FIFTH THIRD BANCORP
Form 10-Q
May 11, 2015
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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 March 31, 2015

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 809,933,936 shares of the Registrant s common stock, without par value, outstanding as of April 30, 2015.

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FINANCIAL CONTENTS

Part I. Financial Information

FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, 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 and adequate sources of funding and liquidity may limit Fifth Third s operations and potential growth; (8) changes and trends in capital markets; (9) problems encountered by larger or similar financial institutions may adversely affect the banking industry and/or Fifth Third; (10) competitive pressures among depository institutions increase significantly; (11) effects of critical accounting policies and judgments; (12) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board (FASB) or other regulatory agencies; (13) legislative or regulatory changes or actions, or significant litigation, adversely affect Fifth Third, one or more acquired entities and/or the combined company or the businesses in which Fifth Third, one or more acquired entities and/or the combined company are engaged, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (14) ability to maintain favorable ratings from rating agencies; (15) fluctuation of Fifth Third s stock price; (16) ability to attract and retain key personnel; (17) ability to receive dividends from its subsidiaries; (18) potentially dilutive effect of future acquisitions on current shareholders ownership of Fifth Third; (19) effects of accounting or financial results of one or more acquired entities; (20) difficulties from Fifth Third s investment in, relationship with, and nature of the operations of Vantiv, LLC; (21) loss of income from any sale or potential sale of businesses that could have an adverse effect on Fifth Third s earnings and future growth; (22) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; and (23) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.

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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

ASU: Accounting Standards Update

ATM: Automated Teller Machine

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion

bps: Basis Points

CCAR: Comprehensive Capital Analysis and Review

CDC: Fifth Third Community Development Corporation

CET1: Common Equity Tier 1

CFE: Collateralized Financing Entity

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

DCF: Discounted Cash Flow

DFA: Dodd-Frank Act

ERISA: Employee Retirement Income Security Act

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

HFS: Held for Sale

HQLA: High Quality Liquid Assets

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

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

NSFR: Net Stable Funding Ratio

OAS: Option-Adjusted Spread

OCC: Office of the Comptroller of the Currency

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FHA: Federal Housing Administration

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GDP: Gross Domestic Product

GNMA: Government National Mortgage Association

GSE: Government Sponsored Enterprise

OCI: Other Comprehensive Income

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

SBA: Small Business Administration

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

U.S.: United States of America

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

VA: Department of Veteran Affairs

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

($ in millions, except for per share data)	For the three months ended March 31, 2015	2014	% Change
Income Statement Data			
Net interest income[(a)]	$ **852**	898	(5)
Noninterest income	**630**	564	12
Total revenue[(a)]	**1,482**	1,462	1
Provision for loan and lease losses	**69**	69	
Noninterest expense	**923**	950	(3)
Net income attributable to Bancorp	**361**	318	14
Net income available to common shareholders	**346**	309	12
Common Share Data			
Earnings per share, basic	$ **0.42**	0.36	17
Earnings per share, diluted	**0.42**	0.36	17
Cash dividends declared per common share	**0.13**	0.12	8
Book value per share	**17.83**	16.27	10
Market value per share	**18.85**	22.96	(18)
Financial Ratios			
Return on average assets	**1.06 %**	1.00	6
Return on average common equity	**9.7**	9.0	7
Return on average tangible common equity[(b)]	**11.6**	11.0	6
Dividend payout ratio	**31.0**	33.3	(7)
Average Total Bancorp shareholders equity as a percent of average assets	**11.49**	11.53	
Tangible common equity[(b)]	**8.40**	8.79	(4)
Net interest margin[(a)]	**2.86**	3.22	(11)
Efficiency[(a)]	**62.3**	64.9	(4)
Credit Quality			
Net losses charged-off	$ **91**	168	(46)
Net losses charged-off as a percent of average portfolio loans and leases	**0.41 %**	0.76	(46)
ALLL as a percent of portfolio loans and leases	**1.42**	1.65	(14)
Allowance for credit losses as a percent of portfolio loans and leases[(c)]	**1.57**	1.82	(14)
Nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO[(d)]	**0.76**	1.05	(28)
Average Balances			
Loans and leases, including held for sale	$ **91,659**	90,238	2
Total securities and other short-term investments	**29,038**	22,940	27
Total assets	**137,651**	128,930	7
Transaction deposits[(e)]	**94,172**	87,896	7

Core deposits[f]	**98,194**	91,512	7
Wholesale funding[g]	**18,905**	18,244	4
Bancorp shareholders equity	**15,820**	14,862	6

	Basel III Transitional[h]	Basel I[i]	
Regulatory Capital Ratios			
CET1 capital	**9.52 %**	N/A	NM
Tier I risk-based capital	**10.62**	10.45	NM
Total risk-based capital	**14.01**	14.02	NM
Tier I leverage	**9.59**	9.71	NM

(a) *Amounts presented on an FTE basis. The FTE adjustment for the three months ended* ***March 31, 2015*** *and 2014 was* ***$5****.*
(b) *The return on average tangible common equity and tangible common equity ratios are non-GAAP measures. For further information, refer to 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.*
(h) *Under the banking agencies Basel III Final Rule, assets and credit equivalent amounts of off-balance sheet exposures are calculated according to the standardized approach for risk-weighted assets. The resulting values are added together resulting in the Bancorp s total risk-weighted assets.*
(i) *These capital ratios were calculated under the Supervisory Agencies general risk-based capital rules (Basel I) which were in effect prior to January 1, 2015.*

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 March 31, 2015, the Bancorp had $140.5 billion in assets, operated 15 affiliates with 1,303 full-service Banking Centers, including 101 Bank Mart® locations open seven days a week inside select grocery stores, and 2,637 ATMs in 12 states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has an approximate 23% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $402 million as of March 31, 2015.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014. Each of these items could have an impact on the Bancorp s financial condition, results of operations and cash flows. In addition, refer to 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 a FTE basis. The FTE basis adjusts for the tax-favored status of income from certain loans and securities held by the Bancorp that are not taxable for federal income tax purposes. The Bancorp believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison between taxable and non-taxable amounts.

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the three months ended March 31, 2015, net interest income, on an FTE basis, and noninterest income provided 57% and 43% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Bancorp s Condensed Consolidated Financial Statements. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

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

Accelerated Share Repurchase Transactions

During the three months ended March 31, 2015, the Bancorp entered into or settled a number of accelerated share repurchase transactions. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted average price of the Bancorp s common stock during the term of the repurchase agreements. For more information on the accelerated share repurchase program, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements. For further information on a subsequent event related to capital actions refer to Note 21 of the Notes to Condensed Consolidated Financial Statements. For a summary of the Bancorp s accelerated share repurchase transactions that were entered into or settled during the three months ended March 31, 2015, refer to Table 2.

TABLE 2: Summary of Accelerated Share Repurchase Transactions

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Settlement Date
October 23, 2014	$ 180	8,337,875	794,245	9,132,120	January 8, 2015
January 27, 2015	180	8,542,713	1,103,744	9,646,457	April 28, 2015

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

Legislative Developments

On July 21, 2010, the DFA was signed into federal law. This act implements changes to the financial services industry and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The legislation established the CFPB responsible for implementing and enforcing compliance with consumer financial laws, changes the methodology for determining deposit insurance assessments, gives the FRB the ability to regulate and limit interchange rates charged to merchants for the use of debit cards, enacts new limitations on proprietary trading, broadens the scope of derivative instruments subject to regulation, requires on-going stress tests and the submission of annual capital plans for certain organizations, requires changes to rules governing regulatory capital ratios and requires enhanced liquidity standards.

The FRB launched the 2015 capital planning and stress testing program, CCAR, on October 23, 2014. The CCAR program requires BHCs with $50 billion or more of total consolidated assets to submit annual capital plans to the FRB for review and to conduct stress tests under a number of economic scenarios. The capital plan and stress testing results were submitted by the Bancorp to the FRB on January 5, 2015.

In March of 2015, the FRB disclosed its estimates of participating institutions results under the FRB supervisory stress scenario, including capital results, which assume all banks take certain consistently applied future capital actions. In addition, the FRB disclosed its estimates of participating institutions results under the FRB supervisory severe stress scenarios including capital results based on each company s own base scenario capital actions.

On March 11, 2015, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2015 CCAR. The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning April 1, 2015 and ending June 30, 2016:

The potential increase in the quarterly common stock dividend to $0.14 per share in 2016;

The potential repurchase of common shares in an amount up to $765 million;

The additional ability to repurchase shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock.

For more information on the 2015 CCAR results, refer to the Capital Management section of MD&A.

The BHCs that participated in the 2015 CCAR, including the Bancorp, are required to conduct mid-cycle company-run stress tests using data as of March 31, 2015. The stress tests must be based on three BHC defined scenarios baseline, adverse and severely adverse. The Bancorp is required to submit the results of its mid-cycle stress test to the FRB in July of 2015. For further information on the 2015 mid-cycle stress test, see the Capital Management section of MD&A.

Fifth Third offers qualified deposit customers a deposit advance product if they choose to avail themselves of this product to meet short-term, small-dollar financial needs. In April of 2013, the CFPB issued a White Paper which studied financial services industry offerings and customer use of deposit advance products as well as payday loans and is considering whether rules governing these products are warranted. At the same time, the OCC and FDIC each issued proposed supervisory guidance for public comment to institutions they supervise which supplements existing OCC and FDIC guidance, detailing the principles they expect financial institutions to follow in connection with deposit advance products and supervisory expectations for the use of deposit advance products. The Federal Reserve also issued a statement in April of 2013 to state member banks like Fifth Third for whom the Federal Reserve is the primary regulator. This statement encouraged state member banks to respond to customers small-dollar credit needs in a responsible manner; emphasized that they should take into consideration the risks associated with deposit advance products, including potential consumer harm and potential elevated compliance risk; and reminded them that these product offerings must comply with applicable laws and regulations.

Fifth Third s deposit advance product was designed to fully comply with the applicable federal and state laws and use of this product is subject to strict eligibility requirements and advance restriction guidelines to limit dependency on this product as a borrowing source. The Bancorp s deposit advance balances are included in other consumer loans and leases in the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A and represent substantially all of the revenue reported in interest and fees on other consumer loans and leases in the Bancorp s Condensed Consolidated Statements of Income and in Table 7 in the Statements of Income Analysis section of MD&A. On January 17, 2014, given developments in industry practice, Fifth Third announced that it would no longer enroll new customers in its deposit advance product and expected to phase out the service to existing customers by the end of 2014. To avoid a disruption to its existing customers during the extension period while the banking industry awaits further regulatory guidance on the deposit advance product, on November 3, 2014, Fifth Third announced changes to its current deposit advance product for existing customers beginning January 1, 2015, including a lower transaction fee, an extended repayment period and a reduced maximum advance period. The Bancorp is continuing to offer the service to existing deposit advance customers until further regulatory guidance is finalized. The Bancorp currently expects these changes to the deposit advance product to negatively impact net interest income by approximately $100 million in 2015.

In December of 2010 and revised in June of 2011, the BCBS issued Basel III, a global regulatory framework, to enhance international capital standards. In June of 2012, U.S. banking regulators proposed enhancements to the regulatory capital requirements for U.S. banks, which implement aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. In July of 2013, U.S. banking regulators approved final enhanced regulatory capital requirements (Basel III Final Rule), which included modifications to the proposed rules. The Basel III Final Rule provided for certain banks, including the Bancorp, to opt out of including AOCI in Tier I capital and also retained the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The Basel III Final Rule phases out the inclusion of certain TruPS as a component of Tier I capital. The Bancorp became subject to the Basel III Final Rule on January 1, 2015. For more information on the impact of the regulatory capital enhancements refer to the Capital Management section of MD&A.

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

On December 10, 2013, the banking agencies finalized section 619 of the DFA, known as the Volcker Rule, which became effective April 1, 2014. Though the final rule was effective April 1, 2014, the FRB granted the industry an extension of time until July 21, 2015 to conform certain of its activities related to proprietary trading to comply with the Volcker Rule. In addition, the FRB has granted the industry an extension of time until July 21, 2016, and announced its intention to grant a one year extension of the conformance period until July 21, 2017, to conform certain ownership interests in, sponsorship activities of and relationships with private equity or hedge funds as well as holding certain collateralized loan obligations that were in place as of December 31, 2013. It is possible that additional conformance period extensions could be granted either to the entire industry, or, upon request, to requesting banking organizations on a case-by-case basis. The final rule prohibits banks and bank holding companies from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options on these instruments for their own account. The Volcker Rule also restricts banks and their affiliated entities from owning, sponsoring or having certain relationships with private equity and hedge funds, as well as holding certain collateralized loan obligations that are deemed to contain ownership interests. Exemptions are provided for certain activities such as underwriting, market making, hedging, trading in certain government obligations and organizing and offering a hedge fund or private equity fund. Fifth Third does not sponsor any private equity or hedge funds that, under the final rule, it is prohibited from sponsoring. As of March 31, 2015, the Bancorp held no collateralized loan obligations. As of March 31, 2015, the Bancorp had approximately $170 million in interests and approximately $49 million in binding commitments to invest in private equity funds that are affected by the Volcker Rule. It is expected that over time the Bancorp may need to sell or redeem these investments, however no formal plan to sell has been approved as of March 31, 2015. As a result of the announced conformance period extension, the Bancorp believes it is likely that these investments will be reduced over time in the ordinary course of events before compliance is required.

On October 10, 2014, the U.S. Banking Agencies published final rules implementing a quantitative liquidity requirement consistent with the LCR standard established by the BCBS for large internationally active banking organizations, generally those with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure. In addition, a modified LCR requirement was implemented for BHCs with $50 billion or more in total consolidated assets but that are not internationally active, such as Fifth Third. The modified LCR is effective January 1, 2016 and requires BHCs to calculate its LCR on a monthly basis. Refer to the Liquidity Risk Management section of MD&A for further discussion on these ratios.

On July 31, 2013, the U.S. District Court for the District of Columbia issued an order granting summary judgment to the plaintiffs in a case challenging certain provisions of the FRB s rule concerning electronic debit card transaction fees and network exclusivity arrangements (the Current Rule) that were adopted to implement Section 1075 of the DFA, known as the Durbin Amendment. The Court held that, in adopting the Current Rule, the FRB violated the Durbin Amendment s provisions concerning which costs are allowed to be taken into account for purposes of setting fees that are reasonable and proportional to the costs incurred by the issuer and therefore the Current Rule s maximum permissible fees were too high. In addition, the Court held that the Current Rule s network non-exclusivity provisions concerning unaffiliated payment networks for debit cards also violated the Durbin Amendment. The Court vacated the Current Rule, but stayed its ruling to provide the FRB an opportunity to replace the invalidated portions. The FRB appealed this decision and on March 21, 2014, the D.C. Circuit Court of Appeals reversed the District Court s grant of summary judgment and remanded the case for further proceedings in accordance with its opinion. The merchants have filed a petition for writ of certiorari to the U.S. Supreme Court. However, on January 20, 2015, the U.S. Supreme Court declined to hear an appeal of the Circuit Court reversal, thereby largely upholding the Current Rule and substantially reducing uncertainty surrounding debit card interchange fees the Bancorp is permitted to charge. Refer to the Noninterest Income subsection of the Statements of Income Analysis section of MD&A for further information regarding the Bancorp s debit card interchange revenue.

Earnings Summary

Subsequent to the Bancorp s earnings release furnished in a Form 8-K on April 21, 2015, the Bancorp identified, as part of a periodic review of long lived assets for impairment associated with operating lease assets, an impairment regarding certain medium and large cabin corporate aircraft subject to leases expiring in 2017 and later. After applying the appropriate tests under current accounting guidance, it was determined that such recoverability was in doubt and the assets had, in fact, been impaired. The impact of the impairment was $30 million which was recognized as a reduction to corporate banking revenue in the Condensed Consolidated Statements of Income during the three months ended March 31, 2015 as such diminution in value of the assets was associated with both the period ended March 31, 2015 and prior periods. The impact of the impairment reduced the Bancorp s noninterest income to $630 million, net income available to common shareholders to $346 million and earnings per diluted share to $0.42 for the three months ended March 31, 2015.

The Bancorp s net income available to common shareholders for the first quarter of 2015 was $346 million, which was net of $15 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the first quarter of 2014 was $309 million, or $0.36 per diluted share, which was net of $9 million in preferred stock dividends. Pre-provision net revenue was $554 million for the three months ended March 31, 2015 compared to $507 million in the same period in 2014. Pre-provision net revenue is a non-GAAP measure. For further information, refer to the Non-GAAP Financial Measures section in MD&A.

Net interest income was $852 million for the first quarter of March 31, 2015 compared to $898 million for the first quarter of 2014. For the three months ended March 31, 2015, net interest income was negatively impacted by lower yields on the Bancorp s interest-earning assets, changes made to the Bancorp s deposit advance product beginning January 1, 2015 and increases in average money market deposits and average long-term debt of $5.1 billion and $4.1 billion, respectively, compared to the same period in the prior year. These negative impacts were partially offset by increases in average taxable securities and average loans and leases of $2.7 billion and $1.4 billion, respectively, as well as a $2.9 billion decrease in average certificates $100,000 and over compared to the same period in the prior year. Net interest margin was 2.86% and 3.22% for the three months ended March 31, 2015 and 2014, respectively.

Noninterest income increased $66 million in the first quarter of 2015 compared to the same period in the prior year. The increase from the first quarter of 2014 was primarily due to an increase in other noninterest income partially offset by decreases in mortgage banking net revenue and corporate banking revenue. Other noninterest income increased $122 million in the first quarter of 2015 compared to the first

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

quarter of 2014 primarily due to a positive valuation adjustment of $70 million on the stock warrant associated with Vantiv Holding, LLC for the three months ended March 31, 2015 compared to a negative valuation adjustment of $36 million for the three months ended March 31, 2014. Mortgage banking net revenue decreased $23 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to a $12 million increase in servicing rights amortization and a $11 million decrease in net valuation adjustments. Corporate banking revenue decreased $41 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by a $30 million impairment charge related to certain operating lease equipment that was recognized during the first quarter of 2015. The remaining decrease was primarily the result of a decrease in syndication fees.

Noninterest expense decreased $27 million in the first quarter of 2015 compared to the same period in 2014 primarily due to a decrease in other noninterest expense. Other noninterest expense decreased $42 million for the three months ended March 31, 2015 compared to the same period in 2014 primarily due to decreases in losses and adjustments and FDIC insurance and other taxes, partially offset by increases in impairment on affordable housing investments and marketing expense and a decrease in the benefit from the reserve for unfunded commitments.

Credit Summary

The provision for loan and lease losses was $69 million for both the three months ended March 31, 2015 and 2014. Net charge-offs as a percent of average portfolio loans and leases were 0.41% during the first quarter of 2015 compared to 0.76% during the first quarter of 2014. At March 31, 2015, nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 0.76%, compared to 0.82% at December 31, 2014. For further discussion on credit quality, refer to the Credit Risk Management section in MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the FRB. As of March 31, 2015, the transitional Tier I risk-based capital ratio was 10.62%, the transitional Tier I leverage ratio was 9.59%, the transitional Total risk-based capital ratio was 14.01% and the transitional CET1 capital ratio was 9.52%.

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

NON-GAAP FINANCIAL MEASURES

The following are non-GAAP measures which are important to the reader of the Bancorp s Condensed Consolidated Financial Statements but should be supplemental to primary GAAP measures. The Bancorp considers many factors when determining the adequacy of its liquidity profile, including its LCR as defined by the U.S. Banking Agencies Basel III LCR final rule. Generally, the LCR is designed to ensure banks maintain an adequate level of unencumbered HQLA to satisfy the estimated net cash outflows under a 30-day stress scenario. The Bancorp will be subject to the Modified LCR whereby the net cash outflow under the 30-day stress scenario is multiplied by a factor of 0.7. The final rule is not effective for the Bancorp until January 1, 2016. The Bancorp believes there is no comparable U.S. GAAP financial measure to LCR. The Bancorp believes providing an estimated LCR is important for comparability to other financial institutions. For a further discussion on liquidity management and the LCR, refer to the Liquidity Risk Management section of MD&A.

TABLE 3: Non-GAAP Financial Measures Liquidity Coverage Ratio

As of ($ in millions)	**March 31, 2015**
High Quality Liquid Assets	$ 22,078
Estimated net cash outflow	20,351
Estimated Modified LCR	108%

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

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

TABLE 4: Non-GAAP Financial Measures Pre-Provision Net Revenue

($ in millions)	**March 31, 2015**	March 31, 2014
Net interest income (U.S. GAAP)	**$ 847**	893
Add: Noninterest income	**630**	564
Less: Noninterest expense	**923**	950
Pre-provision net revenue	**$ 554**	507

The Bancorp believes return on average tangible common equity is an important measure for comparative purposes with other financial institutions, but is not defined under U.S. GAAP, and therefore is considered a non-GAAP financial measure.

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

TABLE 5: Non-GAAP Financial Measures Return on Average Tangible Common Equity

($ in millions)		March 31, 2015	March 31, 2014
Net income available to common shareholders (U.S. GAAP)	$	**346**	309
Add: Intangible amortization, net of tax			1
Tangible net income available to common shareholders	$	**346**	310
Tangible net income available to common shareholders (annualized) (1)		**1,403**	1,257
Average Bancorp s shareholders equity (U.S. GAAP)	$	**15,820**	14,862
Less: Average preferred stock		**(1,331)**	(1,034)
Average goodwill		**(2,416)**	(2,416)
Average intangible assets and other servicing rights		**(15)**	(19)
Average Tangible common equity (2)	$	**12,058**	11,393
Return on average tangible common equity (1) / (2)		**11.6 %**	11.0

The Bancorp considers various measures when evaluating capital utilization and adequacy, including the tangible equity ratio and tangible 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. Additionally, the Bancorp became subject to the Basel III Final Rule on January 1, 2015. The CET1 capital ratio is a new measure defined by the banking regulatory agencies under the Basel III Final Rule. The CET1 capital ratio has transition provisions that will be phased out over time. The Bancorp is presenting the CET1 capital ratio on a fully-phased in basis for comparative purposes with other organizations. 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 encourages readers to consider its Condensed Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

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

The following table reconciles non-GAAP capital ratios to U.S. GAAP:

TABLE 6: Non-GAAP Financial Measures Capital Ratios

As of ($ in millions)	March 31, 2015	December 31, 2014
Total Bancorp shareholders equity (U.S. GAAP)	**$ 15,864**	15,626
Less: Preferred stock	**(1,331)**	(1,331)
Goodwill	**(2,416)**	(2,416)
Intangible assets and other servicing rights	**(15)**	(16)
Tangible common equity, including unrealized gains / losses	**12,102**	11,863
Less: AOCI	**(588)**	(429)
Tangible common equity, excluding unrealized gains / losses (1)	**11,514**	11,434
Add: Preferred stock	**1,331**	1,331
Tangible equity (2)	**$ 12,845**	12,765
Total assets (U.S. GAAP)	**$ 140,470**	138,706
Less: Goodwill	**(2,416)**	(2,416)
Intangible assets and other servicing rights	**(15)**	(16)
AOCI, before tax	**(905)**	(660)
Tangible assets, excluding unrealized gains / losses (3)	**$ 137,134**	135,614
Total Bancorp shareholders equity (U.S. GAAP)	**$ N/A**	15,626
Less: Goodwill and certain other intangibles	**N/A**	(2,476)
AOCI	**N/A**	(429)
Add: Qualifying TruPS	**N/A**	60
Other	**N/A**	(17)
Tier I risk-based capital	**N/A**	12,764
Less: Preferred stock	**N/A**	(1,331)
Qualifying TruPS	**N/A**	(60)
Qualified noncontrolling interests in consolidated subsidiaries	**N/A**	(1)
Tier I common equity (4)	**$ N/A**	11,372
	Basel III	**Basel I**
Risk-weighted assets (5)[(a)]	**$ 121,310**	117,878
Ratios:		
Tangible equity (2) / (3)	**9.37 %**	9.41
Tangible common equity (1) / (3)	**8.40 %**	8.43

Tier I common equity (4) / (5)	**N/A%**	9.65
Basel III Final Rule Transition to fully phased-in		
CET1 capital (transitional)	**$ 11,543**	N/A
Less: Adjustments to CET1 capital from transitional to fully phased-in[(b)]	**(13)**	N/A
CET1 capital (fully-phased in) (6)	**11,530**	N/A
Risk-weighted assets (transitional)	**121,310**	N/A
Add: Adjustments to risk-weighted assets from transitional to fully phased-in[(c)]	**1,182**	N/A
Risk-weighted assets (fully-phased in) (7)	**$ 122,492**	N/A
Estimated CET1 capital ratio under Basel III Final Rule (fully phased-in) (6) / (7)	**9.41 %**	N/A

(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) Primarily relates to disallowed intangible assets (other than goodwill and MSRs, net of associated deferred tax liabilities).

(c) Primarily relates to higher risk weighting for MSRs.

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

RECENT ACCOUNTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES

The Bancorp s Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements, goodwill and legal contingencies. 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, 2014. No material changes were made to the valuation techniques or models during the three months ended March 31, 2015.

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

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

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

Table 7 presents the components of net interest income, net interest margin and net interest rate spread for the three months ended March 31, 2015 and 2014, 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 $852 million for the first quarter of 2015, a decrease of $46 million compared to the first quarter of 2014. For the three months ended March 31, 2015, net interest income was negatively impacted by lower yields on the Bancorp s interest-earning assets, changes made to the Bancorp s deposit advance product beginning January 1, 2015 and increases in average money market deposits and average long-term debt of $5.1 billion and $4.1 billion, respectively. These negative impacts were partially offset by increases in average taxable securities and average loans and leases of $2.7 billion and $1.4 billion, respectively, as well as a $2.9 billion decrease in average certificates $100,000 and over compared to the same period in the prior year. The net interest rate spread decreased to 2.68% in the first quarter of 2015 from 3.07% in the same period in 2014 due to a 30 bps decrease in yields on average interest-earnings assets and a 9 bps increase in the rates on average interest-bearing liabilities for the three months ended March 31, 2015.

Net interest margin was 2.86% for the three months ended March 31, 2015 compared to 3.22% for the three months ended March 31, 2014. The decrease of 36 bps was driven primarily by the previously mentioned decrease in the net interest rate spread coupled with a $7.5 billion increase in average interest earning assets, partially offset by increases in average free funding balances.

Interest income from loans and leases decreased $44 million, or five percent, compared to the first quarter of 2014. The decrease from the three months ended March 31, 2014 was primarily the result of a decrease of 26 bps in yields on average loans and leases partially offset by an increase of two percent in average loans and leases. The decrease in yields from the three months ended March 31, 2014 was primarily due to a $25 million decline in interest income on other consumer loans and leases due to changes made to the Bancorp s deposit advance product beginning January 1, 2015 coupled with a 19 bps decrease in yields on average commercial and industrial loans. The increase in average loans and leases for the three months ended March 31, 2015 was driven primarily by increases of $1.1 billion, or three percent, in average commercial and industrial loans and $1.1 billion, or 97%, in average commercial construction loans, partially offset by a decrease of $735 million, or nine percent, in average commercial mortgage loans compared to the three months ended March 31, 2014. For more information on the Bancorp s loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A. Interest income from investment securities and other short-term investments increased $21 million, or 12%, compared to the three months ended March 31, 2014, primarily as a result of the aforementioned increase in average taxable securities.

Average core deposits increased $6.7 billion, or seven percent, compared to the first quarter of 2014. The increase was primarily due to increases in average money market deposits, average demand deposits, average interest checking deposits and average other time deposits partially offset by decreases in average savings deposits and average foreign office deposits. The cost of average interest-bearing core deposits increased to 26 bps for the three months ended March 31, 2015 from 25 bps for the three months ended March 31, 2014. Interest expense on average money market deposits increased during the three months ended March 31, 2015 compared to the same period in the prior year driven by a $5.1 billion increase in average money market deposits. Interest expense on average other time deposits increased during the three months ended March 31, 2015 compared to the same period in the prior year primarily due to a 18 bps increase in the rate paid on average other time deposits. These increases were partially offset by a 3 bps and 4 bps decrease in the rates paid on average interest checking deposits and average savings deposits, respectively.

For the three months ended March 31, 2015, interest expense on average wholesale funding increased $19 million, or 31%, compared to the three months ended March 31, 2014, primarily as a result of a increase in interest expense related to long-term debt partially offset by a decrease in interest expense on average certificates $100,000 and over. Interest expense on long-term debt increased due to a $4.1 billion increase in average long-term debt. Interest expense on average certificates $100,000 and over decreased during the three months ended March 31, 2015 compared to the same period in the prior year driven primarily by a $2.9 billion decrease in average certificates $100,000 and over partially offset by a 46 bps increase in the rates paid on average certificates $100,000 and over. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During the three months ended March 31, 2015 and 2014, average wholesale funding represented 23% of average interest-bearing liabilities. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, refer to the Market Risk Management section of MD&A.

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

TABLE 7: Condensed Average Balance Sheets and Analysis of Net Interest Income

For the three months ended	March 31, 2015			March 31, 2014			Attribution of Change in Net Interest Income[a]		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Yield/Rate	Total
Assets									
Interest-earning assets:									
Loans and leases:[b]									
Commercial and industrial loans	$ 41,462	$ 323	3.16 %	$ 40,409	$ 334	3.35 %	$ 9	(20)	(11)
Commercial mortgage	7,248	58	3.27	7,983	67	3.43	(6)	(3)	(9)
Commercial construction	2,198	18	3.23	1,118	10	3.48	9	(1)	8
Commercial leases	3,716	27	2.90	3,607	27	3.09	2	(2)	
Subtotal commercial	54,624	426	3.16	53,117	438	3.35	14	(26)	(12)
Residential mortgage loans	13,515	128	3.83	13,304	129	3.94	3	(4)	(1)
Home equity	8,802	80	3.66	9,194	85	3.74	(3)	(2)	(5)
Automobile loans	11,933	79	2.68	12,023	85	2.86	(1)	(5)	(6)
Credit card	2,321	59	10.22	2,230	54	9.90	3	2	5
Other consumer loans and leases	464	11	10.79	370	36	39.93	6	(31)	(25)
Subtotal consumer	37,035	357	3.91	37,121	389	4.26	8	(40)	(32)
Total loans and leases	91,659	783	3.46	90,238	827	3.72	22	(66)	(44)
Securities:									
Taxable	23,102	187	3.30	20,385	168	3.33	21	(2)	19
Exempt from income taxes[b]	59	1	5.24	46	1	5.51			
Other short-term investments	5,877	4	0.25	2,509	2	0.26	2		2
Total interest-earning assets	120,697	975	3.28	113,178	998	3.58	45	(68)	(23)
Cash and due from banks	2,830			2,850					
Other assets	15,446			14,478					
Allowance for loan and lease losses	(1,322)			(1,576)					
Total assets	$ 137,651			$ 128,930					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	$ 26,885	$ 13	0.20 %	$ 25,911	$ 14	0.23 %	$	(1)	(1)
Savings	15,174	3	0.07	16,903	5	0.11	(1)	(1)	(2)
Money market	17,492	14	0.32	12,439	9	0.28	4	1	5
Foreign office deposits	861		0.20	2,017	1	0.29	(1)		(1)
Other time deposits	4,022	12	1.17	3,616	9	0.99	1	2	3
Certificates - $100,000 and over	2,683	8	1.16	5,576	10	0.70	(7)	5	(2)
Federal funds purchased	172		0.09	547		0.10			
Other short-term borrowings	1,602		0.11	1,808	1	0.10	(1)		(1)

Long-term debt	**14,448**	**73**	**2.02**	10,313	51	2.04	22		22
Total interest-bearing liabilities	**83,339**	**123**	**0.60**	79,130	100	0.51	17	6	23
Demand deposits	**33,760**			30,626					
Other liabilities	**4,693**			4,274					
Total liabilities	**121,792**			114,030					
Total equity	**15,859**			14,900					
Total liabilities and equity	**$ 137,651**			$ 128,930					
Net interest income		**$ 852**			$ 898		$ 28	(74)	(46)
Net interest margin			**2.86 %**			3.22 %			
Net interest rate spread			**2.68**			3.07			
Interest-bearing liabilities to interest-earning assets			**69.05**			69.92			

(a) *Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.*
(b) *The FTE adjustments included in the above table were **$5** for the three months ended **March 31, 2015** and 2014.*

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, 2014. 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 and leases actually removed from the Condensed Consolidated Balance Sheets are 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 $69 million for both the three months ended March 31, 2015 and 2014. The ALLL declined $22 million from December 31, 2014 to $1.3 billion at March 31, 2015. As of March 31, 2015, the ALLL as a percent of portfolio loans and leases decreased to 1.42%, compared to 1.47% at December 31, 2014.

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.

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

Noninterest Income

Noninterest income increased $66 million, or 12%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

The components of noninterest income are as follows:

TABLE 8: Noninterest Income

	For the three months ended March 31,		
($ in millions)	**2015**	2014	% Change
Service charges on deposits	**$ 135**	133	2
Investment advisory revenue	**108**	102	6
Mortgage banking net revenue	**86**	109	(21)
Card and processing revenue	**71**	68	4
Corporate banking revenue	**63**	104	(39)
Other noninterest income	**163**	41	NM
Securities gains, net	**4**	7	(43)
Total noninterest income	**$ 630**	564	12

Service charges on deposits

Service charges on deposits increased $2 million for the three months ended March 31, 2015 compared to the same period in the prior year. The increase for the three months ended March 31, 2015 was driven by a $1 million increase in consumer deposit revenue primarily due to an increase in consumer overdraft fees and a $1 million increase in commercial deposit revenue due to new customer acquisition and an increase in activity from existing customers.

Investment advisory revenue

Investment advisory revenue increased $6 million for the three months ended March 31, 2015 compared to the same period in 2014, primarily driven by a $3 million increase in private client service fees due to an increase in personal asset management fees and a $3 million increase in recurring securities and brokerage fees driven by higher sales volume. The Bancorp had approximately $308 billion and $302 billion in total assets under care as of March 31, 2015 and 2014, respectively, and managed $27 billion and $26 billion in assets, respectively, for individuals, corporations and not-for-profit organizations as of March 31, 2015 and 2014.

Mortgage banking net revenue

Mortgage banking net revenue decreased $23 million for the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

The components of mortgage banking net revenue are as follows:

TABLE 9: Components of Mortgage Banking Net Revenue

($ in millions)	For the three months ended March 31, 2015	2014
Origination fees and gains on loan sales	$ **44**	41
Net mortgage servicing revenue:		
Gross mortgage servicing fees	**59**	62
MSR amortization	**(34)**	(22)
Net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge MSRs	**17**	28
Net mortgage servicing revenue	**42**	68
Mortgage banking net revenue	$ **86**	109

Origination fees and gains on loan sales increased $3 million for the three months ended March 31, 2015 compared to the three months ended March 31, 2014, primarily due to a two percent increase in residential mortgage loan originations. Residential mortgage loan originations increased to $1.8 billion during the first quarter of 2015 compared to $1.7 billion during the first quarter of 2014 primarily due to a decrease in interest rates for the three months ended March 31, 2015 compared to the same period in the prior year.

Net mortgage servicing revenue is comprised of gross servicing fees and related servicing rights amortization as well as valuation adjustments on MSRs and mark-to-market adjustments on both settled and outstanding free-standing derivative financial instruments used to economically hedge the MSR portfolio. Net mortgage servicing revenue decreased $26 million for the three months ended March 31, 2015 compared to the same period in the prior year, primarily due to an increase in servicing rights amortization and a decrease in net valuation adjustments. Servicing rights amortization increased $12 million during the three months ended March 31, 2015 compared to the same period in the prior year due to decreases in interest rates which caused prepayment speeds to increase.

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

The components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy are as follows:

TABLE 10: Components of Net Valuation Adjustments on MSRs

($ in millions)	For the three months ended March 31, 2015	2014
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	**$ 65**	24
(Provision for) recovery of MSR impairment	**(48)**	4
Net valuation adjustments on MSR and free-standing derivatives entered into to economically hedge MSRs	**$ 17**	28

Mortgage rates decreased during the three months ended March 31, 2015 which caused modeled prepayment speeds to increase, and led to temporary impairment on servicing rights during the three months ended March 31, 2015. Mortgage rates increased during the three months ended March 31, 2014 which caused modeled prepayment speeds to slow, and led to the recovery of temporary impairment on servicing rights during the three months ended March 31, 2014.

Servicing rights are deemed impaired when a borrower s loan rate is distinctly higher than prevailing rates. Impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. Further detail on the valuation of MSRs can be found in Note 11 of the Notes to 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. Refer to Note 12 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

The Bancorp s total residential loans serviced as of March 31, 2015 and 2014 were $77.4 billion and $82.2 billion, respectively, with $64.2 billion and $68.9 billion, respectively, of residential mortgage loans serviced for others.

Card and processing revenue

Card and processing revenue increased $3 million for the three months ended March 31, 2015 compared to the same period in the prior year. The increase for the three months ended March 31, 2015 was primarily the result of an increase in the number of actively used cards and an increase in customer spend volume. Debit card interchange revenue, included in card and processing revenue, was $32 million and $30 million for the three months ended March 31, 2015 and 2014, respectively.

Corporate banking revenue

Corporate banking revenue decreased $41 million for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The decrease compared to the three months ended March 31, 2014 was primarily driven by a $30 million impairment charge related to certain operating lease equipment that was recognized during the first quarter of 2015. The remaining decrease was the result of a decrease in syndication fees as a result of decreased activity in the market. Additionally, the three months ended March 31, 2015 included lower institutional sales revenue and lease remarketing revenue, partially offset by an increase in foreign exchange fees compared to the same period in the prior year.

Other noninterest income

The major components of other noninterest income are as follows:

TABLE 11: Components of Other Noninterest Income

($ in millions)	For the three months ended March 31, 2015	2014
Valuation adjustment on the warrant associated with Vantiv Holding, LLC	**$ 70**	(36)
Gain on loan sales	**40**	
Operating lease income	**22**	21
BOLI income	**12**	11
Cardholder fees	**11**	11
Equity method income from interest in Vantiv Holding, LLC	**9**	14
Consumer loan and lease fees	**6**	6
Banking center income	**5**	8
Insurance income	**4**	3
(Loss) gain on swap associated with the sale of Visa, Inc. class B shares	**(17)**	1
Other, net	**1**	2
Total other noninterest income	**$ 163**	41

Other noninterest income increased $122 million in the first quarter of 2015 compared to the same period in the prior year. The increase included a positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC of $70 million for the three months ended March 31, 2015 compared to a negative valuation adjustment of $36 million for the three months ended March 31, 2014. The fair value of the stock warrant is calculated using the Black-Scholes valuation model, which utilizes several key inputs (Vantiv, Inc. stock price, strike price per the warrant and several unobservable inputs). The positive valuation adjustment of $70 million for the three months ended March 31, 2015 was primarily due to an increase of 11% in Vantiv, Inc. s share price from December 31, 2014 to March 31, 2015. The negative valuation adjustment of $36 million for the three months ended March 31, 2014 was primarily due to a decline of seven percent in Vantiv,

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Inc. s share price from December 31, 2013 to March 31, 2014. Additionally, gain on loan sales increased $40 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to a $37 million gain on the sale of certain HFS residential mortgage loans classified as TDRs during the three months ended March 31, 2015.

The Bancorp recognized a $17 million negative valuation adjustment related to the Visa total return swap for the three months ended March 31, 2015 compared to a positive valuation adjustment of $1 million for the three months ended March 31, 2014. For additional information on the valuation of the warrant associated with the sale of Vantiv Holding, LLC and the valuation of the swap associated with the sale of Visa, Inc. Class B shares, refer to Note 19 of the Notes to Condensed Consolidated Financial Statements. Equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year, primarily due to a decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from approximately 26% at March 31, 2014 to approximately 23% at March 31, 2015 and a decrease in net income of Vantiv Holding, LLC for the three months ended March 31, 2015 compared to the same period in the prior year.

Noninterest Expense

Total noninterest expense decreased $27 million, or three percent, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 primarily due to a decrease in other noninterest expense, partially offset by increases in personnel costs (salaries, wages and incentives plus employee benefits) and card and processing expense.

The major components of noninterest expense are as follows:

TABLE 12: Noninterest Expense

	For the three months ended March 31,		
($ in millions)	2015	2014	% Change
Salaries, wages and incentives	**$ 369**	359	3
Employee benefits	**99**	101	(2)
Net occupancy expense	**79**	80	(1)
Technology and communications	**55**	53	4
Card and processing expense	**36**	31	16
Equipment expense	**31**	30	3
Other noninterest expense	**254**	296	(14)
Total noninterest expense	**$ 923**	950	(3)
Efficiency ratio	**62.3 %**	64.9	

Total personnel costs increased $8 million for the three months ended March 31, 2015 compared to the three months ended March 31, 2014, primarily due to an increase in incentive compensation. Full time equivalent employees totaled 18,471 at March 31, 2015 compared to 19,080 at March 31, 2014.

The major components of other noninterest expense are as follows:

TABLE 13: Components of Other Noninterest Expense

($ in millions)	For the three months ended March 31, 2015	2014
Impairment on affordable housing investments	**$ 37**	32
Marketing	**27**	22
Loan and lease	**27**	29
Operating lease	**18**	17
FDIC insurance and other taxes	**16**	28
Losses and adjustments	**14**	65
Travel	**13**	12
Professional service fees	**12**	18
Postal and courier	**12**	12
Data processing	**11**	9
Recruitment and education	**7**	7
Insurance	**5**	4
Intangible asset amortization	**1**	1
Benefit from the reserve for unfunded commitments	**(5)**	(9)
Other, net	**59**	49
Total other noninterest expense	**$ 254**	296

Total other noninterest expense decreased $42 million, or 14%, for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to decreases in losses and adjustments and FDIC insurance and other taxes, partially offset by increases in impairment on affordable housing investments and marketing expense and a decrease in the benefit from the reserve for unfunded commitments. Losses and adjustments decreased $51 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to a $50 million decrease in legal settlements and reserve expense. FDIC insurance and other taxes decreased $12

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million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to a settlement of a tax liability related to prior years during the first quarter of 2015 and improved credit quality of loans which is a component of the FDIC assessment rate calculation. Impairment on affordable housing investments increased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year, due to incremental losses resulting from previous growth in the portfolio. Marketing expense increased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to an increase in advertising costs. The benefit from the reserve for unfunded commitments was $5 million for the three months ended March 31, 2015 compared to $9 million for the same period in prior year. The decrease in the benefit recognized reflects an increase in unfunded commitments for which the Bancorp holds reserves.

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 62.3% for the three months ended March 31, 2015 compared to 64.9% for the three months ended March 31, 2014.

Applicable Income Taxes

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

TABLE 14: Applicable Income Taxes

($ in millions)	For the three months ended March 31, 2015	2014
Income before income taxes	**$ 485**	438
Applicable income tax expense	**124**	119
Effective tax rate	**25.6 %**	27.3

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

The decrease in the effective tax rate for the three months ended March 31, 2015 compared to the same period in the prior year included the benefit from an increase in the amount of 2015 forecasted income tax credits.

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees and directors. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised and where the Bancorp has not accumulated an excess tax benefit for previously exercised or released stock-based awards, the Bancorp is required to recognize a non-cash charge to income tax expense upon the write-off of the deferred tax asset previously established for these stock-based awards. Based on the accumulated excess tax benefit at March 31, 2015, the Bancorp was not required to recognize a non-cash charge to income tax expense related to stock-based awards for the three months ended March 31, 2015.

Based on the Bancorp s stock price at March 31, 2015 and the Bancorp s accumulation of an excess tax benefit through the period ended March 31, 2015, the Bancorp does not believe it will be required to recognize a non-cash charge to income tax expense over the next twelve months related to stock-based awards. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future. Therefore, it is possible the Bancorp may be required to recognize a non-cash charge to income tax expense in the future.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies loans and leases based upon their primary purpose. Table 15 summarizes end of period loans and leases, including loans held for sale and Table 16 summarizes average total loans and leases, including loans held for sale.

TABLE 15: Components of Total Loans and Leases (includes held for sale)

	March 31, 2015		December 31, 2014	
As of ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial:				
Commercial and industrial loans	**$ 42,062**	**46**	40,801	45
Commercial mortgage loans	**7,210**	**8**	7,410	8
Commercial construction loans	**2,303**	**3**	2,071	2
Commercial leases	**3,787**	**4**	3,721	4
Subtotal commercial	**55,362**	**61**	54,003	59
Consumer:				
Residential mortgage loans	**13,258**	**14**	13,582	15
Home equity	**8,714**	**9**	8,886	10
Automobile loans	**11,873**	**13**	12,037	13
Credit card	**2,291**	**2**	2,401	3
Other consumer loans and leases	**470**	**1**	436	
Subtotal consumer	**36,606**	**39**	37,342	41
Total loans and leases	**$ 91,968**	**100**	91,345	100
Total portfolio loans and leases (excludes loans held for sale)	**$ 91,244**		90,084	

Loans and leases, including loans held for sale, increased $623 million, or one percent, from December 31, 2014. The increase from December 31, 2014 was the result of a $1.4 billion, or three percent, increase in commercial loans and leases partially offset by a $736 million, or two percent, decrease in consumer loans and leases.

Commercial loans and leases increased from December 31, 2014 primarily due to increases in commercial and industrial loans and commercial construction loans partially offset by a decrease in commercial mortgage loans. Commercial and industrial loans increased $1.3 billion, or three percent, from December 31, 2014 and commercial construction loans increased $232 million, or 11%, from December 31, 2014 primarily as a result of an increase in new loan origination activity resulting from an increase in demand and targeted marketing efforts. Commercial mortgage loans decreased $200 million, or three percent, from December 31, 2014 primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Consumer loans and leases decreased from December 31, 2014 primarily due to decreases in residential mortgage loans, home equity, automobile loans and credit card loans. Residential mortgage loans decreased $324 million, or two percent, from December 31, 2014 primarily due to a $568 million decrease in held for sale loan balances driven by the sale of certain TDR loans during the first quarter of 2015. This decrease was partially offset by the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches and the continued retention of certain conforming ARMs and certain other fixed-rate loans originated during the three months ended March 31, 2015. Home equity decreased $172 million, or two percent, from December 31, 2014 as payoffs exceeded new loan production. Automobile loans decreased $164 million, or one percent, from December 31, 2014 driven by continued run-off of the existing portfolio. Credit card loans decreased $110 million, or five percent, from December 31, 2014 primarily due to seasonal trends from the paydown of year-end balances which were higher due to holiday spending.

TABLE 16: Components of Average Total Loans and Leases (includes held for sale)

	March 31, 2015		March 31, 2014	
For the three months ended ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial:				
Commercial and industrial loans	**$ 41,462**	**45**	40,409	46
Commercial mortgage loans	**7,248**	**8**	7,983	9
Commercial construction loans	**2,198**	**3**	1,118	1
Commercial leases	**3,716**	**4**	3,607	4
Subtotal commercial	**54,624**	**60**	53,117	60
Consumer:				
Residential mortgage loans	**13,515**	**15**	13,304	15
Home equity	**8,802**	**10**	9,194	10
Automobile loans	**11,933**	**13**	12,023	13
Credit card	**2,321**	**2**	2,230	2
Other consumer loans and leases	**464**		370	
Subtotal consumer	**37,035**	**40**	37,121	40
Total average loans and leases	**$ 91,659**	**100**	90,238	100
Total average portfolio loans and leases (excludes loans held for sale)	**$ 90,508**		89,530	

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Average loans and leases, including loans held for sale, increased $1.4 billion, or two percent, from March 31, 2014. The increase from March 31, 2014 was the result of a $1.5 billion, or three percent, increase in average commercial loans and leases partially offset by a $86 million decrease in average consumer loans and leases.

Average commercial loans and leases increased from March 31, 2014 primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial loans increased $1.1 billion, or three percent, from March 31, 2014 and average commercial construction loans increased $1.1 billion, or 97%, from March 31, 2014 as a result of an increase in new loan origination activity resulting from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage loans decreased $735 million, or nine percent, from March 31, 2014 due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Average consumer loans and leases decreased from March 31, 2014 primarily due to a decrease in average home equity partially offset by increases in average residential mortgage loans and average other consumer loans and leases. Average home equity decreased $392 million, or four percent, from March 31, 2014 as payoffs exceeded new loan production. Average residential mortgage loans increased $211 million, or two percent, from March 31, 2014 primarily driven by the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches and the continued retention of certain conforming ARMs and certain other fixed-rate loans. Average other consumer loans and leases increased $94 million, or 25%, from March 31, 2014 driven by an increase in new loan originations.

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 $27.0 billion and $23.0 billion at March 31, 2015 and December 31, 2014, respectively. The taxable investment securities portfolio had an effective duration of 4.3 years at March 31, 2015 compared to 4.5 years at December 31, 2014.

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 March 31, 2015, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. Securities classified as below investment grade were immaterial as of March 31, 2015 and December 31, 2014. 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 $1 million and $17 million of OTTI on its available-for-sale and other debt securities included in securities gains, net, in the Bancorp s Condensed Consolidated Statements of Income during the three months ended March 31, 2015 and 2014, respectively. The Bancorp did not recognize OTTI on any of its available-for-sale equity securities or its held-to-maturity debt securities during the three months ended March 31, 2015 and 2014.

TABLE 17: Components of Investment Securities

As of ($ in millions)	**March 31, 2015**	December 31, 2014
Available-for-sale and other: (amortized cost basis)		
U.S. Treasury and federal agencies securities	**$ 1,545**	1,545
Obligations of states and political subdivisions securities	**185**	185
Mortgage-backed securities:		
Agency residential mortgage-backed securities[(a)]	**14,486**	11,968
Agency commercial mortgage-backed securities	**5,261**	4,465
Non-agency commercial mortgage-backed securities	**1,928**	1,489
Asset-backed securities and other debt securities	**1,371**	1,324

Equity securities[(b)]	**699**	701
Total available-for-sale and other securities	**$ 25,475**	21,677
Held-to-maturity: (amortized cost basis)		
Obligations of states and political subdivisions securities	**$ 176**	186
Asset-backed securities and other debt securities	**1**	1
Total held-to-maturity securities	**$ 177**	187
Trading: (fair value)		
U.S. Treasury and federal agencies securities	**$ 19**	14
Obligations of states and political subdivisions securities	**55**	8
Mortgage-backed securities:		
Agency residential mortgage-backed securities	**4**	9
Asset-backed securities and other debt securities	**15**	13
Equity securities[(b)]	**299**	316
Total trading securities	**$ 392**	360

(a) *Includes interest-only mortgage-backed securities of* ***$158*** *and $175 as of* ***March 31, 2015*** *and December 31, 2014, respectively, recorded at fair value with fair value changes recorded in securities gains, net in the Condensed Consolidated Financial Statements.*

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

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On an amortized cost basis, available-for-sale and other securities increased $3.8 billion, or 18%, from December 31, 2014 primarily due to increases in agency residential mortgage-backed securities, agency commercial mortgage-backed securities and non-agency commercial mortgage-backed securities. Agency residential mortgage-backed securities increased $2.5 billion, or 21%, from December 31, 2014 primarily due to the purchase of $3.7 billion of agency residential mortgage-backed securities partially offset by sales of $599 million and paydowns of $626 million during the three months ended March 31, 2015. Agency commercial mortgage-backed securities increased $796 million, or 18%, from December 31, 2014 primarily due to $1.4 billion in purchases of agency commercial mortgage-backed securities partially offset by $574 million in sales and $25 million in paydowns on the portfolio during the three months ended March 31, 2015. Non-agency commercial mortgage-backed securities increased $439 million, or 29%, from December 31, 2014 primarily due to $480 million in purchases of non-agency commercial mortgage-backed securities partially offset by $37 million in paydowns on the portfolio during the three months ended March 31, 2015.

On an amortized cost basis, available-for-sale and other securities were 21% and 18% of total interest-earning assets at March 31, 2015 and December 31, 2014, respectively. The estimated weighted-average life of the debt securities in the available-for-sale and other portfolio was 5.7 years at March 31, 2015 compared to 5.8 years at December 31, 2014. In addition, at March 31, 2015, the available-for-sale and other securities portfolio had a weighted-average yield of 3.27%, compared to 3.31% at December 31, 2014.

Information presented in Table 18 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 and other portfolio exclude equity securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale and other securities portfolio were $934 million at March 31, 2015 compared to $731 million at December 31, 2014. The increase from December 31, 2014 was primarily due to a decrease in interest rates during the three months ended March 31, 2015. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally increases when interest rates decrease or when credit spreads contract.

TABLE 18: Characteristics of Available-for-Sale and Other Securities

As of March 31, 2015 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:				
Average life of one year or less	$ 51	52	0.8	2.98 %
Average life 1 5 years	1,494	1,575	1.8	3.64
Total	1,545	1,627	1.8	3.62
Obligations of states and political subdivisions securities:[(a)]				
Average life of one year or less	64	65	0.4	1.19
Average life 1 5 years	86	89	3.1	3.93
Average life 5 10 years	30	32	7.6	3.67
Average life greater than 10 years	5	6	10.1	3.78
Total	185	192	3.1	2.93
Agency residential mortgage-backed securities:				
Average life of one year or less	38	39	0.5	4.98
Average life 1 5 years	5,286	5,572	4.1	3.93
Average life 5 10 years	8,750	8,974	5.9	3.13
Average life greater than 10 years	412	440	12.9	3.69
Total	14,486	15,025	5.4	3.44
Agency commercial mortgage-backed securities:				

Average life 1 5 years	740	763	4.5	2.80
Average life 5 10 years	4,521	4,684	7.5	2.98
Total	5,261	5,447	7.1	2.95
Non-agency commercial mortgage-backed securities:				
Average life of one year or less	49	49	0.8	2.69
Average life 1 5 years	657	673	2.5	2.80
Average life 5 10 years	1,222	1,292	7.7	3.40
Total	1,928	2,014	5.8	3.18
Asset-backed securities and other debt securities:				
Average life of one year or less	97	102	0.2	2.17
Average life 1 5 years	534	545	2.9	2.79
Average life 5 10 years	245	253	6.9	1.86
Average life greater than 10 years	495	502	14.6	2.12
Total	1,371	1,402	7.7	2.33
Equity securities	699	702		
Total available-for-sale and other securities	$ 25,475	26,409	5.7	3.27 %

(a) *Taxable-equivalent yield adjustments included in the above table are 0.00%, 0.00%, 1.95%, 2.01% and 0.37% for securities with an average life of 1 year or less, 1-5 years, 5-10 years, greater than 10 years and in total, respectively.*

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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 72% and 71% of the Bancorp s asset funding base at March 31, 2015 and December 31, 2014, respectively.

TABLE 19: Deposits

	March 31, 2015		December 31, 2014	
As of ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Demand	**$ 35,343**	**34**	34,809	34
Interest checking	**27,191**	**26**	26,800	26
Savings	**15,355**	**15**	15,051	15
Money market	**18,105**	**18**	17,083	17
Foreign office	**811**	**1**	1,114	1
Transaction deposits	**96,805**	**94**	94,857	93
Other time	**4,044**	**4**	3,960	4
Core deposits	**100,849**	**98**	98,817	97
Certificates-$100,000 and over(a)	**2,566**	**2**	2,895	3
Total deposits	**$ 103,415**	**100**	101,712	100

(a) Includes ***$1,518*** *and $1,483 of certificates $250,000 and over as of* ***March 31, 2015*** *and December 31, 2014, respectively.*

Core deposits increased $2.0 billion, or two percent, from December 31, 2014 driven by an increase of $1.9 billion, or two percent, in transaction deposits. Total transaction deposits increased from December 31, 2014 due to increases in money market deposits, demand deposits, interest checking deposits and savings deposits, partially offset by a decrease in foreign office deposits. Money market deposits increased $1.0 billion, or six percent, from December 31, 2014 driven primarily by a promotional product offering and the acquisition of new customers. Demand deposits increased $534 million, or two percent, from December 31, 2014 primarily due to higher balances per account for commercial customers and consumer customer seasonality. Interest checking deposits increased $391 million, or one percent, primarily due to the acquisition of new commercial customers. Savings deposits increased $304 million, or two percent, from December 31, 2014 primarily due to consumer customer seasonality. Foreign office deposits decreased $303 million, or 27%, primarily due to lower balances per account.

The Bancorp uses certificates $100,000 and over as a method to fund earning assets. At March 31, 2015, certificates $100,000 and over decreased $329 million, or 11%, compared to December 31, 2014 primarily due to the maturity and run-off of retail and institutional certificates of deposit during the three months ended March 31, 2015.

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

TABLE 20: Average Deposits

($ in millions)	March 31, 2015 Balance	March 31, 2015 % of Total	March 31, 2014 Balance	March 31, 2014 % of Total
Demand	**$ 33,760**	**33**	30,626	31
Interest checking	**26,885**	**27**	25,911	27
Savings	**15,174**	**15**	16,903	17
Money market	**17,492**	**17**	12,439	13
Foreign office	**861**	**1**	2,017	2
Transaction deposits	**94,172**	**93**	87,896	90
Other time	**4,022**	**4**	3,616	4
Core deposits	**98,194**	**97**	91,512	94
Certificates - $100,000 and over(a)	**2,683**	**3**	5,576	6
Total average deposits	**$ 100,877**	**100**	97,088	100

*(a) Includes **$1,501** and $1,352 of average certificates $250,000 and over as of **March 31, 2015** and 2014, respectively.*

On an average basis, core deposits increased $6.7 billion, or seven percent, from March 31, 2014 due to an increase of $6.3 billion, or seven percent, in average transaction deposits and an increase of $406 million, or 11%, in average other time deposits. The increase in average transaction deposits was driven by increases in average money market deposits, average demand deposits and average interest checking deposits, partially offset by decreases in average savings deposits and foreign office deposits. Average money market deposits increased $5.1 billion, or 41%, from March 31, 2014 primarily driven by a promotional product offering, an increase in average commercial account balances and new commercial customer accounts. The remaining increase in average money market deposits was due to a balance migration from savings deposits which decreased $1.7 billion, or 10%, from March 31, 2014. Average demand deposits increased $3.1 billion, or 10%, from March 31, 2014 primarily due to an increase in average commercial account balances and new commercial customer accounts. Average interest checking deposits increased $974 million, or four percent, from March 31, 2014 primarily due to an increase in average balance per account and new commercial customer accounts. Average foreign office deposits decreased $1.2 billion, or 57%, primarily due to lower average balances per account. Average other time deposits increased $406 million, or 11%, from March 31, 2014 primarily from the acquisition of new customers due to promotional interest rates since March 31, 2014. Average certificates $100,000 and over decreased $2.9 billion, or 52%, from March 31, 2014 due primarily to the maturity and run-off of retail and institutional certificates of deposit since March 31, 2014.

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Contractual maturities

The contractual maturities of certificates $100,000 and over as of March 31, 2015 are summarized in the following table:

TABLE 21: Contractual Maturities of Certificates $100,000 and over

($ in millions)	
Three months or less	$ 318
After three months through six months	155
After six months through 12 months	305
After 12 months	1,788
Total	$ 2,566

The contractual maturities of other time deposits and certificates $100,000 and over as of March 31, 2015 are summarized in the following table:

TABLE 22: Contractual Maturities of Other Time Deposits and Certificates $100,000 and over

($ in millions)	
Next 12 months	$ 2,006
13-24 months	1,581
25-36 months	1,187
37-48 months	386
49-60 months	1,267
After 60 months	183
Total	$ 6,610

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Borrowings

Total borrowings decreased $999 million, or six percent, from December 31, 2014. Table 23 summarizes the end of period components of total borrowings. As of March 31, 2015, total borrowings as a percentage of interest-bearing liabilities were 19% compared to 20% at December 31, 2014.

TABLE 23: Borrowings

As of ($ in millions)	**March 31, 2015**	December 31, 2014
Federal funds purchased	**$ 200**	144
Other short-term borrowings	**1,413**	1,556
Long-term debt	**14,055**	14,967
Total borrowings	**$ 15,668**	16,667

Federal funds purchased increased $56 million, or 39%, from December 31, 2014 driven by an increase 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 $143 million, or nine percent, from December 31, 2014 driven by a decrease in commercial repurchase agreements partially offset by an increase in cash held as collateral related to derivative agreements with various counterparties. Additionally, the utilization of short-term funding remained low during the first quarter of 2015 due to strong deposit growth and to comply with regulatory standards which require greater dependency on long-term and stable funding. Long-term debt decreased by $912 million, or six percent, from December 31, 2014 primarily driven by the maturity of $500 million of subordinated fixed-rate bank notes and $451 million of paydowns on long-term debt associated with automobile loan securitizations. For additional information regarding automobile securitizations, refer to Note 10 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 24: Average Borrowings

($ in millions)	**March 31, 2015**	March 31, 2014
Federal funds purchased	**$ 172**	547
Other short-term borrowings	**1,602**	1,808
Long-term debt	**14,448**	10,313
Total average borrowings	**$ 16,222**	12,668

Average total borrowings increased $3.6 billion, or 28%, compared to March 31, 2014, due to an increase in average long-term debt partially offset by decreases in average federal funds purchased and average other short-term borrowings. The increase in average long-term debt of $4.1 billion, or 40%, was driven by the issuances of $1.5 billion and $850 million of unsecured senior bank notes during the second and third quarters of 2014, respectively, as well as the combined issuance of asset-backed securities by consolidated VIEs of $2.5 billion related to automobile loan securitizations during the second and fourth quarters of 2014. The impact of these issuances was partially offset by the aforementioned maturity of subordinated fixed-rate bank notes and paydowns on long-term debt associated with automobile loan securitizations since the first quarter of 2014. The level of average federal funds purchased and average other short-term borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Additionally, the utilization of short-term funding remained low throughout 2014 and during the first quarter of 2015 due to strong deposit growth and to comply with regulatory standards which require greater dependency on long-term and stable funding. Information on the average rates paid on borrowings is discussed in the net interest income section of MD&A. In addition, refer to the Liquidity Risk Management section for a discussion on the role of borrowings in the Bancorp s liquidity management.

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BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. Additional information on each business segment is included in Note 20 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 an 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 business 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, 2015 to reflect the current market rates and updated duration assumptions. These rates were generally lower than those in place during 2014, thus net interest income for deposit providing businesses was negatively impacted for the three months ended March 31, 2015.

The business segments are charged provision expense based on the actual net charge-offs experienced on the loans and leases owned by each business segment. Provision expense attributable to loan and lease growth and changes in ALLL factors are captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Additionally, the business segments form synergies by taking advantage of cross-sell opportunities and when funding operations by accessing the capital markets as a collective unit.

The results of operations and financial position for the three months ended March 31, 2014 were adjusted to reflect the transfer of certain customers and Bancorp employees from Commercial Banking to Branch Banking, effective January 1, 2015. In addition, the prior year balances were adjusted to reflect a change in internal allocation methodology.

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

TABLE 25: Business Segment Net Income Available to Common Shareholders

	For the three months ended March 31,	
($ in millions)	**2015**	2014
Income Statement Data		
Commercial Banking	**$ 163**	158
Branch Banking	**77**	85
Consumer Lending	**48**	(6)
Investment Advisors	**12**	17

General Corporate and Other	**61**	65
Net income	**361**	319
Less: Net income attributable to noncontrolling interests		1
Net income attributable to Bancorp	**361**	318
Dividends on preferred stock	**15**	9
Net income available to common shareholders	**$ 346**	309

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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 26: Commercial Banking

	For the three months ended March 31,	
($ in millions)	**2015**	2014
Income Statement Data		
Net interest income (FTE)[(a)]	**$ 397**	403
Provision for loan and lease losses	**33**	98
Noninterest income:		
Service charges on deposits	**70**	67
Corporate banking revenue	**62**	104
Other noninterest income	**42**	37
Noninterest expense:		
Salaries, incentives and employee benefits	**80**	82
Other noninterest expense	**277**	251
Income before taxes	**181**	180
Applicable income tax expense[(a)(b)]	**18**	22
Net income	**$ 163**	158
Average Balance Sheet Data		
Commercial loans, including held for sale	**$ 51,481**	49,723
Demand deposits	**19,959**	17,625
Interest checking deposits	**9,245**	8,284
Savings and money market deposits	**6,053**	5,760
Other time deposits and certificates-$100,000 and over	**1,337**	1,347
Foreign office deposits	**852**	2,006

*(a) Includes FTE adjustments of **$5** for both the three months ended **March 31, 2015** and 2014.*
(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 $163 million for the three months ended March 31, 2015 compared to net income of $158 million for the three months ended March 31, 2014. The increase in net income was driven by a decrease in the provision for loan and lease losses partially offset by decreases in net interest income and noninterest income and an increase in noninterest expense.

Net interest income decreased $6 million for the three months ended March 31, 2015 compared to the same period in the prior year. The decrease was driven primarily by a decline in yields of 22 bps on average commercial and industrial loans for the three months ended March 31, 2015 compared to the same period in 2014. This was partially offset by an increase in FTP credits due to an increase in average demand deposits.

Provision for loan and lease losses decreased $65 million for the three months ended March 31, 2015 compared to the same period in the prior year due to improved credit metrics. Net charge-offs as a percent of average portfolio loans and leases decreased to 26 bps for the three months ended March 31, 2015 compared to 80 bps for the same period in the prior year.

Noninterest income decreased $34 million for the three months ended March 31, 2015 compared to the same period in the prior year. The decrease was driven by a decrease in corporate banking revenue partially offset by increases in other noninterest income and service charges on deposits. Corporate banking revenue decreased $42 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by a $30 million impairment charge related to certain operating lease equipment that was recognized during the first quarter of 2015. Refer to Note 8 of the Notes to Condensed Consolidated Financial Statements for additional information. The decrease was also driven by decreases in syndication fees as a result of decreased activity in the market and lower institutional sales revenue, partially offset by an increase in foreign exchange fees compared to the same period in the prior year. Other noninterest income increased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to increases in gains on loan sales and operating lease income. Service charges on deposits increased $3 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to the acquisition of new customers.

Noninterest expense increased $24 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by an increase in other noninterest expense. Other noninterest expense increased $26 million for the three months ended March 31, 2015 driven primarily by an increase in corporate overhead allocations and an increase in impairment on affordable housing investments due to incremental losses from previous growth in the portfolio.

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Average commercial loans increased $1.8 billion for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial portfolio loans and average commercial construction portfolio loans both increased $1.1 billion for the three months ended March 31, 2015 compared to the same period in the prior year primarily as a result of an increase in new loan origination activity resulting from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage portfolio loans decreased $572 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Average core deposits increased $2.4 billion for the three months ended March 31, 2015 compared to the same period in the prior year. The increase was primarily driven by increases in average demand deposits and average interest checking balances which increased $2.3 billion and $961 million, respectively, for the three months ended March 31, 2015 compared to the same period in the prior year. The increase in average core deposits was partially offset by a decrease in average foreign deposits of $1.2 billion for the three months ended March 31, 2015 compared to the same period in the prior year.

Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,303 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 27: Branch Banking

	For the three months ended March 31,	
($ in millions)	**2015**	2014
Income Statement Data		
Net interest income	**$ 377**	391
Provision for loan and lease losses	**42**	45
Noninterest income:		
Service charges on deposits	**65**	65
Card and processing revenue	**55**	51
Investment advisory revenue	**39**	36
Other noninterest income	**17**	22
Noninterest expense:		
Salaries, incentives and employee benefits	**135**	140
Net occupancy and equipment expense	**61**	61
Card and processing expense	**34**	29
Other noninterest expense	**162**	160
Income before taxes	**119**	130
Applicable income tax expense	**42**	45
Net income	**$ 77**	85

Average Balance Sheet Data		
Consumer loans, including held for sale	**$ 14,657**	15,102
Commercial loans, including held for sale	**1,990**	2,294
Demand deposits	**12,185**	11,529
Interest checking deposits	**9,112**	9,275
Savings and money market deposits	**25,530**	22,750
Other time deposits and certificates - $100,000 and over	**5,054**	4,491

Net income was $77 million for the three months ended March 31, 2015 compared to net income of $85 million for the three months ended March 31, 2014. The decrease was driven by a decrease in net interest income partially offset by a decrease in the provision for loan and lease losses.

Net interest income decreased $14 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by changes made to the Bancorp s deposit advance product beginning January 1, 2015 and a decline in yields of 15 bps on average commercial loans. These decreases were partially offset by a decrease in FTP charges on loans and leases due to a decrease in average balances and increases in FTP credits for demand deposits and other time deposits driven by average deposit growth and an increase in FTP credits for interest checking deposits due to an increase in FTP credit rates for this product.

Provision for loan and lease losses for the three months ended March 31, 2015 decreased $3 million compared to the same period in the prior year as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 103 bps for the three months ended March 31, 2015 compared to 105 bps for the same period in the prior year.

Noninterest income increased $2 million for the three months ended March 31, 2015 compared to the same period in the prior year. The increase was primarily driven by increases in card and processing revenue and investment advisory revenue partially offset by a decrease in

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

other noninterest income. Card and processing revenue increased $4 million for the three months ended March 31, 2015 compared to the same period in the prior year as a result of an increase in the number of actively used cards and an increase in customer spend volume. Investment advisory revenue increased $3 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to an increase in recurring securities and brokerage fees driven by higher sales volume. Other noninterest income decreased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year driven by $4 million in impairment charges in the first quarter of 2015 for branches and land.

Noninterest expense increased $2 million for the three months ended March 31, 2015 compared to the same period in the prior year. The increase was primarily driven by increases in card and processing expense and other noninterest expense partially offset by a decrease in salaries, incentives and employee benefits. Card and processing expense increased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year driven by higher rewards expense relating to credit cards and increased fraud-related expenses. Other noninterest expense increased $2 million for the three months ended March 31, 2015 compared to the same period in the prior year due to higher operational losses. Salaries, incentives and employee benefits decreased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year driven by a decrease in employee benefits expense due to a change in the Bancorp s employee benefit plan implemented in 2015.

Average consumer loans decreased $445 million for the three months ended March 31, 2015 compared to the same period in the prior year. The decrease was primarily driven by decreases in average residential mortgage loans and average home equity loans of $269 million and $204 million, respectively, for the three months ended March 31, 2015 compared to the same period in the prior year as payoffs exceeded new loan production. Average commercial loans decreased $304 million for the three months ended March 31, 2015 compared to the same period in the prior year. The decrease was primarily driven by decreases in average commercial mortgage loans and average commercial and industrial loans of $186 million and $126 million, respectively, for the three months ended March 31, 2015 compared to the same period in the prior year as payoffs exceeded new loan production.

Average core deposits increased $3.7 billion for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by net growth in average savings and money market deposits of $2.8 billion and growth in average demand deposits and average other time deposits of $656 million and $405 million, respectively, due to an increase in average balances and new customer accounts.

Consumer Lending

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

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

TABLE 28: Consumer Lending

	For the three months ended March 31,	
($ in millions)	**2015**	2014
Income Statement Data		
Net interest income	**$ 63**	64
Provision for loan and lease losses	**14**	25
Noninterest income:		
Mortgage banking net revenue	**85**	108
Other noninterest income	**44**	11

Noninterest expense:		
Salaries, incentives and employee benefits	**45**	50
Other noninterest expense	**59**	117
Income (loss) before taxes	**74**	(9)
Applicable income tax expense (benefit)	**26**	(3)
Net income (loss)	**$ 48**	(6)
Average Balance Sheet Data		
Residential mortgage loans, including held for sale	**$ 9,032**	8,819
Home equity	**452**	523
Automobile loans	**11,422**	11,453
Other consumer loans, including held for sale	**24**	26

Net income was $48 million for the three months ended March 31, 2015 compared to a net loss of $6 million for the same period in the prior year. The increase was driven by decreases in noninterest expense and the provision for loan and lease losses and an increase in noninterest income.

Net interest income decreased $1 million for the three months ended March 31, 2015 compared to the same period in the prior year. The decrease was primarily driven by lower yields on average residential mortgage loans and average automobile loans partially offset by a decrease in FTP charges on loans and leases.

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

Provision for loan and lease losses decreased $11 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to improved delinquency metrics on residential mortgage loans and home equity loans. Net charge-offs as a percent of average portfolio loans and leases decreased to 29 bps for the three months ended March 31, 2015 compared to 51 bps for the same period in the prior year.

Noninterest income increased $10 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to an increase in other noninterest income partially offset by a decrease in mortgage banking net revenue. Other noninterest income increased $33 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by a $37 million gain on the sale of held for sale residential mortgage loans classified as TDRs. Mortgage banking net revenue decreased $23 million for the three months ended March 31, 2015 compared to the same period in the prior year. The decrease was due to a $26 million decline in net mortgage servicing revenue partially offset by a $3 million increase in mortgage origination fees and gains on loan sales. Refer to the Noninterest Income section of MD&A for additional information on the fluctuations in mortgage banking net revenue.

Noninterest expense decreased $63 million for the three months ended March 31, 2015 compared to the same period in the prior year driven by decreases in other noninterest expense and salaries, incentives and employee benefits. Other noninterest expense decreased $58 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to decreased legal expenses and operational losses. Salaries, incentives and employee benefits decreased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by a decrease in employee benefits expense due to a change in the Bancorp s employee benefit plan implemented in 2015 as well as a decrease in base compensation due to the exit of the broker origination channel during 2014.

Average consumer loans and leases increased $109 million for the three months ended March 31, 2015 compared to the same period in the prior year. Average residential mortgage loans increased $213 million compared to the same period in the prior year primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans originated since the first quarter of 2014. Average home equity loans decreased $71 million for the three months ended March 31, 2015 compared to the same period in the prior year as payoffs exceeded new loan production.

Investment Advisors

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

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

TABLE 29: Investment Advisors

	For the three months ended March 31,	
($ in millions)	**2015**	2014
Income Statement Data		
Net interest income	**$ 29**	32
Provision for loan and lease losses	**2**	
Noninterest income:		
Investment advisory revenue	**105**	100
Other noninterest income	**2**	3

Noninterest expense:		
Salaries, incentives and employee benefits	**44**	43
Other noninterest expense	**71**	67
Income before taxes	**19**	25
Applicable income tax expense	**7**	8
Net income	**$ 12**	17
Average Balance Sheet Data		
Loans and leases	**$ 2,495**	2,209
Core deposits	**9,791**	9,557

Net income was $12 million for the three months ended March 31, 2015 compared to net income of $17 million for the same period in the prior year. The decrease in net income was primarily due to a decrease in net interest income and increases in the provision for loan and lease losses and noninterest expense partially offset by an increase in noninterest income.

Net interest income decreased $3 million for the three months ended March 31, 2015 compared to the same period in the prior year due to increases in FTP charges on loans and leases and an increase in interest expense on core deposits both driven by increases in average balances.

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Provision for loan and leases losses increased $2 million for the three months ended March 31, 2015 compared to the same period in the prior year. Net charge-offs as a percent of average portfolio loans and leases increased to 27 bps for the three months ended March 31, 2015 compared to 7 bps for the same period in the prior year.

Noninterest income increased $4 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily driven by a $5 million increase in investment advisory revenue. The increase in investment advisory revenue was driven by increases in private client services revenue driven by growth in personal asset management fees and an increase in recurring securities and brokerage fees driven by higher sales volume.

Noninterest expense increased $5 million for the three months ended March 31, 2015 compared to the same period in the prior year driven by an increase in other noninterest expense of $4 million primarily due to an increase in corporate overhead allocations and higher operational losses.

Average portfolio loans and leases increased $286 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to increases in average residential mortgage loans and average other consumer loans, primarily driven by an increase in new loan origination activity, partially offset by a decrease in average home equity loans as payoffs exceeded new loan production. Average core deposits increased $234 million for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to growth in interest checking as customers have opted to maintain excess funds in liquid transaction accounts as a result of interest rates remaining near historic lows.

General Corporate and Other

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

Results for the three months ended March 31, 2015 and 2014 were impacted by a benefit of $22 million and $99 million, respectively, due to reductions in the ALLL. Net interest income decreased from $8 million for the three months ended March 31, 2014 to negative net interest income of $14 million for the three months ended March 31, 2015 primarily due to increases in FTP credits on deposits allocated to business segments driven by an increase of $3.8 billion in average deposits. The remaining decrease in net interest income was due to an increase in interest expense on long-term debt and a decrease in the benefit related to the FTP charges on loans and leases, partially offset by an increase in interest income on taxable securities. Noninterest income increased $87 million for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The increase in noninterest income included the impact of the positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC of $70 million for the three months ended March 31, 2015 compared to the negative valuation adjustment of $36 million for the three months ended March 31, 2014. This benefit was partially offset by $17 million in negative valuation adjustments related to the Visa total return swap for the three months ended March 31, 2015 compared to $1 million in positive valuation adjustments for the three months ended March 31, 2014.

Noninterest expense for the three months ended March 31, 2015 and 2014 was a benefit of $7 million and $15 million, respectively. The decrease in the benefit was primarily due to increases in salaries, incentives and employee benefits partially offset by a decrease in FDIC insurance and other taxes.

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RISK MANAGEMENT OVERVIEW

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

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

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

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

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

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

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

Risk Strategies and Reporting is responsible for quantitative analysis needed to support the commercial dual rating methodology, ALLL methodology and analytics needed to assess credit risk and develop mitigation strategies related to that risk. The department also provides oversight, reporting and monitoring of commercial underwriting and credit administration processes. The Risk Strategies and Reporting department is also responsible for the economic capital program and risk management governance and reporting;

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

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

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

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

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

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

Risk management oversight and governance is provided by the Risk and Compliance Committee of the Board of Directors and through multiple management committees whose membership includes a broad cross-section of line-of-business, affiliate and support representatives. The Risk and Compliance Committee of the Board of Directors consists of five outside directors and has the responsibility for the oversight of risk management for the Bancorp, as well as for the Bancorp s overall aggregate risk profile. The Risk and Compliance Committee of the

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

Board of Directors has approved the formation of key management governance committees that are responsible for evaluating risks and controls. The primary committee responsible for the oversight of risk management is the ERMC. Committees accountable to the ERMC, which support the core risk programs, are the Corporate Credit Committee, the Operational Risk Committee, the Management Compliance Committee, the Asset/Liability Committee and the Enterprise Marketing Committee. Other committees accountable to the ERMC oversee the ALLL, capital and CRA/fair lending functions. In addition, the Legal and Regulatory Reserve Committee, which is accountable to the Operational Risk Committee, reviews and monitors significant legal and regulatory matters to ensure that accruals for potential litigation losses are established when such losses are both probable and subject to reasonable estimation. There are also new products and initiatives processes applicable to every line of business to ensure an appropriate standard readiness assessment is performed before launching a new product or initiative. Significant risk policies approved by the management governance committees are also reviewed and approved by the Risk and Compliance Committee of the Board of Directors.

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

The Bancorp conducts regular reviews of the business it serves based on the changing competitive and regulatory environment. Based on the most recent review, the Bancorp exited the Residential Wholesale Loan Broker business during the first quarter of 2014.

CREDIT RISK MANAGEMENT

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

TABLE 30: Potential Problem Loans and Leases

As of March 31, 2015 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	**$ 1,035**	**1,042**	**1,416**
Commercial mortgage	**228**	**229**	**231**
Commercial construction	**7**	**7**	**10**

Commercial leases	**29**	**29**	**29**
Total	**$ 1,299**	**1,307**	**1,686**

TABLE 31: Potential Problem Loans and Leases

As of December 31, 2014 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	$ 1,022	1,028	1,344
Commercial mortgage	272	273	273
Commercial construction	7	7	11
Commercial leases	29	29	29
Total	$ 1,330	1,337	1,657

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

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significant validation and testing of the dual risk rating system as a commercial credit risk management tool. The Bancorp is assessing the necessary modifications to the dual risk rating system outputs to develop a U.S. GAAP compliant ALLL model and will make a decision on the use of modified dual risk ratings for purposes of determining the Bancorp s ALLL once the FASB has issued a final standard regarding proposed methodology changes to the determination of credit impairment as outlined in the FASB s Proposed ASU-*Financial Instruments-Credit Losses* (Subtopic 825-15) issued on December 20, 2012. Scoring systems, various analytical tools and portfolio performance monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

Overview

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

Among consumer portfolios, residential mortgage and brokered home equity portfolios exhibited the most stress. As of March 31, 2015, consumer real estate loans originated from 2005 through 2008 represent approximately 24% of the consumer real estate portfolio and approximately 66% of total losses for the first quarter of 2015. Loss rates continue to improve as newer vintages are performing within expectations. With the stabilization of certain real estate markets, the Bancorp began to selectively originate new homebuilder and developer lending and nonowner-occupied commercial lending in the third quarter of 2011. Currently, the level of new commercial real estate fundings is slightly above the amortization and pay-off of the portfolio. The Bancorp continues to aggressively engage in other loss mitigation strategies such as reducing credit commitments, restructuring certain commercial and consumer loans, as well as utilizing commercial and consumer loan workout teams. For commercial and consumer loans owned by the Bancorp, loan modification strategies are developed that are workable for both the borrower and the Bancorp when the borrower displays a willingness to cooperate. These strategies typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. For residential mortgage loans serviced for FHLMC and FNMA, the Bancorp participates in the HAMP and HARP 2.0 programs. For loans refinanced under the HARP 2.0 program, the Bancorp strictly adheres to the underwriting requirements of the program and promptly sells the refinanced loan back to the agencies. Loan restructuring under the HAMP program is performed on behalf of FHLMC or FNMA and the Bancorp does not take possession of these loans during the modification process. Therefore, participation in these programs does not significantly impact the Bancorp s credit quality statistics. The Bancorp participates in trial modifications in conjunction with the HAMP program for loans it services for FHLMC and FNMA. As these trial modifications relate to loans serviced for others, they are not included in the Bancorp s TDRs as they are not assets of the Bancorp. In the event there is a representation and warranty violation on loans sold through the programs, the Bancorp may be required to repurchase the sold loan. As of March 31, 2015, repurchased loans restructured or refinanced under these programs were immaterial to the Bancorp s Condensed Consolidated Financial Statements. Additionally, as of March 31, 2015, $26 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 months ended March 31, 2015 and 2014, the Bancorp recognized $2 million and $5 million, respectively, of noninterest income in mortgage banking net revenue in the Bancorp s Condensed Consolidated Statements of Income related to the sale of loans restructured or refinanced under the HAMP and HARP 2.0 programs.

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

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

Commercial Portfolio

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

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

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

TABLE 32: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of March 31, 2015 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$ 149**	**304**	**1,944**
Commercial mortgage nonowner-occupied loans	**211**	**242**	**2,196**
Total	**$ 360**	**546**	**4,140**

TABLE 33: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

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

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

TABLE 34: Commercial Loan and Lease Portfolio (excluding loans held for sale)

	March 31, 2015			December 31, 2014		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By industry:						
Manufacturing	**$ 10,983**	**20,674**	**54**	$ 10,315	20,496	55
Financial services and insurance	**5,971**	**13,552**	**19**	6,097	13,557	20
Real estate	**5,483**	**8,596**	**40**	5,392	8,612	32
Business services	**4,541**	**7,006**	**68**	4,644	7,109	79
Wholesale trade	**4,541**	**8,174**	**29**	4,314	8,004	62
Healthcare	**4,450**	**6,347**	**19**	4,133	6,322	20
Retail trade	**4,038**	**7,756**	**21**	3,754	7,190	22
Transportation and warehousing	**3,014**	**4,451**		3,012	4,276	1
Communication and information	**2,652**	**4,446**	**3**	2,409	4,140	3
Construction	**1,754**	**3,135**	**20**	1,864	3,352	25
Accommodation and food	**1,751**	**2,895**	**10**	1,712	2,945	9
Mining	**1,725**	**3,212**		1,862	3,323	3
Entertainment and recreation	**1,405**	**2,271**	**9**	1,451	2,321	10
Utilities	**1,012**	**2,555**		1,044	2,551	

Other services	**872**	**1,188**	**14**	881	1,207	11
Public administration	**578**	**687**		567	658	
Agribusiness	**369**	**527**	**8**	318	444	11
Individuals	**190**	**224**	**3**	170	201	4
Other	**20**	**20**	**8**	14	17	
Total	**$ 55,349**	**97,716**	**325**	$ 53,953	96,725	367
By loan size:						
Less than $200,000	**1 %**	**1**	**7**	1 %	1	6
$200,000 to $1 million	**4**	**3**	**17**	5	3	15
$1 million to $5 million	**11**	**9**	**24**	11	9	22
$5 million to $10 million	**8**	**7**	**24**	8	7	19
$10 million to $25 million	**25**	**22**	**28**	25	22	24
Greater than $25 million	**51**	**58**		50	58	14
Total	**100 %**	**100**	**100**	100 %	100	100
By state:						
Ohio	**17 %**	**19**	**14**	17 %	20	11
Michigan	**9**	**7**	**13**	9	8	11
Illinois	**7**	**8**	**7**	7	8	6
Florida	**7**	**6**	**16**	7	6	17
Indiana	**5**	**5**	**6**	5	5	5
North Carolina	**4**	**4**	**1**	3	4	2
Kentucky	**3**	**3**	**3**	3	3	2
Tennessee	**3**	**3**		3	3	
Pennsylvania	**3**	**3**	**3**	3	2	7
All other states	**42**	**42**	**37**	43	41	39
Total	**100 %**	**100**	**100**	100 %	100	100

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

TABLE 35: Nonowner-Occupied Commercial Real Estate[(a)]

As of March 31, 2015 ($ in millions)				**For the three months ended March, 31 2015**	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Recoveries
Ohio	**$ 1,321**	**1,668**		**6**	**(1)**
Michigan	**690**	**745**		**7**	
Florida	**567**	**896**		**15**	
Illinois	**522**	**976**		**6**	
North Carolina	**374**	**533**			
Indiana	**277**	**377**			
All other states	**1,834**	**3,429**		**19**	**(1)**
Total	**$ 5,585**	**8,624**		**53**	**(2)**

TABLE 36: Nonowner-Occupied Commercial Real Estate[(a)]

As of March 31, 2014 ($ in millions)				For the three months ended March 31,2014	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 1,081	1,457		14	1
Michigan	814	906		24	
Florida	516	649		6	
Illinois	438	731		6	
North Carolina	284	459		3	
Indiana	168	266		3	
All other states	1,362	2,372		5	
Total	$ 4,663	6,840		61	1

(a) Included in commercial mortgage and commercial construction loans in the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A.

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Consumer Portfolio

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

Residential Mortgage Portfolio

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

The Bancorp does not originate mortgage loans that permit customers to defer principal payments or make payments that are less than the accruing interest. The Bancorp originates both fixed and adjustable rate residential mortgage loans. Resets of rates on ARMs are not expected to have a material impact on credit costs in the current interest rate environment, as approximately $900 million of adjustable rate residential mortgage loans will have rate resets during the next twelve months. Approximately 90% of these resets are expected to experience an increase in rate, with an average increase of approximately a fifth of a percent.

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

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

TABLE 37: Residential Mortgage Portfolio Loans by LTV at Origination

	March 31, 2015		December 31, 2014	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 80%	**$ 9,349**	**65.2 %**	$ 9,220	65.1 %
LTV > 80%, with mortgage insurance	**1,242**	**93.7**	1,206	93.8
LTV > 80%, no mortgage insurance	**1,978**	**96.1**	1,963	96.2
Total	**$ 12,569**	**73.0 %**	$ 12,389	73.0 %

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

TABLE 38: Residential Mortgage Portfolio Loans, LTV Greater than 80%, No Mortgage Insurance

As of March 31, 2015 ($ in millions)	**For the three months ended March, 31 2015**

By State:	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 503	2	15	2
Illinois	299		1	
Michigan	269	1	2	
Florida	250		4	
Indiana	127	1	2	
North Carolina	101	1	1	
Kentucky	76		1	
All other states	353	1	2	
Total	$ 1,978	6	28	2

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TABLE 39: Residential Mortgage Portfolio Loans, LTV Greater than 80%, No Mortgage Insurance

As of March 31, 2014 ($ in millions)				For the three months ended March 31, 2014
By State:	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 577	2	18	2
Illinois	243	1	5	1
Michigan	307	1	7	1
Florida	258	1	8	1
Indiana	122	1	4	
North Carolina	95		2	
Kentucky	82		2	
All other states	260	1	2	1
Total	$ 1,944	7	48	6

Home Equity Portfolio

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

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

The home equity portfolio is managed in two primary groups: loans outstanding with a combined LTV greater than 80% and those loans with a LTV 80% or less based upon appraisals at origination. The carrying value of the greater than 80% LTV home equity loans and 80% or less LTV home equity loans were $2.9 billion and $5.8 billion, respectively, as of March 31, 2015. Of the total $8.7 billion of outstanding home equity loans:

84% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois;

35% are in senior lien positions and 65% are in junior lien positions at March 31, 2015;

Over 80% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended March 31, 2015; and

The portfolio had an average refreshed FICO score of 739 and 740 at March 31, 2015 and December 31, 2014, respectively.

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

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

TABLE 40: Home Equity Portfolio Loans Outstanding by Refreshed FICO Score

	March 31, 2015		December 31, 2014	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO < 620	**$ 180**	**2 %**	$ 178	2 %
FICO 621-719	**607**	**7**	613	7
FICO > 720	**2,227**	**26**	2,257	25
Total Senior Liens	**3,014**	**35**	3,048	34
Junior Liens:				
FICO < 620	**460**	**5**	471	6
FICO 621-719	**1,522**	**17**	1,542	17
FICO > 720	**3,718**	**43**	3,825	43
Total Junior Liens	**5,700**	**65**	5,838	66
Total	**$ 8,714**	**100 %**	$ 8,886	100 %

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

TABLE 41: Home Equity Portfolio Loans Outstanding by LTV at Origination

	March 31, 2015		December 31, 2014	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
Senior Liens:				
LTV £ 80%	**$ 2,612**	**55.2 %**	$ 2,635	55.2 %
LTV > 80%	**402**	**89.1**	413	89.1
Total Senior Liens	**3,014**	**59.9**	3,048	60.0
Junior Liens:				
LTV £ 80%	**3,223**	**67.5**	3,281	67.4
LTV > 80%	**2,477**	**91.1**	2,557	91.1
Total Junior Liens	**5,700**	**79.5**	5,838	79.6
Total	**$ 8,714**	**72.2 %**	$ 8,886	72.4 %

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

TABLE 42: Home Equity Portfolio Loans Outstanding with a LTV Greater than 80%

As of March 31, 2015 ($ in millions)					**For the three months ended March 31, 2015**
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	**$ 1,104**	**1,829**		**9**	**2**
Michigan	**590**	**859**		**7**	**1**
Illinois	**335**	**497**		**5**	**2**
Indiana	**248**	**392**		**4**	**1**
Kentucky	**235**	**379**		**2**	**1**
Florida	**104**	**140**		**3**	
All other states	**263**	**364**		**5**	**1**
Total	**$ 2,879**	**4,460**		**35**	**8**

TABLE 43: Home Equity Portfolio Loans Outstanding with a LTV Greater than 80%

As of March 31, 2014 ($ in millions)					For the three months ended March, 31 2014
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 1,146	1,863		9	2
Michigan	677				