Inc. IPO recognized in the first quarter of 2012. In addition, the positive valuation adjustments on the stock warrants associated with Vantiv Holding, LLC increased $22 million and $31 million, respectively, for the three and nine months ended September 30, 2013 from the comparable prior year periods. Additionally, the equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $7 million compared to the three months ended September 30, 2012 and increased $27 million compared to the nine months ended September 30, 2012. The decrease for the three months ended September 30, 2013 was due to the decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from 39% as of September 30, 2012 to 25% as of September 30, 2013 primarily due to the previously mentioned share sales. The increase for the nine months ended September 30, 2013 was primarily due to $34 million in debt termination charges incurred in the first quarter of 2012 related to Vantiv Holding, LLC s debt refinancing which was included in equity method earnings.

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

RISK MANAGEMENT OVERVIEW

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

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

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

Risk appetite is the aggregate amount of risk the Bancorp is willing to accept in pursuit of its strategic and financial objectives. By establishing boundaries around risk taking and business decisions, and by incorporating the needs and goals of its shareholders, regulators, rating agencies and customers, the Bancorp s risk appetite is aligned with its priorities and goals. Risk tolerance is the maximum amount of risk applicable to each of the eight specific risk categories included in its Enterprise Risk Management Framework. This is expressed primarily in qualitative terms. The Bancorp s risk appetite and risk tolerances are supported by risk targets and risk limits. Those limits are used to monitor the amount of risk assumed at a granular level.

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 Programs 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 provides safety and soundness 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;

Consumer Credit Risk Management provides safety and soundness 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 affiliates and lines of business to maintain processes to monitor and manage all aspects of operational risk, including ensuring consistency in application of operational risk programs;

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

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

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

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

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

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

accountable to the ERMC, which support the core risk programs, are the Corporate Credit Committee, the Operational Risk Committee, the Management Compliance Committee, the Asset/Liability Committee and the Enterprise Marketing Committee. Other committees accountable to the ERMC oversee the ALLL, capital, liquidity, market risk and community reinvestment act/fair lending functions. There are also new products and initiatives processes applicable to every line of business to ensure an appropriate standard readiness assessment is performed before launching a new product or initiative. Significant risk policies approved by the management governance committees are also reviewed and approved by the Risk and Compliance Committee of the Board of Directors.

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

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

The following tables provide a summary of potential problem loans:

TABLE 26: Potential Problem Loans

As of September 30, 2013 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	**$ 1,442**	**1,445**	**1,779**
Commercial mortgage	**592**	**595**	**594**
Commercial construction	**48**	**48**	**56**
Commercial leases	**41**	**41**	**41**
Total	**$ 2,123**	**2,129**	**2,470**

TABLE 27: Potential Problem Loans

As of December 31, 2012 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	$ 1,015	1,017	1,212
Commercial mortgage	848	849	851
Commercial construction	87	87	100
Commercial leases	9	9	9
Total	$ 1,959	1,962	2,172

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 Accounting Standard Update- Financial Instruments-Credit Losses (Subtopic 825-15) issued on December 20, 2012. Scoring systems, various analytical tools and delinquency monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

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

Overview

The economy showed signs of modest improvement in the first half of 2013, however, the third quarter saw a slight reduction in that trend. Risks remain that could continue to impact the economy s growth rate. Domestic concerns are focused on the political issues surrounding raising the debt limit and authorizing spending measures to keep the government running, business uncertainty about the implementation of the Affordable Care Act and extended high unemployment. Global issues include: European sovereign debt concerns, slower growth in China and persistent fears regarding the Middle East. The U.S. housing industry is maintaining an upward course and is adding to overall job gains. Geographically, the Bancorp continues to experience the most stress in Michigan and Florida due to previous declines in real estate values. Real estate value deterioration, as measured by the Home Price Index, was most prevalent in Florida due to past real estate price appreciation and related over-development, and in Michigan due in part to cutbacks in automobile manufacturing and the state s economic downturn.

Among consumer portfolios, residential mortgage and brokered home equity portfolios exhibited the most stress. Management suspended homebuilder and developer lending in 2007 and new commercial non-owner occupied real estate lending in 2008, discontinued the origination of brokered home equity products at the end of 2007 and tightened underwriting standards across both the commercial and consumer loan product offerings. With the stabilization of certain real estate markets, the Bank began to selectively originate new homebuilder and developer lending and non-owner occupied commercial lending real estate in the third quarter of 2011. Since the fourth quarter of 2008, in an effort to reduce loan exposure to the real estate and construction industries, the Bancorp has sold certain consumer loans and sold or transferred to held for sale certain commercial loans. The Bancorp continues to aggressively engage in other loss mitigation strategies such as reducing credit commitments, restructuring certain commercial and consumer loans, as well as utilizing commercial and consumer loan workout teams. For commercial and consumer loans owned by the Bancorp, loan modification strategies are developed that are workable for both the borrower and the Bancorp when the borrower displays a willingness to cooperate. These strategies typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. For residential mortgage loans serviced for FHLMC and FNMA, the Bancorp participates in the HAMP and HARP 2.0 programs. For loans refinanced under the HARP 2.0 program, the Bancorp strictly adheres to the underwriting requirements of the program and promptly sells the refinanced loan back to the agencies. Loan restructuring under the HAMP program is performed on behalf of FHLMC or FNMA and the Bancorp does not take possession of these loans during the modification process. Therefore, participation in these programs does not significantly impact the Bancorp s credit quality statistics. The Bancorp participates in trial modifications in conjunction with the HAMP program for loans it services for FHLMC and FNMA. As these trial modifications relate to loans serviced for others, they are not included in the Bancorp s troubled debt restructurings as they are not assets of the Bancorp. In the event there is a representation and warranty violation on loans sold through the programs, the Bancorp may be required to repurchase the sold loan. As of September 30, 2013, repurchased loans restructured or refinanced under these programs were immaterial to the Bancorp s Condensed Consolidated Financial Statements. Additionally, as of September 30, 2013, $144 million of loans refinanced under HARP 2.0 were included in loans held for sale in the Bancorp s Condensed Consolidated Balance Sheets. For the three and nine months ended September 30, 2013, the Bancorp recognized $11 million and $89 million of noninterest income in mortgage banking net revenue in the Bancorp s Condensed Consolidated Statements of Income related to the sale of loans restructured or refinanced under the HAMP and HARP 2.0 programs.

In the financial services industry, there has been heightened focus on foreclosure activity and processes. The Bancorp actively works with borrowers experiencing difficulties and has regularly modified or provided forbearance to borrowers where a workable solution could be found. Foreclosure is a last resort, and the Bancorp undertakes foreclosures only when it believes they are necessary and appropriate and is careful to ensure that customer and loan data are accurate. Reviews of the Bancorp s foreclosure process and procedures conducted in 2010 did not reveal any material deficiencies. These reviews were expanded and extended in 2011 to improve the Bancorp s processes as additional aspects of the industry s foreclosure practices have come under intensified scrutiny and criticism. These reviews are complete and the Bancorp has enhanced some of its processes and procedures to address some concerns that were raised and to comply with changes in state laws.

Commercial Portfolio

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

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

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

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

TABLE 28: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of September 30, 2013 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner occupied loans	**$ 245**	**303**	**2,115**
Commercial mortgage non-owner occupied loans	**306**	**415**	**1,516**
Total	**$ 551**	**718**	**3,631**

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

As of December 31, 2012 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner occupied loans	$ 390	302	2,325
Commercial mortgage non-owner occupied loans	450	605	1,955
Total	$ 840	907	4,280

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

TABLE 30: Commercial Loan and Lease Portfolio (excluding loans held for sale)

	September 30, 2013			December 31, 2012		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By industry:						
Manufacturing	**$ 10,125**	**19,449**	**80**	$ 9,982	18,414	58
Financial services and insurance	**5,905**	**13,528**	**35**	4,886	12,062	54
Real estate	**4,877**	**6,691**	**94**	5,588	6,840	198
Business services	**4,759**	**7,168**	**65**	4,600	6,917	56
Wholesale trade	**4,257**	**7,977**	**18**	4,042	7,401	26
Healthcare	**4,062**	**6,045**	**28**	4,079	6,094	14
Transportation and warehousing	**3,189**	**4,478**	**1**	3,105	4,222	3
Retail trade	**3,011**	**6,466**	**21**	2,624	5,699	38
Construction	**1,902**	**3,105**	**47**	1,995	3,254	105
Communication and information	**1,745**	**3,123**	**4**	1,547	2,631	19
Mining	**1,575**	**3,121**	**42**	1,683	2,767	
Accommodation and food	**1,562**	**2,369**	**9**	1,478	2,160	17
Entertainment and recreation	**1,135**	**1,833**	**7**	914	1,393	11
Other services	**996**	**1,406**	**29**	1,156	1,517	42

Utilities	**609**	**2,117**		608	2,009	
Public administration	**519**	**766**		441	693	
Agribusiness	**355**	**489**	**31**	376	527	44
Individuals	**165**	**198**	**10**	281	335	12
Other	**4**	**4**		3	2	
Total	**$ 50,752**	**90,333**	**521**	$ 49,388	84,937	697
By loan size:						
Less than $200,000	**2 %**	**1**	**8**	2 %	1	9
$200,000 to $1 million	**5**	**4**	**20**	6	5	22
$1 million to $5 million	**13**	**11**	**23**	15	12	28
$5 million to $10 million	**10**	**8**	**14**	11	9	13
$10 million to $25 million	**26**	**24**	**29**	27	25	24
Greater than $25 million	**44**	**52**	**6**	39	48	4
Total	**100 %**	**100**	**100**	100 %	100	100
By state:						
Ohio	**20 %**	**22**	**12**	20 %	24	13
Michigan	**10**	**8**	**14**	11	10	17
Illinois	**7**	**8**	**8**	8	8	8
Florida	**7**	**6**	**17**	7	6	19
Indiana	**5**	**5**	**11**	5	5	11
Kentucky	**3**	**3**	**4**	4	3	4
North Carolina	**3**	**3**	**1**	3	3	2
Tennessee	**3**	**3**	**1**	3	3	5
Pennsylvania	**3**	**3**	**6**	3	2	1
All other states	**39**	**39**	**26**	36	36	20
Total	**100 %**	**100**	**100**	100 %	100	100

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

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 loan portfolio, due to economic or market conditions within the Bancorp s key lending areas. The following tables provide analysis of each of the categories of loans (excluding loans held for sale) by state as of and for the three and nine months ended September 30, 2013 and 2012:

TABLE 31: Non-Owner Occupied Commercial Real Estate[a]

As of September 30, 2013 ($ in millions)					**Net Charge-offs (Recoveries) for September 30, 2013**	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	**$ 1,037**	**1,250**		**20**	**(2)**	**12**
Michigan	**882**	**945**		**28**	**(1)**	**2**
Florida	**517**	**644**		**7**		**3**
Illinois	**378**	**595**		**11**	**(1)**	**1**
Indiana	**194**	**227**		**9**		
North Carolina	**172**	**305**		**4**		**1**
All other states	**1,062**	**1,646**		**3**	**1**	**1**
Total	**$ 4,242**	**5,612**		**82**	**(3)**	**20**

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

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

As of September 30, 2012 ($ in millions)					Net Charge-offs (Recoveries) for September 30, 2012	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	$ 1,307	1,411		50	6	16
Michigan	1,203	1,238		66	5	27
Florida	619	651		49	7	20
Illinois	416	446		26	3	9
Indiana	307	311		12	1	2
North Carolina	217	271	1	13		3
All other states	863	1,062		37	1	(4)
Total	$ 4,932	5,390	1	253	23	73

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

TABLE 33: Homebuilder and Developer[a]

As of September 30, 2013 ($ in millions)					**Net Charge-offs (Recoveries) for September 30, 2013**	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	**$ 96**	**129**		**7**	**(1)**	
Michigan	**37**	**44**		**4**		**(1)**
Illinois	**25**	**25**		**6**		
North Carolina	**24**	**29**				
Indiana	**15**	**16**		**6**		
Florida	**4**	**17**				
All other states	**25**	**86**		**1**		**1**
Total	**$ 226**	**346**		**24**	**(1)**	

(a) *Homebuilder and Developer loans, exclusive of commercial and industrial loans with an outstanding balance of **$57** and a total exposure of **$130** are also included in Table 31: Non-Owner Occupied Commercial Real Estate.*

TABLE 34: Homebuilder and Developer[a]

As of September 30, 2012 ($ in millions)					Net Charge-offs for September 30, 2012	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	$ 170	226		9	1	7
Michigan	64	77		3	1	6
Illinois	29	32		9	1	3
North Carolina	17	25		5		1
Indiana	20	22		9		
Florida	38	61		5		11
All other states	38	40		6		
Total	$ 376	483		46	3	28