FIFTH THIRD BANCORP
Form 10-Q
August 05, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2016

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 766,374,461 shares of the Registrant s common stock, without par value, outstanding as of July 31, 2016.

Table of Contents

FINANCIAL CONTENTS

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, potential, e forecast, projected, intends to, or may include other similar words or phrases such as believes, plans, trend, continue, remain, or similar expressions, or future or conditional verbs such as will, would, should, could, or similar verbs. You should not place undue 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 as updated by our Quarterly Reports on Form 10-Q. 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 or real estate market conditions, either nationally or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, weaken or 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 (22) difficulties in separating the operations of any branches or other assets divested; (23) inability to achieve expected benefits from branch consolidations and planned sales within desired timeframes, if at all; (24) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; and (25) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.

Table of Contents

Glossary of Abbreviations and Acronyms

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

ASF: Available Stable Funding

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: Consumer Financial Protection Bureau

C&I: Commercial and Industrial

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

MSA: Metro Statistical Area

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

DCF: Discounted Cash Flow

DFA: Dodd-Frank Wall Street Reform & Consumer Protection Act

DIF: Deposit Insurance Fund

DTCC: Depository Trust & Clearing Corporation

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FFIEC: Federal Financial Institutions Examination Council

FHA: Federal Housing Administration

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FINRA: Financial Industry Regulatory Authority

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: United States Government Sponsored Enterprise

NM: Not Meaningful

NSFR: Net Stable Funding Ratio

OAS: Option-Adjusted Spread

OCI: Other Comprehensive Income (Loss)

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PCA: Prompt Corrective Action

PMI: Private Mortgage Insurance

RSF: Required Stable Funding

SARs: Stock Appreciation Rights

SBA: Small Business Administration

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TILA: Truth in Lending Act

TRA: Tax Receivable Agreement

TruPS: Trust Preferred Securities

U.S.: United States of America

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

VA: United States Department of Veteran Affairs

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

2

Table of Contents

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

The following is Management s Discussion and Analysis of Financial Condition and Results of Operations 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 June 30, **2016**	2015	% Change	For the six months ended June 30, **2016**	2015	% Change
Income Statement Data						
Net interest income (U.S. GAAP)	$ **902**	887	2	$ **1,805**	1,734	4
Net interest income (FTE)[(a)(b)]	**908**	892	2	**1,817**	1,744	4
Noninterest income	**599**	556	8	**1,235**	1,187	4
Total revenue[(a)]	**1,507**	1,448	4	**3,052**	2,931	4
Provision for loan and lease losses	**91**	79	15	**210**	148	42
Noninterest expense	**983**	947	4	**1,968**	1,871	5
Net income attributable to Bancorp	**333**	315	6	**660**	676	(2)
Net income available to common shareholders	**310**	292	6	**622**	638	(3)
Common Share Data						
Earnings per share basic	$ **0.40**	0.36	11	$ **0.80**	0.78	3
Earnings per share diluted	**0.40**	0.36	11	**0.80**	0.77	4
Cash dividends declared per common share	**0.13**	0.13	-	**0.26**	0.26	-
Book value per share	**20.09**	17.62	14	**20.09**	17.62	14
Market value per share	**17.59**	20.82	(16)	**17.59**	20.82	(16)
Financial Ratios						
Return on average assets	**0.94** %	0.90	4	**0.93** %	0.98	(5)
Return on average common equity	**8.2**	8.1	1	**8.3**	8.9	(7)
Return on average tangible common equity[(b)]	**9.7**	9.7	-	**9.8**	10.7	(8)
Dividend payout ratio	**32.5**	36.1	(10)	**32.5**	33.3	(2)
Average total Bancorp shareholders equity as a percent of average assets	**11.60**	11.32	2	**11.59**	11.41	2
Tangible common equity as a percent of tangible assets[(b)(h)]	**8.64**	8.33	4	**8.64**	8.33	4
Net interest margin[(a)]	**2.88**	2.90	(1)	**2.89**	2.88	-

Efficiency[a]	**65.3**	65.4	-	**64.5**	63.8	1
Credit Quality						
Net losses charged-off	$ **87**	86	1	$ **183**	177	3
Net losses charged-off as a percent of average portfolio loans and leases	**0.37** %	0.37	-	**0.39** %	0.39	-
ALLL as a percent of portfolio loans and leases	**1.38**	1.39	(1)	**1.38**	1.39	(1)
Allowance for credit losses as a percent of portfolio loans and leases[c]	**1.54**	1.54	-	**1.54**	1.54	-
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO	**0.86**	0.67	28	**0.86**	0.67	28
Average Balances						
Loans and leases, including held for sale	$ **94,807**	92,739	2	$ **94,443**	92,202	2
Total securities and other short-term investments	**32,040**	30,563	5	**31,808**	29,805	7
Total assets	**142,920**	139,960	2	**142,251**	138,795	2
Transaction deposits[d]	**94,929**	96,460	(2)	**94,806**	95,322	(1)
Core deposits[e]	**98,973**	100,534	(2)	**98,845**	99,370	(1)
Wholesale funding[f]	**23,084**	18,330	26	**22,509**	18,599	21
Bancorp shareholders equity	**16,584**	15,841	5	**16,479**	15,831	4
Regulatory Capital Ratios			**Basel III Transitional**[g]			
CET1 capital	**9.94** %	9.42[i]	6	**9.94** %	9.42[i]	6
Tier I risk-based capital	**11.03**	10.51[i]	5	**11.03**	10.51[i]	5
Total risk-based capital	**14.66**	13.69[i]	7	**14.66**	13.69[i]	7
Tier I leverage	**9.64**	9.44[i]	2	**9.64**	9.44[i]	2
			Basel III Fully Phased-In			
CET1 capital[b][g]	**9.86**	9.31[i]	6	**9.86**	9.31[i]	6

*(a) Amounts presented on an FTE basis. The FTE adjustment for the three months ended **June 30, 2016** and 2015 was **$6** and $5, respectively, and for the six months ended **June 30, 2016** and 2015 was **$12** and $10, respectively.*

(b) These are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.

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

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

(e) Includes transaction deposits and other time deposits.

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

(g) Under the U.S. 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 in the Bancorp s total risk-weighted assets.

(h) Excludes unrealized gains and losses.

(i) Ratios not restated for the adoption of the amended guidance of ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs. Refer to Note 3 of the Notes to Condensed Consolidated Financial Statements for further information.

3

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At June 30, 2016, the Bancorp had $143.6 billion in assets and operated 1,191 full-service banking centers, including 94 Bank Mart® locations, open seven days a week, inside select grocery stores, and 2,514 ATMs in ten 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 Wealth and Asset Management. The Bancorp also has an approximate 18% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $390 million at June 30, 2016.

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, 2015. 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 the Condensed Consolidated Financial Statements.

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

The Bancorp s revenues are dependent on both net interest income and noninterest income. For both the three and six months ended June 30, 2016, net interest income on an FTE basis and noninterest income provided 60% and 40% 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 Condensed Consolidated Financial Statements for both the three and six months ended June 30, 2016. 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 of MD&A, 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 loss on its loan and lease portfolio, as a result of changing expected cash flows caused by borrower credit events, such as, loan defaults and inadequate collateral due to a weakened economy within the Bancorp s footprint.

Noninterest income is derived from service charges on deposits, corporate banking revenue, wealth and asset management revenue, card and processing revenue, mortgage banking net revenue, securities gains, net and other noninterest income. Noninterest expense includes personnel costs, net occupancy expense, technology and communication costs, card and processing expense, equipment expense and other noninterest expense.

Branch Consolidation and Sales Plan

The Bancorp monitors changing customer preferences associated with the channels it uses for banking transactions to evaluate the efficiency, competitiveness and quality of the customer service experience in its consumer distribution network. As part of this ongoing assessment, the Bancorp may determine that it is no longer fully committed to maintaining full-service branches at certain of its existing banking center locations. Similarly, the Bancorp may also determine that it is no longer fully committed to building banking centers on certain parcels of land which had previously been held for future branch expansion. On June 16, 2015, the Bancorp s Board of Directors authorized management to pursue a plan to further develop its distribution strategy, including a plan to consolidate and/or sell certain operating branch locations and certain parcels of undeveloped land that had been acquired by the Bancorp for future branch expansion (the Branch Consolidation and Sales Plan). The Bancorp expects to receive approximately $60 million in annual savings from operating expenses upon completion of the Branch Consolidation and Sales Plan. For more information on the Branch Consolidation and Sales Plan, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements.

On September 3, 2015, the Bancorp announced the decision to enter into an agreement to sell branch banking locations, retail accounts, certain private banking deposits and related loan relationships in the Pittsburgh MSA to First National Bank of Pennsylvania. On September 30, 2015, the Bancorp announced the decision to enter into an agreement to sell its retail operations, including retail accounts, certain private banking deposits and related loan relationships in the St. Louis MSA to Great Southern Bank. Both transactions were part of the Branch Consolidation and Sales Plan.

On January 29, 2016, the Bancorp closed the previously announced sale in the St. Louis MSA to Great Southern Bank. The sale included loans, premises and equipment and deposits with aggregate carrying amounts of $158 million, $18 million and $228 million, respectively.

The Bancorp recorded a gain on the sale of $8 million which was recorded in other noninterest income in the Condensed Consolidated Statements of Income.

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

On April 22, 2016, the Bancorp closed the previously announced sale in the Pittsburgh MSA to First National Bank of Pennsylvania. The sale included loans, premises and equipment and deposits with aggregate carrying values of approximately $99 million, $16 million and $302 million, respectively. The Bancorp recorded a gain on the sale of $11 million which was recorded in other noninterest income in the Condensed Consolidated Statements of Income.

Pursuant to the Branch Consolidation and Sales Plan, as of June 30, 2016, the Bancorp intended to consolidate and/or sell 27 operating branch locations and to sell an additional 20 parcels of undeveloped land that had been acquired by the Bancorp for future branch expansion. These operating branches and parcels of undeveloped land represent $20 million and $9 million of land and improvements and buildings, respectively, included in bank premises and equipment in the Condensed Consolidated Balance Sheets and were classified as held for sale as of June 30, 2016.

Accelerated Share Repurchase Transactions

During the six months ended June 30, 2016, the Bancorp entered into or settled 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 14 of the Notes to Condensed Consolidated Financial Statements. For a summary of the Bancorp s accelerated share repurchase transactions that were entered into or settled during the six months ended June 30, 2016, 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
December 14, 2015	$	215	9,248,482	1,782,477	11,030,959	January 14, 2016
March 4, 2016		240	12,623,762	1,868,379	14,492,141	April 11, 2016

For further information on a subsequent event related to capital actions, refer to Note 22 of the Notes to Condensed Consolidated Financial Statements.

Open Market Share Repurchase Transactions

Between June 17, 2016 and June 20, 2016, the Bancorp repurchased 1,436,100 shares, or approximately $26 million, of its outstanding common stock through open market repurchase transactions.

Senior and Subordinated Notes Offerings

On March 15, 2016, the Bank issued and sold $1.5 billion in aggregate principal amount of unsecured bank notes. The bank notes consisted of $750 million of 2.30% senior fixed-rate notes, with a maturity of three years, due on March 15, 2019; and $750 million of 3.85% subordinated fixed-rate notes, with a maturity of ten years, due on March 15, 2026. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On June 14, 2016, the Bank issued and sold $1.3 billion of 2.25% unsecured senior fixed-rate notes, with a maturity of five years, due on June 14, 2021. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

Legislative and Regulatory Developments

During the first quarter of 2016, the FDIC issued a final rule implementing a 4.5 bps surcharge on the quarterly FDIC insurance assessments of insured depository institutions with total consolidated assets of $10 billion or more. The surcharge will take effect at the same time the FDIC is required to lower the regular FDIC insurance assessments by approximately 2 bps under a rule adopted by the FDIC in 2011 which is triggered by the DIF reserve ratio reaching 1.15% of insured deposits. The surcharge will take effect on July 1, 2016 if the DIF reserve ratio reaches 1.15% before July 1, 2016; otherwise it will begin the first day of the calendar quarter after the reserve ratio reaches 1.15%. Surcharges will continue through the quarter that the reserve ratio first reaches or exceeds 1.35% of insured deposits, but not later than December 31, 2018. If the reserve ratio does not reach 1.35% by December 31, 2018, the FDIC will impose a shortfall assessment on March 31, 2019, on insured depository institutions with total consolidated assets of $10 billion or more. The FDIC has announced they expect that surcharges will commence in the second half of 2016 and that they should be sufficient to raise the DIF reserve ratio to 1.35% in approximately eight quarters. Fifth Third estimates the announced changes to the FDIC assessments will result in a net increase in its FDIC insurance expense of approximately $23 million on an annual basis.

The FRB launched the 2016 stress testing program and CCAR on January 28, 2016, with submissions of stress test results and capital plans to the FRB due on April 5, 2016, which the Bancorp submitted as required.

On June 29, 2016, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2016 CCAR. For BHCs that proposed capital distributions in their plans, the FRB either objected to the plan or provided a non-objection whereby the FRB permitted the proposed capital distributions.

Table of Contents

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

The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning July 1, 2016 and ending June 30, 2017:

- The potential increase in the quarterly common stock dividend to $0.14 in the fourth quarter of 2016;
- The potential repurchase of common shares in an amount up to $660 million, which includes $84 million in repurchases related to share issuances under employee benefit plans;
- The additional ability to repurchase shares in the amount of any realized after-tax gains from the sale of Vantiv, Inc. common stock, if executed;
- The additional ability to repurchase shares in the amount of any realized after-tax gains from the termination and settlement of any portion of the TRA with Vantiv, Inc., if executed.

For more information on the 2016 CCAR results refer to the Capital Management subsection of the Risk 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. Fifth Third s deposit advance product is designed to fully comply with the applicable federal and state laws and use of this product is subject to strict eligibility requirements and advance restriction guidelines to limit dependency on this product as a borrowing source. The Bancorp s deposit advance balances are included in other consumer loans and leases in the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A and in Table 8 in the Statements of Income Analysis section of MD&A. On January 17, 2014, given developments in industry practice, Fifth Third announced that it would no longer enroll new customers in its deposit advance product and expected to phase out the service to existing customers by the end of 2014. To avoid a disruption to its existing customers during the extension period while the banking industry awaits further regulatory guidance on the deposit advance product, on November 3, 2014, Fifth Third announced changes to its current deposit advance product for existing customers beginning January 1, 2015, including a lower transaction fee, an extended repayment period and a reduced maximum advance period. On June 2, 2016, the CFPB issued proposed rules to create additional consumer protections for certain consumer credit products such as payday loans, vehicle title loans and certain high-cost installment loans. Fifth Third is continuing to offer the service to existing deposit advance product customers and will address how best to meet customers need for a small dollar, short-term credit product when the rules are finalized.

In December 2013, the U.S. banking agencies issued final rules to implement section 619 of the DFA, known as the Volcker Rule, which places limitations on banking organizations ability to (i) engage in short-term proprietary trading and (ii) own, sponsor or have certain relationships with certain private equity funds, hedge funds, and other private funds (collectively covered funds). On July 7, 2016, the FRB announced a third extension of the conformance period, providing the industry until July 21, 2017, to conform investments in and relationships with covered funds that were in place prior to December 31, 2013. The extension does not apply to investments in and relationships with a covered fund made after December 31, 2013 or to short-term proprietary trading activities. The Volcker Rule prohibits banking organizations 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 banking organizations from owning, sponsoring or having certain relationships with covered funds, as well as holding certain collateralized loan obligations that are deemed to contain ownership interests. The Volcker Rule provides several exclusions and exemptions for certain activities, such as underwriting, market making, hedging, trading in certain government obligations and organizing and offering a private fund. Fifth Third does not sponsor any private funds that, under the Volcker Rule, it is prohibited from sponsoring. At June 30, 2016, the Bancorp had approximately $164 million in interests and approximately $29 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 dispose of these investments, however no formal plan to sell has been approved as of June 30, 2016.

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 became effective January 1, 2016 and requires BHCs to calculate its LCR on a monthly basis. Refer to the Liquidity Risk Management subsection of the Risk Management section of MD&A for further discussion on these ratios.

The FRB conducted a regularly scheduled examination covering 2011 through 2013 to determine the Bancorp s banking subsidiary s compliance with the CRA. This CRA examination resulted in a rating of Needs to Improve . The Bank believes that the Needs to Improve rating reflects legacy issues that have been remediated during the intervening three years. While the Bank s CRA rating is Needs to Improve the Bancorp and the Bank face limitations and conditions on certain activities, including the commencement of new activities and merger with or acquisitions of other financial institutions. The Bank s next CRA examination is expected to commence during the fourth quarter of 2016.

Earnings Summary

The Bancorp s net income available to common shareholders for the second quarter of 2016 was $310 million, or $0.40 per diluted share, which was net of $23 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the second quarter of 2015 was $292 million, or $0.36 per diluted share, which was net of $23 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the six months ended June 30, 2016 was $622 million, or $0.80 per diluted share, which was net of $38 million in preferred stock dividends. For the six months ended June 30, 2015, the Bancorp s net income available to common shareholders was $638 million, or $0.77 per diluted share, which was net of $38 million in preferred stock dividends. Pre-provision net revenue was $518 million and $1.1 billion for the three and six months ended June 30, 2016, respectively, compared to $496 million and $1.1 billion for the same periods in 2015. Pre-provision net revenue is a non-GAAP measure. For further information, refer to the Non-GAAP Financial Measures section of MD&A.

Table of Contents

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

Net interest income on an FTE basis was $908 million and $1.8 billion for the three and six months ended June 30, 2016, respectively, an increase of $16 million and $73 million compared to the same periods in the prior year. Net interest income was positively impacted by increases in average taxable securities and average loans and leases. Additionally, net interest income was positively impacted by the decision of the Federal Open Market Committee in December 2015 to raise the target range of the federal funds rate 25 bps. These positive impacts were partially offset by increases in average long-term debt coupled with decreases in the net interest rate spread. Net interest margin on an FTE basis was 2.88% and 2.89% for the three and six months ended June 30, 2016, respectively, compared to 2.90% and 2.88%, respectively, for the same periods in the prior year.

Noninterest income increased $43 million for the three months ended June 30, 2016 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. Noninterest income increased $48 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily due to increases in other noninterest income and corporate banking revenue partially offset by a decrease in mortgage banking net revenue. Other noninterest income increased $79 million and $50 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods included the impact of impairment charges on bank premises and equipment that were recognized during the three and six months ended June 30, 2015. The three and six months ended June 30, 2016 also included the impact of gains on the sale of certain branches as part of the previously announced Branch Consolidation and Sales Plan and the gain on the sale of the agent bankcard loan portfolio partially offset with $50 million of negative valuation adjustments related to the Visa total return swap. Additionally, the increase in other noninterest income for the six months ended June 30, 2016 was partially offset by the impact of a gain on the sale of residential mortgage loans classified as TDRs during the first quarter of 2015.

Mortgage banking net revenue decreased $42 million and $49 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to decreases in net mortgage servicing revenue partially offset by increases in origination fees and gains on loan sales. Corporate banking revenue increased $43 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily driven by increases in lease remarketing fees and syndication fees partially offset by decreases in business lending fees and foreign exchange fees.

Noninterest expense increased $36 million and $97 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to increases in personnel costs (salaries, wages and incentives plus employee benefits) and other noninterest expense. Personnel costs increased $31 million and $67 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was driven by increased base compensation, primarily due to personnel additions in risk and compliance and information technology, and increased long term incentive compensation due to retirement eligibility changes. The increase for the six months ended was also driven by higher retirement and severance costs related to the Bancorp s voluntary early retirement program. Other noninterest expense increased $9 million for the three months ended June 30, 2016 compared to the same period in the prior year primarily due to increases in impairment on affordable housing investments, losses and adjustments and the provision for the reserve for unfunded commitments partially offset by a decrease in loan and lease expense. Other noninterest expense increased $36 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily due to increases in FDIC insurance and other taxes, the provision for the reserve for unfunded commitments, losses and adjustments and impairment on affordable housing investments partially offset by decreases in loan and lease expense and donations expense.

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

Credit Summary

The provision for loan and lease losses was $91 million and $210 million for the three and six months ended June 30, 2016, respectively, compared to $79 million and $148 million for the same periods in 2015. Net losses charged-off as a percent of average portfolio loans and leases were 0.37% and 0.39% for both the three and six months ended June 30, 2016 and 2015, respectively. At June 30, 2016, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO increased to 0.86% compared to 0.70% at December 31, 2015. For further discussion on credit quality refer to the Credit Risk Management subsection of the Risk Management section of MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the PCA requirements of the U.S. banking agencies. As of June 30, 2016, as calculated under the Basel III transition provisions, the CET1 capital ratio was 9.94%, the Tier I risk-based capital ratio was 11.03%, the Total risk-based capital ratio was 14.66% and the Tier I leverage ratio was 9.64%.

Table of Contents

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 Condensed Consolidated Financial Statements but should be supplemental to primary U.S. GAAP measures.

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 following table reconciles the non-GAAP financial measure of net interest income on an FTE basis and the efficiency ratio to U.S. GAAP:

TABLE 3: Non-GAAP Financial Measures - Net Interest Income on an FTE Basis and Efficiency Ratio

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Net interest income (U.S. GAAP)	**$ 902**	887	**1,805**	1,734
Add: FTE adjustment	**6**	5	**12**	10
Net interest income on an FTE basis (1)	**$ 908**	892	**1,817**	1,744
Noninterest income (2)	**$ 599**	556	**1,235**	1,187
Noninterest expense (3)	**983**	947	**1,968**	1,871
Efficiency ratio (3) / (1) + (2)	**65.3 %**	65.4	**64.5**	63.8

The following table reconciles the non-GAAP financial measure of income before income taxes on an FTE basis to U.S. GAAP:

TABLE 4: Non-GAAP Financial Measures - Income Before Income Taxes on an FTE Basis

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Income before income taxes (U.S. GAAP)	**$ 427**	417	**862**	902
Add: FTE adjustment	**6**	5	**12**	10

Income before income taxes on an FTE basis	$ **433**	422	**874**	912

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:

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Net interest income (U.S. GAAP)	$ **902**	887	**1,805**	1,734
Add: Noninterest income	**599**	556	**1,235**	1,187
Less: Noninterest expense	**(983)**	(947)	**(1,968)**	(1,871)
Pre-provision net revenue	$ **518**	496	**1,072**	1,050

8

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

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. This measure is useful for evaluating the performance of a business as it calculates the return available to common shareholders without the impact of intangible assets and their related amortization.

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

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Net income available to common shareholders (U.S. GAAP)	**$ 310**	292	**622**	638
Add: Intangible amortization, net of tax	**-**	-	**1**	1
Tangible net income available to common shareholders	**$ 310**	292	**623**	639
Tangible net income available to common shareholders (annualized) (1)	**1,247**	1,171	**1,246**	1,278
Average Bancorp shareholders equity (U.S. GAAP)	**$ 16,584**	15,841	**16,479**	15,831
Less: Average preferred stock	**(1,331)**	(1,331)	**(1,331)**	(1,331)
Average goodwill	**(2,416)**	(2,416)	**(2,416)**	(2,416)
Average intangible assets and other servicing rights	**(11)**	(15)	**(12)**	(15)
Average tangible common equity (2)	**$ 12,826**	12,079	**12,720**	12,069
Return on average tangible common equity (1) / (2)	**9.7 %**	9.7	**9.8**	10.6

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 the U.S. banking agencies. These calculations are intended to complement the capital ratios defined by the U.S. banking agencies 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 which defined various regulatory capital ratios including the CET1 ratio. 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. The Bancorp considers the fully phased-in CET1 ratio a non-GAAP measure since it is not the CET1 ratio in effect for the periods presented. Since analysts and the U.S. banking agencies 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.

Table of Contents

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 7: Non-GAAP Financial Measures - Capital Ratios

As of ($ in millions)		June 30, 2016	December 31, 2015	
Total Bancorp Shareholders Equity (U.S. GAAP)	$	**16,726**	15,839	
Less: Preferred stock		**(1,331)**	(1,331)	
Goodwill		**(2,416)**	(2,416)	
Intangible assets and other servicing rights		**(11)**	(13)	
Tangible common equity, including unrealized gains / losses		**12,968**	12,079	
Less: AOCI		**(889)**	(197)	
Tangible common equity, excluding unrealized gains / losses (1)		**12,079**	11,882	
Add: Preferred stock		**1,331**	1,331	
Tangible equity (2)	$	**13,410**	13,213	
Total Assets (U.S. GAAP)	$	**143,625**	141,048	
Less: Goodwill		**(2,416)**	(2,416)	
Intangible assets and other servicing rights		**(11)**	(13)	
AOCI, before tax		**(1,368)**	(303)	
Tangible assets, excluding unrealized gains / losses (3)	$	**139,830**	138,316	
Ratios:				
Tangible equity as a percentage of tangible assets (2) / (3)[d]		**9.59 %**	9.55	
Tangible common equity as a percentage of tangible assets (1) / (3)[d]		**8.64**	8.59	
Basel III Final Rule - Transition to Fully Phased-In				
CET1 capital (transitional)	$	**12,112**	11,917	
Less: Adjustments to CET1 capital from transitional to fully phased-in[a]		**(4)**	(8)	
CET1 capital (fully phased-in) (4)		**12,108**	11,909	
Risk-weighted assets (transitional)[b]		**121,824**	121,290	(e)
Add: Adjustments to risk-weighted assets from transitional to fully phased-in[c]		**932**	1,178	
Risk-weighted assets (fully phased-in) (5)	$	**122,756**	122,468	(e)
CET1 capital ratio under Basel III Final Rule (fully phased-in) (4) / (5)		**9.86 %**	9.72	(e)

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

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

(c) Primarily relates to higher risk weighting for MSRs.
(d) Excludes unrealized gains and losses.
(e) Balances not restated for the adoption of the amended guidance of ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs. Refer to Note 3 of the Notes to Condensed Consolidated Financial Statements for further information.

Table of Contents

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 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 the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2015. No material changes were made to the valuation techniques or models during the six months ended June 30, 2016.

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

Tables 8 and 9 present the components of net interest income, net interest margin and net interest rate spread for the three and six months ended June 30, 2016 and 2015, 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 and other securities included in other assets.

Net interest income on an FTE basis was $908 million and $1.8 billion for the three and six months ended June 30, 2016, respectively, an increase of $16 million and $73 million compared to the same periods in the prior year. Net interest income was positively impacted by increases in average taxable securities of $2.7 billion and $4.6 billion for the three and six months ended June 30, 2016, respectively, and increases in average loans and leases of $2.1 billion and $2.2 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. Additionally, net interest income was positively impacted by the decision of the Federal Open Market Committee in December 2015 to raise the target range of the federal funds rate 25 bps. These positive impacts were partially offset by increases in average long-term debt of $1.6 billion and $1.1 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year coupled with decreases in the net interest rate spread to 2.67% and 2.68% during the three and six months ended June 30, 2016, respectively, from 2.72% and 2.70% in the same periods in the prior year. These decreases in the net interest rate spread were due to an 11 bps and 8 bps increase in the rates paid on average interest-bearing liabilities for the three and six months ended June 30, 2016, respectively, partially offset by a 6 bps increase in yields on average interest-earning assets for both the three and six months ended June 30, 2016 compared to the same periods in the prior year.

Net interest margin on an FTE basis was 2.88% and 2.89% for the three and six months ended June 30, 2016, respectively, compared to 2.90% and 2.88% for the three and six months ended June 30, 2015, respectively. The decrease from the three months ended June 30, 2015 was driven primarily by the aforementioned decrease in net interest rate spread coupled with an increase of $3.5 billion in average interest-earning assets partially offset by an increase in average free funding balances for the three months ended June 30, 2016. The increase for the six months ended June 30, 2016 was driven primarily by an increase in average free funding balances compared to the same period in the prior year partially offset by an increase of $4.2 billion in average interest-earning assets as well as the aforementioned decrease in net interest rate spread. The increase in average free funding balances for both periods was driven by an increase in average demand deposits of $528 million and $981 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year as well as an increase in average shareholders equity of $735 million and $641 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year.

Interest income on an FTE basis from loans and leases increased $27 million and $55 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increases were primarily due to increases in average loans and leases of $2.1 billion and $2.2 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year driven primarily by increases in average commercial and industrial loans, average commercial construction loans and average residential mortgage loans partially offset by decreases in average home equity and average automobile loans. Yields on average loans and leases increased 4 bps and 3 bps for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily driven by an increase in yields on average commercial and industrial loans and average commercial construction loans. 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 $17 million and $59 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily as a result of the aforementioned increases in average taxable securities.

Interest expense on core deposits increased $3 million and $1 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. These increases were primarily due to increases in the cost of average interest-bearing core deposits to 26 bps for both the three and six months ended June 30, 2016 from 24 bps and 25 bps for the three and six months ended June 30, 2015, respectively. The increase in the cost of average interest-bearing core deposits for both periods was primarily due to increases in the cost of average interest checking deposits. Refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s deposits.

Interest expense on average wholesale funding increased $25 million and $40 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increases for the three and six months ended June 30, 2016 were primarily due to increases of 32 bps and 25 bps, respectively, in the rates paid on average long-term debt coupled with the aforementioned increases in average long-term debt. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During the three and six months ended June 30, 2016, average wholesale funding represented 27% and 26%, respectively, of average interest-bearing liabilities compared to 22% during both the three and six months ended June 30, 2015. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, refer to the Market Risk Management section of MD&A.

Table of Contents

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

TABLE 8: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE Basis

For the three months ended	**June 30, 2016**			June 30, 2015			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	**$ 43,878**	**354**	**3.25 %**	$ 42,554	334	3.14 %	$ 9	11	20
Commercial mortgage loans	**6,835**	**55**	**3.28**	7,149	57	3.22	(3)	1	(2)
Commercial construction loans	**3,551**	**30**	**3.36**	2,549	20	3.17	9	1	10
Commercial leases	**3,904**	**27**	**2.71**	3,776	27	2.83	1	(1)	-
Total commercial loans and leases	**58,168**	**466**	**3.22**	56,028	438	3.13	16	12	28
Residential mortgage loans	**14,842**	**132**	**3.57**	13,375	123	3.69	13	(4)	9
Home equity	**8,059**	**76**	**3.81**	8,655	79	3.66	(6)	3	(3)
Automobile loans	**10,887**	**73**	**2.68**	11,902	79	2.65	(7)	1	(6)
Credit card	**2,198**	**57**	**10.47**	2,296	59	10.33	(3)	1	(2)
Other consumer loans and leases	**653**	**10**	**6.36**	483	9	8.49	4	(3)	1
Total consumer loans and leases	**36,639**	**348**	**3.82**	36,711	349	3.82	1	(2)	(1)
Total loans and leases	**$ 94,807**	**814**	**3.45 %**	$ 92,739	787	3.41 %	$ 17	10	27
Securities:									
Taxable	**30,002**	**235**	**3.16**	27,344	218	3.20	20	(3)	17
Exempt from income taxes[(b)]	**85**	**1**	**4.09**	59	1	4.82	-	-	-
Other short-term investments	**1,953**	**2**	**0.43**	3,160	2	0.25	(1)	1	-
Total interest-earning assets	**$ 126,847**	**1,052**	**3.34 %**	$ 123,302	1,008	3.28 %	$ 36	8	44
Cash and due from banks	**2,228**			2,636					
Other assets	**15,140**			15,322					
	(1,295)			(1,300)					

Allowance for loan and lease losses									
Total assets	**$ 142,920**			$ 139,960					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 24,714**	**14**	**0.22 %**	$ 26,894	12	0.19 %	$ -	2	2
Savings deposits	**14,576**	**2**	**0.05**	15,156	3	0.05	(1)	-	(1)
Money market deposits	**19,243**	**13**	**0.26**	18,071	10	0.23	2	1	3
Foreign office deposits	**484**	**-**	**0.15**	955	-	0.14	-	-	-
Other time deposits	**4,044**	**12**	**1.24**	4,074	13	1.24	(1)	-	(1)
Total interest-bearing core deposits	**63,061**	**41**	**0.26**	65,150	38	0.24	-	3	3
Certificates $100,000 and over	**2,819**	**9**	**1.29**	2,558	8	1.24	1	-	1
Other deposits	**467**	**-**	**0.40**	-	-	-	-	-	-
Federal funds purchased	**693**	**1**	**0.39**	326	-	0.12	1	-	1
Other short-term borrowings	**3,754**	**3**	**0.36**	1,705	1	0.12	-	2	2
Long-term debt	**15,351**	**90**	**2.36**	13,741	69	2.04	10	11	21
Total interest-bearing liabilities	**$ 86,145**	**144**	**0.67 %**	$ 83,480	116	0.56 %	$ 12	16	28
Demand deposits	**35,912**			35,384					
Other liabilities	**4,247**			5,215					
Total liabilities	**$ 126,304**			$ 124,079					
Total equity	**$ 16,616**			$ 15,881					
Total liabilities and equity	**$ 142,920**			$ 139,960					
Net interest income (FTE)		**$ 908**			$ 892		$ 24	(8)	16
Net interest margin (FTE)			**2.88 %**			2.90 %			
Net interest rate spread (FTE)			**2.67**			2.72			
Interest-bearing liabilities to interest-earning assets			**67.91**			67.70			

(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 **$6** and $5 for the three months ended **June 30, 2016** and 2015, respectively.*

13

Table of Contents

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

TABLE 9: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE basis

or the six months ended	**June 30, 2016**			June 30, 2015			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
ssets:									
nterest-earning assets:									
oans and leases:[(b)]									
Commercial and industrial loans	**$ 43,503**	**701**	**3.24 %**	$ 42,011	656	3.15 %	$ 26	19	45
Commercial mortgage loans	**6,871**	**112**	**3.28**	7,198	116	3.25	(5)	1	(4
Commercial construction loans	**3,424**	**57**	**3.37**	2,375	38	3.20	17	2	19
Commercial leases	**3,889**	**53**	**2.74**	3,746	53	2.87	2	(2)	-
otal commercial loans and leases	**57,687**	**923**	**3.22**	55,330	863	3.15	40	20	60
Residential mortgage loans	**14,623**	**262**	**3.60**	13,444	250	3.76	23	(11)	12
Home equity	**8,150**	**154**	**3.80**	8,728	158	3.66	(10)	6	(4
Automobile loans	**11,086**	**147**	**2.66**	11,918	158	2.67	(11)	-	(11
Credit card	**2,238**	**118**	**10.56**	2,308	118	10.28	(3)	3	-
Other consumer loans and leases	**659**	**21**	**6.31**	474	23	9.61	7	(9)	(2
otal consumer loans and leases	**36,756**	**702**	**3.83**	36,872	707	3.86	6	(11)	(5
otal loans and leases	**$ 94,443**	**1,625**	**3.46 %**	$ 92,202	1,570	3.43 %	$ 46	9	55
ecurities:									
Taxable	**29,811**	**467**	**3.15**	25,235	406	3.25	73	(12)	61
Exempt from income taxes[(b)]	**82**	**1**	**4.20**	59	1	5.03	-	-	-
ther short-term investments	**1,915**	**4**	**0.42**	4,511	6	0.25	(5)	3	(2
otal interest-earning assets	**$ 126,251**	**2,097**	**3.34 %**	$ 122,007	1,983	3.28 %	$ 114	-	114
Cash and due from banks	**2,282**			2,733					
Other assets	**15,002**			15,366					
Allowance for loan and lease losses	**(1,284)**			(1,311)					
otal assets	**$ 142,251**			$ 138,795					
iabilities and Equity:									
nterest-bearing liabilities:									
Interest checking deposits	**$ 25,227**	**28**	**0.23 %**	$ 26,889	26	0.20 %	$ (2)	4	2
Savings deposits	**14,589**	**4**	**0.05**	15,165	5	0.06	-	(1)	(1
Money market deposits	**18,949**	**24**	**0.25**	17,784	24	0.28	2	(2)	-
Foreign office deposits	**484**	**-**	**0.15**	908	1	0.17	(1)	-	(1
Other time deposits	**4,039**	**25**	**1.23**	4,048	24	1.20	-	1	1
otal interest-bearing core deposits	**63,288**	**81**	**0.26**	64,794	80	0.25	(1)	2	1

Certificates $100,000 and over	**2,817**	**18**	**1.29**	2,620	16	1.20	1	1	2
Other deposits	**234**	**-**	**0.40**	-	-	-	-	-	-
Federal funds purchased	**651**	**1**	**0.37**	249	-	0.11	-	1	1
Other short-term borrowings	**3,659**	**7**	**0.37**	1,654	1	0.11	2	4	6
Long-term debt	**15,148**	**173**	**2.29**	14,076	142	2.04	12	19	31
otal interest-bearing liabilities	**$ 85,797**	**280**	**0.66 %**	$ 83,393	239	0.58 %	$ 14	27	41
emand deposits	**35,557**			34,576					
ther liabilities	**4,386**			4,956					
otal liabilities	**$ 125,740**			$ 122,925					
otal equity	**$ 16,511**			$ 15,870					
otal liabilities and equity	**$ 142,251**			$ 138,795					
et interest income (FTE)		**$ 1,817**			$ 1,744		$ 100	(27)	73
et interest margin (FTE)			**2.89 %**			2.88 %			
et interest rate spread (FTE)			**2.68**			2.70			
nterest-bearing liabilities to interest-earning assets			**67.96**			68.35			

(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 **$12** and $10 for the six months ended **June 30, 2016** and 2015, respectively.*

14

Table of Contents

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

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, 2015. 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 $91 million and $210 million for the three and six months ended June 30, 2016, respectively, compared to $79 million and $148 million during the same periods in the prior year. The increase in provision expense for both periods was primarily due to prolonged softness in commodity prices, slow global economic growth and appreciation in the US dollar. The ALLL increased $27 million from December 31, 2015 to $1.3 billion at June 30, 2016. At June 30, 2016, the ALLL as a percent of portfolio loans and leases increased to 1.38% compared to 1.37% at December 31, 2015.

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

Noninterest Income

Noninterest income increased $43 million and $48 million for the three and six months ended June 30, 2016 compared to the same periods in the prior year.

The following table presents the components of noninterest income:

TABLE 10: Components of Noninterest Income

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2016**	2015	% Change	**2016**	2015	% Change
Service charges on deposits	**$ 138**	139	(1)	**$ 274**	274	-
Corporate banking revenue	**117**	113	4	**219**	176	24
Wealth and asset management revenue	**101**	105	(4)	**203**	212	(4)
Card and processing revenue	**82**	77	6	**161**	148	9
Mortgage banking net revenue	**75**	117	(36)	**154**	203	(24)
Other noninterest income	**80**	1	NM	**215**	165	30
Securities gains, net	**6**	4	50	**9**	9	-
Total noninterest income	**$ 599**	556	8	**$ 1,235**	1,187	4

Service charges on deposits

Service charges on deposits decreased $1 million for the three months ended June 30, 2016 and were flat for the six months ended June 30, 2016 compared to the same periods in the prior year. The decrease for the three months ended June 30, 2016 compared to the same period in the prior year was due to a $3 million decrease in consumer deposit fees driven by a decrease in consumer checking fees partially offset by a $2 million increase in commercial deposit fees driven by new customer acquisition.

Corporate banking revenue

Corporate banking revenue increased $4 million and $43 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2016 compared to the same period in the prior year was primarily driven by an increase in syndication fees partially offset by decreases in lease remarketing fees, business lending fees and institutional sales revenue. The increase for the six months ended June 30, 2016 compared to the same period in the prior year was primarily driven by increases in lease remarketing fees and syndication fees partially offset by decreases in business lending fees and foreign exchange fees. The increase in lease remarketing fees for the six months ended June 30, 2016 compared to the same period in the prior year included the impact of $34 million of impairment charges related to operating lease equipment that was recognized during the six months ended June 30, 2015. The increases in syndication fees for both periods were the result of increased activity in the market.

Wealth and asset management revenue

Wealth and asset management revenue (formerly investment advisory revenue) decreased $4 million and $9 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for both the three and six months ended June 30, 2016 compared to the same periods in the prior year was primarily due to decreases of $5 million and $9 million, respectively, in transactional securities and brokerage fees driven by lower sales and trading volume. The decrease for the three months ended June 30, 2016 compared to the same period in the prior year was partially offset by a $2 million increase in private client service fees and institutional fees compared to the same period in the prior year. The Bancorp had approximately $305 billion and $304 billion in total assets under care at June 30, 2016 and 2015, respectively, and managed $26 billion and $27 billion in assets for individuals, corporations and not-for-profit organizations at June 30, 2016 and 2015, respectively.

Card and processing revenue

Card and processing revenue increased $5 million and $13 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily driven by an increase in the number of actively used cards and customer spend volume.

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

Mortgage banking net revenue

Mortgage banking net revenue decreased $42 million and $49 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year.

The following table presents the components of mortgage banking net revenue:

TABLE 11: Components of Mortgage Banking Net Revenue

($ in millions)		For the three months ended June 30, 2016	2015	For the six months ended June 30, 2016	2015
Origination fees and gains on loan sales	$	**54**	43	**95**	87
Net mortgage servicing revenue:					
Gross mortgage servicing fees		**50**	56	**102**	115
MSR amortization		**(35)**	(39)	**(61)**	(73)
Net valuation adjustments on MSRs and free-standing derivatives used to economically hedge MSRs		**6**	57	**18**	74
Net mortgage servicing revenue		**21**	74	**59**	116
Mortgage banking net revenue	$	**75**	117	**154**	203

Origination fees and gains on loan sales increased $11 million and $8 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year driven by an increase in saleable residential mortgage loan originations. Residential mortgage loan originations increased to $2.7 billion and $4.5 billion during the three and six months ended June 30, 2016, respectively, compared to $2.5 billion and $4.3 billion during the same periods in the prior year.

Net mortgage servicing revenue is comprised of gross mortgage servicing fees and related MSR 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 $53 million and $57 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decreases for the three and six months ended June 30, 2016 compared to the same periods in the prior year were driven by decreases of $51 million and $56 million in net valuation adjustments, respectively, as well as decreases of $6 million and $13 million in gross mortgage servicing fees, respectively. These decreases were partially offset by decreases in MSR amortization of $4 million and $12 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year.

The following table presents the components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy:

TABLE 12: Components of Net Valuation Adjustments on MSRs

($ in millions)	For the three months ended June 30, **2016**	2015	For the six months ended June 30, **2016**	2015
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	$ **51**	(30)	**149**	35
(Provision for) recovery of MSR impairment	**(45)**	87	**(131)**	39
Net valuation adjustments on MSR and free-standing derivatives entered into to economically hedge MSRs	$ **6**	57	**18**	74

Mortgage rates decreased during both the three and six months ended June 30, 2016 which caused modeled prepayment speeds to increase and led to temporary impairment on servicing rights during both periods. Mortgage rates increased during both the three and six months ended June 30, 2015 which caused modeled prepayment speeds to slow and led to the recovery of temporary impairment on servicing rights during the period.

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

The Bancorp s total residential loans serviced at June 30, 2016 and 2015 were $71.3 billion and $75.4 billion, respectively, with $56.2 billion and $61.7 billion, respectively, of residential mortgage loans serviced for others.

Table of Contents

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

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 13: Components of Other Noninterest Income

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Valuation adjustments on the warrant associated with Vantiv Holding, LLC	$ **19**	14	**66**	85
Operating lease income	**25**	22	**49**	44
Equity method income from interest in Vantiv Holding, LLC	**18**	16	**31**	26
BOLI income	**14**	12	**27**	24
Cardholder fees	**10**	11	**21**	22
Gain on sale of branches	**11**	-	**19**	-
Consumer loan and lease fees	**6**	6	**11**	12
Banking center income	**5**	6	**10**	11
Private equity investment income	**6**	5	**10**	9
Net gains on loan sales	**10**	-	**8**	41
Insurance income	**3**	4	**6**	8
Net gains (losses) on disposition and impairment of bank premises and equipment	**2**	(98)	**2**	(101)
Loss on swap associated with the sale of Visa, Inc. class B shares	**(50)**	(2)	**(50)**	(19)
Other, net	**1**	5	**5**	3
Total other noninterest income	$ **80**	1	**215**	165

Other noninterest income increased $79 million and $50 million during the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods included the impact of impairment charges, included in net losses on disposition and impairment of bank premises and equipment, of $98 million and $102 million which were recognized during the three and six months ended June 30, 2015, respectively. Gain on sale of branches of $11 million and $19 million were recognized for the three and six months ended June 30, 2016, respectively. The three and six months ended June 30, 2016 included the impact of an $11 million gain on the sale of the Bancorp s retail operations, including retail accounts, certain private banking deposits and related loan relationships in the Pittsburgh MSA to First National Bank of Pennsylvania as part of the previously announced Branch Consolidation and Sales Plan. The six months ended June 30, 2016 also included the impact of an $8 million gain on the sale of the Bancorp s retail operations, including retail accounts, certain private banking deposits and related loan relationships in the St. Louis MSA to Great Southern Bank during the first quarter 2016 as part of the previously announced Branch Consolidation and Sales Plan.

The Bancorp recognized a positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC of $19 million and $14 million for the three months ended June 30, 2016 and 2015, respectively. The six months ended

June 30, 2016 and 2015 included positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC of $66 million and $85 million, respectively. The fair value of the stock warrant is calculated using the Black-Scholes option-pricing model, which utilizes several key inputs (Vantiv, Inc. stock price, strike price of the warrant and several unobservable inputs). The positive valuation adjustments for the three months ended June 30, 2016 and 2015 were primarily due to increases of 5% and 1%, respectively, in Vantiv, Inc. s share price from March 31, 2016 to June 30, 2016 and from March 31, 2015 to June 30, 2015. The positive valuation adjustments for the six months ended June 30, 2016 and 2015 were primarily due to increases of 19% and 13%, respectively, in Vantiv, Inc. s share price from December 31, 2015 to June 30, 2016 and from December 31, 2014 to June 30, 2015. The changes in the valuation adjustments for the three and six months ended June 30, 2016 compared to the same periods in the prior year included the impact of the sale and exercise of a portion of the warrant during the fourth quarter of 2015. For additional information on the valuation of the warrant, refer to Note 20 of the Notes to Condensed Consolidated Financial Statements.

Net gains on loan sales increased $10 million for the three months ended June 30, 2016 compared to the same period in the prior year primarily due to an $11 million gain on the sale of the agent bankcard loan portfolio during the second quarter of 2016. Gain on loan sales decreased $33 million for the six months ended June 30, 2016 compared to the same period in the prior year as the prior period included the impact of a $37 million gain on the sale of residential mortgage loans classified as TDRs during the first quarter of 2015 compared with the aforementioned gain on the sale of agent bankcard loan portfolio.

During the three months ended June 30, 2016, the Bancorp recognized a $50 million negative valuation adjustment related to the Visa total return swap. This adjustment was primarily attributable to the decision of the United States Court of Appeals for the Second Circuit to vacate and reverse the district court s approval of the settlement of an interchange antitrust class action litigation matter on June 30, 2016. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B shares and the related litigation matters, refer to Note 15, Note 16 and Note 20 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

Noninterest Expense

Noninterest expense increased $36 million and $97 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to increases in personnel costs (salaries, wages and incentives plus employee benefits) and other noninterest expense.

The following table presents the components of noninterest expense:

TABLE 14: Components of Noninterest Expense

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2016**	2015	% Change	**2016**	2015	% Change
Salaries, wages and incentives	**$ 407**	383	6	**$ 810**	752	8
Employee benefits	**85**	78	9	**185**	176	5
Net occupancy expense	**75**	83	(10)	**152**	162	(6)
Technology and communications	**60**	54	11	**116**	109	6
Card and processing expense	**37**	38	(3)	**72**	74	(3)
Equipment expense	**30**	31	(3)	**60**	61	(2)
Other noninterest expense	**289**	280	3	**573**	537	7
Total noninterest expense	**$ 983**	947	4	**$ 1,968**	1,871	5
Efficiency ratio on an FTE basis	**65.3 %**	65.4		**64.5 %**	63.8	

Personnel costs increased $31 million and $67 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was driven by increased base compensation, primarily due to personnel additions in risk and compliance and information technology, and increased long term incentive compensation due to retirement eligibility changes. The increase for the six months ended June 30, 2016 was also driven by higher retirement and severance costs related to the Bancorp s voluntary early retirement program. Full-time equivalent employees totaled 18,051 at June 30, 2016 compared to 18,527 at June 30, 2015.

The following table presents the components of other noninterest expense:

TABLE 15: Components of Other Noninterest Expense

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Impairment on affordable housing investments	**$ 43**	38	**85**	75
FDIC insurance and other taxes	**28**	28	**62**	44
Loan and lease	**28**	33	**51**	60

Marketing		**26**	27	**51**	54
Operating lease		**21**	18	**41**	36
Losses and adjustments		**20**	15	**43**	29
Professional service fees		**15**	15	**30**	27
Data processing		**12**	11	**24**	22
Postal and courier		**12**	11	**23**	23
Travel		**11**	14	**23**	27
Recruitment and education		**9**	7	**18**	14
Provision for (benefit from) the reserve for unfunded commitments		**7**	2	**13**	(3)
Insurance		**4**	4	**8**	9
Supplies		**4**	4	**7**	8
Donations		**3**	3	**6**	11
Other, net		**46**	50	**88**	101
Total other noninterest expense	**$**	**289**	280	**573**	537

Other noninterest expense increased $9 million for the three months ended June 30, 2016 compared to the same period in the prior year primarily due to increases in impairment on affordable housing investments, losses and adjustments and the provision for the reserve for unfunded commitments partially offset by a decrease in loan and lease expense. Impairment on affordable housing investments increased $5 million for the three months ended June 30, 2016 compared to the same period in the prior year primarily due to incremental losses resulting from previous growth in the portfolio. Losses and adjustments increased $5 million for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 primarily due to the impact of a favorable legal settlement in the second quarter of 2015. The provision for the reserve for unfunded commitments increased $5 million for the three months ended June 30, 2016 compared to the same period in the prior year primarily due to an increase in estimated loss rates related to unfunded commitments. These increases were partially offset by a decrease in loan and lease expense of $5 million for the three months ended June 30, 2016 compared to the same period in the prior year.

Other noninterest expense increased $36 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily due to increases in FDIC insurance and other taxes, the provision for the reserve for unfunded commitments, losses and adjustments and impairment on affordable housing investments partially offset by decreases in loan and lease expense and donations expense. FDIC insurance and other taxes increased $18 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily due to an increase in the FDIC insurance assessment base and a favorable settlement of a tax liability related to prior years during the first quarter of 2015.

Table of Contents

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

The provision for the reserve for unfunded commitments was $13 million for the six months ended June 30, 2016 compared to a benefit of $3 million for the same period in the prior year primarily due to an increase in estimated loss rates related to unfunded commitments. Losses and adjustments increased $14 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily due to the impact of favorable legal settlements in the first and second quarters of 2015. Impairment on affordable housing investments increased $10 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily due to incremental losses resulting from previous growth in the portfolio. The decrease in loan and lease expense of $9 million for the six months ended June 30, 2016 compared to the same period in the prior year included lower loan closing and appraisal costs driven by a decline in automobile loan originations. Donations expense decreased $5 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily due to a $4 million contribution to the Fifth Third Foundation in the first quarter of 2015.

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 65.3% and 64.5% for the three and six months ended June 30, 2016, respectively, compared to 65.4% and 63.8% for the three and six months ended June 30, 2015, respectively.

Applicable Income Taxes

The following table presents the Bancorp s income before income taxes, applicable income tax expense and effective tax rate:

TABLE 16: Applicable Income Taxes

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2016**	2015	**2016**	2015
Income before income taxes	$	**427**	417	**862**	902
Applicable income tax expense		**98**	108	**206**	232
Effective tax rate		**22.8 %**	26.1	**23.9**	25.8

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 rates for the three and six months ended June 30, 2016 compared to the same periods in the prior year was primarily the result of an $8 million tax benefit related to a change in the estimated deductibility of a prior expense. This benefit was partially offset by a non-cash charge for the write-off of a deferred tax asset related to stock-based awards as described below.

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 and where the Bancorp has not accumulated an excess tax benefit for previously exercised or released stock-based awards, the Bancorp is required to recognize a non-cash charge to income tax expense upon the write-off of the deferred tax asset previously established for these stock-based awards. As the Bancorp exhausted its accumulated excess tax benefits during the second quarter of 2016, the Bancorp recognized a non-cash charge to income tax expense related to stock-based awards of $2 million for both the three and six months ended June 30, 2016.

Based on the Bancorp s stock price at June 30, 2016, the Bancorp believes it will recognize a $10 million non-cash charge to income tax expense over the next twelve months related to stock-based awards, primarily in the second quarter of 2017. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future. Therefore, it is possible the Bancorp may recognize a non-cash charge to income tax expense greater than or less than $10 million over the next twelve months.

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

BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its commercial loans and leases based upon primary purpose and consumer loans and leases based upon product or collateral. Table 17 summarizes end of period loans and leases, including loans held for sale and Table 18 summarizes average total loans and leases, including loans held for sale.

TABLE 17: Components of Loans and Leases (including held for sale)

As of ($ in millions)	**June 30, 2016** Carrying Value	**June 30, 2016** % of Total	December 31, 2015 Carrying Value	December 31, 2015 % of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 43,575**	**46**	$ 42,151	46
Commercial mortgage loans	**6,883**	**7**	6,991	7
Commercial construction loans	**3,706**	**4**	3,214	3
Commercial leases	**3,978**	**4**	3,854	4
Total commercial loans and leases	**58,142**	**61**	56,210	60
Consumer loans and leases:				
Residential mortgage loans	**15,159**	**16**	14,424	15
Home equity	**7,988**	**9**	8,336	9
Automobile loans	**10,671**	**11**	11,497	12
Credit card	**2,172**	**2**	2,360	3
Other consumer loans and leases	**654**	**1**	658	1
Total consumer loans and leases	**36,644**	**39**	37,275	40
Total loans and leases	**$ 94,786**	**100**	$ 93,485	100
Total portfolio loans and leases (excluding loans held for sale)	**$ 93,909**		$ 92,582	

Loans and leases, including loans held for sale, increased $1.3 billion, or 1%, from December 31, 2015. The increase from December 31, 2015 was the result of a $1.9 billion, or 3%, increase in commercial loans and leases, partially offset by a $631 million, or 2%, decrease in consumer loans and leases.

Commercial loans and leases increased from December 31, 2015 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 $1.4 billion, or 3%, from December 31, 2015 primarily as a result of increases in new loan origination activity and line utilization. Commercial construction loans increased $492 million, or 15%, from December 31, 2015 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 $108 million, or 2%, from December 31, 2015 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, 2015 primarily due to decreases in automobile loans, home equity and credit card, partially offset by an increase in residential mortgage loans. Automobile loans decreased $826 million, or 7%, from December 31, 2015 and home equity decreased $348 million, or 4%, from December 31, 2015 as payoffs exceeded new loan production. Credit card decreased $188 million, or 8%, from December 31, 2015 primarily due to the sale of the agent bankcard loan portfolio during the second quarter of 2016 and seasonal trends from the paydown of year-end balances which were higher due to holiday spending. Residential mortgage loans increased $735 million, or 5%, from December 31, 2015 primarily due to the continued retention of certain conforming ARMs and certain other fixed-rate loans originated during the six months ended June 30, 2016.

TABLE 18: Components of Average Loans and Leases (including held for sale)

	June 30, 2016		June 30, 2015	
For the three months ended ($ in millions)	**Carrying Value**	**% of Total**	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 43,878**	**46**	$ 42,554	46
Commercial mortgage loans	**6,835**	**7**	7,149	7
Commercial construction loans	**3,551**	**4**	2,549	3
Commercial leases	**3,904**	**4**	3,776	4
Total commercial loans and leases	**58,168**	**61**	56,028	60
Consumer loans and leases:				
Residential mortgage loans	**14,842**	**16**	13,375	14
Home equity	**8,059**	**9**	8,655	9
Automobile loans	**10,887**	**11**	11,902	13
Credit card	**2,198**	**2**	2,296	3
Other consumer loans and leases	**653**	**1**	483	1
Total consumer loans and leases	**36,639**	**39**	36,711	40
Total average loans and leases	**$ 94,807**	**100**	$ 92,739	100
Total average portfolio loans and leases (excluding loans held for sale)	**$ 93,931**		$ 92,173	

Average loans and leases, including loans held for sale, increased $2.1 billion, or 2%, from June 30, 2015 as the result of a $2.1 billion, or 4%, increase in average commercial loans, partially offset by a $72 million decrease in average consumer loans and leases.

Table of Contents

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

Average commercial loans and leases increased from June 30, 2015 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 $1.3 billion, or 3%, from June 30, 2015 primarily as a result of increases in new loan origination activity. Average commercial construction loans increased $1.0 billion, or 39%, from June 30, 2015 primarily as a result of an increase in new loan origination activity resulting from an increase in demand and targeted marketing efforts. Average commercial mortgage loans decreased $314 million, or 4%, from June 30, 2015 primarily 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 June 30, 2015 primarily due to decreases in average automobile and average home equity, partially offset by increases in average residential mortgage loans and average other consumer loans and leases. Average automobile loans decreased $1.0 billion, or 9%, from June 30, 2015 and average home equity decreased $596 million, or 7%, from June 30, 2015 as payoffs exceeded new loan production. Average residential mortgage loans increased $1.5 billion, or 11%, from June 30, 2015 primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans. Average other consumer loans and leases increased $170 million, or 35%, from June 30, 2015 primarily as a result of an increase in new loan origination activity.

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 $31.9 billion and $29.5 billion at June 30, 2016 and December 31, 2015, respectively. The taxable investment securities portfolio had an effective duration of 4.2 years at June 30, 2016 compared to 5.1 years at December 31, 2015.

Securities are classified as trading when bought and held principally for the purpose of selling them in the near term. Securities are classified as available-for-sale when, in management s judgment, they may be sold in response to, or in anticipation of, changes in market conditions. Securities that management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. At June 30, 2016, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. Securities classified as below investment grade were immaterial at both June 30, 2016 and December 31, 2015. 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 following table provides a breakout of OTTI by security type:

TABLE 19: OTTI Summary by Security Type

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Available-for-sale and other debt securities	**$ (3)**	(4)	**(4)**	(5)
Available-for-sale equity securities	**-**	-	**(1)**	-

Total OTTI[(a)]	$	**(3)**	(4)	**(5)**	(5)

(a) Included in securities gains, net, in the Condensed Consolidated Statements of Income.

TABLE 20: Components of Investment Securities

As of ($ in millions)		**June 30, 2016**	December 31, 2015
Available-for-sale and other securities: (amortized cost basis)			
U.S. Treasury and federal agencies securities	$	**1,133**	1,155
Obligations of states and political subdivisions securities		**49**	50
Mortgage-backed securities:			
Agency residential mortgage-backed securities[(a)]		**15,082**	14,811
Agency commercial mortgage-backed securities		**8,389**	7,795
Non-agency commercial mortgage-backed securities		**2,911**	2,801
Asset-backed securities and other debt securities		**1,839**	1,363
Equity securities[(b)]		**698**	703
Total available-for-sale and other securities	$	**30,101**	28,678
Held-to-maturity securities: (amortized cost basis)			
Obligations of states and political subdivisions securities	$	**60**	68
Asset-backed securities and other debt securities		**2**	2
Total held-to-maturity securities	$	**62**	70
Trading securities: (fair value)			
U.S. Treasury and federal agencies securities	$	**16**	19
Obligations of states and political subdivisions securities		**96**	9
Agency residential mortgage-backed securities		**8**	6
Asset-backed securities and other debt securities		**17**	19
Equity securities		**264**	333
Total trading securities	$	**401**	386

*(a) Includes interest-only mortgage-backed securities of **$36** and $50 as of **June 30, 2016** and December 31, 2015, respectively, recorded at fair value with fair value changes recorded in securities gains, net in the Condensed Consolidated Statements of Income.*

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

Table of Contents

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

On an amortized cost basis, available-for-sale and other securities increased $1.4 billion, or 5%, from December 31, 2015 primarily due to increases in agency residential mortgage-backed securities, agency commercial mortgage-backed securities, non-agency commercial mortgage-backed securities and asset-backed securities and other debt securities.

On an amortized cost basis, available-for-sale and other securities were 24% and 23% of total interest-earning assets at June 30, 2016 and December 31, 2015, respectively. The estimated weighted-average life of the debt securities in the available-for-sale and other portfolio was 5.7 years at June 30, 2016 compared to 6.4 years at December 31, 2015. In addition, at June 30, 2016, the available-for-sale and other securities portfolio had a weighted-average yield of 3.25%, compared to 3.19% at December 31, 2015.

Information presented in Table 21 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using amortized 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 $1.4 billion at June 30, 2016 compared to $366 million at December 31, 2015. The increase from December 31, 2015 was primarily due to a decrease in interest rates during the six months ended June 30, 2016. 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 21: Characteristics of Available-for-Sale and Other Securities

As of June 30, 2016 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:				
Average life of 1 year or less	$ 1,057	1,076	0.5	3.92 %
Average life 1 5 years	76	79	4.6	1.82
Total	$ 1,133	1,155	0.8	3.77 %
Obligations of states and political subdivisions securities:[(a)]				
Average life of 1 year or less	15	15	0.3	0.11
Average life 5 10 years	34	37	6.8	3.93
Total	$ 49	52	4.8	2.79 %
Agency residential mortgage-backed securities:				
Average life of 1 year or less	46	47	0.9	4.50
Average life 1 5 years	9,767	10,118	3.9	3.38
Average life 5 10 years	4,983	5,227	6.0	3.38
Average life greater than 10 years	286	302	11.9	3.01
Total	$ 15,082	15,694	4.7	3.38 %

Agency commercial mortgage-backed securities:				
Average life 1 5 years	1,507	1,601	3.6	3.06
Average life 5 10 years	6,578	7,010	7.9	3.02
Average life greater than 10 years	304	315	11.6	3.04
Total	$ 8,389	8,926	7.3	3.03 %
Non-agency commercial mortgage-backed securities:				
Average life of 1 year or less	93	94	0.6	4.51
Average life 1 5 years	343	357	2.9	3.54
Average life 5 10 years	2,475	2,628	7.9	3.30
Total	$ 2,911	3,079	7.1	3.36 %
Asset-backed securities and other debt securities:				
Average life of 1 year or less	136	139	0.3	2.71
Average life 1 5 years	704	714	3.0	3.19
Average life 5 10 years	355	350	6.8	2.28
Average life greater than 10 years	644	646	13.5	2.22
Total	$ 1,839	1,849	7.2	2.64 %
Equity securities	698	700		
Total available-for-sale and other securities	$ 30,101	31,455	5.7	3.25 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.00%, 2.14% and 1.49% for securities with an average life of 1 year or less, 5-10 years and in total, respectively.

Table of Contents

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

Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 69% and 71% of the Bancorp s asset funding base at June 30, 2016 and December 31, 2015, respectively.

TABLE 22: Components of Deposits

		June 30, 2016			December 31, 2015	
As of ($ in millions)		**Balance**	**% of Total**		Balance	% of Total
Demand	**$**	**36,137**	**35**	$	36,267	35
Interest checking		**24,571**	**25**		26,768	26
Savings		**14,356**	**14**		14,601	14
Money market		**19,125**	**19**		18,494	18
Foreign office		**453**	**-**		464	-
Transaction deposits		**94,642**	**93**		96,594	93
Other time		**4,021**	**4**		4,019	4
Core deposits		**98,663**	**97**		100,613	97
Certificates $100,000 and over[(a)]		**2,778**	**3**		2,592	3
Other		**430**	**-**		-	-
Total deposits	**$**	**101,871**	**100**	$	103,205	100

*(a) Includes **$1,308** and $1,449 of certificates $250,000 and over at **June 30, 2016** and December 31, 2015, respectively.*

Core deposits decreased $2.0 billion, or 2%, from December 31, 2015 driven primarily by a decrease of $2.0 billion, or 2%, in transaction deposits. The decrease from December 31, 2015 included the sale of $511 million of deposits as part of the branches sold in the St. Louis MSA and Pittsburgh MSA during 2016. Transaction deposits decreased from December 31, 2015 primarily due to decreases in interest checking deposits and savings deposits, partially offset by an increase in money market deposits. Interest checking deposits decreased $2.2 billion, or 8%, from December 31, 2015 driven primarily by lower balances per account for commercial customers. Money market deposits increased $631 million, or 3%, from December 31, 2015 driven primarily by a promotional product offering during the first half of 2016 which drove balance migration from savings deposits which decreased $245 million, or 2%, compared to December 31, 2015. Money market deposits also increased due to higher balances for existing customers. The Bancorp uses other deposits and certificates $100,000 and over as a method to fund earning assets. Other deposits increased $430 million from December 31, 2015 primarily due to an increase in Eurodollar trade deposits. Certificates $100,000 and over increased $186 million, or 7%, from December 31, 2015 primarily due to the issuance of institutional certificates of deposit during the first quarter of 2016.

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

TABLE 23: Components of Average Deposits

($ in millions)	June 30, 2016 Balance	% of Total	June 30, 2015 Balance	% of Total
Demand	**$ 35,912**	**35**	$ 35,384	34
Interest checking	**24,714**	**24**	26,894	26
Savings	**14,576**	**14**	15,156	15
Money market	**19,243**	**19**	18,071	18
Foreign office	**484**	**1**	955	1
Transaction deposits	**94,929**	**93**	96,460	94
Other time	**4,044**	**4**	4,074	4
Core deposits	**98,973**	**97**	100,534	98
Certificates $100,000 and over(a)	**2,819**	**3**	2,558	2
Other	**467**	**-**	-	-
Total average deposits	**$ 102,259**	**100**	$ 103,092	100

*(a) Includes **$1,302** and $1,423 of average certificates $250,000 and over for the three months ended **June 30, 2016** and 2015, respectively.*

On an average basis, core deposits decreased $1.6 billion, or 2%, from June 30, 2015 primarily due to a decrease of $1.5 billion, or 2%, in average transaction deposits. The decrease in average transaction deposits was driven by decreases in average interest checking deposits, average savings deposits and average foreign office deposits, partially offset by increases in average money market deposits and average demand deposits. Average interest checking deposits decreased $2.2 billion, or 8%, from June 30, 2015 primarily due to a decrease in average commercial customer balances per account. Average foreign office deposits decreased $471 million, or 49%, primarily due to lower average balances per commercial customer account. Average money market deposits and average demand deposits increased $1.2 billion, or 6%, and $528 million, or 1%, respectively, due to the acquisition of new commercial customers and higher average customer balances per commercial customer account. Average money market deposits also increased due to a promotional product offering which drove balance migration from savings deposits which decreased $580 million, or 4%, compared to June 30, 2015. Average other deposits increased $467 million from June 30, 2015 primarily due to an increase in Eurodollar trade deposits. Average certificates $100,000 and over increased $261 million, or 10%, from June 30, 2015 primarily due to the previously mentioned issuance of institutional certificates of deposit during the first quarter of 2016.

Table of Contents

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

Contractual maturities

The contractual maturities of certificates $100,000 and over as of June 30, 2016 are summarized in the following table:

TABLE 24: Contractual Maturities of Certificates $100,000 and Over

($ in millions)		
Next 3 months	$	525
3-6 months		122
6-12 months		254
After 12 months		1,877
Total certificates $100,000 and over	$	2,778

The contractual maturities of other time deposits and certificates $100,000 and over as of June 30, 2016 are summarized in the following table:

TABLE 25: Contractual Maturities of Other Time Deposits and Certificates $100,000 and Over

($ in millions)		
Next 12 months	$	2,290
13-24 months		1,949
25-36 months		459
37-48 months		1,607
49-60 months		473
After 60 months		21
Total other time deposits and certificates $100,000 and over	$	6,799

Borrowings

The Bancorp accesses a variety of other short-term and long-term funding sources. Borrowings with original maturities of one year or less are classified as short-term and include federal funds purchased and other short-term borrowings. Table 26 summarizes the end of period components of total borrowings. As of June 30, 2016, total borrowings as a percent of interest-bearing liabilities were 24% compared to 21% at December 31, 2015.

TABLE 26: Components of Borrowings

As of ($ in millions)		**June 30, 2016**	December 31, 2015
Federal funds purchased	**$**	**108**	151
Other short-term borrowings		**3,979**	1,507

Long-term debt		**16,231**	15,810
Total borrowings	$	**20,318**	17,468

Total borrowings increased $2.9 billion, or 16%, from December 31, 2015 primarily due to increases in other short-term borrowings and long-term debt. Other short-term borrowings increased $2.5 billion from December 31, 2015 primarily driven by an increase of $2.5 billion in FHLB short-term borrowings. The level of other short-term borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. For further information on the components of other short-term borrowings, refer to Note 12 of the Notes to Condensed Consolidated Financial Statements. Long-term debt increased $421 million, or 3%, from December 31, 2015 primarily driven by issuances during the six months ended June 30, 2016 of $2.0 billion of unsecured senior fixed-rate bank notes and $750 million of unsecured subordinated fixed-rate bank notes, partially offset by the maturity of $1.7 billion of unsecured senior bank notes and $744 million of paydowns on long-term debt associated with automobile loan securitizations. For additional information regarding automobile securitizations and long-term debt, refer to Note 9 and Note 13, respectively, of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 27: Components of Average Borrowings

($ in millions)		**June 30, 2016**	June 30, 2015
Federal funds purchased	$	**693**	326
Other short-term borrowings		**3,754**	1,705
Long-term debt		**15,351**	13,741
Total average borrowings	$	**19,798**	15,772

Total average borrowings increased $4.0 billion, or 26%, compared to June 30, 2015, due to increases in average other short-term borrowings, average long-term debt and average federal funds purchased. The increase in average short-term borrowings of $2.0 billion was driven by the increase in FHLB short-term borrowings discussed above. The increase in average long-term debt of $1.6 billion was primarily driven by the issuances in the third quarter of 2015 of $1.3 billion of unsecured senior bank notes and $1.1 billion of unsecured senior notes. The impact also included the aforementioned issuances of unsecured senior and subordinated bank notes, partially offset by the maturity of unsecured bank notes and paydowns on long-term debt associated with automobile loan securitizations. Average federal funds purchased increased $367 million compared to June 30, 2015. The level of average federal funds purchased can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Information on the average rates paid on borrowings is discussed in the Net Interest Income subsection of the Statements of Income Analysis section of MD&A. In addition, refer to the Liquidity Risk Management subsection of the Risk Management section of MD&A for a discussion on the role of borrowings in the Bancorp s liquidity management.

Table of Contents

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

BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management (formerly Investment Advisors). Additional information on each business segment is included in Note 21 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. In the second quarter of 2016, the Investment Advisors segment name was changed to Wealth and Asset Management to better reflect the services provided by the business segment.

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 Wealth and Asset Management, 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 federal funds, U.S. swap curve or swap rate. The credit rates for several deposit products were reset January 1, 2016 to reflect the current market rates and updated market assumptions. These rates were generally higher than those in place during 2015, thus net interest income for deposit-providing businesses was positively impacted during 2016. FTP charge rates on assets were affected by the prevailing level of interest rates and by the duration and repricing characteristics of the portfolio. As overall market rates increased, the FTP charge increased for asset-generating businesses, thus negatively affecting net interest income during 2016. Credit rates for deposit products and charge rates for loan products may be reset periodically in response to changes in market conditions.

During the first quarter of 2016, the Bancorp refined its methodology for allocating provision expense to the business segments to include charges or benefits associated with changes in criticized commercial loan levels in addition to actual net charge-offs experienced by the loans and leases owned by each business segment. The results of operations and financial position for the three and six months ended June 30, 2015 were adjusted to reflect this change. 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 and six months ended June 30, 2015 were adjusted to reflect changes in internal expense allocation methodologies.

The following table summarizes net income (loss) by business segment:

TABLE 28: Net Income (Loss) by Business Segment

($ in millions)		For the three months ended June 30, 2016	2015	For the six months ended June 30, 2016	2015
Income Statement Data					
Commercial Banking	$	**226**	211	**438**	372
Branch Banking		**132**	19	**240**	91
Consumer Lending		**7**	41	**16**	89
Wealth and Asset Management		**23**	10	**48**	24
General Corporate and Other		**(59)**	28	**(86)**	94
Net income		**329**	309	**656**	670
Less: Net income attributable to noncontrolling interests		**(4)**	(6)	**(4)**	(6)
Net income attributable to Bancorp		**333**	315	**660**	676
Dividends on preferred stock		**23**	23	**38**	38
Net income available to common shareholders	$	**310**	292	**622**	638

Table of Contents

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

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 29: Commercial Banking

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Income Statement Data				
Net interest income (FTE)[(a)]	$ **466**	407	**923**	804
Provision for loan and lease losses	**72**	37	**137**	77
Noninterest income:				
Corporate banking revenue	**117**	112	**218**	172
Service charges on deposits	**72**	71	**145**	140
Other noninterest income	**47**	49	**94**	92
Noninterest expense:				
Personnel costs	**74**	75	**153**	155
Other noninterest expense	**281**	273	**563**	541
Income before income taxes	**275**	254	**527**	435
Applicable income tax expense[(a)(b)]	**49**	43	**89**	63
Net income	$ **226**	211	**438**	372
Average Balance Sheet Data				
Commercial loans and leases, including held for sale	$ **55,072**	52,839	**54,571**	52,165
Demand deposits	**20,622**	20,773	**20,518**	20,368
Interest checking deposits	**8,372**	9,272	**8,673**	9,259
Savings and money market deposits	**6,690**	6,564	**6,711**	6,310
Other time deposits and certificates $100,000 and over	**1,061**	1,268	**1,094**	1,303
Foreign office deposits	**483**	950	**482**	901

*(a) Includes FTE adjustments of **$6** and $5 for the three months ended **June 30, 2016** and 2015, respectively, and **$12** and $10 for the six months ended **June 30, 2016** and 2015, respectively.*

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

Net income was $226 million for the three months ended June 30, 2016 compared to net income of $211 million for the three months ended June 30, 2015. Net income was $438 million for the six months ended June 30, 2016 compared to net income of $372 million for the six months ended June 30, 2015. The increase for both the three and six months ended June 30, 2016 was driven by increases in net interest income and noninterest income partially offset by increases in the provision for loan and lease losses and noninterest expense.

Net interest income on an FTE basis increased $59 million and $119 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was primarily driven by an increase in average commercial loan and lease balances as well as an increase in their yields of 15 bps and 11 bps for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase in net interest income for both periods was also due to an increase in FTP credit rates on core deposits partially offset by an increase in FTP charge rates on loans and leases.

Provision for loan and lease losses increased $35 million and $60 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was primarily due to an increase in criticized commercial loans. The increase for the six months ended June 30, 2016 was also due to an increase in charge-offs of commercial and industrial loans, primarily in the energy portfolio and related to oil field services loans. Net charge-offs as a percent of average portfolio loans and leases increased to 32 bps for the three months ended June 30, 2016 compared to 28 bps for the same period in the prior year and increased to 34 bps for the six months ended June 30, 2016 compared to 27 bps for the same period in the prior year.

Noninterest income increased $4 million and $53 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2016 was driven by an increase in corporate banking revenue of $5 million from the same period in the prior year primarily driven by an increase in syndication fees partially offset by decreases in lease remarketing fees, business lending fees and institutional sales revenue. The increase for the six months ended June 30, 2016 was driven by increases in corporate banking revenue and service charges on deposits. Corporate banking revenue increased $46 million for the six months ended June 30, 2016 from the same period in the prior year primarily driven by increases in lease remarketing fees and syndication fees partially offset by decreases in business lending fees and foreign exchange fees. Service charges on deposits increased $5 million for the six months ended June 30, 2016 from the same period in the prior year primarily due to the acquisition of new customers.

Noninterest expense increased $7 million and $20 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily as a result of an increase in other noninterest expense. The increase in other noninterest expense for both periods was primarily driven by increases in corporate overhead allocations and impairment on affordable housing investments partially offset by a decrease in operational losses.

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

Average commercial loans increased $2.2 billion and $2.4 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods 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 loans increased $1.4 billion and $1.5 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year and average commercial construction loans increased $990 million and $1.0 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily as a result of an increase in new loan origination activity resulting from an increase in demand and targeted marketing efforts. Average commercial mortgage loans decreased $250 million and $282 million for the three and six months ended June 30, 2016, respectively, compared to the same periods 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 decreased $1.4 billion and $459 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for the three months ended June 30, 2016 was primarily driven by decreases in average interest checking deposits and average foreign deposits which decreased $900 million and $467 million, respectively, compared to the same period in the prior year. The decrease for the six months ended June 30, 2016 was primarily driven by decreases in average interest checking deposits and average foreign deposits which decreased $586 million and $419 million, respectively, compared to the same period in the prior year. This decrease was partially offset by an increase in average savings and money market deposits of $401 million for the six months ended June 30, 2016 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 1,191 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 30: Branch Banking

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2016**	2015	**2016**	2015
Income Statement Data					
Net interest income	$	**433**	376	**859**	752
Provision for loan and lease losses		**35**	36	**69**	78
Noninterest income:					
Service charges on deposits		**66**	68	**129**	133
Card and processing revenue		**66**	60	**126**	115

Wealth and asset management revenue		**36**	41	**71**	79
Other noninterest income		**46**	(75)	**75**	(57)
Noninterest expense:					
Personnel costs		**130**	131	**261**	266
Net occupancy and equipment expense		**59**	64	**117**	124
Card and processing expense		**36**	36	**70**	70
Other noninterest expense		**184**	173	**372**	343
Income before income taxes		**203**	30	**371**	141
Applicable income tax expense		**71**	11	**131**	50
Net income	**$**	**132**	19	**240**	91
Average Balance Sheet Data					
Consumer loans, including held for sale	**$**	**13,602**	14,426	**13,752**	14,542
Commercial loans, including held for sale		**1,893**	1,973	**1,920**	1,982
Demand deposits		**13,416**	12,699	**13,274**	12,444
Interest checking deposits		**9,660**	9,174	**9,545**	9,143
Savings and money market deposits		**25,935**	25,637	**25,631**	25,583
Other time deposits and certificates $100,000 and over		**5,229**	5,164	**5,220**	5,109

Net income was $132 million for the three months ended June 30, 2016 compared to net income of $19 million for the three months ended June 30, 2015. Net income was $240 million for the six months ended June 30, 2016 compared to $91 million for the same period in the prior year. The increase for both the three and six months ended June 30, 2016 was driven by increases in net interest income and noninterest income as well as a decrease in the provision for loan and lease losses partially offset by an increase in noninterest expense.

Net interest income increased $57 million and $107 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was primarily driven by an increase in FTP credit rates on core deposits partially offset by a decrease in interest income on residential mortgage loans and home equity loans driven by a decline in average balances and a decrease in interest income on other consumer loans driven by a decline in yields. The increase for the six months ended June 30, 2016 also included a decrease in interest expense on core deposits driven by a decrease in the rates paid. Additionally, net interest income for both periods was negatively impacted by an increase in FTP charge rates on loans and leases.

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

Provision for loan and lease losses decreased $1 million and $9 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 89 bps for both the three and six months ended June 30, 2016 compared to 91 bps and 97 bps for the three and six months ended June 30, 2015, respectively.

Noninterest income increased $120 million and $131 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily driven by increases in other noninterest income and card and processing revenue partially offset by a decrease in wealth and asset management revenue. Other noninterest income increased $121 million and $132 million for the three and six months ended June 30, 2016, respectively, compared to the same period in the prior year primarily driven by impairment losses associated with lower of cost or market adjustments on long-lived assets of $98 million and $102 million recognized during the three and six months ended June 30, 2015, respectively. Additionally, the increase in noninterest income for both the three and six months ended June 30, 2016 included a gain of $11 million on the sale of certain Pittsburgh branches as part of the previously announced Branch Consolidation and Sales Plan and a gain of $11 million on the sale of the agent bankcard loan portfolio during the second quarter of 2016. The increase for the six months ended June 30, 2016 also included a gain of $8 million on the sale of certain St. Louis branches as part of the Branch Consolidation and Sales Plan in the first quarter of 2016. Card and processing revenue increased $6 million and $11 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to an increase in the number of actively used cards and an increase in customer spend volume. The increases were partially offset by decreases in wealth and asset management revenue of $5 million and $8 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to a decrease in transactional securities and brokerage fees driven by lower sales and trading volume.

Noninterest expense increased $5 million and $17 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was primarily due to an increase in other noninterest expense partially offset by a decrease in net occupancy and equipment expense. Other noninterest expense increased $11 million and $29 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily driven by an increase in corporate overhead allocations. The increases were partially offset by decreases of $5 million and $7 million in net occupancy and equipment expense for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to a decrease in rent expense driven by a reduction in the number of full-service banking centers and ATM locations.

Average consumer loans decreased $824 million and $790 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily driven by a decrease in average home equity portfolio loans of $481 million and $471 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year and a decrease in average residential mortgage portfolio loans of $266 million and $256 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production. Average commercial loans decreased $80 million and $62 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily driven by a decrease in average commercial mortgage loans of $57 million and $42 million for the three and six months ended

June 30, 2016, respectively, compared to the same periods in the prior year and a decrease in average commercial and industrial portfolio loans of $17 million and $15 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production.

Average core deposits increased $1.5 billion and $1.3 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was primarily driven by growth in average demand deposits of $717 million and $830 million, respectively, and growth in average interest checking deposits of $486 million and $402 million, respectively, for the three and six months ended June 30, 2016 compared to the same periods in the prior year. The growth in average demand deposits and average interest checking deposits was driven by an increase in average balances per customer account.

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

Consumer Lending

Consumer Lending includes the Bancorp s residential mortgage, home equity, automobile and other indirect lending activities. Lending activities include the origination, retention and servicing of residential 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 31: Consumer Lending

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2016**	2015	**2016**	2015
Income Statement Data					
Net interest income	$	**62**	63	**122**	125
Provision for loan and lease losses		**9**	8	**21**	22
Noninterest income:					
Mortgage banking net revenue		**73**	115	**151**	199
Other noninterest income		**7**	7	**13**	52
Noninterest expense:					
Personnel costs		**50**	47	**98**	91
Other noninterest expense		**72**	66	**142**	125
Income before income taxes		**11**	64	**25**	138
Applicable income tax expense		**4**	23	**9**	49
Net income	$	**7**	41	**16**	89
Average Balance Sheet Data					
Residential mortgage loans, including held for sale	$	**10,277**	8,840	**10,057**	8,935
Home equity		**365**	434	**375**	443
Automobile loans		**10,365**	11,402	**10,568**	11,412
Other consumer loans, including held for sale		-	15	-	19

Net income was $7 million for the three months ended June 30, 2016 compared to net income of $41 million for the three months ended June 30, 2015. Net income was $16 million for the six months ended June 30, 2016 compared to net income of $89 million for the six months ended June 30, 2015. The decrease for both periods was driven by a decrease in noninterest income as well as an increase in noninterest expense.

Net interest income decreased $1 million and $3 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily driven by an increase in FTP charge rates on loans and leases and a decline in average automobile loan balances partially offset by an increase in average residential mortgage loan balances and an increase in FTP credit rates on demand deposits.

Provision for loan and lease losses increased $1 million for the three months ended June 30, 2016 compared to the same period in the prior year primarily due to an increase in net charge-offs on certain automobile loans partially offset by improved delinquency metrics on residential mortgage loans. The provision for loan and lease losses decreased $1 million for the six months ended June 30, 2016 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 increased to 17 bps for the three months ended June 30, 2016 compared to 15 bps for the same period in the prior year and decreased to 20 bps for the six months ended June 30, 2016 compared to 22 bps for the same period in the prior year.

Noninterest income decreased $42 million and $87 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for the three months ended June 30, 2016 was driven by a decrease in mortgage banking net revenue of $42 million from the same period in the prior year primarily driven by a $52 million decrease in net mortgage servicing revenue partially offset by an increase of $10 million in mortgage origination fees and gains on loan sales. The decrease for the six months ended June 30, 2016 was driven by decreases in mortgage banking net revenue and other noninterest income. Mortgage banking net revenue decreased $48 million for the six months ended June 30, 2016 compared to the same period in the prior year primarily driven by a $57 million decrease in net mortgage servicing revenue partially offset by a $9 million increase in mortgage origination fees and gains on loan sales. Refer to the Noninterest Income subsection of the Statements of Income Analysis of MD&A for additional information on the fluctuations in mortgage banking net revenue. Other noninterest income decreased $39 million for the six months ended June 30, 2016 from the same period in the prior year primarily due to a $37 million gain on the sale of held for sale residential mortgage loans classified as TDRs in the first quarter of 2015.

Noninterest expense increased $9 million and $24 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year driven by increases in other noninterest expense and personnel costs. Other noninterest expense increased $6 million and $17 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily driven by an increase in operational losses and an increase in corporate overhead allocations. Personnel costs increased $3 million and $7 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily driven by increases in base compensation and variable compensation coupled with the impact from an increase in residential mortgage origination volumes.

Table of Contents

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

Average consumer loans and leases increased $316 million and $191 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. Average residential mortgage loans, including held for sale, increased $1.4 billion and $1.1 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans. Average automobile loans decreased $1.0 billion and $844 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year and average home equity loans decreased $69 million and $68 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production.

Wealth and Asset Management

Wealth and Asset Management provides a full range of investment alternatives for individuals, companies and not-for-profit organizations. Wealth and Asset Management 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 Wealth and Asset Management segment:

TABLE 32: Wealth and Asset Management

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2016**	2015	**2016**	2015
Income Statement Data				
Net interest income	$ **44**	29	**87**	58
Provision for loan and lease losses	**1**	1	**1**	3
Noninterest income:				
Wealth and asset management revenue	**98**	102	**197**	206
Other noninterest income	**2**	1	**5**	6
Noninterest expense:				
Personnel costs	**42**	42	**87**	86
Other noninterest expense	**66**	73	**128**	145
Income before income taxes	**35**	16	**73**	36
Applicable income tax expense	**12**	6	**25**	12
Net income	$ **23**	10	**48**	24
Average Balance Sheet Data				
Loans and leases, including held for sale	$ **3,113**	2,709	**3,090**	2,605
Core deposits	**8,357**	9,739	**8,611**	9,765

Net income was $23 million for the three months ended June 30, 2016 compared to net income of $10 million for the same period in the prior year. Net income was $48 million for the six months ended June 30, 2016 compared to $24 million for the six months ended June 30, 2015. The increases for both periods were driven primarily by increases in net interest income as well as decreases in noninterest expense partially offset by decreases in noninterest income.

Net interest income increased $15 million and $29 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The increase for both periods was primarily due to an increase in FTP credit rates on core deposits and an increase in interest income on loans and leases driven by an increase in average balances. The increase in net interest income for both periods was partially offset by an increase in FTP charges due to an increase in average loan balances and an increase in FTP charge rates on loans and leases.

Provision for loan and lease losses was flat and decreased $2 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year.

Noninterest income decreased $3 million and $10 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily due to a $4 million and $9 million decrease in wealth and asset management revenue for the three and six months ended June 30, 2016, respectively, driven by a $5 million and $9 million decrease in transactional securities and brokerage fees as a result of lower sales and trading volume. The decrease for the three months ended was partially offset by a $2 million increase in private client service fees and institutional fees compared to the same period in the prior year.

Noninterest expense decreased $7 million and $16 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily driven by decreases in other noninterest expense of $7 million and $17 million compared to the same periods in the prior year primarily due to a decrease in corporate overhead allocations partially offset by an increase in operational losses.

Average loans and leases increased $404 million and $485 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to increases in average residential mortgage loans and average other consumer loans driven by increases in new loan origination activity.

Table of Contents

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

Average core deposits decreased $1.4 billion and $1.2 billion for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to a decline in average interest checking balances partially offset by an increase in average savings and money market deposits.

General Corporate and Other

General Corporate and Other includes the unallocated portion of the investment securities portfolio, securities gains and losses, certain non-core deposit funding, unassigned equity, unallocated provision expense 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.

Net interest income for the three months ended June 30, 2016 was a negative $97 million compared to net interest income of $17 million for the same period in the prior year. Net interest income for the six months ended June 30, 2016 was a negative $174 million compared to net interest income of $5 million for the same period in the prior year. The decreases for both periods were primarily driven by an increase in FTP credits on deposits allocated to business segments driven by an increase in FTP credit rates as well as an increase in interest expense on long-term debt. The decreases in net interest income were partially offset by an increase in interest income on taxable securities and an increase in the benefit related to the FTP charges on loans and leases. The provision for loan and lease losses for the three and six months ended June 30, 2016 was a benefit of $26 million and $18 million, respectively, compared to a benefit of $3 million and $32 million for the three and six months ended June 30, 2015, respectively, due to increases in the allocation of provision expense to the business segments.

Noninterest income decreased $41 million and $48 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year. The decrease in noninterest income for both periods included $50 million of negative valuation adjustments related to the Visa total return swap for both the three and six months ended June 30, 2016 compared with $2 million and $19 million, respectively, for the same periods in the prior year. In addition, the positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC was $19 million for the three months ended June 30, 2016 compared to the positive valuation adjustment of $14 million during the three months ended June 30, 2015. The positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC were $66 million for the six months ended June 30, 2016 compared to the positive valuation adjustments of $85 million during the six months ended June 30, 2015. Additionally, equity method earnings from the Bancorp s interest in Vantiv Holding, LLC increased $2 million and $5 million compared to the three and six months ended June 30, 2015, respectively.

Noninterest expense was $23 million and $44 million for the three and six months ended June 30, 2016, respectively, compared to $6 million and $1 million for the three and six months ended June 30, 2015, respectively. The increase for both periods was primarily due to increases in personnel costs and the provision for the reserve for unfunded commitments partially offset by an increase in corporate overhead allocations from General Corporate and Other to the other business segments.

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

RISK MANAGEMENT OVERVIEW

Managing risk is an essential component of successfully operating a financial services company. The Bancorp s risk management approach includes processes for identifying, assessing, managing, monitoring and reporting risks. The ERM division, 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 operating model. Management within the lines of business and support functions assess and manage risks associated with their activities and determine if actions need to be taken to strengthen risk management or reduce risk given their risk profile. They are responsible for considering risk when making business decisions and for integrating risk management into business processes. 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 5% 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; however certain risk types also have quantitative metrics that are used to measure the Bancorp s level of risk against its risk tolerances. 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 current assessments of each of the eight risk types relative to the established tolerance. Information supporting these assessments, including policy limits and key risk indicators, is also reported to the Risk and Compliance Committee of the Board. Any results outside of tolerance require the development of an action plan that describes actions to be taken to return the measure to within the 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:

- ERM 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;
- Credit Risk Management is responsible for overseeing the safety and soundness of the commercial and consumer loan portfolio within an independent portfolio management framework that supports the Bancorp s loan growth strategies and underwriting practices, ensuring portfolio optimization and appropriate risk controls. Credit Risk Management is also responsible for the economic capital program and quantitative analytics to support the commercial portfolio and risk rating models, 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 and consumer underwriting and credit administration processes;
- Operational Risk Management works with lines of business and regional management to maintain processes to monitor and manage all aspects of operational risk, including vendors and information security to ensure 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 within the Capital Markets groups and monitoring liquidity, interest rate risk and risk tolerances resulting from management of Fifth Third s overall balance sheet;
- Regulatory Compliance Risk Management provides independent oversight to ensure that an enterprise-wide framework, including processes and procedures, are in place to comply with applicable laws, regulations, rules and other regulatory requirements; internal policies and procedures; and principles of integrity and fair dealing applicable to the Bancorp s activities and functions. The Bancorp focuses on managing regulatory compliance risk in accordance with the Bancorp s integrated risk management framework, which ensures consistent processes for identifying, assessing, managing, monitoring and reporting risks; 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, regional market and support representatives. The Risk and Compliance Committee of the Board of Directors consists of five outside directors and has the responsibility for the oversight of risk management for the Bancorp, as well as for the Bancorp s overall aggregate risk profile. The Risk and Compliance Committee of the Board of Directors has approved the formation of key management governance committees that are responsible for evaluating risks and controls.

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

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, model risk and regulatory change management functions. There is also a risk assessment process applicable to every line of business to ensure an appropriate standard readiness assessment is performed before launching a new or changing 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.

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 independent and 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 nonaccrual loan 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 portfolio loans and leases:

TABLE 33: Potential Problem Portfolio Loans and Leases

As of June 30, 2016 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	**$**	**1,416**	**1,418**	**2,038**
Commercial mortgage loans		**135**	**135**	**137**
Commercial leases		**32**	**32**	**33**
Total potential problem portfolio loans and leases	**$**	**1,583**	**1,585**	**2,208**

TABLE 34: Potential Problem Portfolio Loans and Leases

As of December 31, 2015 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	$	1,383	1,384	1,922
Commercial mortgage loans		170	171	172
Commercial construction loans		6	6	7
Commercial leases		36	36	39
Total potential problem portfolio loans and leases	$	1,595	1,597	2,140

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 assessing a borrower s creditworthiness. The dual risk rating system includes thirteen probabilities of default grade categories and an additional six grade categories for estimating losses given an event of default. The probability of default and loss given default evaluations are not separated in the ten-category risk rating system. The Bancorp has completed significant validation and testing of the dual risk rating system as a commercial credit risk management tool. The Bancorp is assessing the necessary modifications to the dual risk rating system outputs to develop a U.S. GAAP compliant ALLL model and will evaluate the use of modified dual risk ratings for purposes of determining the Bancorp s ALLL as part of the Bancorp s adoption of ASU 2016-13 *Measurement of Credit Losses on Financial Instruments*, which will be effective for the Bancorp on January 1, 2020. 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.

Table of Contents

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

Economic Overview

Economic growth continues to improve, and GDP is expected to maintain its modest expansionary pattern. The U.S. job market and wages are slowly but steadily improving. Consumer spending has been moderate and there are indications that manufacturing is stabilizing. Inflation continues to run below the FRB s stated objective, but has increased over the past several months. Energy prices and the dollar have stabilized and are moving in a pattern that may continue the improvement in inflation and manufacturing. Housing prices have largely stabilized and are increasing in many markets. However, overall current economic and competitive conditions are causing weaker than desired qualified loan growth that combined with a weakness in global economic conditions and a relatively low interest rate environment, may directly or indirectly impact the Bancorp s growth and profitability. Economic weakness in developed economies continues, growth has slowed in China and other developing economies and the British vote to exit the European Union has created market volatility and additional economic uncertainty. The FRB noted asymmetric risks to the downside in their latest assessment of the risks to their economic outlook.

Commercial Portfolio

The Bancorp s credit risk management strategy seeks to minimize 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.

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

As of June 30, 2016 ($ in millions)		LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$**	**108**	**200**	**1,997**
Commercial mortgage nonowner-occupied loans		**99**	**147**	**2,288**
Total	**$**	**207**	**347**	**4,285**

TABLE 36: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of December 31, 2015 ($ in millions)		LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	$	119	216	2,063
Commercial mortgage nonowner-occupied loans		120	194	2,032
Total	$	239	410	4,095

Table of Contents

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

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

	June 30, 2016			December 31, 2015		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Manufacturing	$ **10,947**	**20,882**	**80**	10,572	20,422	70
Real estate	**7,120**	**11,391**	**36**	6,494	10,293	40
Financial services and insurance	**6,179**	**12,462**	**3**	5,896	13,021	3
Healthcare	**4,745**	**6,765**	**38**	4,676	6,879	22
Business services	**4,581**	**6,902**	**76**	4,471	6,765	96
Retail trade	**3,896**	**7,519**	**2**	3,764	7,391	8
Wholesale trade	**3,837**	**6,790**	**16**	4,082	7,254	23
Transportation and warehousing	**3,316**	**4,714**	**1**	3,111	4,619	1
Communication and information	**3,017**	**5,050**	**1**	2,913	5,052	2
Accommodation and food	**2,738**	**4,416**	**6**	2,507	4,104	6
Construction	**1,967**	**3,514**	**7**	1,871	3,403	8
Entertainment and recreation	**1,529**	**2,691**	**4**	1,210	2,066	4
Mining	**1,455**	**2,477**	**234**	1,499	2,695	36
Utilities	**1,093**	**2,598**	**-**	1,217	2,854	-
Other services	**813**	**1,029**	**25**	864	1,188	10
Public administration	**471**	**517**	**-**	495	562	-
Agribusiness	**306**	**470**	**3**	368	527	4
Individuals	**97**	**119**	**2**	139	187	2
Other	**10**	**15**	**5**	7	6	6
Total	$ **58,117**	**100,321**	**539**	56,156	99,288	341
By Loan Size:						
Less than $200,000	**1 %**	**1**	**4**	1	1	7
$200,000 - $1 million	**3**	**3**	**6**	4	3	10
$1 million - $5 million	**9**	**8**	**17**	10	8	25
$5 million - $10 million	**7**	**6**	**22**	8	7	25
$10 million - $25 million	**24**	**21**	**40**	24	21	15
Greater than $25 million	**56**	**61**	**11**	53	60	18
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Ohio	**15 %**	**16**	**5**	16	17	8
Michigan	**8**	**7**	**6**	8	7	9
Florida	**8**	**7**	**5**	8	7	12

Illinois	**7**	**7**	**9**	7	8	20
Indiana	**4**	**5**	**4**	5	5	4
North Carolina	**4**	**4**	**1**	4	4	1
Tennessee	**3**	**3**	**-**	3	3	-
Kentucky	**3**	**3**	**2**	3	3	1
Pennsylvania	**3**	**3**	**5**	3	3	2
All other states	**45**	**45**	**63**	43	43	43
Total	**100 %**	**100**	**100**	100	100	100

The Bancorp s non-power producing energy and nonowner-occupied commercial real estate portfolios have been identified by the Bancorp as 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.

Due to the sensitivity of the non-power producing energy portfolio to downward movements in oil prices, the Bancorp has seen migration in the portfolio into criticized classifications during 2015 and the six months ended June 30, 2016. The reserve-based energy loans that the Bancorp holds are senior secured loans with a borrowing base that is re-determined on a semi-annual basis.

Table of Contents

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

The following tables provide an analysis of the non-power producing energy loan portfolio:

TABLE 38: Non-Power Producing Energy Portfolio

As of June 30, 2016 ($ in millions)		Pass	Criticized	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs for June 30, 2016 Three Months Ended	Six Months Ended
Reserve-based lending	$	**220**	**466**	**686**	**1,171**	**-**	**125**	**-**	**-**
Midstream		**305**	**-**	**305**	**1,011**	**-**	**-**	**-**	**-**
Oil field services		**158**	**83**	**241**	**411**	**-**	**44**	**2**	**11**
Oil and gas		**76**	**92**	**168**	**505**	**-**	**22**	**-**	**-**
Refining		**120**	**-**	**120**	**651**	**-**	**-**	**-**	**-**
Total	$	**879**	**641**	**1,520**	**3,749**	**-**	**191**	**2**	**11**

TABLE 39: Non-Power Producing Energy Portfolio

As of June 30, 2015 ($ in millions)		Pass	Criticized	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs for June 30, 2015 Three Months Ended	Six Months Ended
Reserve-based lending	$	630	186	816	1,352	-	11	-	-
Midstream		218	-	218	1,003	-	-	-	-
Oil field services		259	83	342	515	-	-	-	-
Oil and gas		109	6	115	557	-	1	-	-
Refining		64	-	64	628	-	-	-	-
Total	$	1,280	275	1,555	4,055	-	12	-	-

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

TABLE 40: Nonowner-Occupied Commercial Real Estate[(a)]

As of June 30, 2016 ($ in millions)

($ in millions)		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs for June 30, 2016 Three Months Ended	Six Months Ended
By State:							
Ohio	$	**1,295**	**1,701**	**-**	**6**	**-**	**-**
Florida		**826**	**1,255**	**-**	**1**	**1**	**1**
Illinois		**719**	**1,156**	**-**	**1**	**-**	**-**

Michigan		**593**	**678**	**-**	**13**	**1**	**1**
North Carolina		**454**	**749**	**-**	**2**	**1**	**1**
Indiana		**261**	**442**	**-**	**-**	**-**	**-**
All other states		**2,715**	**4,761**	**-**	**4**	**3**	**3**
Total	**$**	**6,863**	**10,742**	**-**	**27**	**6**	**6**

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

TABLE 41: Nonowner-Occupied Commercial Real Estate[(a)]

As of June 30, 2015 ($ in millions)		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs (Recoveries) for June 30, 2015 Three Months Ended	Six Months Ended
By State:							
Ohio	$	1,392	1,721	-	5	-	(1)
Florida		586	950	-	15	3	3
Illinois		547	970	-	6	-	-
Michigan		651	694	-	3	-	-
North Carolina		377	609	-	-	(1)	(1)
Indiana		278	399	-	-	-	-
All other states		2,092	3,912	-	14	5	5
Total	$	5,923	9,255	-	43	7	6

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

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

Consumer Portfolio

Consumer credit risk management utilizes a framework that encompasses consistent processes for identifying, assessing, managing, monitoring, and reporting credit risk. These processes are supported by a credit risk governance structure that includes Board oversight, policies, risk limits, and risk committees.

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 three categories of loans 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. Among consumer portfolios, legacy underwritten residential mortgage and brokered home equity portfolios exhibited the most stress during the credit crisis. As of June 30, 2016, consumer real estate loans originated from 2005 through 2008 represent approximately 19% of the consumer real estate portfolio. These loans account for 44% and 52% of total consumer real estate secured losses for the three and six months ended June 30, 2016, respectively. Current loss rates in the residential mortgage and home equity portfolios are below pre-crisis levels. In addition to the consumer real estate portfolio, credit risk management continues to closely monitor the automobile portfolio performance. Increased competition in the marketplace has led to industry-wide loosening of underwriting guidelines. Fifth Third actively manages the automobile portfolio through concentration limits, which mitigates credit risk through limiting the exposure to lower FICO scores, higher advance rates and extended term originations.

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-rate and ARM 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 $835 million of ARM loans will have rate resets during the next twelve months. Of these resets, 65% are expected to experience an increase in rate, with an average increase of approximately one third 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 42: Residential Mortgage Portfolio Loans by LTV at Origination

	June 30, 2016		December 31, 2015	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV £ 80%	**$ 10,711**	**65.9 %**	$ 10,198	65.6 %
LTV > 80%, with mortgage insurance	**1,302**	**93.4**	1,300	93.3
LTV > 80%, no mortgage insurance	**2,294**	**95.9**	2,218	96.0
Total	**$ 14,307**	**73.5 %**	$ 13,716	73.4 %

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

TABLE 43: Residential Mortgage Portfolio Loans, LTV Greater than 80%, No Mortgage Insurance

				Net Charge-offs for June 30, 2016	
As of June 30, 2016 ($ in millions)	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:					
Ohio	**$ 561**	**1**	**4**	**1**	**1**
Illinois	**416**	**-**	**1**	**-**	**-**
Florida	**307**	**1**	**3**	**-**	**-**
Michigan	**290**	**1**	**1**	**-**	**1**
Indiana	**159**	**-**	**1**	**-**	**-**
North Carolina	**115**	**-**	**1**	**-**	**-**
Kentucky	**89**	**1**	**-**	**-**	**-**
All other states	**357**	**1**	**1**	**-**	**-**
Total	**$ 2,294**	**5**	**12**	**1**	**2**

Table of Contents

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

TABLE 44: Residential Mortgage Portfolio Loans, LTV Greater than 80%, No Mortgage Insurance

As of June 30, 2015 ($ in millions)		Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs for June 30, 2015 Three Months Ended	Six Months Ended
By State:						
Ohio	$	520	1	6	1	2
Illinois		321	-	1	-	1
Florida		257	2	3	-	-
Michigan		272	1	2	1	1
Indiana		126	-	2	-	-
North Carolina		106	-	1	-	-
Kentucky		78	-	-	-	-
All other states		251	1	2	-	-
Total	$	1,931	5	17	2	4

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 and refreshed FICO score trends. The qualitative factors include adjustments for changes in policies or procedures in underwriting, monitoring or collections, economic conditions, portfolio mix, lending and risk management personnel, results of internal audit and quality control reviews, collateral values and geographic concentrations. The Bancorp considers home price index trends when determining the collateral value 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 $2.5 billion and $5.5 billion, respectively, as of June 30, 2016. Of the total $8.0 billion of outstanding home equity loans:

86% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois as of June 30, 2016;

36% are in senior lien positions and 64% are in junior lien positions at June 30, 2016;

Over 81% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended June 30, 2016; and

The portfolio had an average refreshed FICO score of 742 at both June 30, 2016 and December 31, 2015.

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 subsection of the Risk Management section of MD&A for more information.

Table of Contents

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

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

TABLE 45: Home Equity Portfolio Loans Outstanding by Refreshed FICO Score

($ in millions)	June 30, 2016 Outstanding	June 30, 2016 % of Total	December 31, 2015 Outstanding	December 31, 2015 % of Total
Senior Liens:				
FICO £ 620	**$ 158**	**2 %**	$ 159	2 %
FICO 621-719	**558**	**7**	563	7
FICO ³ 720	**2,154**	**27**	2,210	26
Total senior liens	**2,870**	**36**	2,932	35
Junior Liens:				
FICO £ 620	**376**	**5**	389	5
FICO 621-719	**1,324**	**17**	1,399	17
FICO ³ 720	**3,418**	**42**	3,581	43
Total junior liens	**5,118**	**64**	5,369	65
Total	**$ 7,988**	**100 %**	$ 8,301	100 %

The Bancorp believes that home equity portfolio 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 portfolio loans outstanding in a senior and junior lien position by LTV at origination as of:

TABLE 46: Home Equity Portfolio Loans Outstanding by LTV at Origination

($ in millions)	June 30, 2016 Outstanding	June 30, 2016 Weighted-Average LTV	December 31, 2015 Outstanding	December 31, 2015 Weighted-Average LTV
Senior Liens:				
LTV £ 80%	**$ 2,512**	**55.2 %**	$ 2,557	55.1 %
LTV > 80%	**358**	**89.1**	375	89.1
Total senior liens	**2,870**	**59.7**	2,932	59.7
Junior Liens:				
LTV £ 80%	**2,984**	**67.6**	3,088	67.6
LTV > 80%	**2,134**	**90.8**	2,281	90.9
Total junior liens	**5,118**	**78.9**	5,369	79.2
Total	**$ 7,988**	**71.5 %**	$ 8,301	71.8 %

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

TABLE 47: Home Equity Portfolio Loans Outstanding with a LTV Greater than 80%

					Net Charge-offs for June 30, 2016	
As of June 30, 2016 ($ in millions)	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:						
Ohio	**$ 1,046**	**1,813**	**-**	**10**	**1**	**3**
Michigan	**477**	**723**	**-**	**6**	**1**	**1**
Illinois	**285**	**430**	**-**	**4**	**1**	**1**
Indiana	**202**	**327**	**-**	**3**	**-**	**1**
Kentucky	**190**	**320**	**-**	**2**	**-**	**-**
Florida	**88**	**122**	**-**	**2**	**-**	**-**
All other states	**204**	**285**	**-**	**4**	**-**	**1**
Total	**$ 2,492**	**4,020**	**-**	**31**	**3**	**7**

TABLE 48: Home Equity Portfolio Loans Outstanding with a LTV Greater than 80%

					Net Charge-offs for June 30, 2015	
As of June 30, 2015 ($ in millions)	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:						
Ohio	$ 1,089	1,816	-	9	2	4
Michigan	568	831	-	5	1	2
Illinois	323	482	-	5	1	3
Indiana	237	377	-	3	1	2
Kentucky	226	368	-	2	-	1
Florida	100	137	-	3	-	-
All other states	239	329	-	5	1	2
Total	$ 2,782	4,340	-	32	6	14

Table of Contents

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

Automobile portfolio

The automobile portfolio is characterized by direct and indirect lending products to consumers. As of June 30, 2016, 48% of the automobile loan portfolio is comprised of loans collateralized by new automobiles. It is a common industry practice to advance on automobile loans an amount in excess of the automobile value due to the inclusion of taxes, title and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans.

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

TABLE 49: Automobile Portfolio Loans Outstanding by LTV at Origination

		June 30, 2016			December 31, 2015	
($ in millions)		Outstanding	Weighted-Average LTV		Outstanding	Weighted-Average LTV
LTV £ 100%	$	**7,179**	**81.9 %**	$	7,740	81.7 %
LTV > 100%		**3,492**	**111.3**		3,753	111.3
Total	$	**10,671**	**91.9 %**	$	11,493	91.7 %

The following table provides an analysis of the Bancorp s automobile portfolio loans with a LTV at origination greater than 100%:

TABLE 50: Automobile Portfolio Loans Outstanding with a LTV Greater than 100%

As of ($ in millions)		Outstanding	90 Days Past Due and Accruing	Nonaccrual	Net Charge-offs for the Three Months Ended	Net Charge-offs for the Six Months Ended
June 30, 2016	$	**3,492**	**4**	**2**	**4**	**10**
June 30, 2015		3,819	4	1	5	10

HAMP and HARP Programs

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. 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 loans. As of June 30, 2016, repurchased loans restructured or refinanced under these programs were immaterial to the Condensed Consolidated Financial Statements. Additionally, as of June 30, 2016, and December 31, 2015, $16 million and $14 million, respectively, of loans refinanced under HARP 2.0 were included in loans held for sale in the Condensed Consolidated Balance Sheets. For the three and six months ended June 30, 2016 the Bancorp recognized $2 million and $3 million, respectively, of noninterest income in mortgage banking net revenue in the Condensed Consolidated Statements of Income related to the sale of loans restructured or refinanced under the HAMP and HARP 2.0 programs compared to $2 million and $4 million for the same periods in the prior year.

Table of Contents

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

European Exposure

The Bancorp has no direct sovereign exposure to any European nation as of June 30, 2016. In providing services to our customers, the Bancorp routinely enters into financial transactions with foreign domiciled and U.S. subsidiaries of foreign businesses as well as foreign financial institutions. These financial transactions are in the form of loans, loan commitments, letters of credit, derivatives, guarantees, banker s acceptances and securities. The Bancorp s risk appetite for foreign country exposure is managed by having established country exposure limits. The Bancorp s total exposure to European domiciled or owned businesses and European financial institutions was $3.4 billion and funded exposure was $1.8 billion as of June 30, 2016. Additionally, the Bancorp was within its established country exposure limits for all European countries.

The Bancorp has been closely monitoring the Brexit situation and its potential impact on the Bancorp. The Bancorp s United Kingdom exposure is shown in the following table.

The following table provides detail about the Bancorp s exposure to all European domiciled and U.S. subsidiaries of European businesses as well as European financial institutions as of June 30, 2016:

TABLE 51: European Exposure

	Sovereigns		Financial Institutions		Non-Financial Institutions		Total	
($ in millions)	Total Exposure(a)	Funded Exposure	Total Exposure(a)	Funded Exposure	Total Exposure(a)	Funded Exposure	Total Exposure(a)	Funded Exposure
Peripheral Europe(b)	$ -	-	262	190	120	46	382	236
Other Eurozone(c)	-	-	391	169	1,698	908	2,089	1,077
Total Eurozone	$ -	-	653	359	1,818	954	2,471	1,313
United Kingdom	-	-	70	67	702	334	772	401
Other Europe(d)	-	-	66	5	118	41	184	46
Total Europe	$ -	-	789	431	2,638	1,329	3,427	1,760

(a) Total exposure includes funded exposure and unfunded commitments.
(b) Peripheral Europe includes Greece, Ireland, Italy, Portugal and Spain.
(c) Eurozone includes countries participating in the European common currency (Euro).
(d) Other Europe includes European countries not part of the Eurozone (primarily Switzerland, Turkey and Norway).

Analysis of Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial and credit card loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 52. Refer to the nonaccrual loan and leases section of Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended

December 31, 2015 for additional delinquency and nonperforming asset information.

Nonperforming assets were $825 million at June 30, 2016 compared to $659 million at December 31, 2015. At June 30, 2016, $20 million of nonaccrual loans were held for sale, compared to $12 million at December 31, 2015.

Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO were 0.86% as of June 30, 2016 compared to 0.70% as of December 31, 2015. Nonaccrual loans and leases secured by real estate were 31% of nonaccrual loans and leases as of June 30, 2016 compared to 43% as of December 31, 2015.

Commercial portfolio nonaccrual loans and leases were $539 million at June 30, 2016, an increase of $198 million from December 31, 2015 primarily due to a $185 million increase associated with the reserve-based lending energy portfolio and the impact of low oil prices during the first half of 2016.

Consumer nonperforming loans and leases were $154 million at June 30, 2016, a decrease of $11 million from December 31, 2015. Geographical market conditions continue to be a large driver of nonaccrual activity as Florida properties represent approximately 11% of residential mortgage balances, but represent 27% of nonaccrual loans at June 30, 2016. Refer to Table 53 for a rollforward of the nonperforming loans and leases.

OREO and other repossessed property was $112 million at June 30, 2016, compared to $141 million at December 31, 2015. The Bancorp recognized $6 million and $5 million in losses on the sale or write-down of OREO properties for the three months ended June 30, 2016 and 2015, respectively, and $9 million and $13 million in losses on the sale or write-down of OREO properties for the six months ended June 30, 2016 and 2015, respectively. The decrease for the six months ended June 30, 2016 compared to the same period in the prior year was primarily due to modest improvement in general economic conditions.

For the three and six months ended June 30, 2016, approximately $11 million and $22 million, respectively, of interest income would have been recognized if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. For the three and six months ended June 30, 2015 approximately $9 million and $17 million, respectively, of interest income would have been recognized. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

Table of Contents

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

TABLE 52: Summary of Nonperforming Assets and Delinquent Loans

As of ($ in millions)		June 30, 2016		December 31, 2015
Nonaccrual portfolio loans and leases:				
Commercial and industrial loans	$	**254**		82
Commercial mortgage loans		**39**		56
Commercial leases		**4**		-
Residential mortgage loans		**27**		28
Home equity		**61**		62
Nonaccrual portfolio restructured loans and leases:				
Commercial and industrial loans		**213**		177
Commercial mortgage loans(c)		**29**		25
Commercial leases		**-**		1
Residential mortgage loans		**16**		23
Home equity		**18**		17
Automobile loans		**2**		2
Credit card		**30**		33
Total nonaccrual portfolio loans and leases(b)		**693**		506
OREO and other repossessed property		**112**		141
Total nonperforming portfolio assets		**805**		647
Nonaccrual loans held for sale		**20**		1
Nonaccrual restructured loans held for sale		**-**		11
Total nonperforming assets	$	**825**		659
Loans and leases 90 days past due and still accruing				
Commercial and industrial loans	$	**2**		7
Residential mortgage loans(a)		**38**		40
Automobile loans		**7**		10
Credit card		**18**		18
Total loans and leases 90 days past due and still accruing	$	**65**		75
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.86**	%	0.70
ALLL as a percent of nonperforming portfolio assets		**161**		197

(a) *Information for all periods presented excludes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. These advances were **$284** as of **June 30, 2016** and $335 as of December 31, 2015. The Bancorp recognized **$1** and **$3** on these insured or guaranteed loans for the three and six months ended **June 30, 2016**, respectively, and $2 and $4 for the three and six months ended June 30, 2015, respectively.*

(b) *Includes **$4** and $6 of nonaccrual government insured commercial loans whose repayments are insured by the SBA at **June 30, 2016** and December 31, 2015, respectively, and **$1** and $2 of restructured nonaccrual government insured commercial loans at **June 30, 2016** and December31, 2015, respectively.*

(c) *Excludes **$20** of restructured nonaccrual loans at both **June 30, 2016** and December 31, 2015, associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

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

TABLE 53: Rollforward of Portfolio Nonaccrual Loans and Leases

For the six months ended June 30, 2016 ($ in millions)		Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	$	341	51	114	506
Transfers to nonaccrual status		**411**	**31**	**80**	**522**
Transfers to accrual status		**(9)**	**(26)**	**(38)**	**(73)**
Transfers to held for sale		**(3)**	**-**	**-**	**(3)**
Loans sold from portfolio		**(8)**	**-**	**-**	**(8)**
Loan paydowns/payoffs		**(91)**	**(4)**	**(16)**	**(111)**
Transfers to OREO		**(4)**	**(7)**	**(6)**	**(17)**
Charge-offs		**(112)**	**(2)**	**(23)**	**(137)**
Draws/other extensions of credit		**14**	**-**	**-**	**14**
Balance, end of period	**$**	**539**	**43**	**111**	**693**
For the six months ended June 30, 2015 ($ in millions)					
Balance, beginning of period	$	367	77	135	579
Transfers to nonaccrual status		146	35	74	255
Transfers to accrual status		(4)	(18)	(31)	(53)
Transfers from held for sale		-	5	-	5
Loans sold from portfolio		(8)	-	-	(8)
Loan paydowns/payoffs		(106)	(8)	(14)	(128)
Transfers to OREO		(19)	(19)	(8)	(46)
Charge-offs		(94)	(10)	(30)	(134)
Draws/other extensions of credit		5	-	-	5
Balance, end of period	$	287	62	126	475

Table of Contents

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

Troubled Debt Restructurings

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

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

Consumer restructured loans on accrual status totaled $982 million and $979 million at June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016, the percent of restructured residential mortgage loans, home equity loans and credit card loans that are past due 30 days or more from their modified terms were 27%, 10% and 26%, respectively.

The following tables summarize TDRs by loan type and delinquency status:

TABLE 54: Accruing and Nonaccruing Portfolio TDRs

		Accruing			
As of June 30, 2016 ($ in millions)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[b]	$ **429**	**2**	**-**	**242**	**673**
Residential mortgage loans[a]	**476**	**56**	**101**	**16**	**649**
Home equity	**292**	**16**	**-**	**18**	**326**
Automobile loans	**15**	**-**	**-**	**2**	**17**
Credit card	**23**	**3**	**-**	**30**	**56**
Total	$ **1,235**	**77**	**101**	**308**	**1,721**

(a) *Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of* ***June 30, 2016****, these advances represented* ***$241*** *of current loans,* ***$45*** *of 30-89 days past due loans and* ***$88*** *of 90 days or more past due loans.*

(b) *As of* ***June 30, 2016****, excludes* ***$7*** *of restructured accruing loans and* ***$20*** *of restructured nonaccrual loans associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

TABLE 55: Accruing and Nonaccruing Portfolio TDRs

		Accruing			
As of December 31, 2015 ($ in millions)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[b][c]	$ 487	4	-	203	694
Residential mortgage loans[a]	443	54	110	23	630
Home equity	307	20	-	17	344
Automobile loans	17	-	-	2	19
Credit card	24	4	-	33	61
Total	$ 1,278	82	110	278	1,748

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2015, these advances represented $202 of current loans, $42 of 30-89 days past due loans and $99 of 90 days or more past due loans.

(b) As of December 31, 2015, excludes $7 of restructured accruing loans and $20 of restructured nonaccrual loans associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.

(c) Excludes restructured nonaccrual loans held for sale.

Analysis of Net Loan Charge-offs

Net charge-offs were 37 bps and 39 bps of average portfolio loans and leases for both the three and six months ended June 30, 2016 and 2015, respectively. Table 56 provides a summary of credit loss experience and net charge-offs as a percent of average portfolio loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs to average portfolio commercial loans and leases was 32 bps during both the three months ended June 30, 2016 and 2015. The ratio of commercial loan and lease net charge-offs to average portfolio commercial loans and leases increased to 35 bps during the six months ended June 30, 2016 compared to 30 bps during the same period in the prior year. The increase for the six months ended June 30, 2016 included $11 million of charge-offs in the energy portfolio related to oil field services loans, included in net charge-offs on commercial and industrial loans, and a $3 million increase in net charge-offs on commercial leases.

The ratio of consumer loan and lease net charge-offs to average portfolio consumer loans and leases decreased to 45 bps and 46 bps during the three and six months ended June 30, 2016, respectively, compared to 46 bps and 52 bps for the three and six months ended June 30, 2015, respectively. Residential mortgage loan net charge-offs, which typically involve partial charge-offs based upon appraised values of underlying collateral, decreased $3 million and $6 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year driven by improvements in delinquencies and loss severities. The Bancorp expects the composition of the residential mortgage portfolio to improve as it continues to retain high quality residential mortgage loans.

Table of Contents

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

Home equity net charge-offs decreased $3 million and $9 million for the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to improvements in loss severities. Management actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation.

Automobile loan net charge-offs increased $4 million for both the three and six months ended June 30, 2016, respectively, compared to the same periods in the prior year primarily due to a strategic shift focusing on improving risk adjusted return along with a modest decline in used car values at auction.

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

TABLE 56: Summary of Credit Loss Experience

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2016**	2015	**2016**	2015
Losses charged-off:					
Commercial and industrial loans	$	**(43)**	(40)	**(94)**	(83)
Commercial mortgage loans		**(7)**	(14)	**(15)**	(19)
Commercial leases		**(1)**	-	**(3)**	-
Residential mortgage loans		**(5)**	(8)	**(10)**	(17)
Home equity		**(10)**	(13)	**(20)**	(30)
Automobile loans		**(12)**	(9)	**(26)**	(22)
Credit card		**(23)**	(24)	**(46)**	(48)
Other consumer loans and leases		**(4)**	(4)	**(8)**	(8)
Total losses charged-off	$	**(105)**	(112)	**(222)**	(227)
Recoveries of losses previously charged-off:					
Commercial and industrial loans	$	**4**	6	**8**	11
Commercial mortgage loans		**1**	3	**2**	7
Commercial construction loans		**-**	-	**1**	-
Residential mortgage loans		**3**	3	**5**	6
Home equity		**4**	4	**7**	8
Automobile loans		**4**	5	**10**	10
Credit card		**2**	3	**5**	6
Other consumer loans and leases		**-**	2	**1**	2
Total recoveries of losses previously charged-off	$	**18**	26	**39**	50
Net losses charged-off:					
Commercial and industrial loans	$	**(39)**	(34)	**(86)**	(72)
Commercial mortgage loans		**(6)**	(11)	**(13)**	(12)

Commercial construction loans	**-**	-	**1**	-
Commercial leases	**(1)**	-	**(3)**	-
Residential mortgage loans	**(2)**	(5)	**(5)**	(11)
Home equity	**(6)**	(9)	**(13)**	(22)
Automobile loans	**(8)**	(4)	**(16)**	(12)
Credit card	**(21)**	(21)	**(41)**	(42)
Other consumer loans and leases	**(4)**	(2)	**(7)**	(6)
Total net losses charged-off	**$ (87)**	(86)	**(183)**	(177)
Net losses charged-off as a percent of average portfolio loans and leases:				
Commercial and industrial loans	**0.36 %**	0.32	**0.40**	0.35
Commercial mortgage loans	**0.38**	0.62	**0.36**	0.34
Commercial construction loans	**-**	-	**(0.03)**	-
Commercial leases	**0.09**	-	**0.14**	-
Total commercial loans and leases	**0.32 %**	0.32	**0.35**	0.30
Residential mortgage loans	**0.06**	0.16	**0.07**	0.17
Home equity	**0.30**	0.41	**0.33**	0.51
Automobile loans	**0.26**	0.14	**0.29**	0.21
Credit card	**3.92**	3.62	**3.82**	3.61
Other consumer loans and leases	**2.42**	2.45	**2.35**	3.20
Total consumer loans and leases	**0.45 %**	0.46	**0.46**	0.52
Total net losses charged-off as a percent of average portfolio loans and leases	**0.37 %**	0.37	**0.39**	0.39

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. The ALLL provides coverage for probable and estimable losses in the loan and lease portfolio. The Bancorp evaluates the ALLL each quarter to determine its adequacy to cover inherent losses. Several factors are taken into consideration in the determination of the overall ALLL, including an unallocated component. These factors include, but are not limited to, the overall risk profile of the loan and lease portfolios, net charge-off experience, the extent of impaired loans and leases, the level of nonaccrual loans and leases, the level of 90 days past due loans and leases and the overall level of the ALLL as a percent of portfolio loans and leases.

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

The Bancorp also considers overall asset quality trends, credit administration and portfolio management practices, risk identification practices, credit policy and underwriting practices, overall portfolio growth, portfolio concentrations and current economic conditions that might impact the portfolio. More information on the ALLL can be found in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2015.

During the six months ended June 30, 2016, the Bancorp refined certain estimation techniques associated with the ALLL. Such refinements included the introduction of individual loss rate mitigation analyses for each commercial loan portfolio class as contrasted to the single composite loss rate mitigation analysis for the entire commercial loan portfolio which was used in prior periods. These refinements did not substantively change any material aspect of the Bancorp s overall approach in the determination of the ALLL and there have been no material changes in assumptions as compared to prior periods that impacted the determination of the current period allowance. In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the Condensed Consolidated Balance Sheets. The methodology used to determine the adequacy of this reserve is similar to the Bancorp s methodology for determining the ALLL. The provision for unfunded commitments is included in other noninterest expense in the Condensed Consolidated Statements of Income.

The ALLL attributable to the portion of the residential mortgage and consumer loan and lease portfolio that has not been restructured is determined on a pooled basis with the segmentation based on the similarity of credit risk characteristics. Loss factors for consumer loans are developed for each pool based on the trailing twelve month historical loss rate, as adjusted for certain prescriptive loss rate factors and certain qualitative adjustment factors. The prescriptive loss rate factors and qualitative adjustments are designed to reflect risks associated with current conditions and trends which are not believed to be fully reflected in the trailing twelve month historical loss rate. For real estate backed consumer loans, the prescriptive loss rate factors include adjustments for delinquency trends, LTV trends, refreshed FICO score trends and product mix, and the qualitative factors include adjustments for changes in policies or procedures in underwriting, monitoring or collections, economic conditions, portfolio mix, lending and risk management personnel, results of internal audit and quality control reviews, collateral values and geographic concentrations. The Bancorp considers home price index trends in its footprint and the volatility of collateral valuation trends when determining the collateral value qualitative factor.

The Bancorp s determination of the ALLL for commercial loans is sensitive to the risk grades it assigns to these loans. In the event that 10% of commercial loans in each risk category would experience a downgrade of one risk category, the allowance for commercial loans would have increased by approximately $184 million at June 30, 2016. In addition, the Bancorp s determination of the ALLL for residential mortgage loans and consumer loans is sensitive to changes in estimated loss rates. In the event that estimated loss rates would increase by 10%, the ALLL for residential mortgage loans and consumer loans would have increased by approximately $31 million at June 30, 2016. As several qualitative and quantitative factors are considered in determining the ALLL, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the ALLL. They are intended to provide insights into the impact of adverse changes to risk grades and estimated loss rates and do not imply any expectation of future deterioration in the risk ratings or loss rates. Given current processes employed by the Bancorp, management believes the risk grades and estimated loss rates currently assigned are appropriate.

TABLE 57: Changes in Allowance for Credit Losses

($ in millions)		For the three months ended June 30, 2016	2015	For the six months ended June 30, 2016	2015
ALLL:					
Balance, beginning of period	$	**1,295**	1,300	**1,272**	1,322
Losses charged-off		**(105)**	(112)	**(222)**	(227)
Recoveries of losses previously charged-off		**18**	26	**39**	50
Provision for loan and lease losses		**91**	79	**210**	148
Balance, end of period	$	**1,299**	1,293	**1,299**	1,293
Reserve for unfunded commitments:					
Balance, beginning of period	$	**144**	130	**138**	135
Provision for (benefit from) unfunded commitments		**7**	2	**13**	(2)
Charge-offs		**-**	-	**-**	(1)
Balance, end of period	$	**151**	132	**151**	132

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

An unallocated component of the ALLL is maintained to recognize the imprecision in estimating and measuring loss. The unallocated allowance as a percent of total portfolio loans and leases was 0.12% at both June 30, 2016 and December 31, 2015. The unallocated allowance was 9% of the total allowance at both June 30, 2016 and December 31, 2015.

As shown in Table 58, the ALLL as a percent of portfolio loans and leases was 1.38% at June 30, 2016 compared to 1.37% at December 31, 2015. The ALLL was $1.3 billion at both June 30, 2016 and December 31, 2015.

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

TABLE 58: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

As of ($ in millions)		June 30, 2016		December 31, 2015
Attributed ALLL:				
Commercial and industrial loans	$	**758**		652
Commercial mortgage loans		**86**		117
Commercial construction loans		**14**		24
Commercial leases		**15**		47
Residential mortgage loans		**98**		100
Home equity		**61**		67
Automobile loans		**38**		40
Credit card		**95**		99
Other consumer loans and leases		**17**		11
Unallocated		**117**		115
Total ALLL	$	**1,299**		1,272
Portfolio loans and leases:				
Commercial and industrial loans	$	**43,558**		42,131
Commercial mortgage loans		**6,875**		6,957
Commercial construction loans		**3,706**		3,214
Commercial leases		**3,978**		3,854
Residential mortgage loans		**14,307**		13,716
Home equity		**7,988**		8,301
Automobile loans		**10,671**		11,493
Credit card		**2,172**		2,259
Other consumer loans and leases		**654**		657
Total portfolio loans and leases	$	**93,909**		92,582
Attributed ALLL as a percent of respective portfolio loans and leases:				
Commercial and industrial loans		**1.74**	%	1.55
Commercial mortgage loans		**1.25**		1.68
Commercial construction loans		**0.38**		0.75
Commercial leases		**0.38**		1.22
Residential mortgage loans		**0.68**		0.73
Home equity		**0.76**		0.81
Automobile loans		**0.36**		0.35
Credit card		**4.37**		4.38
Other consumer loans and leases		**2.60**		1.67
Unallocated (as a percent of total portfolio loans and leases)		**0.12**		0.12
Attributed ALLL as a percent of total portfolio loans and leases		**1.38**	%	1.37

MARKET RISK MANAGEMENT

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

Assets and liabilities may mature or reprice at different times;

Short-term and long-term market interest rates may change by different amounts; or

The expected maturity of various assets or liabilities may shorten or lengthen as interest rates change.

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

Interest Rate Risk Management Oversight

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

Net Interest Income Sensitivity

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

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

The Bancorp s interest rate risk exposure is evaluated by measuring the anticipated change in net interest income over 12-month and 24-month horizons assuming 100 bps and 200 bps parallel ramped increases and a 50 bps parallel rate decrease in interest rates. In accordance with policy, the 100 bps and 200 bps parallel ramped increase rate movements are assumed to occur over one year and are sustained thereafter. The 50 bps parallel rate decrease is an immediate change. The analysis would typically include 100 bps and 200 bps parallel ramped decreases in interest rates; however, this analysis is currently omitted due to the current low levels of certain interest rates. Applying the ramps would result in certain interest rates becoming negative in the parallel ramped decrease scenarios.

In this economic cycle, banks have experienced significant growth in deposit balances, particularly in noninterest-bearing demand deposits. The Bancorp, like other banks, is exposed to deposit balance run-off in a rising interest rate environment. In consideration of this risk, the Bancorp s NII sensitivity modeling assumes that approximately $2.5 billion of noninterest-bearing demand deposit balances run-off for each 100 bps increase in short-term market interest rates. These lost noninterest-bearing demand deposit balances are modeled to flow into funding products that reprice in conjunction with market rate increases.

Another important deposit modeling assumption is the amount by which interest-bearing deposit rates will increase when market rates increase. This deposit repricing sensitivity is known as the beta, and it represents the expected amount by which the Bancorp deposit rates will increase for a given increase in short-term market rates. The Bancorp s NII sensitivity modeling assumes a weighted-average interest-bearing deposit beta of approximately 69%, which is approximately 20 percentage points higher than the beta that the Bancorp experienced in the last FRB tightening cycle from June 2004 to June 2006.

The Bancorp continually evaluates the sensitivity of its interest rate risk measures to these important deposit modeling assumptions. The Bancorp also evaluates the sensitivity of other important modeling assumptions, such as loan and security prepayments and early withdrawals on fixed-rate customer liabilities.

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

TABLE 59: Estimated NII Sensitivity Profile and ALCO Policy Limits

	June 30, 2016				June 30, 2015			
	% Change in NII (FTE)		ALCO Policy Limits		% Change in NII (FTE)		ALCO Policy Limits	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months	12 Months	13-24 Months	12 Months	13-24 Months
+200	**3.07 %**	**11.51**	**(4.00)**	**(6.00)**	1.63	6.65	(4.00)	(6.00)
+100	**1.68**	**6.92**	**-**	**-**	0.89	4.23	-	-
-50	**(4.03)**	**(7.08)**	**-**	**-**	N/A	N/A	-	-

At June 30, 2016, the Bancorp s net interest income would benefit in both year one and year two under the parallel rate ramp increases. The Bancorp s net interest income would decline in both year one and year two under the parallel 50 bps rate decrease. The net interest income sensitivity profile is attributable to the combination of floating-rate assets, including the predominantly floating-rate commercial loan portfolio, and certain intermediate-term fixed-rate liabilities. The changes in the sensitivity profile compared to June 30, 2015 are primarily attributable to runoff in the indirect auto loan portfolio, core deposit balance growth and higher outstanding balances of fixed-rate debt. These items were partially offset by investment portfolio growth and residential mortgage loan growth.

Tables 60 and 61 provide information on the Bancorp s estimated net interest income sensitivity profile given changes to balances or certain key assumptions.

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

The following table shows the Bancorp s estimated net interest income sensitivity profile with a $1 billion decrease and a $1 billion increase in demand deposit balances as of June 30, 2016:

TABLE 60: Estimated NII Sensitivity Assuming a $1 Billion Change in Demand Deposit Balances

	% Change in NII (FTE)			
	$1 Billion Balance Decrease		$1 Billion Balance Increase	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200	2.79 %	10.96	3.34	12.07
+100	1.55	6.64	1.82	7.19

The following table shows the Bancorp s estimated net interest income sensitivity profile with a 25% increase and a 25% decrease to the deposit beta assumption as of June 30, 2016. The resulting weighted-average interest-bearing deposit beta included in this analysis is approximately 86% and 52%, respectively, as of June 30, 2016:

TABLE 61: Estimated NII Sensitivity with Deposit Beta Assumption Changes

	% Change in NII (FTE)			
	Betas 25% Higher		Betas 25% Lower	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200	(0.06)%	5.25	6.20	17.77
+100	0.12	3.79	3.25	10.05

Economic Value of Equity Sensitivity

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

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

TABLE 62: Estimated EVE Sensitivity Profile

	June 30, 2016		June 30, 2015	
		ALCO Policy		ALCO Policy
Change in Interest Rates (bps)	% Change in EVE	Limit	% Change in EVE	Limit
+200	**(1.76)%**	**(12.00)**	(4.63)	(12.00)
+100	**0.03**	**-**	(1.84)	-
+25	**0.30**	**-**	(0.33)	-
-50	**(1.35)**	**-**	N/A	-

The EVE sensitivity to the +200 bps rising rate scenario is modestly negative at June 30, 2016, and is also slightly negative to a decline in market rates. The +200 bps rising rate sensitivity is down from the sensitivity at June 30, 2015. The decrease in risk is related to long-term debt issuances, run-off of indirect auto loan balances and the substantial decline in term market interest rates, which reduced investment portfolio duration and improved the risk profiles of core deposits. These items were partially offset by growth in investment portfolio balances.

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

The Bancorp regularly evaluates its exposures to a static balance sheet forecast, LIBOR, Prime Rate and other basis risks, yield curve twist risks and embedded options risks. In addition, the impact on NII on an FTE basis and EVE of extreme changes in interest rates is modeled, wherein the Bancorp employs the use of yield curve shocks and environment-specific scenarios.

Use of Derivatives to Manage Interest Rate Risk

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

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

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

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

Portfolio Loans and Leases and Interest Rate Risk

Although the Bancorp s portfolio loans and leases contain both fixed and floating/adjustable-rate products, the rates of interest earned by the Bancorp on the outstanding balances are generally established for a period of time. The interest rate sensitivity of loans and leases is directly related to the length of time the rate earned is established.

The following table summarizes the carrying value of the Bancorp s portfolio loans and leases expected cash flows, excluding interest receivable, as of June 30, 2016:

TABLE 63: Portfolio Loans and Leases Expected Cash Flows

($ in millions)	Less than 1 year	1-5 years	Over 5 years	Total
Commercial and industrial loans	$ 22,533	19,483	1,542	43,558
Commercial mortgage loans	2,652	3,772	451	6,875
Commercial construction loans	1,497	2,171	38	3,706
Commercial leases	784	1,841	1,353	3,978
Total commercial loans and leases	27,466	27,267	3,384	58,117
Residential mortgage loans	3,250	6,787	4,270	14,307
Home equity	1,014	1,542	5,432	7,988
Automobile loans	4,784	5,764	123	10,671
Credit card	435	1,737	-	2,172
Other consumer loans and leases	481	134	39	654
Total consumer loans and leases	9,964	15,964	9,864	35,792
Total portfolio loans and leases	$ 37,430	43,231	13,248	93,909

Additionally, the following table displays a summary of expected cash flows, excluding interest receivable, occurring after one year for both fixed and floating/adjustable-rate loans and leases as of June 30, 2016:

TABLE 64: Portfolio Loans and Leases Expected Cash Flows Occurring After 1 Year

Interest Rate

($ in millions)		Fixed	Floating or Adjustable
Commercial and industrial loans	$	3,116	17,909
Commercial mortgage loans		919	3,304
Commercial construction loans		3	2,206
Commercial leases		3,194	-
Total commercial loans and leases		7,232	23,419
Residential mortgage loans		8,271	2,786
Home equity		552	6,422
Automobile loans		5,829	58
Credit card		504	1,233
Other consumer loans and leases		27	146
Total consumer loans and leases		15,183	10,645
Total portfolio loans and leases	$	22,415	34,064

Residential Mortgage Servicing Rights and Interest Rate Risk

The net carrying amount of the residential MSR portfolio was $621 million and $784 million as of June 30, 2016 and December 31, 2015, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally, as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk associated with changes in the value of its MSR portfolio as a result of changing interest rates.

Mortgage rates decreased during both the three and six months ended June 30, 2016 which caused actual prepayments on the servicing portfolio to increase. The increase in actual prepayments on the servicing portfolio caused modeled prepayment speeds to increase, which led to a temporary impairment of $45 million and $131 million on servicing rights during the three and six months ended June 30, 2016, respectively. Mortgage rates increased during both the three and six months ended June 30, 2015 which caused actual prepayments on the servicing portfolio to decrease.

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

The decrease in actual prepayments on the servicing portfolio caused modeled prepayment speeds to decrease, which led to the recovery of temporary impairment of $87 million and $39 million on servicing rights, respectively, during the three and six months ended June 30, 2015. Servicing rights are deemed temporarily impaired when a borrower s loan rate is distinctly higher than prevailing rates. Temporary impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. In addition to the MSR valuation, the Bancorp recognized net gains of $51 million and $149 million on derivatives associated with its non-qualifying hedging strategy during the three and six months ended June 30, 2016, respectively, compared to net losses of $30 million and net gains of $35 million during the same periods in the prior year. The Bancorp may adjust its hedging strategy to reflect its assessment of the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges given the economic environment. Refer to Note 10 of the Notes to Condensed Consolidated Financial Statements for further discussion on servicing rights and the instruments used to hedge interest rate risk on MSRs.

Foreign Currency Risk

The Bancorp may enter into foreign exchange derivative contracts to economically hedge certain foreign denominated loans. The derivatives are classified as free-standing instruments with the revaluation gain or loss being recorded in other noninterest income in the Condensed Consolidated Statements of Income. The balance of the Bancorp s foreign denominated loans at June 30, 2016 and December 31, 2015 was $876 million and $812 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers to hedge their exposure to foreign currency fluctuations. Similar to the hedging of interest rate risk from interest rate derivative contracts, the Bancorp also enters into foreign exchange contracts with major financial institutions to economically hedge a substantial portion of the exposure from client driven foreign exchange activity. The Bancorp has risk limits and internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of currency volatility and credit equivalent exposure on these contracts, counterparty credit approvals and country limits performed by the Capital Markets Credit Department and Capital Markets Risk Department.

LIQUIDITY RISK MANAGEMENT

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

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

Sources of Funds

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

Table 63 of the Market Risk Management subsection of the Risk Management section of MD&A illustrates the expected maturities from loan and lease repayments. Of the $31.5 billion of securities in the Bancorp s available-for-sale and other portfolio at June 30, 2016, $5.8 billion in principal and interest is expected to be received in the next 12 months and an additional $3.9 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp s securities portfolio, refer to the Investment Securities subsection of the Balance Sheet Analysis section of MD&A.

Asset-driven liquidity is provided by the Bancorp s ability to sell or securitize loans and leases. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination. Additional assets such as certain other residential mortgage loans, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. The Bancorp sold or securitized loans totaling $1.8 billion and $3.1 billion during the three and six months ended June 30, 2016, respectively, compared to $1.4 billion and $3.0 billion during the three and six months ended June 30, 2015, respectively. For further information on the transfer of financial assets, refer to Note 10 of the Notes to Condensed Consolidated Financial Statements.

Core deposits have historically provided the Bancorp with a sizeable source of relatively stable and low cost funds. The Bancorp s average core deposits and average shareholders equity funded 81% of its average total assets for both the three and six months ended June 30, 2016 and 83% for both the three and six months ended June 30, 2015. In addition to core deposit funding, the Bancorp also accesses a variety of other short-term and long-term funding sources, which include the use of the FHLB system. Certificates $100,000 and over and deposits in the Bancorp s foreign branch located in the Cayman Islands are wholesale funding tools utilized to fund asset growth. Management does not rely on any one source of liquidity and manages availability in response to changing balance sheet needs.

As of June 30, 2016, $8.9 billion of debt or other securities were available for issuance under the current Bancorp s Board of Directors authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. At June 30, 2016, the Bancorp has approximately $36.2 billion of borrowing capacity available through secured borrowing sources including the FHLB and FRB.

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

The Bancorp s banking subsidiary s global bank note program has a borrowing capacity of $25 billion, of which $16.3 billion is available for issuance as of June 30, 2016. On March 15, 2016, the Bank issued and sold $1.5 billion in aggregate principal amounts of unsecured bank notes. On June 14, 2016, the Bank issued and sold $1.3 billion of unsecured bank notes.

Liquidity Coverage Ratio and Net Stable Funding Ratio

A key reform within the Basel III framework to strengthen international liquidity standards was the BCBS introduction of the LCR and NSFR. On January 7, 2013, the BCBS issued a final standard for the LCR applicable to large internationally active banking organizations. The BCBS issued a final NSFR standard in the fourth quarter of 2014 and disclosure requirements in the second quarter of 2015 which are applicable to internationally active banks. The NSFR will become a minimum standard by January 1, 2018.

Section 165 of the DFA requires the FRB to establish enhanced liquidity standards in the U.S. for BHCs with total assets of $50 billion or greater. 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 finalized for BHCs with $50 billion or more in total consolidated assets that are not internationally active, such as the Bancorp. The Modified LCR requires BHCs to maintain HQLA equal to its calculated net cash outflows over a 30 calendar-day stress period multiplied by a factor of 0.7. The Modified LCR became effective January 1, 2016 and requires BHCs to calculate its LCR on a monthly basis. The final rule includes a transition period for the Modified LCR in which BHCs must maintain HQLA of 90% of its calculated net cash outflows for 2016 and then 100% beginning in 2017. The Bancorp s Modified LCR was 110% at June 30, 2016 calculated under the Modified LCR final rule.

The U.S. banking agencies have issued a notice of proposed rulemaking to implement a modified NSFR for certain bank holding companies with at least $50 billion but less than $250 billion in total consolidated assets and with less than $10 billion in on-balance sheet foreign exposures, including the Bancorp. The NSFR is designed to promote medium- and long-term stable funding of the assets and off-balance-sheet activities of banks and bank holding companies over a one-year time horizon. Generally consistent with the BCBS framework, under the proposed rule banking organizations would be required to hold an amount of ASF over a one-year time horizon that equals or exceeds the institution s amount of RSF, with the ASF representing the numerator and the RSF representing the denominator of the NSFR. Banking organizations subject to the modified NSFR would multiply the RSF amount by 70%, such that the RSF amount required for these institutions would be equivalent to 70% of the RSF amount that would be required pursuant to the full NSFR generally applicable to institutions with at least $250 billion in total consolidated assets or $10 billion or more in on-balance sheet foreign exposures under the proposed rule. The proposed rule includes detailed descriptions of the items that would comprise ASF and RSF and standardized factors that would apply to ASF and RSF items, and would require any institution whose applicable modified NSFR falls under 100% to notify the appropriate federal regulator and develop a remediation plan.

The Bancorp is currently evaluating the impact of the U.S. banking agencies NSFR framework. If ultimately adopted as currently proposed, the implementation of the NSFR could impact the Bancorp s liquidity and funding requirements and practices in the future, including by incentivizing increased use of long-term debt as a funding source. Under the proposal, the NSFR becomes effective January 1, 2018 with public disclosure requirements beginning for the calendar quarter that ends on March 31, 2018. The comment period for this proposal ends on August 5, 2016.

Credit Ratings

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

The Bancorp s and Bank s credit ratings are summarized in Table 65. The ratings reflect the ratings agency s view on the Bancorp s and Bank s capacity to meet financial commitments. *

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

TABLE 65: Agency Ratings

As of August 5, 2016	Moody s	Standard and Poor s	Fitch	DBRS
Fifth Third Bancorp:				
Short-term	No rating	A-2	F1	R-1L
Senior debt	Baa1	BBB+	A	AL
Subordinated debt	Baa1	BBB	A-	BBBH
Fifth Third Bank:				
Short-term	P-1	A-2	F1	R-1L
Long-term deposit	Aa3	No rating	A+	A
Senior debt	A3	A-	A	A
Subordinated debt	Baa1	BBB+	A-	AL

51

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

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed processes or systems or due to external events that are neither market nor credit-related. Operational risk is inherent in the Bancorp s activities and can manifest itself in various ways including fraudulent acts, business interruptions, inappropriate behavior of employees, unintentional failure to comply with applicable laws and regulations, cyber-security incidents and privacy breaches, or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Bancorp. The Bancorp s risk management goal is to keep operational risk at appropriate levels consistent with the Bancorp s risk appetite, financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

To control, monitor, and govern operational risk, the Bancorp maintains an overall Risk Management Framework which comprises governance oversight, risk assessment, capital measurement, monitoring, and reporting as well as a formal three lines of defense approach. ERM is responsible for prescribing the framework to the lines of business and corporate functions, and to provide independent oversight of its implementation (second line of defense). In 2015, Business Controls Directors were appointed in each of the lines of business to ensure consistent implementation and execution of managing day to day operational risk (first line of defense).

The Bancorp s risk management framework consists of five integrated components, including identifying, assessing, managing, monitoring and independent governance reporting of risk. The corporate Operational Risk Management function within Enterprise Risk is responsible for developing and overseeing the implementation of the Bancorp s approach to managing operational risk. This includes providing governance, awareness and training, tools, guidance and oversight to support implementation of key risk programs and systems as they relate to operational risk management, such as risk and control self-assessments, new product/initiative risk reviews, key risk indicators, Vendor Risk Management, and operational losses. The function is also responsible for developing reports that support the proactive management of operational risk across the enterprise. The lines of business and corporate functions are responsible for managing the operational risks associated with their areas in accordance with the risk management framework. The framework is intended to enable the Bancorp to function with a sound and well-controlled operational environment. These processes support the Bancorp s goals to minimize future operational losses and strengthen the Bancorp s performance by maintaining sufficient capital to absorb operational losses that are incurred.

COMPLIANCE RISK MANAGEMENT

Regulatory compliance risk is defined as the risk of legal or regulatory sanctions, financial loss, or damage to reputation as a result of noncompliance with (i) applicable laws, regulations, rules and other regulatory requirements (including but not limited to the risk of consumers experiencing economic loss or other legal harm as a result of noncompliance with consumer protection laws, regulations and requirements); (ii) internal policies and procedures, standards of best practice or codes of conduct; and (iii) principles of integrity and fair dealing applicable to Fifth Third s activities and functions. Fifth Third focuses on managing regulatory compliance risk in accordance with the Bancorp s integrated risk management framework, which ensures consistent processes for identifying, assessing, managing, monitoring, and reporting risks. The Bancorp s risk management goal is to keep compliance risk at appropriate levels consistent with the Bancorp s risk appetite.

The current regulatory environment, including heightened regulatory expectations and material changes in laws and regulations, increases compliance risk. To mitigate compliance risk, Compliance Risk Management provides independent oversight to ensure consistency and sufficiency in the execution of the program, and ensures that lines of business, regions and support functions are adequately identifying, assessing and monitoring compliance risks and adopting proper mitigation strategies. The lines of business and enterprise functions are responsible for managing the compliance risks associated with their areas. Additionally, Compliance Risk Management implements key compliance programs and processes including but not limited to, risk assessments, key risk indicators program, issues tracking, regulatory compliance testing and monitoring, anti-money laundering, privacy, and oversees the Bancorp s compliance with the Community Reinvestment Act.

Fifth Third also focuses on the reporting and escalation of compliance issues to senior management and the Board. The Management Compliance Committee is the key committee that oversees and supports Fifth Third in the management of compliance risk across the enterprise. The Management Compliance Committee addresses Fifth Third-wide compliance issues, industry best practices, legislative developments, regulatory concerns, and other leading indicators of compliance risk. The Management Compliance Committee reports to the Enterprise Risk Management Committee, which reports to Risk and Compliance Committee of the Board of Directors.

CAPITAL MANAGEMENT

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

Regulatory Capital Ratios

The Basel III Final Rule was effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain of its components and other provisions. It established quantitative measures that assign risk weightings to assets and off-balance sheet items and also defined and set minimum regulatory capital requirements. The minimum capital ratios established under the Basel III Final Rule are 4.5% for the CET1 capital ratio, 6% for the Tier I risk-based capital ratio, 8% for the Total risk-based capital ratio and 4% for the Tier I Leverage ratio (Tier I capital to average consolidated assets). The PCA provisions adopted by the U.S. banking agencies define well-capitalized ratios for CET1 capital, Tier I risk-based capital, Total risk-based capital and Tier I leverage greater than or equal to 6.5%, 8%, 10% and 5%, respectively.

Table of Contents

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

On January 1, 2016, the Bancorp became subject to a capital conservation buffer which will be phased in over a three-year period ending January 1, 2019. Once fully phased-in, the capital conservation buffer will be 2.5% in addition to the minimum capital requirements, in order to avoid limitations on certain capital distributions and discretionary bonus payments to executive officers. The capital conservation buffer is 0.625% in 2016. The Bancorp exceeded these well-capitalized and capital conservation buffer ratios for all periods presented.

The Bancorp made a one-time permanent election to not include AOCI in regulatory capital in the March 31, 2015 FFIEC 031 and FR Y-9C filings. The Basel III Final Rule phases out the inclusion of certain TruPS as a component of Tier I capital. Under these provisions, these TruPS would qualify as a component of Tier II capital. At June 30, 2016, the Bancorp s Tier I capital did not include any TruPS, compared to $13 million, or 1 bp of risk-weighted assets, at December 31, 2015.

The following table summarizes the Bancorp s capital ratios as of:

TABLE 66: Capital Ratios

($ in millions)		**June 30, 2016**	December 31, 2015
Average total Bancorp shareholders equity as a percent of average assets		**11.60 %**	11.26
Tangible equity as a percent of tangible assets[(a)(c)]		**9.59**	9.55
Tangible common equity as a percent of tangible assets[(a)(c)]		**8.64**	8.59
		Basel III Transitional[(b)]	
CET1 capital	**$**	**12,112**	11,917
Tier I capital		**13,443**	13,260
Total regulatory capital		**17,857**	17,134
Risk-weighted assets		**121,824**	121,290 [(d)]
Regulatory capital ratios:			
CET1 capital		**9.94 %**	9.82 [(d)]
Tier I risk-based capital		**11.03**	10.93 [(d)]
Total risk-based capital		**14.66**	14.13 [(d)]
Tier I leverage		**9.64**	9.54 [(d)]
		Basel III Fully Phased-In	
CET1 capital[(a)]		**9.86 %**	9.72 [(d)]

(a) These are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.

(b) Under the U.S. 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 weighted

values are added together resulting in the total risk-weighted assets.
(c) Excludes unrealized gains and losses.
(d) Balances and ratios not restated for the adoption of the amended guidance of ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs. Refer to Note 3 of the Notes to Condensed Consolidated Financial Statements for further information.

Stress Tests and CCAR

In 2011 the FRB adopted the capital plan rule, which requires BHCs with consolidated assets of $50 billion or more to submit annual capital plans to the FRB for review. Under the rule, these capital plans must include detailed descriptions of the following: the BHC s internal processes for assessing capital adequacy; the policies governing capital actions such as common stock issuances, dividends and share repurchases; and all planned capital actions over a nine-quarter planning horizon. Further, each BHC must also report to the FRB the results of stress tests conducted by the BHC under a number of scenarios that assess the sources and uses of capital under baseline and stressed economic scenarios. The FRB launched the 2016 stress testing program and CCAR on January 28, 2016, with submissions of stress test results and capital plans to the FRB due on April 5, 2016, which the Bancorp submitted as required.

The FRB s review of the capital plan assessed the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB reviewed the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above each minimum regulatory capital ratio on a pro forma basis under expected and stressful conditions throughout the planning horizon.

On June 29, 2016, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2016 CCAR. For BHCs that proposed capital distributions in their plans, the FRB either objected to the plan or provided a non-objection whereby the FRB permitted the proposed capital distributions. The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning July 1, 2016 and ending June 30, 2017:

- The potential increase in the quarterly common stock dividend to $0.14 in the fourth quarter of 2016;
- The potential repurchase of common shares in an amount up to $660 million, which includes $84 million in repurchases related to share issuances under employee benefit plans;
- The additional ability to repurchase shares in the amount of any realized after-tax gains from the sale of Vantiv, Inc. common stock, if executed;
- The additional ability to repurchase shares in the amount of any realized after-tax gains from the termination and settlement of any portion of the TRA with Vantiv, Inc., if executed.

As contemplated by the 2015 CCAR, during the first quarter of 2016, the Bancorp entered into a $240 million accelerated share repurchase transaction. Additionally, as contemplated by the 2015 CCAR, during the second quarter of 2016, the Bancorp repurchased approximately $26 million of its outstanding common stock through open market share repurchase transactions. For further information, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

Additionally, as a CCAR institution, the Bancorp is required to disclose the results of its company-run stress test under the supervisory severely adverse scenario and to provide information related to the types of risk included in its stress testing; a general description of the methodologies used; estimates of certain financial results and pro forma capital ratios; and an explanation of the most significant causes of changes in regulatory capital ratios. On June 23, 2016 the Bancorp publicly disclosed the results of its company-run stress test as required by the DFA stress testing rules, which is available on Fifth Third s website at https://www.53.com.

The BHCs that participated in the 2016 CCAR, including the Bancorp, are required to also conduct mid-cycle company-run stress tests using data as of June 30, 2016. The stress tests must be based on three BHC defined scenarios baseline, adverse and severely adverse. The BHCs will report the mid-cycle stress test results to the FRB by the required October 5, 2016 submission date. In addition, the BHCs are required to publicly disclose a summary of the results under the severely adverse scenario by November 4, 2016.

Dividend Policy and Stock Repurchase Program

The Bancorp s common stock dividend policy and stock repurchase program reflect its earnings outlook, desired payout ratios, the need to maintain adequate capital levels, the ability of its subsidiaries to pay dividends, the need to comply with safe and sound banking practices as well as meet regulatory requirements and expectations. The Bancorp declared dividends per common share of $0.13 for both the three months ended June 30, 2016 and 2015 and $0.26 for both the six months ended June 30, 2016 and 2015. The Bancorp entered into or settled a number of accelerated share repurchase transactions during the six months ended June 30, 2016. Refer to Note 14 of the Notes to Condensed Consolidated Financial Statements for additional information on the accelerated share repurchases.

The following table summarizes the monthly share repurchase activity for the three months ended June 30, 2016:

TABLE 67: Share Repurchases

Period	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs[(b)]
April 1, 2016 - April 30, 2016	2,887,500	$ 16.96	1,868,379	98,131,621
May 1, 2016 - May 31, 2016	88,003	19.22	-	98,131,621
June 1, 2016 - June 30, 2016	1,521,378	18.15	1,436,100	96,695,521
Total	4,496,881	$ 17.41	3,304,479	96,695,521

(a) Includes 1,192,402 shares repurchased during the second quarter of 2016 in connection with various employee compensation plans. These purchases do not count against the maximum number of shares that may yet be purchased under the Board of Directors authorization.

(b) In March of 2016, the Bancorp announced that its Board of Directors had authorized management to purchase 100 million shares of the Bancorp s common stock through the open market or in any private party transactions.

The authorization does not include specific price targets or an expiration date.

OFF-BALANCE SHEET ARRANGEMENTS

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

Commitments

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

Guarantees and Contingent Liabilities

For certain mortgage loans originated by the Bancorp, borrowers may be required to obtain PMI provided by third-party insurers. In some instances, these insurers cede a portion of the PMI premiums to the Bancorp, and the Bancorp provides reinsurance coverage within a specified range of the total PMI coverage. The Bancorp s reinsurance coverage typically ranges from 5% to 10% of the total PMI coverage. In the second quarter of 2016, the Bancorp allowed one of its third-party insurers to terminate its reinsurance agreement with the Bancorp, resulting in the Bancorp releasing collateral to the insurer in the form of investment securities and other assets with a carrying value of $6 million, and the insurer assuming the Bancorp s obligations under the reinsurance agreement, resulting in a decrease to the Bancorp s reserve liability of $2 million and a decrease in the Bancorp s maximum exposure of $26 million. In addition, the Bancorp received a payment of $4 million related to the difference between the release of the assets and the reserve liability assumed. The Bancorp s remaining maximum exposure in the event of nonperformance by the underlying borrowers is equivalent to the Bancorp s total outstanding reinsurance coverage, which was $1 million at June 30, 2016 and $27 million at December 31, 2015. As of June 30, 2016 the Bancorp no longer maintained a reserve related to exposures within the reinsurance portfolio. As of December 31, 2015 the Bancorp maintained a reserve of $2 million related to exposures within the reinsurance portfolio which was included in other liabilities in the Condensed Consolidated Balance Sheet. The change in the reserve was due primarily to the decrease in outstanding exposure associated with the termination of the reinsurance agreement discussed previously. During 2009, the Bancorp suspended the practice of providing reinsurance of PMI for newly originated mortgage loans.

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

Transactions with Non-consolidated VIEs

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

Table of Contents

Quantitative and Qualitative Disclosure about Market Risk (Item 3)

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

Controls and Procedures (Item 4)

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

Table of Contents

Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (Item 1)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share data)		As of June 30, 2016	December 31, 2015
Assets			
Cash and due from banks[a]	$	**2,359**	2,540
Available-for-sale and other securities[b]		**31,455**	29,044
Held-to-maturity securities[c]		**62**	70
Trading securities		**401**	386
Other short-term investments		**1,818**	2,671
Loans held for sale[d]		**877**	903
Portfolio loans and leases[a][e]		**93,909**	92,582
Allowance for loan and lease losses[a]		**(1,299)**	(1,272)
Portfolio loans and leases, net		**92,610**	91,310
Bank premises and equipment[f]		**2,144**	2,239
Operating lease equipment		**756**	707
Goodwill		**2,416**	2,416
Intangible assets		**10**	12
Servicing rights		**621**	785
Other assets[a][j]		**8,096**	7,965
Total Assets[j]	$	**143,625**	141,048
Liabilities			
Deposits:			
Noninterest-bearing deposits	$	**36,137**	36,267
Interest-bearing deposits		**65,734**	66,938
Total deposits[g]		**101,871**	103,205
Federal funds purchased		**108**	151
Other short-term borrowings		**3,979**	1,507
Accrued taxes, interest and expenses		**2,187**	2,164
Other liabilities[a]		**2,495**	2,341
Long-term debt[a][j]		**16,231**	15,810
Total Liabilities[j]	$	**126,871**	125,178
Equity			
Common stock[h]	$	**2,051**	2,051
Preferred stock[i]		**1,331**	1,331
Capital surplus		**2,754**	2,666
Retained earnings		**12,778**	12,358
Accumulated other comprehensive income		**889**	197

Treasury stock[(h)]		**(3,077)**	(2,764)
Total Bancorp shareholders equity	$	**16,726**	15,839
Noncontrolling interests		**28**	31
Total Equity		**16,754**	15,870
Total Liabilities and Equity[(j)]	$	**143,625**	141,048

*(a) Includes **$128** and $152 of cash and due from banks, **$1,853** and $2,537 of portfolio loans and leases, **$(28)** and $(28) of ALLL, **$11** and $14 of other assets, **$3** and $3 of other liabilities, and **$1,744** and $2,487 of long-term debt from consolidated VIEs that are included in their respective captions above at **June 30, 2016** and December 31, 2015, respectively. For further information refer to Note 9.*

*(b) Amortized cost of **$30,101** and $28,678 at **June 30, 2016** and December 31, 2015, respectively.*

*(c) Fair value of **$62** and $70 at **June 30, 2016** and December 31, 2015, respectively.*

*(d) Includes **$852** and $519 of residential mortgage loans held for sale measured at fair value at **June 30, 2016** and December 31, 2015, respectively.*

*(e) Includes **$154** and $167 of residential mortgage loans measured at fair value at **June 30, 2016** and December 31, 2015, respectively.*

*(f) Includes **$52** and $81 of bank premises and equipment held for sale at **June 30, 2016** and December 31, 2015, respectively. Refer to Note 7.*

*(g) Includes **$0** and $628 of deposits held for sale at **June 30, 2016** and December 31, 2015, respectively.*

*(h) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at **June 30, 2016** **766,345,770** (excludes **157,546,811** treasury shares), December 31, 2015 785,080,314 (excludes 138,812,267 treasury shares).*

*(i) **446,000** shares of undesignated no par value preferred stock are authorized and unissued at **June 30, 2016** and December 31, 2015; fixed-to-floating rate non-cumulative Series H perpetual preferred stock with a $25,000 liquidation preference: **24,000** authorized shares, issued and outstanding at **June 30, 2016** and December 31, 2015; fixed-to-floating rate non-cumulative Series I perpetual preferred stock with a $25,000 liquidation preference; **18,000** authorized shares, issued and outstanding at **June 30, 2016** and December 31, 2015; and fixed-to-floating rate non-cumulative Series J perpetual preferred stock with a $25,000 liquidation preference: **12,000** authorized shares, issued and outstanding at **June 30, 2016** and December 31, 2015.*

(j) Upon adoption of ASU 2015-03 on January 1, 2016, the December 31, 2015 Condensed Consolidated Balance Sheet was adjusted to reflect the reclassification of $34 million of debt issuance costs from other assets to long-term debt. For further information refer to Note 3.

Refer to the Notes to Condensed Consolidated Financial Statements.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

($ in millions, except share data)	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Interest Income				
Interest and fees on loans and leases	$ **808**	782	**1,613**	1,560
Interest on securities	**236**	219	**468**	407
Interest on other short-term investments	**2**	2	**4**	6
Total interest income	**1,046**	1,003	**2,085**	1,973
Interest Expense				
Interest on deposits	**50**	46	**99**	96
Interest on federal funds purchased	**1**	-	**1**	-
Interest on other short-term borrowings	**3**	1	**7**	1
Interest on long-term debt	**90**	69	**173**	142
Total interest expense	**144**	116	**280**	239
Net Interest Income	**902**	887	**1,805**	1,734
Provision for loan and lease losses	**91**	79	**210**	148
Net Interest Income After Provision for Loan and Lease Losses	**811**	808	**1,595**	1,586
Noninterest Income				
Service charges on deposits	**138**	139	**274**	274
Corporate banking revenue	**117**	113	**219**	176
Wealth and asset management revenue	**101**	105	**203**	212
Card and processing revenue	**82**	77	**161**	148
Mortgage banking net revenue	**75**	117	**154**	203
Other noninterest income	**80**	1	**215**	165
Securities gains, net	**6**	4	**9**	9
Total noninterest income	**599**	556	**1,235**	1,187
Noninterest Expense				
Salaries, wages and incentives	**407**	383	**810**	752
Employee benefits	**85**	78	**185**	176
Net occupancy expense	**75**	83	**152**	162
Technology and communications	**60**	54	**116**	109
Card and processing expense	**37**	38	**72**	74
Equipment expense	**30**	31	**60**	61
Other noninterest expense	**289**	280	**573**	537
Total noninterest expense	**983**	947	**1,968**	1,871

Income Before Income Taxes		**427**	417	**862**	902
Applicable income tax expense		**98**	108	**206**	232
Net Income		**329**	309	**656**	670
Less: Net income attributable to noncontrolling interests		**(4)**	(6)	**(4)**	(6)
Net Income Attributable to Bancorp		**333**	315	**660**	676
Dividends on preferred stock		**23**	23	**38**	38
Net Income Available to Common Shareholders	**$**	**310**	292	**622**	638
Earnings per share - basic	**$**	**0.40**	0.36	**0.80**	0.78
Earnings per share - diluted	**$**	**0.40**	0.36	**0.80**	0.77
Average common shares outstanding - basic		**759,105,385**	803,965,057	**766,334,781**	807,070,071
Average common shares outstanding - diluted		**765,080,097**	812,842,540	**771,736,275**	815,741,295
Cash dividends declared per common share	**$**	**0.13**	0.13	**0.26**	0.26

Refer to the Notes to Condensed Consolidated Financial Statements.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

($ in millions)		For the three months ended June 30, 2016	2015	For the six months ended June 30, 2016	2015
Net Income	$	**329**	309	**656**	670
Other Comprehensive Income (Loss), Net of Tax:					
Unrealized gains on available-for-sale securities:					
Unrealized holding gains (losses) arising during period		**200**	(285)	**652**	(144)
Reclassification adjustment for net (gains) losses included in net income		**(6)**	4	**(11)**	(4)
Unrealized gains on cash flow hedge derivatives:					
Unrealized holding gains (losses) arising during period		**17**	(5)	**65**	29
Reclassification adjustment for net gains included in net income		**(8)**	(13)	**(17)**	(23)
Defined benefit pension plans, net:					
Reclassification of amounts to net periodic benefit costs		**2**	2	**3**	4
Other comprehensive income (loss), net of tax:		**205**	(297)	**692**	(138)
Comprehensive Income		**534**	12	**1,348**	532
Less: Comprehensive income attributable to noncontrolling interests		**(4)**	(6)	**(4)**	(6)
Comprehensive Income Attributable to Bancorp	$	**538**	18	**1,352**	538

Refer to the Notes to Condensed Consolidated Financial Statements.

59

Table of Contents

Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

($ in millions, except per share data)		Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Bancorp Shareholders Equity	Non-Controlling Interests	Total Equity
		Bancorp Shareholders Equity								
Balance at December 31, 2014	$	2,051	1,331	2,646	11,141	429	(1,972)	15,626	39	15,665
Net income					676			676	(6)	670
Other comprehensive income, net of tax						(138)		(138)		(138)
Cash dividends declared:										
Common stock at $0.26 per share					(211)			(211)		(211)
Preferred stock[(a)]					(38)			(38)		(38)
Shares acquired for treasury				5			(340)	(335)		(335)
Impact of stock transactions under stock compensation plans, net				(19)			45	26		26
Other					(4)		3	(1)		(1)
Balance at June 30, 2015	$	2,051	1,331	2,632	11,564	291	(2,264)	15,605	33	15,638
Balance at December 31, 2015	$	2,051	1,331	2,666	12,358	197	(2,764)	15,839	31	15,870
Net income					**660**			**660**	**(4)**	**656**
Other comprehensive income, net of tax						**692**		**692**		**692**
Cash dividends declared:										
Common stock at **$0.26** per share					**(201)**			**(201)**		**(201)**
Preferred stock[(a)]					**(38)**			**(38)**		**(38)**
Shares acquired for treasury				**31**			**(296)**	**(265)**		**(265)**

Impact of stock transactions under stock compensation plans, net				**57**			**(18)**	**39**		**39**
Other					**(1)**		**1**	**-**	**1**	**1**
Balance at June 30, 2016	**$**	**2,051**	**1,331**	**2,754**	**12,778**	**889**	**(3,077)**	**16,726**	**28**	**16,754**

*(a) For both the six months ended **June 30, 2016** and 2015, dividends were **$637.50** per preferred share for Perpetual Preferred Stock, Series H, **$828.12** per preferred share for Perpetual Preferred Stock, Series I and **$612.50** per preferred share for Perpetual Preferred Stock, Series J.*

Refer to the Notes to Condensed Consolidated Financial Statements.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

($ in millions)		For the six months ended June 30, 2016	2015
Operating Activities			
Net income	$	**656**	670
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan and lease losses		**210**	148
Depreciation, amortization and accretion		**228**	221
Stock-based compensation expense		**63**	50
Provision for deferred income taxes		**4**	10
Securities gains, net		**(8)**	(9)
Provision for (recovery of) MSR impairment		**131**	(39)
Net gains on sales of loans and fair value adjustments on loans held for sale		**(54)**	(67)
Net (gains) losses on disposition and impairment of bank premises and equipment		**(2)**	101
Gains on sales of certain retail branch operations		**(19)**	-
Net losses on disposition and impairment of operating lease equipment		**5**	34
Proceeds from sales of loans held for sale		**2,774**	2,391
Loans originated for sale, net of repayments		**(3,053)**	(2,497)
Dividends representing return on equity method investments		**11**	7
Net change in:			
Trading securities		**(14)**	(10)
Other assets		**195**	200
Accrued taxes, interest and expenses		**(355)**	(110)
Other liabilities		**(70)**	(150)
Net Cash Provided by Operating Activities		**702**	950
Investing Activities			
Proceeds from sales:			
Available-for-sale securities		**8,886**	8,018
Loans		**145**	695
Bank premises and equipment		**28**	17
Proceeds from repayments / maturities:			
Available-for-sale securities		**1,342**	1,587
Held-to-maturity securities		**8**	29
Purchases:			
Available-for-sale securities		**(11,620)**	(14,783)

Bank premises and equipment		**(87)**	(78)
Proceeds from sales and dividends representing return of equity method investments		**29**	24
Net cash paid on sales of certain retail branch operations		**(219)**	-
Net change in:			
Other short-term investments		**853**	4,463
Loans and leases		**(1,534)**	(3,079)
Operating lease equipment		**(95)**	(12)
Net Cash Used in Investing Activities		**(2,264)**	(3,119)
Financing Activities			
Net change in:			
Deposits		**(804)**	1,311
Federal funds purchased		**(43)**	(18)
Other short-term borrowings		**2,472**	2,580
Dividends paid on common stock		**(202)**	(213)
Dividends paid on preferred stock		**(38)**	(38)
Proceeds from issuance of long-term debt		**2,739**	-
Repayment of long-term debt		**(2,452)**	(1,400)
Repurchase of treasury stock and related forward contract		**(265)**	(335)
Other		**(26)**	(24)
Net Cash Provided by Financing Activities		**1,381**	1,863
Decrease in Cash and Due from Banks		**(181)**	(306)
Cash and Due from Banks at Beginning of Period		**2,540**	3,091
Cash and Due from Banks at End of Period	**$**	**2,359**	2,785

Refer to the Notes to Condensed Consolidated Financial Statements. Note 2 contains cash payments related to interest and income taxes in addition to non-cash investing and financing activities.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of the Bancorp and its majority-owned subsidiaries and VIEs in which the Bancorp has been determined to be the primary beneficiary. Other entities, including certain joint ventures, in which the Bancorp has the ability to exercise significant influence over operating and financial policies of the investee, but upon which the Bancorp does not possess control, are accounted for by the equity method and not consolidated. Those entities in which the Bancorp does not have the ability to exercise significant influence are generally carried at the lower of cost or fair value. Intercompany transactions and balances have been eliminated.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements include all adjustments, which consist of normal recurring accruals, necessary to present fairly the results for the periods presented. In accordance with U.S. GAAP and the rules and regulations of the SEC for interim financial information, these statements do not include certain information and footnote disclosures required for complete annual financial statements and it is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the Bancorp s Annual Report on Form 10-K. The results of operations and comprehensive income for the three and six months ended June 30, 2016 and 2015 and the cash flows and changes in equity for the six months ended June 30, 2016 and 2015 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2015 has been derived from the Bancorp s Annual Report on Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Supplemental Cash Flow Information

Cash payments related to interest and income taxes in addition to non-cash investing and financing activities are presented in the following table for the six months ended June 30:

($ in millions)		**2016**	2015
Cash Payments:			
Interest	**$**	**280**	249
Income taxes		**493**	264
Transfers:			
Portfolio loans to loans held for sale		**27**	369
Loans held for sale to portfolio loans		**16**	139
Portfolio loans to OREO		**17**	58

3. Accounting and Reporting Developments

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance on revenue recognition from contracts with customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most contract revenue recognition guidance, including industry-specific guidance. The core principle of the amended guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amended guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within the reporting period, and should be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the amendments recognized at the date of initial application. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016 and interim reporting periods within those fiscal years. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Subsequently, the FASB has issued additional guidance to clarify certain implementation issues. Specifically, the FASB issued updates regarding Principal versus Agent Considerations, Identifying Performance Obligations and Licensing and Narrow-Scope Improvements and Practical Expedients in March, April and May 2016, respectively. These amendments do not change the core principle in Revenue from Contracts with Customers (Topic 606) and the effective date and transition requirements for the amendments are consistent with those in Topic 606.

Accounting for Share-Based Payments When the Terms of the Award Provide That a Performance Target Could be Achieved after the Requisite Service Period

In June 2014, the FASB issued amended guidance which clarifies that a performance target that affects vesting and can be achieved after the requisite service period be treated as a performance condition. The amended guidance provides that an entity should apply existing guidance as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

The amended guidance was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. The amended guidance may be adopted either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying the amended guidance as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. The Bancorp adopted the amended guidance prospectively on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Measuring the Financial Assets and Financial Liabilities of a Consolidated Collateralized Financing Entity

In August 2014, the FASB issued amended guidance that provides an alternative to ASC Topic 820: Fair Value Measurement for measuring the financial assets and financial liabilities of a CFE, such as a collateralized debt obligation or a collateralized loan obligation entity consolidated as a VIE when a) all of the financial assets and the financial liabilities of that CFE are measured at fair value in the Condensed Consolidated Financial Statements and b) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. If elected, the measurement alternative would allow the Bancorp to measure both the financial assets and the financial liabilities of the CFE by using the more observable of the fair value of the financial assets or the fair value of the financial liabilities and to eliminate any measurement difference. When the measurement alternative is not elected for a consolidated CFE within the scope of this amended guidance, the amendments clarify that 1) the fair value of the financial assets and the fair value of the financial liabilities of the consolidated CFE should be measured using the requirements of Topic 820 and 2) any difference in the fair value of the financial assets and the fair value of the financial liabilities of that consolidated CFE should be reflected in earnings and attributed to the Bancorp in the Condensed Consolidated Statements of Income. The amended guidance may be applied retrospectively or through a modified retrospective approach and was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Bancorp adopted the amended guidance on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or Equity

In November 2014, the FASB issued amended guidance that clarifies how current U.S. GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative features being evaluated for bifurcation, in evaluating the nature of the host contract. Furthermore, the amendments clarify that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The effects of initially adopting the amended guidance should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year for which the amendments are effective and shall be reported as a cumulative-effect adjustment directly to retained earnings as of the beginning of the year of adoption. The Bancorp adopted the amended guidance on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items

In January 2015, the FASB issued amended guidance that eliminates the concept of extraordinary items from U.S. GAAP. Previously, an event or transaction was presumed to be an ordinary and usual activity of a reporting entity unless evidence clearly supported its classification as an extraordinary item, which had to be both unusual in nature and infrequent in occurrence. An entity was required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. An entity was also required to disclose applicable income taxes and either present or disclose earnings per share data applicable to the extraordinary item. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The amended guidance may be applied prospectively or retrospectively to all periods presented in the financial statements. The Bancorp adopted the amended guidance prospectively on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued amended guidance that changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amended guidance 1) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; 2) eliminates the presumption that a general partner should consolidate a limited partnership; 3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and 4) provides a scope exception from consolidation guidance for reporting entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amended guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The amended guidance may be applied using either a retrospective approach or a modified retrospective approach with a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Bancorp adopted the amended guidance on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued amended guidance to address the different balance sheet presentation requirements for debt issuance costs and debt discounts and premiums. The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amended guidance. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. The amended guidance should be applied retrospectively, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the amended guidance. Upon adoption on January 1, 2016, the Bancorp reclassified approximately $34 million of debt issuance costs from other assets to a direct deduction from long-term debt in the Condensed Consolidated Balance Sheets.

Practical Expedient for the Measurement Date of an Employer s Defined Benefit Obligation and Plan Assets

In April 2015, the FASB issued amended guidance intended to simplify an entity s measurement of the fair value of plan assets of a defined benefit pension or other postretirement benefit plan when the fiscal year-end does not coincide with a month end. For an entity with a fiscal year-end that does not coincide with a month-end, the amended guidance provides a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity s fiscal year-end and apply that practical expedient consistently from year to year. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The amended guidance should be applied prospectively. The Bancorp adopted the amended guidance on January 1, 2016 and the adoption did not have an impact on the Condensed Consolidated Financial Statements as the Bancorp s fiscal year-end coincides with a month-end.

Customer s Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued amended guidance on a customer s accounting for fees paid in a cloud computing arrangement. Under the amended guidance, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The amended guidance may be applied either prospectively to all arrangements entered into or materially modified after the effective date, or retrospectively. The Bancorp adopted the amended guidance prospectively on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share

In May 2015, the FASB issued amended guidance to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amended guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The amended guidance should be applied retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity s financial statements. Earlier application is permitted. The Bancorp adopted the amended guidance on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-Of-Credit Agreements

In August 2015, the FASB issued amended guidance about the presentation and subsequent measurement of debt issuance costs associated with line of credit arrangements. Given the absence of authoritative guidance for debt issuance costs related to line of credit arrangements within ASU 2015-03, the amended guidance provides that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there were any outstanding borrowings on the line of credit arrangement. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The amended guidance should be applied retrospectively, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the amendments. Early adoption is permitted for financial statements that have not been previously issued. The Bancorp adopted the amended guidance on January 1, 2016 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued amended guidance to simplify the accounting for adjustments made to provisional amounts recognized in a business combination. The amended guidance eliminates the requirement to retrospectively account for those adjustments and requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer shall record, in the same period s financial statements, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amended guidance requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amended guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with earlier application permitted for financial statements that have not been issued. The amended guidance should be applied prospectively to adjustments to provisional amounts that occur after the effective date of the amended guidance. The Bancorp adopted the amended guidance on January 1, 2016 and the adoption did not have an impact on the Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued amended guidance to improve certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Specifically, the amendments significantly revise an entity s accounting related to 1) the classification and measurement of investments in equity securities, 2) the presentation of certain fair value changes for financial liabilities measured at fair value, and 3) certain disclosure requirements associated with the fair value of financial instruments. The amendments require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes as a result of an observable price change. The amendments also simplify the impairment assessment of equity investments for which fair value is not readily determinable by requiring an entity to perform a qualitative assessment to identify impairment. If qualitative indicators are identified, the entity will be required to measure the investment at fair value. For financial liabilities that an entity has elected to measure at fair value, the amendments require an entity to present separately in other comprehensive income the portion of the change in fair value that results from a change in instrument-specific credit risk. For public business entities, the amendments 1) eliminate the requirement to disclose the method(s) and significant assumptions used to estimate fair value for financial instruments measured at amortized cost and 2) require, for disclosure purposes, the use of an exit price notion in the determination of the fair value of financial instruments. The amended guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Upon adoption, the Bancorp will be required to make a cumulative-effect adjustment to the Condensed Consolidated Balance Sheets as of the beginning of the fiscal year of adoption. The guidance on equity securities without a readily determinable fair value will be applied prospectively to all equity investments that exist as of the date of adoption of the standard. Early adoption of the amendments is not permitted with the exception of the presentation of certain fair value changes for financial liabilities measured at fair value for which early application is permitted. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Accounting for Leases

In February 2016, the FASB issued amended guidance that establishes a new accounting model for leases. The amended guidance requires lessees to record lease liabilities on the lessees balance sheets along with corresponding right-of-use assets for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the lessee s statements of income. From a lessor perspective, the accounting model is largely unchanged, except that the amended guidance includes certain targeted improvements to align, where necessary, lessor accounting with the lessee accounting model and the revenue recognition guidance in ASC Topic 606. The amendments also modify disclosure requirements for an entity s lease arrangements. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The amendments should be applied to each prior reporting period presented using a modified retrospective approach, although the amended guidance contains certain transition relief provisions that, among other things, permit an entity to elect not to reassess the classification of leases which existed or expired as of the date the amendments are effective. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Recognition of Breakage on Certain Prepaid Stored-Value Products

In March 2016, the FASB issued amended guidance to permit proportional derecognition of the liability for unused funds on certain prepaid stored-value products (known as breakage) to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. The amendments do not apply to any prepaid stored-value products that are attached to a segregated customer deposit account, or products for which unused funds are subject to unclaimed property remittance laws. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted, and should be applied retrospectively to all comparable periods presented in the year of adoption. Entities may also elect a modified retrospective application by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year in which the guidance is effective. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships

In March 2016, the FASB issued amended guidance to clarify that a change in counterparty in a derivative contract does not, in and of itself, represent a change in critical terms that would require discontinuation of hedge accounting provided that other hedge accounting criteria continue to be met. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted, and should be applied prospectively. However, entities may elect to apply a modified retrospective approach to redesignate hedges that were derecognized in a prior period presented in the financial statements because of a novation. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Contingent Put and Call Options in Debt Instruments

In March 2016, the FASB issued amended guidance to clarify the requirements for determining when contingent put and call options embedded in debt instruments should be bifurcated from the debt instrument and accounted for separately as derivatives. A four-step decision sequence should be followed in determining whether such options are clearly and closely related to the economic characteristics and risks of the debt instrument, which determines whether bifurcation is necessary. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted, and should be applied on a modified retrospective basis for debt instruments existing as of the beginning of the fiscal year for which the amendments are effective. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Simplifying Transition to the Equity Method of Accounting

In March 2016, the FASB issued amended guidance to eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting, eliminating the requirement to retrospectively apply the equity method of accounting back to the date of the initial investment. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted, and should be applied prospectively to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Accounting for Share-Based Payments to Employees

In March 2016, the FASB issued amended guidance simplifying the accounting for share-based compensation paid to employees. The amended guidance 1) requires excess tax benefits and tax deficiencies on share-based payments to employees to be recognized directly to income tax expense or benefit in the Condensed Consolidated Income Statements; 2) requires excess tax benefits to be included as operating activities on the Condensed Consolidated Statements of Cash Flows; 3) provides entities with the option of making an accounting policy election to account for forfeitures of share-based payments as they occur instead of estimating the awards expected to be forfeited; and 4) changes the threshold to qualify for equity classification to permit withholdings up to the maximum statutory tax rate in the applicable jurisdiction. In addition, excess tax benefits and tax deficiencies are considered discrete items in the reporting period they occur and are not included in the estimate of an entity s annual effective tax rate. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. The majority of the amendments should be applied using a modified retrospective approach with a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The amendments related to the presentation of excess tax benefits on the Condensed Consolidated Statements of Cash Flows may be applied prospectively or retrospectively. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued amended guidance that establishes a new approach to estimate credit losses on certain types of financial instruments. The new approach changes the impairment model for most financial assets, and will require the use of an expected credit loss model for financial instruments measured at amortized cost and certain other instruments, including trade and other receivables, loans, debt securities, net investments in leases, and off-balance-sheet credit exposures (such as loan commitments, standby letters of credit, and financial guarantees not accounted for as insurance). This model requires entities to estimate the lifetime expected credit loss on such instruments and record an allowance that represents the portion of the amortized cost basis that the entity does not expect to collect. This allowance is deducted from the financial asset s amortized cost basis to present the net amount expected to be collected. The new expected credit loss model will also apply to purchased financial assets with credit deterioration, superseding current accounting guidance for such assets. The amended guidance also amends the impairment model for available-for-sale debt securities, requiring entities to determine whether all or a portion of the unrealized loss on such securities is a credit loss, and also eliminating the option for management to consider the length of time a security has been in an unrealized loss position as a factor in concluding whether or not a credit loss exists. The amended model states that an entity will recognize an allowance for credit losses on available-for-sale debt securities as a contra account to the amortized cost basis, instead of a direct reduction of the amortized cost basis of the investment, as under current guidance. As a result, entities will recognize improvements to estimated credit losses on available-for-sale debt securities immediately in earnings as opposed to in interest income over time. There are also additional disclosure requirements included in this guidance. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 and is to be applied on a modified retrospective basis with the cumulative effect of initially applying the amendments recognized in retained earnings at the date of initial application. However, certain provisions of the guidance are only required to be applied on a prospective basis. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2018 and interim periods within those years. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

4. Investment Securities

The following tables provide the amortized cost, fair value and unrealized gains and losses for the major categories of the available-for-sale and other and held-to-maturity investment securities portfolios as of:

June 30, 2016 ($ in millions)		Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other securities:					
U.S. Treasury and federal agencies securities	$	**1,133**	**22**	**-**	**1,155**
Obligations of states and political subdivisions securities		**49**	**3**	**-**	**52**
Mortgage-backed securities:					
Agency residential mortgage-backed securities*(a)*		**15,082**	**612**	**-**	**15,694**
Agency commercial mortgage-backed securities		**8,389**	**537**	**-**	**8,926**
Non-agency commercial mortgage-backed securities		**2,911**	**168**	**-**	**3,079**
Asset-backed securities and other debt securities		**1,839**	**26**	**(16)**	**1,849**
Equity securities*(b)*		**698**	**3**	**(1)**	**700**
Total available-for-sale and other securities	$	**30,101**	**1,371**	**(17)**	**31,455**
Held-to-maturity securities:					
Obligations of states and political subdivisions securities	$	**60**	**-**	**-**	**60**
Asset-backed securities and other debt securities		**2**	**-**	**-**	**2**
Total held-to-maturity securities	$	**62**	**-**	**-**	**62**

(a) Includes interest-only mortgage-backed securities of ***$36*** *as of* ***June 30, 2016*** *recorded at fair value with fair value changes recorded in securities gains, net, in the Condensed Consolidated Statements of Income.*

(b) Equity securities consist of FHLB, FRB and DTCC restricted stock holdings of ***$248***, ***$356*** *and* ***$1***, *respectively, at* ***June 30, 2016***, *that are carried at cost, and certain mutual fund and equity security holdings.*

December 31, 2015 ($ in millions)		Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other securities:					
U.S. Treasury and federal agencies securities	$	1,155	32	-	1,187
Obligations of states and political subdivisions securities		50	2	-	52
Mortgage-backed securities:					
Agency residential mortgage-backed securities*(a)*		14,811	283	(13)	15,081
Agency commercial mortgage-backed securities		7,795	100	(33)	7,862

Non-agency commercial mortgage-backed securities		2,801	35	(32)	2,804
Asset-backed securities and other debt securities		1,363	13	(21)	1,355
Equity securities[(b)]		703	2	(2)	703
Total available-for-sale and other securities	$	28,678	467	(101)	29,044
Held-to-maturity securities:					
Obligations of states and political subdivisions securities	$	68	-	-	68
Asset-backed securities and other debt securities		2	-	-	2
Total held-to-maturity securities	$	70	-	-	70

(a) Includes interest-only mortgage-backed securities of $50 as of December 31, 2015, recorded at fair value with fair value changes recorded in securities gains, net, in the Condensed Consolidated Statements of Income.

(b) Equity securities consist of FHLB, FRB and DTCC restricted stock holdings of $248, $355, and $1, respectively, at December 31, 2015, that are carried at cost, and certain mutual fund and equity security holdings.

The following table presents realized gains and losses that were recognized in income from available-for-sale securities:

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2016**	2015	**2016**	2015
Realized gains	**$**	**15**	29	**29**	44
Realized losses		**(4)**	(31)	**(8)**	(33)
OTTI		**(3)**	(4)	**(5)**	(5)
Net realized gains (losses)[(a)]	**$**	**8**	(6)	**16**	6

*(a) Excludes net losses on interest-only mortgage-backed securities of **$3** and **$8** for the three and six months ended **June 30, 2016**, respectively, and net gains on interest-only mortgage-backed securities of $11 and $2 for the three and six months ended June 30, 2015, respectively.*

The following table provides a breakout of OTTI by security type:

($ in millions)		For the three months ended June 30, 2016	2015	For the six months ended June 30, 2016	2015
Available-for-sale and other debt securities	**$**	**(3)**	(4)	**(4)**	(5)
Available-for-sale equity securities		**-**	-	**(1)**	-
Total OTTI[(a)]	**$**	**(3)**	(4)	**(5)**	(5)

(a) Included in securities gains, net, in the Condensed Consolidated Statements of Income.

67

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Trading securities were $401 million as of June 30, 2016, compared to $386 million at December 31, 2015. The following table presents total gains and losses that were recognized in income from trading securities:

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2016**	2015	**2016**	2015
Realized gains[(a)]	**$**	**4**	1	**5**	3
Realized losses[(b)]		**(2)**	(3)	**(6)**	(5)
Net unrealized gains (losses)[(c)]		**1**	(1)	**1**	-
Total trading securities gains (losses)	**$**	**3**	(3)	**-**	(2)

(a) Includes realized gains of ***$4*** *and $****5*** *for the three and six months ended* ***June 30, 2016****, respectively, and $1 and $2 for the three and six months ended June 30, 2015, respectively, recorded in corporate banking revenue and wealth and asset management revenue in the Condensed Consolidated Statements of Income.*

(b) Includes realized losses of ***$2*** *and $****6*** *for the three and six months ended* ***June 30, 2016****, respectively, and $3 and $5 for the three and six months ended June 30, 2015, respectively, recorded in corporate banking revenue and wealth and asset management revenue in the Condensed Consolidated Statements of Income.*

(c) Includes an immaterial amount of net unrealized gains and losses during both the three and six months ended ***June 30, 2016*** *and 2015 recorded in corporate banking revenue and wealth and asset management revenue in the Condensed Consolidated Statements of Income.*

At June 30, 2016 and December 31, 2015, securities with a fair value of $10.2 billion and $11.0 billion, respectively, were pledged to secure borrowings, public deposits, trust funds, derivative contracts and for other purposes as required or permitted by law.

The expected maturity distribution of the Bancorp s mortgage-backed securities and the contractual maturity distribution of the remainder of the Bancorp s available-for-sale and other and held-to-maturity investment securities as of June 30, 2016 are shown in the following table:

		Available-for-Sale and Other		Held-to-Maturity	
($ in millions)		Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities:[(a)]					
Less than 1 year	$	1,237	1,259	35	35
1-5 years		11,927	12,393	12	12
5-10 years		14,395	15,232	13	13
Over 10 years		1,844	1,871	2	2
Equity securities		698	700	-	-
Total	$	30,101	31,455	62	62

(a) Actual maturities may differ from contractual maturities when a right to call or prepay obligations exists with or without call or prepayment penalties.

The following table provides the fair value and gross unrealized losses on available-for-sale and other securities in an unrealized loss position, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position as of:

		Less than 12 months		12 months or more		Total	
			Unrealized		Unrealized		Unrealized
($ in millions)		Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
June 30, 2016							
Asset-backed securities and other debt securities	**$**	**396**	**(5)**	**264**	**(11)**	**660**	**(16)**
Equity securities		**-**	**-**	**31**	**(1)**	**31**	**(1)**
Total	**$**	**396**	**(5)**	**295**	**(12)**	**691**	**(17)**
December 31, 2015							
Agency residential mortgage-backed securities	$	2,903	(13)	-	-	2,903	(13)
Agency commercial mortgage-backed securities		3,111	(33)	-	-	3,111	(33)
Non-agency commercial mortgage-backed securities		1,610	(32)	-	-	1,610	(32)
Asset-backed securities and other debt securities		623	(11)	226	(10)	849	(21)
Equity securities		1	(1)	37	(1)	38	(2)
Total	$	8,248	(90)	263	(11)	8,511	(101)

At June 30, 2016, 3% of unrealized losses in the available-for-sale and other securities portfolio were represented by non-rated securities, compared to 1% at December 31, 2015.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

5. Loans and Leases

The Bancorp diversifies its loan and lease portfolio by offering a variety of loan and lease products with various payment terms and rate structures. Lending activities are generally concentrated within those states in which the Bancorp has banking centers and are primarily located in the Midwestern and Southeastern regions of the United States. The Bancorp s commercial loan portfolio consists of lending to various industry types. Management periodically reviews the performance of its loan and lease products to evaluate whether they are performing within acceptable interest rate and credit risk levels and changes are made to underwriting policies and procedures as needed. The Bancorp maintains an allowance to absorb loan and lease losses inherent in the portfolio. For further information on credit quality and the ALLL, refer to Note 6.

The following table provides a summary of commercial loans and leases classified by primary purpose and consumer loans and leases classified based upon product or collateral as of:

($ in millions)		**June 30, 2016**	December 31, 2015
Loans held for sale:			
Commercial and industrial loans	**$**	**17**	20
Commercial mortgage loans		**8**	34
Residential mortgage loans		**852**	708
Home equity		**-**	35
Automobile loans		**-**	4
Credit card		**-**	101
Other consumer loans and leases		**-**	1
Total loans held for sale	**$**	**877**	903
Portfolio loans and leases:			
Commercial and industrial loans	**$**	**43,558**	42,131
Commercial mortgage loans		**6,875**	6,957
Commercial construction loans		**3,706**	3,214
Commercial leases		**3,978**	3,854
Total commercial loans and leases	**$**	**58,117**	56,156
Residential mortgage loans		**14,307**	13,716
Home equity		**7,988**	8,301
Automobile loans		**10,671**	11,493
Credit card		**2,172**	2,259
Other consumer loans and leases		**654**	657
Total consumer loans and leases	**$**	**35,792**	36,426
Total portfolio loans and leases	**$**	**93,909**	92,582

Total portfolio loans and leases are recorded net of unearned income, which totaled $587 million as of June 30, 2016 and $624 million as of December 31, 2015. Additionally, portfolio loans and leases are recorded net of unamortized premiums and discounts, deferred loan fees and costs and fair value adjustments (associated with acquired loans or loans designated at fair value upon origination) which totaled a net premium of $227 million and $220 million as of June 30, 2016 and December 31, 2015, respectively.

The Bancorp s FHLB and FRB advances are generally secured by loans. The Bancorp had loans of $12.7 billion and $11.9 billion at June 30, 2016 and December 31, 2015, respectively, pledged at the FHLB, and loans of $33.2 billion and $33.7 billion at June 30, 2016 and December 31, 2015, respectively, pledged at the FRB.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

The following table presents a summary of the total loans and leases owned by the Bancorp as of:

($ in millions)		**June 30, 2016**	December 31, 2015	**June 30, 2016**	December 31, 2015
		Carrying Value		90 Days Past Due and Still Accruing	
Commercial and industrial loans	$	**43,575**	42,151	**2**	7
Commercial mortgage loans		**6,883**	6,991	**-**	-
Commercial construction loans		**3,706**	3,214	**-**	-
Commercial leases		**3,978**	3,854	**-**	-
Residential mortgage loans		**15,159**	14,424	**38**	40
Home equity		**7,988**	8,336	**-**	-
Automobile loans		**10,671**	11,497	**7**	10
Credit card		**2,172**	2,360	**18**	18
Other consumer loans and leases		**654**	658	**-**	-
Total loans and leases	$	**94,786**	93,485	**65**	75
Less: Loans held for sale		**877**	903		
Total portfolio loans and leases	$	**93,909**	92,582		

The following table presents a summary of net charge-offs (recoveries):

($ in millions)		For the three months ended June 30, **2016**	2015	For the six months ended June 30, **2016**	2015
Commercial and industrial loans	$	**39**	34	**86**	72
Commercial mortgage loans		**6**	11	**13**	12
Commercial construction loans		**-**	-	**(1)**	-
Commercial leases		**1**	-	**3**	-
Residential mortgage loans		**2**	5	**5**	11
Home equity		**6**	9	**13**	22
Automobile loans		**8**	4	**16**	12
Credit card		**21**	21	**41**	42
Other consumer loans and leases		**4**	2	**7**	6
Total net charge-offs	$	**87**	86	**183**	177

70

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

6. Credit Quality and the Allowance for Loan and Lease Losses

The Bancorp disaggregates ALLL balances and transactions in the ALLL by portfolio segment. Credit quality related disclosures for loans and leases are further disaggregated by class.

Allowance for Loan and Lease Losses

The following tables summarize transactions in the ALLL by portfolio segment:

For the three months ended June 30, 2016 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$	867	98	214	116	1,295
Losses charged-off		**(51)**	**(5)**	**(49)**	**-**	**(105)**
Recoveries of losses previously charged-off		**5**	**3**	**10**	**-**	**18**
Provision for loan and lease losses		**52**	**2**	**36**	**1**	**91**
Balance, end of period	**$**	**873**	**98**	**211**	**117**	**1,299**

For the three months ended June 30, 2015 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$	852	103	241	104	1,300
Losses charged-off		(54)	(8)	(50)	-	(112)
Recoveries of losses previously charged-off		9	3	14	-	26
Provision for loan and lease losses		48	6	26	(1)	79
Balance, end of period	$	855	104	231	103	1,293

For the six months ended June 30, 2016 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$	840	100	217	115	1,272
Losses charged-off		**(112)**	**(10)**	**(100)**	**-**	**(222)**
Recoveries of losses previously charged-off		**11**	**5**	**23**	**-**	**39**
Provision for loan and lease losses		**134**	**3**	**71**	**2**	**210**
Balance, end of period	**$**	**873**	**98**	**211**	**117**	**1,299**

For the six months ended June 30, 2015 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$	875	104	237	106	1,322
Losses charged-off		(102)	(17)	(108)	-	(227)
Recoveries of losses previously charged-off		18	6	26	-	50

Provision for loan and lease losses		64	11	76	(3)	148
Balance, end of period	$	855	104	231	103	1,293

The following tables provide a summary of the ALLL and related loans and leases classified by portfolio segment:

As of June 30, 2016 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:(a)						
Individually evaluated for impairment	**$**	**97** (c)	**67**	**46**	**-**	**210**
Collectively evaluated for impairment		**776**	**31**	**165**	**-**	**972**
Unallocated		**-**	**-**	**-**	**117**	**117**
Total ALLL	**$**	**873**	**98**	**211**	**117**	**1,299**
Portfolio loans and leases:(b)						
Individually evaluated for impairment	**$**	**1,011** (c)	**649**	**399**	**-**	**2,059**
Collectively evaluated for impairment		**57,106**	**13,501**	**21,086**	**-**	**91,693**
Loans acquired with deteriorated credit quality		**-**	**3**	**-**	**-**	**3**
Total portfolio loans and leases	**$**	**58,117**	**14,153**	**21,485**	**-**	**93,755**

*(a) Includes **$3** related to leveraged leases at **June 30, 2016**.*

*(b) Excludes **$154** of residential mortgage loans measured at fair value, and includes **$818** of leveraged leases, net of unearned income at **June 30, 2016**.*

*(c) Includes five restructured loans at **June 30, 2016** associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with a recorded investment of **$27** and an ALLL of **$18**.*

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2015 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:(a)						
Individually evaluated for impairment	$	119 (c)	67	49	-	235
Collectively evaluated for impairment		721	33	168	-	922
Unallocated		-	-	-	115	115
Total ALLL	$	840	100	217	115	1,272
Portfolio loans and leases:(b)						
Individually evaluated for impairment	$	815 (c)	630	424	-	1,869
Collectively evaluated for impairment		55,341	12,917	22,286	-	90,544
Loans acquired with deteriorated credit quality		-	2	-	-	2
Total portfolio loans and leases	$	56,156	13,549	22,710	-	92,415

(a) Includes $5 related to leveraged leases at December 31, 2015.

(b) Excludes $167 of residential mortgage loans measured at fair value, and includes $801 of leveraged leases, net of unearned income at December 31, 2015.

(c) Includes five restructured loans at December 31, 2015 associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with a recorded investment of $27 and an ALLL of $15.

CREDIT RISK PROFILE

Commercial Portfolio Segment

For purposes of analyzing historical loss rates used in the determination of the ALLL and monitoring the credit quality and risk characteristics of its commercial portfolio segment, the Bancorp disaggregates the segment into the following classes: commercial and industrial, commercial mortgage owner-occupied, commercial mortgage nonowner-occupied, commercial construction and commercial leases.

To facilitate the monitoring of credit quality within the commercial portfolio segment, and for purposes of analyzing historical loss rates used in the determination of the ALLL for the commercial portfolio segment, the Bancorp utilizes the following categories of credit grades: pass, special mention, substandard, doubtful and loss. The five categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter.

Pass ratings, which are assigned to those borrowers that do not have identified potential or well defined weaknesses and for which there is a high likelihood of orderly repayment, are updated at least annually based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter.

The Bancorp assigns a special mention rating to loans and leases that have potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the loan or lease or the Bancorp s credit position.

The Bancorp assigns a substandard rating to loans and leases that are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. Substandard loans and leases have well defined weaknesses or weaknesses that could jeopardize the orderly repayment of the debt. Loans and leases in this grade also are characterized by the distinct possibility that the Bancorp will sustain some loss if the deficiencies noted are not addressed and corrected.

The Bancorp assigns a doubtful rating to loans and leases that have all the attributes of a substandard rating with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors that may work to the advantage of and strengthen the credit quality of the loan or lease, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors may include a proposed merger or acquisition, liquidation proceeding, capital injection, perfecting liens on additional collateral or refinancing plans.

Loans and leases classified as loss are considered uncollectible and are charged-off in the period in which they are determined to be uncollectible. Because loans and leases in this category are fully charged-off, they are not included in the following tables.

The following tables summarize the credit risk profile of the Bancorp s commercial portfolio segment, by class:

As of June 30, 2016 ($ in millions)		Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	$	**39,995**	**1,588**	**1,975**	**-**	**43,558**
Commercial mortgage owner-occupied loans		**3,263**	**102**	**157**	**-**	**3,522**
Commercial mortgage nonowner-occupied loans		**3,220**	**30**	**103**	**-**	**3,353**
Commercial construction loans		**3,705**	**1**	**-**	**-**	**3,706**
Commercial leases		**3,894**	**50**	**34**	**-**	**3,978**
Total commercial loans and leases	$	**54,077**	**1,771**	**2,269**	**-**	**58,117**

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2015 ($ in millions)		Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	$	38,756	1,633	1,742	-	42,131
Commercial mortgage owner-occupied loans		3,344	124	191	-	3,659
Commercial mortgage nonowner-occupied loans		3,105	63	130	-	3,298
Commercial construction loans		3,201	4	9	-	3,214
Commercial leases		3,724	93	37	-	3,854
Total commercial loans and leases	$	52,130	1,917	2,109	-	56,156

Residential Mortgage and Consumer Portfolio Segments

For purposes of monitoring the credit quality and risk characteristics of its consumer portfolio segment, the Bancorp disaggregates the segment into the following classes: home equity, automobile loans, credit card and other consumer loans and leases. The Bancorp s residential mortgage portfolio segment is also a separate class.

The Bancorp considers repayment performance as the best indicator of credit quality for residential mortgage and consumer loans, which includes both the delinquency status and performing versus nonperforming status of the loans. The delinquency status of all residential mortgage and consumer loans is presented by class in the age analysis section while the performing versus nonperforming status is presented in the following table. Refer to the nonaccrual loans and leases section of Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2015 for additional delinquency and nonperforming information.

The following table presents a summary of the Bancorp s residential mortgage and consumer portfolio segments, by class, disaggregated into performing versus nonperforming status as of:

		June 30, 2016		December 31, 2015	
($ in millions)		Performing	Nonperforming	Performing	Nonperforming
Residential mortgage loans[(a)]	**$**	**14,110**	**43**	13,498	51
Home equity		**7,909**	**79**	8,222	79
Automobile loans		**10,669**	**2**	11,491	2
Credit card		**2,142**	**30**	2,226	33
Other consumer loans and leases		**654**	**-**	657	-
Total residential mortgage and consumer loans and leases[(a)]	**$**	**35,484**	**154**	36,094	165

*(a) Excludes **$154** and $167 of loans measured at fair value at **June 30, 2016** and December 31, 2015, respectively.*

Age Analysis of Past Due Loans and Leases

The following tables summarize the Bancorp s recorded investment in portfolio loans and leases, by age and class:

As of June 30, 2016 ($ in millions)		Current Loans and Leases[c]	30-89 Days[c]	Past Due 90 Days or More[c]	Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial loans and leases:							
Commercial and industrial loans	$	**43,415**	**43**	**100**	**143**	**43,558**	**2**
Commercial mortgage owner-occupied loans		**3,488**	**9**	**25**	**34**	**3,522**	**-**
Commercial mortgage nonowner-occupied loans		**3,331**	**-**	**22**	**22**	**3,353**	**-**
Commercial construction loans		**3,706**	**-**	**-**	**-**	**3,706**	**-**
Commercial leases		**3,975**	**-**	**3**	**3**	**3,978**	**-**
Residential mortgage loans[a][b]		**14,039**	**33**	**81**	**114**	**14,153**	**38**
Consumer loans and leases:							
Home equity		**7,862**	**68**	**58**	**126**	**7,988**	**-**
Automobile loans		**10,595**	**67**	**9**	**76**	**10,671**	**7**
Credit card		**2,124**	**25**	**23**	**48**	**2,172**	**18**
Other consumer loans and leases		**653**	**1**	**-**	**1**	**654**	**-**
Total portfolio loans and leases[a]	$	**93,188**	**246**	**321**	**567**	**93,755**	**65**

*(a) Excludes **$154** of residential mortgage loans measured at fair value at **June 30, 2016**.*

*(b) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of **June 30, 2016**, **$108** of these loans were 30-89 days past due and **$284** were 90 days or more past due. The Bancorp recognized **$1** and **$3** of losses during the three and six months ended **June 30, 2016**, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.*

(c) Includes accrual and nonaccrual loans and leases.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2015 ($ in millions)	Current Loans and Leases(c)	30-89 Days (c)	Past Due 90 Days or More(c)	Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial loans and leases:						
Commercial and industrial loans	$ 41,996	55	80	135	42,131	7
Commercial mortgage owner-occupied loans	3,610	15	34	49	3,659	-
Commercial mortgage nonowner-occupied loans	3,262	9	27	36	3,298	-
Commercial construction loans	3,214	-	-	-	3,214	-
Commercial leases	3,850	3	1	4	3,854	-
Residential mortgage loans(a)(b)	13,420	37	92	129	13,549	40
Consumer loans and leases:						
Home equity	8,158	82	61	143	8,301	-
Automobile loans	11,407	75	11	86	11,493	10
Credit card	2,207	29	23	52	2,259	18
Other consumer loans and leases	656	1	-	1	657	-
Total portfolio loans and leases(a)	$ 91,780	306	329	635	92,415	75

(a) Excludes $167 of residential mortgage loans measured at fair value at December 31, 2015.

(b) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2015, $102 of these loans were 30-89 days past due and $335 were 90 days or more past due. The Bancorp recognized $2 and $4 of losses during the three and six months ended June 30, 2015, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.

(c) Includes accrual and nonaccrual loans and leases.

Impaired Portfolio Loans and Leases

Larger commercial loans and leases included within aggregate borrower relationship balances exceeding $1 million that exhibit probable or observed credit weaknesses are subject to individual review for impairment. The Bancorp also performs an individual review on loans and leases that are restructured in a TDR. The Bancorp considers the current value of collateral, credit quality of any guarantees, the loan structure and other factors when evaluating whether an individual loan or lease is impaired. Other factors may include the geography and industry of the borrower, size and financial condition of the borrower, cash flow and leverage of the borrower, and the Bancorp s evaluation of the borrower s management. Smaller-balance homogenous loans or leases that are collectively evaluated for impairment are not included in the following tables.

The following tables summarize the Bancorp s impaired portfolio loans and leases, by class, that were subject to individual review, which includes all portfolio loans and leases restructured in a TDR:

As of June 30, 2016 ($ in millions)		Unpaid Principal Balance	Recorded Investment	ALLL
With a related ALLL:				
Commercial loans and leases:				
Commercial and industrial loans	$	**442**	**360**	**73**
Commercial mortgage owner-occupied loans[(b)]		**25**	**17**	**2**
Commercial mortgage nonowner-occupied loans		**62**	**54**	**4**
Restructured residential mortgage loans		**458**	**445**	**67**
Restructured consumer loans and leases:				
Home equity		**216**	**215**	**32**
Automobile loans		**15**	**15**	**2**
Credit card		**56**	**56**	**12**
Total impaired portfolio loans and leases with a related ALLL	$	**1,274**	**1,162**	**192**
With no related ALLL:				
Commercial loans and leases:				
Commercial and industrial loans	$	**472**	**403**	**-**
Commercial mortgage owner-occupied loans		**52**	**47**	**-**
Commercial mortgage nonowner-occupied loans		**109**	**96**	**-**
Commercial leases		**7**	**7**	**-**
Restructured residential mortgage loans		**218**	**204**	**-**
Restructured consumer loans and leases:				
Home equity		**114**	**111**	**-**
Automobile loans		**3**	**2**	**-**
Total impaired portfolio loans and leases with no related ALLL	$	**975**	**870**	**-**
Total impaired portfolio loans and leases	$	**2,249**	**2,032** [(a)]	**192**

(a) *Includes **$431**, **$633** and **$349**, respectively, of commercial, residential mortgage and consumer portfolio TDRs on accrual status and **$242**, **$16** and **$50**, respectively, of commercial, residential mortgage and consumer portfolio TDRs on nonaccrual status at **June 30, 2016**.*

(b) *Excludes five restructured loans at **June 30, 2016** associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an unpaid principal balance of **$27**, a recorded investment of **$27** and an ALLL of **$18**.*

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2015 ($ in millions)		Unpaid Principal Balance	Recorded Investment	ALLL
With a related ALLL:				
Commercial loans and leases:				
Commercial and industrial loans	$	412	346	84
Commercial mortgage owner-occupied loans[(b)]		28	21	5
Commercial mortgage nonowner-occupied loans		75	64	12
Commercial construction loans		4	4	2
Commercial leases		3	3	1
Restructured residential mortgage loans		450	444	67
Restructured consumer loans and leases:				
Home equity		226	225	32
Automobile loans		17	16	2
Credit card		61	61	15
Total impaired portfolio loans and leases with a related ALLL	$	1,276	1,184	220
With no related ALLL:				
Commercial loans and leases:				
Commercial and industrial loans	$	228	182	-
Commercial mortgage owner-occupied loans		54	51	-
Commercial mortgage nonowner-occupied loans		126	111	-
Commercial construction loans		9	5	-
Commercial leases		1	1	-
Restructured residential mortgage loans		210	186	-
Restructured consumer loans and leases:				
Home equity		122	119	-
Automobile loans		3	3	-
Total impaired portfolio loans and leases with no related ALLL	$	753	658	-
Total impaired portfolio loans and leases	$	2,029	1,842 [(a)]	220

(a) Includes $491, $607 and $372, respectively, of commercial, residential mortgage and consumer portfolio TDRs on accrual status and $203, $23 and $52, respectively, of commercial, residential mortgage and consumer portfolio TDRs on nonaccrual status at December 31, 2015.

(b) Excludes five restructured loans at December 31, 2015 associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an unpaid principal balance of $27, a recorded investment of $27 and an ALLL of $15.

The following tables summarize the Bancorp s average impaired portfolio loans and leases, by class, and interest income, by class:

($ in millions)		For the three months ended June 30, 2016 Average Recorded Investment	Interest Income Recognized	For the six months ended June 30, 2016 Average Recorded Investment	Interest Income Recognized
Commercial loans and leases:					
Commercial and industrial loans	$	**762**	**2**	**684**	**4**
Commercial mortgage owner-occupied loans[(a)]		**68**	**-**	**69**	**1**
Commercial mortgage nonowner-occupied loans		**152**	**1**	**160**	**3**
Commercial construction loans		**2**	**-**	**4**	**-**
Commercial leases		**6**	**-**	**5**	**-**
Restructured residential mortgage loans		**651**	**6**	**644**	**12**
Restructured consumer loans and leases:					
Home equity		**329**	**3**	**336**	**6**
Automobile loans		**18**	**-**	**18**	**-**
Credit card		**57**	**1**	**58**	**3**
Total average impaired portfolio loans and leases	$	**2,045**	**13**	**1,978**	**29**

*(a) Excludes five restructured loans associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an average recorded investment of **$27** and an immaterial amount of interest income recognized for both the three and six months ended **June 30, 2016**.*

75

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

	For the three months ended June 30, 2015		For the six months ended June 30, 2015	
($ in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial loans and leases:				
Commercial and industrial loans	$ 731	6	$ 741	12
Commercial mortgage owner-occupied loans[(a)]	98	-	103	1
Commercial mortgage nonowner-occupied loans	222	2	244	3
Commercial construction loans	61	-	62	1
Commercial leases	7	-	6	-
Restructured residential mortgage loans	579	6	563	11
Restructured consumer loans and leases:				
Home equity	363	3	370	7
Automobile loans	22	-	23	-
Credit card	69	1	72	3
Total average impaired loans and leases	$ 2,152	18	$ 2,184	38

(a) Excludes five restructured loans associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an average recorded investment of $28 and an immaterial amount of interest income recognized for both the three and six months ended June 30, 2015.

Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial and credit card loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property.

The following table presents the Bancorp s nonaccrual loans and leases, by class, and OREO and other repossessed property as of:

($ in millions)	**June 30, 2016**	December 31, 2015
Commercial loans and leases:		
Commercial and industrial loans	**$ 467**	259

Commercial mortgage owner-occupied loans[(a)]		**41**	46
Commercial mortgage nonowner-occupied loans		**27**	35
Commercial leases		**4**	1
Total nonaccrual portfolio commercial loans and leases		**539**	341
Residential mortgage loans		**43**	51
Consumer loans and leases:			
Home equity		**79**	79
Automobile loans		**2**	2
Credit card		**30**	33
Total nonaccrual portfolio consumer loans and leases		**111**	114
Total nonaccrual portfolio loans and leases[(b)(c)]	**$**	**693**	506
OREO and other repossessed property		**112**	141
Total nonperforming portfolio assets[(b)(c)]	**$**	**805**	647

*(a) Excludes **$20** of restructured nonaccrual loans at both **June 30, 2016** and December 31, 2015 associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

*(b) Excludes **$20** and $12 of nonaccrual loans held for sale at **June 30, 2016** and December 31, 2015, respectively.*

*(c) Includes **$4** and $6 of nonaccrual government insured commercial loans whose repayments are insured by the SBA at **June 30, 2016** and December 31, 2015, respectively, and **$1** and $2 of restructured nonaccrual government insured commercial loans at **June 30, 2016** and December 31, 2015, respectively.*

The Bancorp s recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction was $264 million and $303 million as of June 30, 2016 and December 31, 2015, respectively.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Troubled Debt Restructurings

If a borrower is experiencing financial difficulty, the Bancorp may consider, in certain circumstances, modifying the terms of their loan to maximize collection of amounts due. Within each of the Bancorp s loan classes, TDRs typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date 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. Modifying the terms of a loan may result in an increase or decrease to the ALLL depending upon the terms modified, the method used to measure the ALLL for a loan prior to modification, and whether any charge-offs were recorded on the loan before or at the time of modification. Refer to the ALLL section of Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2015 for information on the Bancorp s ALLL methodology. Upon modification of a loan, the Bancorp measures the related impairment as the difference between the estimated future cash flows expected to be collected on the modified loan, discounted at the original effective yield of the loan, and the carrying value of the loan. The resulting measurement may result in the need for minimal or no allowance because it is probable that all cash flows will be collected under the modified terms of the loan. In addition, if the stated interest rate was increased in a TDR, the cash flows on the modified loan, using the pre-modification interest rate as the discount rate, often exceed the recorded investment of the loan. Conversely, upon a modification that reduces the stated interest rate on a loan, the Bancorp recognizes an impairment loss as an increase to the ALLL. If a TDR involves a reduction of the principal balance of the loan or the loan s accrued interest, that amount is charged off to the ALLL.

As of June 30, 2016, the Bancorp had $87 million and $58 million in line of credit and letter of credit commitments, respectively, compared to $39 million and $23 million in line of credit and letter of credit commitments as of December 31, 2015, respectively, to lend additional funds to borrowers whose terms have been modified in a TDR.

The following tables provide a summary of loans, by class, modified in a TDR by the Bancorp during the three months ended:

June 30, 2016 ($ in millions)[(a)]	Number of loans modified in a TDR during the period[(b)]	Recorded investment in loans modified in a TDR during the period		Increase to ALLL upon modification	Charge-offs recognized upon modification
Commercial loans:					
Commercial and industrial loans	**20**	**$**	**61**	**11**	**-**
Commercial mortgage owner-occupied loans	**3**		**2**	**-**	**-**
Commercial mortgage nonowner-occupied loans	**2**		**5**	**1**	**-**
Residential mortgage loans	**262**		**37**	**2**	**-**

Consumer loans:				
Home equity	**62**	**2**	**-**	**-**
Automobile loans	**58**	**1**	**-**	**-**
Credit card	**2,262**	**11**	**2**	**1**
Total portfolio loans	**2,669**	**$ 119**	**16**	**1**

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality which were accounted for within a pool.

(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

June 30, 2015 ($ in millions)[(a)]	Number of loans modified in a TDR during the period[(b)]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial loans:				
Commercial and industrial loans	27	$ 70	7	-
Commercial mortgage owner-occupied loans	6	7	(1)	-
Commercial mortgage nonowner-occupied loans	5	4	-	-
Residential mortgage loans	254	35	3	-
Consumer loans:				
Home equity	67	3	(1)	-
Automobile loans	128	2	-	-
Credit card	2,981	15	3	3
Total portfolio loans	3,468	$ 136	11	3

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality which were accounted for within a pool.

(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

The following tables provide a summary of loans modified in a TDR by the Bancorp during the six months ended:

June 30, 2016 ($ in millions)[(a)]	Number of loans modified in a TDR during the period[(b)]	Recorded investment in loans modified in a TDR during the period		Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial loans:					
Commercial and industrial loans	**44**	$	**117**	**9**	**-**
Commercial mortgage owner-occupied loans	**10**		**8**	**(2)**	**-**
Commercial mortgage nonowner-occupied loans	**4**		**5**	**1**	**-**
Residential mortgage loans	**505**		**73**	**4**	**-**
Consumer loans:					
Home equity	**126**		**7**	**-**	**-**
Automobile loans	**136**		**2**	**-**	**-**
Credit card	**4,854**		**23**	**4**	**2**
Total portfolio loans	**5,679**	$	**235**	**16**	**2**

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality which were accounted for within a pool.
(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

June 30, 2015 ($ in millions)[(a)]	Number of loans modified in a TDR during the period[(b)]	Recorded investment in loans modified in a TDR during the period		Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial loans:					
Commercial and industrial loans	48	$	88	-	3
Commercial mortgage owner-occupied loans	13		15	(2)	-
Commercial mortgage nonowner-occupied loans	11		7	-	-
Residential mortgage loans	554		77	4	-
Consumer loans:					
Home equity	143		7	(1)	-
Automobile loans	259		4	-	-
Credit card	6,648		34	7	3

Total portfolio loans	7,676	$	232	8	6

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality which were accounted for within a pool.

(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

The Bancorp considers TDRs that become 90 days or more past due under the modified terms as subsequently defaulted. For commercial loans not subject to individual review for impairment, loss rates that are applied for purposes of determining the ALLL include historical losses associated with subsequent defaults on loans previously modified in a TDR. For consumer loans, the Bancorp performs a qualitative assessment of the adequacy of the consumer ALLL by comparing the consumer ALLL to forecasted consumer losses over the projected loss emergence period (the forecasted losses include the impact of subsequent defaults of consumer TDRs). When a residential mortgage, home equity, automobile or other consumer loan that has been modified in a TDR subsequently defaults, the present value of expected cash flows used in the measurement of the potential impairment loss is generally limited to the expected net proceeds from the sale of the loan s underlying collateral and any resulting impairment loss is reflected as a charge-off or an increase in ALLL. The Bancorp recognizes ALLL for the entire balance of the credit card loans modified in a TDR that subsequently default.

The following tables provide a summary of TDRs that subsequently defaulted during the three months ended June 30, 2016 and 2015 and were within twelve months of the restructuring date:

June 30, 2016 ($ in millions)[a]	Number of Contracts		Recorded Investment
Commercial loans:			
Commercial and industrial loans	**2**	**$**	**3**
Commercial mortgage nonowner-occupied loans	**1**		**-**
Residential mortgage loans	**33**		**5**
Consumer loans:			
Home equity	**2**		**-**
Credit card	**351**		**1**
Total portfolio loans	**389**	**$**	**9**

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

June 30, 2015 ($ in millions)[(a)]	Number of Contracts		Recorded Investment
Commercial loans:			
Commercial and industrial loans	4	$	7
Residential mortgage loans	30		4
Consumer loans:			
Home equity	3		-
Automobile loans	4		-
Credit card	557		3
Total portfolio loans	598	$	14

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.

The following tables provide a summary of TDRs that subsequently defaulted during the six months ended June 30, 2016 and 2015 and were within twelve months of the restructuring date:

June 30, 2016 ($ in millions)[(a)]	Number of Contracts		Recorded Investment
Commercial loans:			
Commercial and industrial loans	**3**	**$**	**3**
Commercial mortgage nonowner-occupied loans	**2**		**-**
Residential mortgage loans	**86**		**12**
Consumer loans:			
Home equity	**8**		**1**
Credit card	**774**		**3**
Total portfolio loans	**873**	**$**	**19**

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.

June 30, 2015 ($ in millions)[(a)]	Number of Contracts		Recorded Investment
Commercial loans:			
Commercial and industrial loans	4	$	7
Residential mortgage loans	70		9
Consumer loans:			
Home equity	8		-
Automobile loans	8		-
Credit card	1,145		6

Total portfolio loans	1,235	$	22

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

7. Bank Premises and Equipment

The following table provides a summary of bank premises and equipment as of:

($ in millions)		June 30, 2016	December 31, 2015
Land and improvements[(a)]	$	**676**	685
Buildings		**1,675**	1,755
Equipment		**1,724**	1,696
Leasehold improvements		**395**	403
Construction in progress		**106**	85
Bank premises and equipment held for sale:			
Land and improvements		**31**	55
Buildings		**20**	20
Equipment		**1**	3
Leasehold improvements		**-**	3
Accumulated depreciation and amortization		**(2,484)**	(2,466)
Total bank premises and equipment	$	**2,144**	2,239

(a) At both ***June 30, 2016*** *and December 31, 2015, land and improvements included* ***$102*** *associated with parcels of undeveloped land intended for future branch expansion.*

The Bancorp monitors changing customer preferences associated with the channels it uses for banking transactions to evaluate the efficiency, competitiveness and quality of the customer service experience in its consumer distribution network. As part of this ongoing assessment, the Bancorp may determine that it is no longer fully committed to maintaining full-service branches at certain of its existing banking center locations. Similarly, the Bancorp may also determine that it is no longer fully committed to building banking centers on certain parcels of land which had previously been held for future branch expansion. On June 16, 2015, the Bancorp s Board of Directors authorized management to pursue a plan to further develop its distribution strategy, including a plan to consolidate and/or sell certain operating branch locations and certain parcels of undeveloped land that had been acquired by the Bancorp for future branch expansion (the Branch Consolidation and Sales Plan).

On September 3, 2015, the Bancorp announced the decision to enter into an agreement to sell branch banking locations, retail accounts, certain private banking deposits and related loan relationships in the Pittsburgh MSA to First National Bank of Pennsylvania. On September 30, 2015, the Bancorp announced the decision to enter into an agreement to sell its retail operations, including retail accounts, certain private banking deposits and related loan relationships in the St. Louis MSA to Great Southern Bank. Both transactions were part of the Branch Consolidation and Sales Plan.

On January 29, 2016, the Bancorp closed the previously announced sale in the St. Louis MSA to Great Southern Bank. The sale included loans, premises and equipment and deposits with aggregate carrying amounts of $158 million, $18 million and $228 million, respectively. The Bancorp recorded a gain on the sale of $8 million which was recorded in other noninterest income in the Condensed Consolidated Statements of Income.

On April 22, 2016, the Bancorp closed the previously announced sale in the Pittsburgh MSA to First National Bank of Pennsylvania. The sale included loans, premises and equipment and deposits with aggregate carrying values of approximately $99 million, $16 million and $302 million, respectively. The Bancorp recorded a gain on the sale of $11 million which was recorded in other noninterest income in the Condensed Consolidated Statements of Income.

Pursuant to the Branch Consolidation and Sales Plan, as of June 30, 2016, the Bancorp intended to consolidate and/or sell 27 operating branch locations and to sell an additional 20 parcels of undeveloped land that had been acquired by the Bancorp for future branch expansion. These operating branch locations and parcels of undeveloped land represent $20 million and $9 million of land and improvements and buildings, respectively, included in bank premises and equipment in the Condensed Consolidated Balance Sheets and were classified as held for sale as of June 30, 2016.

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. Impairment losses associated with such assessments and lower of cost or market adjustments were $1 million and $3 million for the three and six months ended June 30, 2016, respectively, and $98 million and $102 million for the three and six months ended June 30, 2015, respectively. The recognized impairment losses were recorded in other noninterest income in the Condensed Consolidated Statements of Income.

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

8. Intangible Assets

Intangible assets consist of core deposit intangibles, customer lists, non-compete agreements and cardholder relationships. Intangible assets are amortized on either a straight-line or an accelerated basis over their estimated useful lives. Intangible assets have an estimated remaining weighted-average life at June 30, 2016 of 4.2 years.

The details of the Bancorp s intangible assets are shown in the following table:

($ in millions)		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
As of June 30, 2016				
Core deposit intangibles	**$**	**34**	**(26)**	**8**
Other		**15**	**(13)**	**2**
Total intangible assets	**$**	**49**	**(39)**	**10**
As of December 31, 2015				
Core deposit intangibles	$	34	(26)	8
Other		33	(29)	4
Total intangible assets	$	67	(55)	12

As of June 30, 2016, all of the Bancorp s intangible assets were being amortized. Amortization expense recognized on intangible assets was immaterial and $1 million for the three months ended June 30, 2016 and 2015, respectively, and $1 million and $2 million for the six months ended June 30, 2016 and 2015, respectively. The Bancorp s projections of amortization expense shown below are based on existing asset balances as of June 30, 2016. Future amortization expense may vary from these projections.

Estimated amortization expense for the remainder of 2016 through 2020 is as follows:

($ in millions)		Total
Remainder of 2016	$	1
2017		2
2018		1
2019		1
2020		1

81

Table of Contents

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

9. Variable Interest Entities

The Bancorp, in the normal course of business, engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity to finance their activities without additional subordinated financial support or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The Bancorp evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Bancorp is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that requires a reconsideration. If the Bancorp is determined to be the primary beneficiary of a VIE, it must account for the VIE as a consolidated subsidiary. If the Bancorp is determined not to be the primary beneficiary of a VIE but holds a variable interest in the entity, such variable interests are accounted for under the equity method of accounting or other accounting standards as appropriate.

Consolidated VIEs

The following tables provide a summary of the classifications of consolidated VIE assets, liabilities and noncontrolling interests included in the Condensed Consolidated Balance Sheets as of:

June 30, 2016 ($ in millions)	Automobile Loan Securitizations	CDC Investments	Total
Assets:			
Cash and due from banks	**$ 127**	**1**	**128**
Commercial mortgage loans	**-**	**47**	**47**
Automobile loans	**1,806**	**-**	**1,806**
ALLL	**(8)**	**(20)**	**(28)**
Other assets	**11**	**-**	**11**
Total assets	**$ 1,936**	**28**	**1,964**
Liabilities:			
Other liabilities	**$ 3**	**-**	**3**
Long-term debt	**1,744**	**-**	**1,744**
Total liabilities	**$ 1,747**	**-**	**1,747**
Noncontrolling interests	**$ -**	**28**	**28**