FIFTH THIRD BANCORP
Form 10-K
February 22, 2013
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2012 ANNUAL REPORT

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, estimate, forecast, projected, intends to, or may include o words or phrases such as believes, plans, trend, objective, continue, remain, or similar expressions, or future or conditional verbs such as will, wou could, might, can, or similar verbs. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic conditions and weakening in the economy, specifically the real estate market, either nationally or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, are less favorable than expected; (2) deteriorating credit quality; (3) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (4) changes in the interest rate environment reduce interest margins; (5) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions; (6) Fifth Third s ability to maintain required capital levels and adequate sources of funding and liquidity; (7) maintaining capital requirements may limit Fifth Third s operations and potential growth; (8) changes and trends in capital markets; (9) problems encountered by larger or similar financial institutions may adversely affect the banking industry and/or Fifth Third; (10) competitive pressures among depository institutions increase significantly; (11) effects of critical accounting policies and judgments; (12) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board (FASB) or other regulatory agencies; (13) legislative or regulatory changes or actions, or significant litigation, adversely affect Fifth Third, one or more acquired entities and/or the combined company or the businesses in which Fifth Third, one or more acquired entities and/or the combined company are engaged, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (14) ability to maintain favorable ratings from rating agencies; (15) fluctuation of Fifth Third s stock price; (16) ability to attract and retain key personnel; (17) ability to receive dividends from its subsidiaries; (18) potentially dilutive effect of future acquisitions on current shareholders ownership of Fifth Third; (19) effects of accounting or financial results of one or more acquired entities; (20) difficulties from the separation of or the results of operations of Vantiv, LLC from Fifth Third; (21) loss of income from any sale or potential sale of businesses that could have an adverse effect on Fifth Third s earnings and future growth; (22) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; and (23) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.

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GLOSSARY OF TERMS

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

ARM: Adjustable Rate Mortgage

ATM: Automated Teller Machine

BBA: British Bankers Association

BOLI: Bank Owned Life Insurance

bps: Basis points

BPO: Broker Price Opinion

CCAR: Comprehensive Capital Analysis and Review

CDC: Fifth Third Community Development Corporation

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

CPP: Capital Purchase Program

CRA: Community Reinvestment Act

DCF: Discounted Cash Flow

DIF: Deposit Insurance Fund

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

HFS: Held for Sale

IFRS: International Financial Reporting Standards

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

IRS: Internal Revenue Service

LIBOR: London InterBank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

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

MSR: Mortgage Servicing Right

NII: Net Interest Income

NM: Not Meaningful

NPR: Notice of Proposed Rulemaking

OCC: Office of the Comptroller of the Currency

OCI: Other Comprehensive Income

OFR: Office of Financial Research

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

RSAs: Restricted Stock Awards

SARs: Stock Appreciation Rights

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FSOC: Financial Stability Oversight Council

FTAM: Fifth Third Asset Management, Inc.

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTPS: Fifth Third Processing Solutions, now Vantiv, LLC

FTS: Fifth Third Securities

GNMA: Government National Mortgage Association

GSE: Government Sponsored Enterprise

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

SEC: United States Securities and Exchange Commission

SCAP: Supervisory Capital Assessment Program

TARP: Troubled Asset Relief Program

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

TSA: Transition Service Agreement

UK: United Kingdom

U.S.: United States of America

U.S. GAAP: Accounting principles generally accepted in the United States of America

VaR: Value-at-Risk

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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

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

TABLE 1: SELECTED FINANCIAL DATA

For the years ended December 31 ($ in millions, except for per share data)	**2012**	2011	2010	2009	2008
Income Statement Data					
Net interest income[(a)]	$ **3,613**	3,575	3,622	3,373	3,536
Noninterest income	**2,999**	2,455	2,729	4,782	2,946
Total revenue[(a)]	**6,612**	6,030	6,351	8,155	6,482
Provision for loan and lease losses	**303**	423	1,538	3,543	4,560
Noninterest expense	**4,081**	3,758	3,855	3,826	4,564
Net income (loss) attributable to Bancorp	**1,576**	1,297	753	737	(2,113)
Net income (loss) available to common shareholders	**1,541**	1,094	503	511	(2,180)
Common Share Data					
Earnings per share, basic	$ **1.69**	1.20	0.63	0.73	(3.91)
Earnings per share, diluted	**1.66**	1.18	0.63	0.67	(3.91)
Cash dividends per common share	**0.36**	0.28	0.04	0.04	0.75
Book value per share	**15.10**	13.92	13.06	12.44	13.57
Market value per share	**15.20**	12.72	14.68	9.75	8.26
Financial Ratios (%)					
Return on assets	**1.34 %**	1.15	0.67	0.64	(1.85)
Return on average common equity	**11.6**	9.0	5.0	5.6	(23.0)
Dividend payout ratio	**21.3**	23.3	6.3	5.5	NM
Average equity as a percent of average assets	**11.65**	11.41	12.22	11.36	8.78
Tangible common equity[(b)]	**8.83**	8.68	7.04	6.45	4.23
Net interest margin[(a)]	**3.55**	3.66	3.66	3.32	3.54
Efficiency[(a)]	**61.7**	62.3	60.7	46.9	70.4
Credit Quality					
Net losses charged off	$ **704**	1,172	2,328	2,581	2,710
Net losses charged off as a percent of average loans and leases[(d)]	**0.85 %**	1.49	3.02	3.20	3.23
ALLL as a percent of portfolio loans and leases	**2.16**	2.78	3.88	4.88	3.31
Allowance for credit losses as a percent of portfolio loans and leases[(c)]	**2.37**	3.01	4.17	5.27	3.54
Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned[(d) (e)]	**1.49**	2.23	2.79	4.22	2.38
Average Balances					
Loans and leases, including held for sale	$ **84,822**	80,214	79,232	83,391	85,835
Total securities and other short-term investments	**16,814**	17,468	19,699	18,135	14,045
Total assets	**117,614**	112,666	112,434	114,856	114,296
Transaction deposits[(f)]	**78,116**	72,392	65,662	55,235	52,680
Core deposits[(g)]	**82,422**	78,652	76,188	69,338	63,815
Wholesale funding[(h)]	**16,978**	16,939	18,917	28,539	36,261
Bancorp shareholders equity	**13,701**	12,851	13,737	13,053	10,038
Regulatory Capital Ratios (%)					
Tier I risk-based capital	**10.65 %**	11.91	13.89	13.30	10.59
Total risk-based capital	**14.42**	16.09	18.08	17.48	14.78
Tier I leverage	**10.05**	11.10	12.79	12.34	10.27
Tier I common equity[(b)]	**9.51**	9.35	7.48	6.99	4.37

(a) *Amounts presented on an FTE basis. The FTE adjustment for years ended* ***December 31, 2012****, 2011, 2010, 2009, and 2008 were* ***$18****, $18, $18, $19 and $22, respectively.*
(b) *The tangible common equity and Tier I common equity ratios are non-GAAP measures. For further information, see the Non-GAAP Financial Measures section of the MD&A.*
(c) *The allowance for credit losses is the sum of the ALLL and the reserve for unfunded commitments.*
(d) *Excludes nonaccrual loans held for sale.*
(e) *The Bancorp modified its nonaccrual policy in 2009 to exclude consumer TDR loans less than 90 days past due as they were performing in accordance with restructuring terms. For comparability purposes, prior periods were adjusted to reflect this reclassification.*
(f) *Includes demand, interest checking, savings, money market and foreign office deposits.*
(g) *Includes transaction deposits plus other time deposits.*
(h) *Includes certificates $100,000 and over, other deposits, federal funds purchased, other short-term borrowings and long-term debt.*

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At December 31, 2012, the Bancorp had $122 billion in assets, operated 15 affiliates with 1,325 full-service Banking Centers, including 106 Bank Mart® locations open seven days a week inside select grocery stores, and 2,415 ATMs in 12 states throughout the Midwestern and Southeastern regions of the United States. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has a 33% interest in Vantiv Holding, LLC.

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

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

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

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the year ended December 31, 2012, net interest income, on a FTE basis, and noninterest income provided 55% and 45% of total revenue, respectively. The Bancorp derives the majority of its revenues within the United States from customers domiciled in the United States. Revenue from foreign countries and external customers domiciled in foreign countries is immaterial to the Bancorp s Consolidated Financial Statements. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

Net interest income is the difference between interest income earned on assets such as loans, leases and securities, and interest expense incurred on liabilities such as deposits, short-term borrowings and long-term debt. Net interest income is affected by the general level of interest rates, the relative level of short-term and long-term interest rates, changes in interest rates and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. Generally, the rates of interest the Bancorp earns on its assets and pays on its liabilities are established for a period of time. The change in market interest rates over time exposes the Bancorp to interest rate risk through potential adverse changes to

net interest income and financial position. The Bancorp manages this risk by continually analyzing and adjusting the composition of its assets and liabilities based on their payment streams and interest rates, the timing of their maturities and their sensitivity to changes in market interest rates. Additionally, in the ordinary course of business, the Bancorp enters into certain derivative transactions as part of its overall strategy to manage its interest rate and prepayment risks. The Bancorp is also exposed to the risk of losses on its loan and lease portfolio, as a result of changing expected cash flows caused by borrower credit events, such as loan defaults and inadequate collateral due to a weakened economy within the Bancorp s footprint.

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

Senior Notes Offerings

On March 7, 2012, the Bancorp issued $500 million of senior notes to third party investors, and entered into a Supplemental Indenture with Wilmington Trust Company, as Trustee, which modified the existing Indenture for Senior Debt Securities dated as of April 30, 2008. The Supplemental Indenture and the Indenture define the rights of the senior notes, which senior notes are represented by a Global Security dated as of March 7, 2012. The senior notes bear a fixed rate of interest of 3.50% per annum. The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amount of the notes will be due upon maturity on March 15, 2022. The notes will not be subject to redemption at the Bancorp s option at any time until 30 days prior to maturity. For additional information regarding long-term debt, see Note 15 of the Notes to the Consolidated Financial Statements.

CCAR Results

On March 13, 2012, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2012 CCAR. The FRB indicated to the Bancorp that it did not object to the following capital actions: a continuation of its quarterly common dividend of $0.08 per share; the redemption of up to $1.4 billion in certain TruPS and the repurchase of common shares in an amount equal to any after-tax gains realized by the Bancorp from the sale of Vantiv, Inc. common shares by either the Bancorp or Vantiv, Inc. The FRB indicated to the Bancorp that it did object to other elements of its capital plan, including potential increases in its quarterly common dividend and the initiation of other common share repurchases.

The Bancorp resubmitted its capital plan to the FRB in the second quarter of 2012. The resubmitted plan included capital actions and distributions for the covered period through March 31, 2013 that were substantially similar to those included in the original submission, with adjustments primarily reflecting the change in the expected timing of capital actions and distributions relative to the timing assumed in the original submission. On August 21, 2012, the Bancorp announced the FRB did not object to the Bancorp s resubmitted capital plan which included potential increases to the quarterly common stock dividend and potential repurchases of common shares of up to $600 million through the first quarter of 2013, in addition to any incremental repurchase of common shares related to any after-tax gains realized by the Bancorp from the sale of Vantiv, Inc. common shares by either the Bancorp or Vantiv, Inc. As a result, the Board of Directors authorized the Bancorp to repurchase up to 100 million common shares in the open market or in privately negotiated transactions. In addition, in the third quarter

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of 2012 the Bancorp declared a quarterly common dividend of $0.10 per share, an increase of $0.02 per share from the second quarter of 2012.

Vantiv, Inc. IPO

On June 30, 2009, the Bancorp completed the sale of a majority interest in its processing business to Advent International. As part of this transaction, the processing business was contributed into a partnership now known as Vantiv Holding, LLC. Vantiv, Inc., formed by Advent International and owned by certain funds managed by Advent International, acquired an approximate 51% interest in Vantiv Holding, LLC for cash and warrants. The Bancorp retained the remaining approximate 49% interest in Vantiv Holding, LLC and accounted for it as an equity method investment in the Bancorp s Consolidated Financial Statements.

During the first quarter of 2012, Vantiv, Inc. priced an IPO of its shares and contributed the net proceeds to Vantiv Holding, LLC for additional ownership interests. As a result of this offering, the Bancorp s ownership of Vantiv Holding, LLC was reduced to approximately 39% and the Bancorp s investment continued to be accounted for as an equity method investment in the Bancorp s Consolidated Financial Statements. The impact of the capital contributions to Vantiv Holding, LLC and the resulting dilution in the Bancorp s interest resulted in the recognition of a pre-tax gain of $115 million ($75 million after-tax) by the Bancorp in the first quarter of 2012.

Vantiv, Inc. Share Sale

During the fourth quarter of 2012, Vantiv, Inc. priced a secondary offering of 12,454,545 shares of Class A Common Stock of Vantiv, Inc. sold on behalf of the Bancorp. As a result of this offering, the Bancorp s ownership of Vantiv Holding, LLC was reduced to approximately 33% and the Bancorp s investment continued to be accounted for as an equity method investment in the Bancorp s Consolidated Financial Statements. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $563 million as of December 31, 2012. The impact of the sale of the Bancorp s interest in Vantiv Holding, LLC resulted in the recognition of a pre-tax gain of $157 million ($102 million after-tax) by the Bancorp in the fourth quarter of 2012.

As of December 31, 2012, the Bancorp continued to hold approximately 70 million units of Vantiv Holding, LLC and a warrant to purchase approximately 20 million incremental Vantiv Holding, LLC non-voting units, both of which may be exchanged for common stock of Vantiv, Inc. on a one for one basis or at Vantiv, Inc. s option for cash. In addition, the Bancorp holds approximately 70 million Class B common shares of Vantiv, Inc. The Class B common shares give the Bancorp voting rights, but no economic interest in Vantiv, Inc. The voting rights attributable to the Class B common shares are limited to 18.5% of the voting power in Vantiv, Inc. at any time other than in connection with a stockholder vote with respect to a change in control in Vantiv, Inc. These securities are subject to certain terms and restrictions.

Accelerated Share Repurchase Transactions

Following the Vantiv, Inc. IPO, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 4,838,710 shares, or approximately $75 million, of its outstanding common stock on April 26, 2012. As part of this transaction, and all subsequent accelerated share repurchase transactions in 2012, the Bancorp entered into a forward contract in which the final number of shares to be delivered at settlement of the accelerated share repurchase transaction was based on a discount to the average daily volume-weighted average price of the Bancorp s common stock during the

term of the Repurchase Agreement. The accelerated share repurchase was treated as two separate transactions (i) the acquisition of treasury shares on the acquisition date and (ii) a forward contract indexed to the Bancorp s stock. At settlement of the April 2012 forward contract on June 1, 2012, the Bancorp received an additional 631,986 shares which were recorded as an adjustment to the basis in the treasury shares purchased on the acquisition date.

Consistent with the 2012 CCAR plan, on August 23, 2012, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 21,531,100 shares, or approximately $350 million, of its outstanding common stock on August 28, 2012. At settlement of the forward contract on October 24, 2012, the Bancorp received an additional 1,444,047 shares which were recorded as an adjustment to the basis in the treasury shares purchased on the acquisition date.

Additionally, on November 6, 2012, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 7,710,761 shares, or approximately $125 million, of its outstanding common stock on November 9, 2012. At settlement of the forward contract on February 12, 2013, the Bancorp received an additional 657,917 shares which were recorded as an adjustment to the basis in the treasury shares purchased on the acquisition date.

Following the sale of a portion of the Bancorp s shares of Class A Vantiv, Inc. common stock, the Bancorp entered into an accelerated share repurchase transaction on December 14, 2012 with a counterparty pursuant to which the Bancorp purchased 6,267,410 shares, or approximately $100 million, of its outstanding common stock on December 19, 2012. The Bancorp expects the settlement of the transaction to occur on March 14, 2013.

Redemption of TruPS

On August 8, 2012, consistent with the 2012 CCAR plan, the Bancorp redeemed all $862.5 million of the outstanding TruPS issued by Fifth Third Capital Trust VI. These securities had a distribution rate of 7.25% and a scheduled maturity date of November 15, 2067. Pursuant to the terms of the TruPS, the securities of Fifth Third Capital Trust VI were redeemable within ninety days of a Capital Treatment Event. The Bancorp determined that a Capital Treatment Event occurred upon the authorization for publication in the Federal Register of a Joint Notice of Proposed Rulemaking by the Board of Governors of the Federal Reserve System, the FDIC and the Office of the Comptroller of the Currency addressing, among other matters, Section 171 of the Dodd-Frank Act of 2010 and providing detailed information regarding the cessation of Tier I risk-based capital treatment for outstanding TruPS. The redemption price was $25 per security, which reflected 100% of the liquidation amount, plus accrued and unpaid distributions through the actual redemption date of $0.422917 per security. The Bancorp recognized a $9 million loss on extinguishment of these TruPS within other noninterest expense in the Bancorp s Consolidated Statements of Income.

Additionally, on August 15, 2012, the Bancorp redeemed all $575 million of the outstanding TruPS issued by Fifth Third Capital Trust V. The Fifth Third Capital Trust V securities had a distribution rate of 7.25% and a scheduled maturity date of August 15, 2067, and were redeemable at any time on or after August 15, 2012. The redemption price was $25 per security, which reflected 100% of the liquidation amount, plus accrued and unpaid distributions through the actual redemption date of $0.453125 per security. The Bancorp recognized a $17 million loss on extinguishment within other noninterest expense in the Bancorp s Consolidated Statements of Income.

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Legislative Developments

On July 21, 2010, the Dodd-Frank Act was signed into federal law. This act implements changes to the financial services industry and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The legislation establishes a CFPB responsible for implementing and enforcing compliance with consumer financial laws, changes the methodology for determining deposit insurance assessments, gives the FRB the ability to regulate and limit interchange rates charged to merchants for the use of debit cards, enacts new limitations on proprietary trading, broadens the scope of derivative instruments subject to regulation, requires on-going stress tests and the submission of annual capital plans for certain organizations and requires changes to regulatory capital ratios. This act also calls for federal regulatory agencies to conduct multiple studies over the next several years in order to implement its provisions.

The Bancorp was impacted by a number of the components of the Dodd-Frank Act which were implemented during 2011. The CFPB began operations on July 21, 2011. The CFPB holds primary responsibility for regulating consumer protection by enforcing existing consumer laws, writing new consumer legislation, conducting bank examinations, monitoring and reporting on markets, as well as collecting and tracking consumer complaints. The FRB final rule implementing the Dodd-Frank Act s Durbin Amendment , which limits debit card interchange fees, was issued on July 21, 2011 for transactions occurring after September 30, 2011. The final rule establishes a cap on the fees banks with more than $10 billion in assets can charge merchants for debit card transactions. The fee was set at $.21 per transaction plus an additional 5 bps of the transaction amount and $.01 to cover fraud losses. The FRB repealed Regulation Q as mandated by the Dodd-Frank Act on July 21, 2011. Regulation Q was implemented as part of the Glass-Steagall Act in the 1930 s and provided a prohibition against the payment of interest on commercial demand deposits. While the total impact of the fully-implemented Dodd-Frank Act on Fifth Third is not currently known, the impact is expected to be substantial and may have an adverse impact on Fifth Third s financial performance and growth opportunities.

In December of 2010 and revised in June of 2011, the Basel Committee on Banking Supervision issued Basel III, a global regulatory framework, to enhance international capital standards. In June of 2012, U.S. banking regulators proposed enhancements to the regulatory capital requirements for U.S. banks, which implement aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. The Bancorp continues to evaluate these proposals and their potential impact. For more information on the impact of the proposed regulatory capital enhancements, refer to the Capital Management section of the MD&A.

On October 9, 2012, the FRB published final stress testing rules that implement section 165(i)(1) and (i)(2) of the Dodd-Frank Act. The 19 bank holding companies that participated in the 2009 SCAP and subsequent CCAR, which includes Fifth Third, are subject to the final stress testing rules. The rules require both supervisory and company-run stress tests, which provide forward-looking information to supervisors to help assess whether institutions have sufficient capital to absorb losses and support operations during adverse economic conditions.

The FRB launched the 2013 stress testing program and CCAR on November 9, 2012. The CCAR requires bank holding companies to submit a capital plan in addition to their stress testing results. The mandatory elements of the capital plan are an assessment of the expected use and sources of capital over the planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the Bancorp s business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the Bancorp s process for assessing capital adequacy and the Bancorp s capital policy. The stress testing results and capital plan were submitted by the Bancorp to the FRB on January 7, 2013.

The FRB s review of the capital plan will assess the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB will review the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above the minimum regulatory capital ratios and above a Tier 1 common ratio of 5 percent on a pro forma basis under expected and stressful conditions throughout the planning horizon. The FRB will also assess the Bancorp s strategies for addressing proposed revisions to the regulatory capital framework agreed upon by the Basel Committee on Banking Supervision and requirements arising from the Dodd-Frank Act.

The FRB has indicated that it expects to disclose on March 7, 2013 its estimates of participating institutions results under the FRB supervisory stress scenario, including capital results, which assume that all banks take certain consistently applied future capital actions. The FRB has indicated that it expects to disclose on March 14, 2013 its estimates of participating institutions results under the FRB supervisory severe stress scenarios including capital results based on each company s own base scenario capital actions. The FRB will also issue an objection or non-objection to each participating institution s capital plan submitted under CCAR. Additionally, as a CCAR institution, Fifth Third is required to disclose our own estimates of results under the supervisory severely adverse scenario using the same consistently applied capital actions noted above, and to provide information related to risks included in its stress testing; a summary description of the methodologies used; estimates of aggregate pre-provision net revenue, losses, provisions, and pro forma capital ratios at the end of the forward-looking planning horizon of at least nine quarters; and an explanation of the most significant causes of changes in regulatory capital ratios. These disclosures are required by March 31, 2013 and are to be sent to the FRB and publicly disclosed.

In January of 2013, the CFPB issued several final regulations and changes to certain consumer protections under existing laws. These regulations are intended to strengthen consumer protections for high-cost mortgages, amend escrow requirements under the Truth in Lending Act, require mortgage lenders to consider the consumers ability to repay home loans before extending them credit, implement mortgage servicing rules, amend the Equal Credit Opportunity Act regarding appraisals and other written valuations for first lien residential mortgage loans and revises the Truth in Lending Act to strengthen loan originator qualification requirements and regulate industry compensation practices. These regulations take effect in 2014 except for the escrow requirements and certain provisions of the compensation rules under the Truth in Lending Act which takes effect on June 1, 2013. The Bancorp is currently assessing the impact these new regulations will have on its Consolidated Financial Statements.

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TABLE 2: CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 ($ in millions, except per share data)	**2012**	2011	2010	2009	2008
Interest income (FTE)	**$ 4,125**	4,236	4,507	4,687	5,630
Interest expense	**512**	661	885	1,314	2,094
Net interest income (FTE)	**3,613**	3,575	3,622	3,373	3,536
Provision for loan and lease losses	**303**	423	1,538	3,543	4,560
Net interest income (loss) after provision for loan and lease losses (FTE)	**3,310**	3,152	2,084	(170)	(1,024)
Noninterest income	**2,999**	2,455	2,729	4,782	2,946
Noninterest expense	**4,081**	3,758	3,855	3,826	4,564
Income (loss) before income taxes (FTE)	**2,228**	1,849	958	786	(2,642)
Fully taxable equivalent adjustment	**18**	18	18	19	22
Applicable income tax expense (benefit)	**636**	533	187	30	(551)
Net income (loss)	**1,574**	1,298	753	737	(2,113)
Less: Net income attributable to noncontrolling interests	**(2)**	1			
Net income (loss) attributable to Bancorp	**1,576**	1,297	753	737	(2,113)
Dividends on preferred stock	**35**	203	250	226	67
Net income (loss) available to common shareholders	**$ 1,541**	1,094	503	511	(2,180)
Earnings per share	**$ 1.69**	1.20	0.63	0.73	(3.91)
Earnings per diluted share	**1.66**	1.18	0.63	0.67	(3.91)
Cash dividends declared per common share	**$ 0.36**	0.28	0.04	0.04	0.75

Earnings Summary

The Bancorp s net income available to common shareholders for the year ended December 31, 2012 was $1.5 billion, or $1.66 per diluted share, which was net of $35 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the year ended December 31, 2011 was $1.1 billion, or $1.18 per diluted share, which was net of $203 million in preferred stock dividends. The preferred stock dividends during 2011 included $153 million in discount accretion resulting from the Bancorp s repurchase of Series F preferred stock.

Net interest income was $3.6 billion for the years ended December 31, 2012 and 2011. Net interest income was positively impacted by an increase in average loans and leases of $4.6 billion as well as a decrease in interest expense compared to the year ended December 31, 2011. Average interest-earning assets increased $4.0 billion while average interest-bearing liabilities were relatively flat compared to the prior year. In addition, net interest income in 2012 compared to the prior year was negatively impacted by a 28 bps decrease in average yield on average interest-earning assets partially offset by a 21 bps decrease in the average rate paid on interest-bearing liabilities, coupled with a mix shift to lower cost deposits. Net interest margin was 3.55% and 3.66% for the years ended December 31, 2012 and 2011, respectively.

Noninterest income increased $544 million, or 22%, in 2012 compared to 2011. The increase from the prior year was primarily due to an increase in mortgage banking net revenue, corporate banking revenue and other noninterest income partially offset by a decrease in card and processing revenue. Mortgage banking net revenue increased $248 million, or 41%, primarily due to an increase in origination fees and gains on loan sales partially offset by an increase in losses on net valuation adjustments on servicing rights and free-standing derivatives entered into to economically hedge the MSR portfolio. Corporate banking revenue increased $63 million, or 18%, primarily due to increases in syndication fees, business lending fees, lease remarketing fees and institutional sales. Other noninterest income increased $324 million primarily due to a $115 million gain from the Vantiv, Inc. IPO recognized in the first quarter of 2012 and a $157 million gain from the sale of Vantiv, Inc. shares in the fourth quarter of 2012. Card and processing revenue decreased $55 million, or 18%, primarily as the result of the full year impact of the implementation of the Dodd-Frank Act s debit card interchange fee cap in the fourth quarter of 2011.

Noninterest expense increased $323 million, or nine percent, in 2012 compared to 2011 primarily due to an increase of $170 million in total personnel costs (salaries, wages and incentives plus employee benefits); an increase of $53 million in the provision for representation and warranty claims related to residential mortgage loans sold to third parties; an increase of $177 million in debt extinguishment costs; and a $44 million decrease in the benefit from the provision for unfunded commitments and letters of credit. This activity was partially offset by an $87 million decrease in FDIC insurance and other taxes.

Credit Summary

The Bancorp does not originate subprime mortgage loans and does not hold asset-backed securities backed by subprime mortgage loans in its securities portfolio. However, the Bancorp has exposure to disruptions in the capital markets and weakened economic conditions. Over the last few years, the Bancorp has continued to be negatively affected by high unemployment rates, weakened housing markets, particularly in Michigan and Florida, and a challenging credit environment. Credit trends have improved, and as a result, the provision for loan and lease losses decreased to $303 million in 2012 compared to $423 million in 2011. In addition, net charge-offs as a percent of average portfolio loans and leases decreased to 0.85% during 2012 compared to 1.49% during 2011. At December 31, 2012, nonperforming assets as a percent of loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 1.49%, compared to 2.23% at December 31, 2011. For further discussion on credit quality, see the Credit Risk Management section in MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the Board of Governors of the Federal Reserve System. As of December 31, 2012, the Tier I risk-based capital ratio was 10.65%, the Tier I leverage ratio was 10.05% and the total risk-based capital ratio was 14.42%.

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NON-GAAP FINANCIAL MEASURES

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

The Bancorp believes these non-GAAP measures are important because they reflect the level of capital available to withstand unexpected market conditions. Additionally, presentation of these measures allows readers to compare certain aspects of the Bancorp s capitalization to other organizations. However, because

there are no standardized definitions for these ratios, the Bancorp s calculations may not be comparable with other organizations, and the usefulness of these measures to investors may be limited. As a result, the Bancorp encourages readers to consider its Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

The banking regulators issued proposed capital rules (Basel III) in June of 2012 that would substantially amend the existing risk-based capital rules (Basel I) for banks. The Bancorp believes providing an estimate of its capital position based upon its interpretation of these proposed rules is important to complement the existing capital ratios and for comparability to other financial institutions. Since these rules are in proposal stage, they are considered non-GAAP measures and therefore are included in the following non-GAAP financial measures table.

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

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The following table reconciles non-GAAP financial measures to U.S. GAAP as of and for the years ended December 31:

TABLE 3: NON-GAAP FINANCIAL MEASURES

($ in millions)	**2012**	2011
Income before income taxes (U.S. GAAP)	**$ 2,210**	1,831
Add: Provision expense (U.S. GAAP)	**303**	423
Pre-provision net revenue	**2,513**	2,254
Net income available to common shareholders (U.S. GAAP)	$ **1,541**	1,094
Add: Intangible amortization, net of tax	**9**	15
Tangible net income available to common shareholders	**1,550**	1,109
Total Bancorp shareholders equity (U.S. GAAP)	$ **13,716**	13,201
Less: Preferred stock	**(398)**	(398)
Goodwill	**(2,416)**	(2,417)
Intangible assets	**(27)**	(40)
Tangible common equity, including unrealized gains / losses	**10,875**	10,346
Less: Accumulated other comprehensive income	**(375)**	(470)
Tangible common equity, excluding unrealized gains / losses (1)	**10,500**	9,876
Add: Preferred stock	**398**	398
Tangible equity (2)	**10,898**	10,274
Total assets (U.S. GAAP)	$ **121,894**	116,967
Less: Goodwill	**(2,416)**	(2,417)
Intangible assets	**(27)**	(40)
Accumulated other comprehensive income, before tax	**(577)**	(723)
Tangible assets, excluding unrealized gains / losses (3)	$ **118,874**	113,787
Total Bancorp shareholders equity (U.S. GAAP)	$ **13,716**	13,201
Less: Goodwill and certain other intangibles	**(2,499)**	(2,514)
Accumulated other comprehensive income	**(375)**	(470)
Add: Qualifying TruPS	**810**	2,248
Other	**33**	38
Tier I risk-based capital	**11,685**	12,503
Less: Preferred stock	**(398)**	(398)
Qualifying TruPS	**(810)**	(2,248)
Qualified noncontrolling interests in consolidated subsidiaries	**(48)**	(50)
Tier I common equity (4)	$ **10,429**	9,807
Risk-weighted assets (5)[(a)]	$ **109,699**	104,945
Ratios:		
Tangible equity (2) / (3)	**9.17 %**	9.03
Tangible common equity (1) / (3)	**8.83 %**	8.68
Tier I common equity (4) / (5)	**9.51 %**	9.35
Basel III - Estimated Tier I common equity ratio		
Tier I common equity (Basel I)	**$ 10,429**	
Add: Adjustment related to AOCI for available-for-sale securities	**429**	
Estimated Tier I common equity under Basel III rules[(b)]	**10,858**	
Estimated risk-weighted assets under Basel III rules[(c)]	**123,725**	
Estimated Tier I common equity ratio under Basel III rules	**8.78 %**	

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

(b) Tier I common equity under Basel III includes the unrealized gains and losses for available-for-sale securities. Other adjustments include mortgage servicing rights and deferred tax assets subject to threshold limitations and deferred tax liabilities related to intangible assets.

(c) Key differences under Basel III in the calculation of risk-weighted assets compared to Basel I include: (1) risk weighting for commitments under 1 year; (2) higher risk weighting for exposures to residential mortgage, home equity, past due loans, foreign banks and certain commercial real estate; (3) higher risk weighting for mortgage servicing rights and deferred tax assets that are under certain thresholds as a percent of Tier I capital; (4) incremental capital requirements for stress VaR; and (5) derivatives are differentiated between exchange clearing and over-the-counter and the 50% risk-weight cap is removed.

The estimated Basel III risk-weighted assets are based upon the Bancorp s interpretations of the three draft Federal Register notices proposing enhancements to the regulatory capital requirements that were published in June of 2012. These amounts are preliminary and subject to change depending on the adoption of final Basel III capital rules by the Regulatory Agencies.

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

RECENT ACCOUNTING STANDARDS

Note 1 of the Notes to Consolidated Financial Statements provides a discussion of the significant new accounting standards adopted by the Bancorp during 2012 and the expected

impact of significant accounting standards issued, but not yet required to be adopted.

CRITICAL ACCOUNTING POLICIES

The Bancorp s Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements and goodwill. No material changes were made to the valuation techniques or models described below during the year ended December 31, 2012.

ALLL

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

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

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

Larger commercial loans included within aggregate borrower relationship balances exceeding $1 million that exhibit probable or observed credit weaknesses, as well as loans that have been

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

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

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

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

Reserve for Unfunded Commitments

The reserve for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded credit facilities and is included in other liabilities in the Consolidated Balance Sheets. The determination of the adequacy of the reserve is based upon an evaluation of the unfunded credit facilities, including an assessment of historical commitment utilization experience, credit risk grading and historical loss rates based on credit grade migration. This process takes into consideration the same risk elements that are analyzed in the determination of the adequacy of the Bancorp

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

Income Taxes

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

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

Accrued taxes represent the net estimated amount due to taxing jurisdictions and are reported in accrued taxes, interest and expenses in the Consolidated Balance Sheets. The Bancorp evaluates and assesses the relative risks and appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other information and maintains tax accruals consistent with its evaluation of these relative risks and merits. Changes to the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by taxing authorities and changes to statutory, judicial and regulatory guidance that impact the relative risks of tax positions. These changes, when they occur, can affect deferred taxes and accrued taxes as well as the current period s income tax expense and can be significant to the operating results of the Bancorp. For additional information on income taxes, see Note 19 of the Notes to Consolidated Financial Statements.

Valuation of Servicing Rights

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

interest rates. For additional information on servicing rights, see Note 11 of the Notes to Consolidated Financial Statements.

Fair Value Measurements

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

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

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

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

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

The Bancorp s fair value measurements involve various valuation techniques and models, which involve inputs that are observable, when available. Valuation techniques and parameters used for measuring assets and liabilities are reviewed and validated by the Bancorp on a quarterly basis. Additionally, the Bancorp monitors the fair values of significant assets and liabilities using a variety of methods including the evaluation of pricing runs and exception reports based on certain analytical criteria, comparison to previous trades and overall review and assessments for reasonableness. The following is a summary of valuation techniques utilized by the Bancorp for its significant assets and liabilities measured at fair value on a recurring basis.

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Available-for-sale and trading securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which are classified within Level 2 of the valuation hierarchy, include agency and non-agency mortgage-backed securities, other asset-backed securities, obligations of U.S. Government sponsored agencies, and corporate and municipal bonds. Agency mortgage-backed securities, obligations of U.S. Government sponsored agencies, and corporate and municipal bonds are generally valued using a market approach based on observable prices of securities with similar characteristics. Non-agency mortgage-backed securities and other asset-backed securities are generally valued using an income approach based on discounted cash flows, incorporating prepayment speeds, performance of underlying collateral and specific tranche-level attributes. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

Residential mortgage loans held for sale and held for investment

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

Derivatives

Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation hierarchy. Most of the Bancorp s derivative contracts are valued using discounted cash flow or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties, and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and

structured interest rate swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At December 31, 2012, derivatives classified as Level 3, which are valued using an option-pricing model containing unobservable inputs, consisted primarily of warrants associated with the sale of the processing business to Advent International and a total return swap associated with the Bancorp s sale of its Visa, Inc. Class B shares. Level 3 derivatives also include interest rate lock commitments, which utilize internally generated loan closing rate assumptions as a significant unobservable input in the valuation process.

In addition to the assets and liabilities measured at fair value on a recurring basis, the Bancorp measures servicing rights, certain loans and long-lived assets at fair value on a nonrecurring basis. Refer to Note 26 of the Notes to Consolidated Financial Statements for further information on fair value measurements.

Goodwill

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

Impairment exists when a reporting unit s carrying amount of goodwill exceeds its implied fair value. In testing goodwill for impairment, U.S. GAAP permits the Bancorp to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Bancorp determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test would be unnecessary. However, if the Bancorp concludes otherwise, it would then be required to perform the first step (Step 1) of the goodwill impairment test, and continue to the second step (Step 2), if necessary. Step 1 compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, Step 2 of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. Since none of the Bancorp s reporting units are publicly traded, individual reporting unit fair value determinations cannot be directly correlated to the Bancorp s stock price. To determine the fair value of a reporting unit, the Bancorp employs an income-based approach, utilizing the reporting unit s forecasted cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) and the reporting unit s estimated cost of equity as the discount rate. Additionally, the Bancorp determines its market capitalization based on the average of the closing price of the Bancorp s stock during the month including the measurement date, incorporating an additional control premium, and compares this market-based fair value measurement to the aggregate fair value of the Bancorp s reporting units in order to corroborate the results of the income approach.

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

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

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RISK FACTORS

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

RISKS RELATING TO ECONOMIC AND MARKET CONDITIONS

Weakness in the U.S. economy and in the real estate market, including specific weakness within Fifth Third s geographic footprint, has adversely affected Fifth Third and may continue to adversely affect Fifth Third.

If the strength of the U.S. economy in general or the strength of the local economies in which Fifth Third conducts operations declines or does not improve in a reasonable time frame, this could result in, among other things, a deterioration in credit quality or a reduced demand for credit, including a resultant effect on Fifth Third s loan portfolio and ALLL and in the receipt of lower proceeds from the sale of loans and foreclosed properties. A portion of Fifth Third s residential mortgage and commercial real estate loan portfolios are comprised of borrowers in Florida, whose markets have been particularly adversely affected by job losses, declines in real estate value, declines in home sale volumes, and declines in new home building. These factors could result in higher delinquencies, greater charge-offs and increased losses on foreclosed real estate in future periods, which could materially adversely affect Fifth Third s financial condition and results of operations.

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

Certain European Union member states have fiscal obligations greater than their fiscal revenue, which has caused investor concern over such countries ability to continue to service their debt and foster economic growth in their economies. During 2011, the European debt crisis caused spreads to widen in the fixed income debt markets and liquidity to be less abundant. The European debt crisis and measures adopted to address it have significantly weakened European economies. A weaker European economy may cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European member economies. A failure to adequately address sovereign debt concerns in Europe could hamper economic recovery or contribute to recessionary economic conditions and severe stress in the financial markets, including in the United States. Should the U.S. economic recovery be adversely impacted by these factors, the likelihood for loan and asset growth at U.S. financial institutions, like Fifth Third, may deteriorate.

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

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

generation of deposits and the rates received on loans and investment securities and paid on deposits or other sources of funding. The impact of these changes may be magnified if Fifth Third does not effectively manage the relative sensitivity of its assets and liabilities to changes in market interest rates. Fluctuations in these areas may adversely affect Fifth Third and its shareholders.

Potential changes in determining LIBOR could affect Fifth Third s debt securities and other financial obligations.

Beginning in 2008, concerns have been raised about the accuracy of the calculation of the daily LIBOR, which is currently overseen by the BBA. Fifth Third was not and is not a LIBOR panelist surveyed for LIBOR estimates. The BBA has taken steps to change the process for determining LIBOR by increasing the number of banks surveyed to set LIBOR and to strengthen the oversight of the process. In addition a report published in September 2012, set forth recommendations relating to the setting and administration of LIBOR, and the United Kingdom government has announced that it intends to incorporate these recommendations in the new legislation.

At the present time, it is uncertain what changes, if any, may be required or made by the United Kingdom government or other governmental or regulatory authorities in the method for determining LIBOR. Accordingly, it is not apparent whether or to what extent any such changes would have an adverse impact on the value of any LIBOR-linked debt securities issued by Fifth Third or any loans, derivatives and other financial obligations or extensions of credit for which Fifth Third is an obligor, or whether or to what extent any such changes would have an adverse effect on the value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to Fifth Third or on Fifth Third s financial condition or results of operations.

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

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

The removal or reduction in stimulus activities sponsored by the Federal Government and its agents may have a negative impact on Fifth Third s results and operations.

The Federal Government has intervened in an unprecedented manner to stimulate economic growth. The expiration or rescission of any of these programs and actions may have an adverse impact on Fifth Third s operating results by increasing interest rates, increasing the cost of funding, and reducing the demand for loan products, including mortgage loans.

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

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

Fifth Third s stock price is volatile.

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

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

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

RISKS RELATING TO FIFTH THIRD S GENERAL BUSINESS

Deteriorating credit quality, particularly in real estate loans, has adversely impacted Fifth Third and may continue to adversely impact Fifth Third.

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

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

Fifth Third believes that both the allowance for loan and lease losses and reserve for unfunded commitments are adequate to cover inherent losses at December 31, 2012; however, there is no assurance that they will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions, Fifth Third may be required to increase reserves in future periods, which would reduce earnings.

For more information, refer to the Risk Management Credit Risk Management, Critical Accounting Policies Allowance for Loan and Leases, and Reserve for Unfunded Commitments of the MD&A.

Fifth Third must maintain adequate sources of funding and liquidity.

Fifth Third must maintain adequate funding sources in the normal course of business to support its operations and fund outstanding liabilities, as well as meet regulatory expectations. Fifth Third primarily relies on bank deposits to be a low cost and stable source of funding for the loans Fifth Third makes and the operations of Fifth Third s business. Core customer deposits, which include transaction deposits and other time deposits, have historically provided Fifth Third with a sizeable source of relatively stable and low-cost funds (average core deposits funded 70% of average total assets at December 31, 2012). In addition to customer deposits, sources of liquidity include investments in the securities portfolio, Fifth Third s ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the FHLB and the FRB, and Fifth Third s ability to raise funds in domestic and international money and capital markets.

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

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

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Other material adverse effects could include a reduction in Fifth Third s credit ratings resulting from a further decrease in the probability of government support for large financial institutions such as Fifth Third assumed by the ratings agencies in their current credit ratings.

If Fifth Third is unable to continue to fund assets through customer bank deposits or access capital markets on favorable terms or if Fifth Third suffers an increase in borrowing costs or otherwise fails to manage liquidity effectively; liquidity, operating margins, financial results and condition may be materially adversely affected. As Fifth Third did during the financial crisis, it may also need to raise additional capital through the issuance of stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate common stock dividends to preserve capital.

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

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

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

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

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

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

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

The total amount that Fifth Third pays for funding costs is dependent, in part, on Fifth Third s ability to grow its deposits. If Fifth Third is unable to sufficiently grow its deposits, it may be subject to paying higher funding costs. Fifth Third competes with banks and other financial services companies for deposits. If competitors raise the rates they pay on deposits, Fifth Third s funding costs may increase, either because Fifth Third raises rates to avoid losing deposits or because Fifth Third loses deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income. Fifth Third s bank customers could take their money out of the bank and put it in alternative investments, causing Fifth Third to lose a lower cost source of funding. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff.

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

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

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

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

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

Fifth Third s ability to access the capital markets is important to its overall funding profile. This access is affected by the ratings assigned by rating agencies to Fifth Third, certain of its subsidiaries and particular classes of securities they issue. The interest rates that Fifth Third pays on its securities are also influenced by, among other things, the credit ratings that it, its subsidiaries and/or its securities receive from recognized rating agencies. A downgrade to Fifth Third or its subsidiaries credit rating could affect its ability to access the capital markets, increase its borrowing costs and negatively impact its profitability. A ratings downgrade to Fifth Third, its subsidiaries or their securities could also create obligations or liabilities to Fifth Third under the terms of its outstanding securities that could increase Fifth Third s costs or otherwise have a negative effect on its results of operations or financial condition. Additionally, a downgrade of the credit rating of any particular security issued by Fifth Third or its subsidiaries could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

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

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

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

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

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

recession and deteriorating housing market, even if interest rates were to fall, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

Fifth Third typically uses derivatives and other instruments to hedge its mortgage banking interest rate risk. Fifth Third generally does not hedge all of its risks, and the fact that Fifth Third attempts to hedge any of the risks does not mean Fifth Third will be successful. Hedging is a complex process, requiring sophisticated models and constant monitoring. Fifth Third may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. Fifth Third could incur significant losses from its hedging activities. There may be periods where Fifth Third elects not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

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

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

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

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

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

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

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make significant estimates that affect the financial statements. See the Critical Accounting Policies section of the MD&A for more information regarding management s significant estimates. Additionally, Fifth Third s litigation reserve is a management estimate which is regularly reviewed for accuracy.

Fifth Third regularly reviews its litigation reserve for adequacy considering its litigation risks and probability of incurring losses related to litigation. However, Fifth Third cannot be certain that its current litigation reserves will be adequate over time to cover its losses in litigation due to higher than anticipated settlement costs, prolonged litigation, adverse judgments, or other factors that are largely outside of Fifth Third s control. If Fifth Third s litigation

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reserves are not adequate, Fifth Third s business, financial condition, including its liquidity and capital, and results of operations could be materially adversely affected. Additionally, in the future, Fifth Third may increase its litigation reserves, which could have a material adverse effect on its capital and results of operations.

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

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

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

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

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

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

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

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

Fifth Third owns several non-strategic businesses that are not significantly synergistic with its core financial services businesses. Fifth Third has, from time to time, considered the sale of such businesses. If it were to determine to sell such businesses, Fifth Third would be subject to market forces that may make completion of a sale unsuccessful or may not be able to do so within a desirable

time frame. If Fifth Third were to complete the sale of non-core businesses, it would suffer the loss of income from the sold businesses, and such loss of income could have an adverse effect on its future earnings and growth.

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

Fifth Third collects, processes and stores sensitive consumer data by utilizing computer systems and telecommunications networks operated by both Fifth Third and third party service providers. Fifth Third has security, backup and recovery systems in place, as well as a business continuity plan to ensure the system will not be inoperable. Fifth Third also has security to prevent unauthorized access to the system. In addition, Fifth Third requires its third party service providers to maintain similar controls. However, Fifth Third cannot be certain that the measures will be successful. A security breach in the system and loss of confidential information such as credit card numbers and related information could result in losing the customers confidence and thus the loss of their business as well as additional significant costs for privacy monitoring activities.

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

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

Recently, there has been a well-publicized series of apparently related distributed denial of service attacks on large financial services companies, including Fifth Third Bank. Distributed denial of service attacks are designed to saturate the targeted online network with excessive amounts of network traffic, resulting in slow response times, or in some cases, causing the site to be temporarily unavailable. To date these attacks have not been intended to steal financial data, but meant to interrupt or suspend a company s Internet service. These events did not result in a breach of Fifth Third s client data and account information remained secure; however, the attacks did adversely affect the performance of Fifth Third s website and in some instances prevented customers from accessing Fifth Third s website. While the event was resolved in a timely fashion and primarily resulted in inconvenience to our customers, future cyber-attacks could be more disruptive and damaging. Hacking and identity theft risks, in particular, could cause serious reputational harm. Cyber threats are rapidly evolving and Fifth Third may not be able to anticipate or prevent all such attacks. Fifth Third may incur increasing costs in an effort to minimize these risks and could be held liable for any security breach or loss.

Fifth Third is exposed to operational and reputational risk.

Fifth Third is exposed to many types of operational risk, including reputational risk, legal and compliance risk, environmental risks from its properties, the risk of fraud or theft by employees, customers or outsiders, unauthorized transactions by employees, operating system disruptions or operational errors.

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

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

During the second quarter of 2009, Fifth Third sold an approximate 51% interest in its processing business, Vantiv, LLC (formerly Fifth Third Processing Solutions). As a result of the Vantiv, Inc. IPO, the Bancorp s ownership of Vantiv Holding, LLC was reduced to approximately 39% in the first quarter of 2012. In addition, Fifth Third sold an approximate 6% interest during the fourth quarter of 2012. Based on Fifth Third s current ownership share in Vantiv Holding, LLC, of approximately 33%, Vantiv Holding, LLC is accounted for under the equity method and is not consolidated. Poor operating results of Vantiv, LLC could negatively affect the operating results of Fifth Third. In addition, Fifth Third participates in a multi lender credit facility to Vantiv Holding, LLC and repayment of these loans is contingent on future cash flows from Vantiv Holding, LLC.

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

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

RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT

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

The Bancorp is a bank holding company and a financial holding company. As such, it is subject to the comprehensive, consolidated supervision and regulation of the FRB, including risk-based and leverage capital requirements. The Bancorp must maintain certain risk-based and leverage capital ratios as required by its banking regulators and which can change depending upon general economic conditions and the Bancorp s particular condition, risk profile and growth plans. Compliance with the capital requirements, including leverage ratios, may limit operations that require the intensive use of capital and could adversely affect the Bancorp s ability to expand or maintain present business levels.

Comprehensive revisions to the regulatory capital framework were proposed by the FRB, OCC, and FDIC in June 2012. Included within those revisions is the Basel III NPR, which incorporates changes made by the Basel Committee on Banking Supervision to the Basel Capital framework in addition to implementing relevant provisions of the Dodd-Frank Act. The Basel III NPR specifically revises what qualifies as regulatory capital, raises minimum requirements and introduces the concept of additional capital buffers. The need to maintain more and higher quality capital as well

as greater liquidity going forward could limit our business activities, including lending, and our ability to expand, either organically or through acquisitions. In addition, the new liquidity standards could require us to increase our holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term assets even if more desirable from a balance sheet management perspective. Moreover, although these new requirements are being phased in over time, U.S. Federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases and share repurchases.

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

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

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

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

During the third quarter of 2012, the OCC, a national bank regulatory agency, issued interpretive guidance that requires Chapter 7 non-reaffirmed loans to be accounted for as nonperforming TDRs and collateral dependent loans regardless of their payment history and capacity to pay in the future. The Bancorp s banking subsidiary is a state chartered bank which therefore is not directly subject to the guidance of the OCC. At December 31, 2012, the Bancorp had loans with unpaid principal balances totaling approximately $175 million that could potentially be impacted by this guidance, of which approximately 87% are current with their original contractual payments and approximately one third are already classified as TDRs.

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

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

In addition, Fifth Third, as well as other financial institutions more generally, have recently been subjected to increased scrutiny from regulatory authorities stemming from broader systemic regulatory concerns, including with respect to stress testing, capital levels, asset quality, provisioning and other prudential matters, arising as a result of the recent financial crisis and efforts to ensure that financial institutions take steps to improve their risk management and prevent future crises.

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

Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, investigations and proceedings by government and self-regulatory agencies which may lead to adverse consequences.

Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by government and self-regulatory agencies, including the SEC, regarding their respective businesses. Such matters may result in material adverse consequences, including without limitation, adverse judgments, settlements, fines, penalties, injunctions or other actions, amendments and/or restatements of Fifth Third s SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in its disclosure controls and procedures. The SEC is investigating and has made several requests for information, including by subpoena, and interviews of certain of our current and former officers and employees and others, concerning issues which Fifth Third understands relate to accounting and reporting matters involving certain of its commercial loans. This could lead to an enforcement proceeding by the SEC which, in turn, may result in one or more such material adverse consequences.

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

The FDIC maintains a DIF to resolve the cost of bank failures. The DIF is funded by fees assessed on insured depository institutions including Fifth Third. The magnitude and cost of resolving an increased number of bank failures have reduced the DIF. Future deposit premiums paid by Fifth Third depend on the level of the DIF and the magnitude and cost of future bank failures. Fifth Third also may be required to pay significantly higher FDIC premiums because market developments have significantly depleted the DIF of the FDIC and reduced the ratio of reserves to insured deposits.

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

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

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

The newly created regulatory bodies include the CFPB and the FSOC. The CFPB has been given authority to regulate consumer financial products and services sold by banks and non-bank companies and to supervise banks with assets of more than $10 billion and their affiliates for compliance with Federal consumer protection laws. Any new regulatory requirements promulgated by the CFPB could require changes to our consumer businesses, result in increased compliance costs and affect the streams of revenue of such businesses. The FSOC has been charged with identifying systemic risks, promoting stronger financial regulation and identifying those non-bank companies that are systemically important and thus should be subject to regulation by the Federal Reserve. In addition, in extraordinary cases and together with the Federal Reserve, the FSOC could break up financial firms that are deemed to present a grave threat to the financial stability of the United States.

The Dodd-Frank Act Volcker Rule provisions prohibit banks and bank holding companies from engaging in certain types of proprietary trading. The scope of the proprietary trading prohibition, and its impact on Fifth Third, will depend on the definitions in the final rule, particularly those definitions related to statutory exemptions for risk-mitigating hedging activities; market-making; and customer-related activities.

The Volcker Rule and the rulemakings promulgated thereunder are also expected to restrict banks and their affiliated entities from investing in or

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

sponsoring certain private equity and hedge funds. Fifth Third does not sponsor any private equity or hedge funds that, under the proposed rule, it is prohibited from sponsoring. As of December 31, 2012, the Bancorp had approximately $163 million in interests and approximately $108 million binding commitments to invest in private equity funds likely to be affected by the Volcker rule. It is expected that over time the Bancorp may need to eliminate these investments although it is likely that these amounts will be reduced over time in the ordinary course before compliance is required. Under the proposed rulemaking announced on October 11, 2011, Fifth Third expects to be able to hold these investments until July 2014 with no restriction, and be eligible to obtain up to three one-year extension periods, subject to regulatory approvals. A forced sale of some of these investments could result in Fifth Third receiving less value than it would otherwise have received. Depending on the provisions of the final rule, it is possible that other structures through which Fifth Third conduct business but that are not typically referred to as private equity or hedge funds could be restricted, with an impact that cannot be evaluated.

The FDIC and the Federal Reserve have adopted a final rule that requires bank holding companies that have $50 billion or more in assets, like Fifth Third, to periodically submit to the Federal Reserve, the FDIC and the FSOC a plan discussing how the company could be resolved in a rapid and orderly fashion if the company were to fail or experience material financial distress. In a related rulemaking, the FDIC adopted a final rule that requires insured depository institutions with $50 billion or more in assets, like Fifth Third, to prepare and submit a resolution plan to the FDIC. The initial plans for Fifth Third and its bank subsidiary are due December 31, 2013. Fifth Third and its bank subsidiary will be required to submit updated plans annually thereafter. The Federal Reserve and the FDIC may jointly impose restrictions on Fifth Third or its bank subsidiary, including additional capital requirements or limitations on growth, if the agencies determine that the institution s plan is not credible or would not facilitate a rapid and orderly resolution of Fifth Third under the U.S. Bankruptcy Code, or Fifth Third Bank under the Federal Deposit Insurance Act, as amended (the FDIA), and additionally could require Fifth Third to divest assets or take other actions if it did not submit an acceptable resolution within two years after any such restrictions were imposed.

Dodd-Frank imposes a new regulatory regime on the U.S. derivatives markets. While some of the provisions related to derivatives markets went into effect on July 16, 2011, most of the new requirements await final regulations from the relevant regulatory agencies for derivatives, the Commodities Futures Trading Commission (CFTC) and the SEC. One aspect of this new regulatory regime for derivatives is that substantial oversight responsibility has been
provided to the CFTC, which, as a result, will for the first time have a meaningful supervisory role with respect to some of our businesses. Although the ultimate impact will depend on the final regulations, Fifth Third expects that its derivatives business will likely be subject to new substantive requirements, including registration with the CFTC, margin requirements in excess of current market practice, capital requirements specific to this business, real time trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material incentives and conflicts of interest), and mandatory clearing and exchange trading of all standardized swaps designated by the relevant regulatory agencies as required to be cleared. These requirements will collectively impose implementation and ongoing compliance burdens on Fifth Third and will introduce additional legal risk (including as a result of newly applicable antifraud and anti-manipulation provisions and private rights of action). Depending on the final rules that relate to Fifth Third s swaps businesses, the nature and extent of those businesses may change.

Financial institutions may be required, regardless of risk, to pay taxes or other fees to the U.S. Treasury. Such taxes or other fees could be designed to reimburse the U.S. Treasury for the many government programs and initiatives it has taken or may undertake as part of its economic stimulus efforts.

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

Fifth Third and other financial institutions have been the subject of litigation which could result in legal liability and damage to its reputation.

Fifth Third and certain of its directors and officers have been named from time to time as defendants in various class actions and other litigation relating to Fifth Third s business and activities. Past, present and future litigation have included or could include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. Fifth Third is also involved from time to time in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding its business. These matters also could result in

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adverse judgments, settlements, fines, penalties, injunctions or other relief. Like other large financial institutions and companies, Fifth Third is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. Substantial legal liability or significant regulatory action against Fifth Third could materially adversely affect its business, financial condition or results of operations and/or cause significant reputational harm to its business.

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

Fifth Third s ability to pay dividends or repurchase stock is subject to regulatory requirements and the need to meet regulatory expectations. The FRB launched the 2013 stress testing program and CCAR on November 9, 2012. The CCAR requires bank holding companies to submit a capital plan in addition to their stress testing results. The mandatory elements of the capital plan are an assessment of the expected use and sources of capital over the planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the Bancorp s business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the Bancorp s process for assessing capital adequacy and the Bancorp s capital policy. The stress testing results and capital plan were submitted to the FRB on January 7, 2013.

The FRB s review of the capital plan will assess the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB will review the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above the minimum regulatory capital ratios and above a Tier 1 common ratio of 5 percent on a pro forma basis under expected and stressful conditions throughout the planning horizon. The FRB will also assess the Bancorp s strategies for addressing proposed revisions to the regulatory capital framework agreed upon by the Basel Committee on Banking Supervision and requirements arising from the Dodd-Frank Act.

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

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

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

Table 4 presents the components of net interest income, net interest margin and net interest rate spread for the years ended December 31, 2012, 2011 and 2010. Nonaccrual loans and leases and loans held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses on available-for-sale securities included in other assets. Table 5 provides the relative impact of changes in the balance sheet and changes in interest rates on net interest income.

Net interest income was $3.6 billion for the years ended December 31, 2012 and 2011. Included within net interest income are amounts related to the accretion of discounts on acquired loans and deposits, primarily as a result of acquisitions in previous years, which increased net interest income by $31 million during 2012 and $40 million during 2011. The original purchase accounting discounts reflected the high discount rates in the market at the time of the acquisitions; the total loan discounts are being accreted into net interest income over the remaining period to maturity of the loans acquired. Based upon the remaining period to maturity, and excluding the impact of prepayments, the Bancorp anticipates recognizing approximately $9 million in additional net interest income during 2013 as a result of the amortization and accretion of premiums and discounts on acquired loans and deposits.

For the year ended December 31, 2012, net interest income was positively impacted by an increase in average loans and leases of $4.6 billion as well as a decrease in interest expense compared to the year ended December 31, 2011. In addition, net interest income benefited from the free funding provided by a $3.8 billion increase in average demand deposits in 2012 compared to 2011. Average interest-earning assets increased by $4.0 billion in 2012 while average interest-bearing liabilities were flat compared to the prior year. These benefits were offset by lower yields on the Bancorp s interest-earning assets. The increase in average loans and leases for the year ended December 31, 2012 was driven primarily by an increase of 15% in average commercial and industrial loans and an increase of 18% in average residential mortgage loans. For more information on the Bancorp s loan and lease portfolio, see the Loans and Leases section of the Balance Sheet analysis of MD&A. The decrease in interest expense was primarily the result of decreases in the rates paid on average interest-bearing liabilities of 21 bps, primarily due to lower rates offered on savings account balances and other time deposits, compared to the year ended December 31, 2011, coupled with a continued mix shift to lower cost core deposits. For the year ended December 31, 2012, the net interest rate spread decreased to 3.35% from 3.42% in 2011 as the benefit from a decrease in rates on average interest-bearing liabilities was more than offset by a 28 bps decrease in yield on average interest-earnings assets.

Net interest margin was 3.55% for the year ended December 31, 2012 compared to 3.66% for the year ended December 31, 2011. Net interest margin was impacted by the amortization and accretion of premiums and discounts on acquired loans and deposits that resulted in an increase in net interest margin of 3 bps during 2012 compared to 5 bps during 2011. Exclusive of these amounts, net interest margin decreased 9 bps for the year ended December 31, 2012 compared to the prior year driven primarily by the previously mentioned decline in the yield on average interest-earning assets and higher average balances on interest-earning assets, partially offset by a mix shift to lower cost core deposits, the decline in rates paid on interest-bearing liabilities and an increase in free funding balances.

Interest income from loans and leases decreased $37 million, or one percent, compared to the year ended December 31, 2011 driven primarily by a 29 bps decrease in average loans and leases yields attributable to loan repricing, mainly in the commercial and industrial loan portfolio as well as in the automobile and residential mortgage portfolios, partially offset by a six percent increase in average loans and leases. Interest income from investment securities and short-term investments decreased $74 million, or 12%, from the prior year primarily as the result of a 44 bps decrease in the average yield of taxable securities due to paydowns and the sale of higher yielding agency mortgage-backed securities coupled with the reinvestment into lower yielding securities.

Average core deposits increased $3.8 billion, or five percent, compared to the year ended December 31, 2011 primarily due to an increase in average interest checking deposits and average demand deposits partially offset by a decrease in average foreign office deposits and average other time deposits. The cost of average core deposits decreased to 21 bps for the year ended December 31, 2012 compared to 36 bps from the prior year. This decrease was primarily the result of a mix shift to lower cost core deposits as a result of runoff of higher priced CDs combined with a 64 bps decrease in the rates paid on average other time deposits and a 14 bps decrease in the rate paid on average savings deposits compared to year ended December 31, 2011.

Interest expense on average wholesale funding for the year ended December 31, 2012 decreased $38 million, or 10%, compared to the prior year, primarily as the result of a 49 bps decrease in the rate paid on average certificates $100,000 and over and a $554 million decrease in average certificates $100,000 and over, coupled with a $1.1 billion decrease in average long-term debt. These impacts were partially offset by a 16 bps increase in the rate paid on average long-term debt. Refer to the Borrowings section of MD&A for additional information on the Bancorp s changes in average borrowings. During the year ended December 31, 2012, wholesale funding represented 24% of interest-bearing liabilities compared to 23% during the prior year. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management section of MD&A.

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TABLE 4: CONSOLIDATED AVERAGE BALANCE SHEET AND ANALYSIS OF NET INTEREST INCOME

For the years ended December 31		**2012**			2011			2010	
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Revenue/ Cost	Average Yield/Rate
Assets									
Interest-earning assets:									
Loans and leases:[(a)]									
Commercial and industrial loans	**$ 32,911**	**$ 1,349**	**4.10 %**	$ 28,546	$ 1,240	4.34 %	$ 26,334	$ 1,238	4.70 %
Commercial mortgage	**9,686**	**369**	**3.81**	10,447	417	3.99	11,585	476	4.11
Commercial construction	**835**	**25**	**2.99**	1,740	53	3.06	3,066	93	3.01
Commercial leases	**3,502**	**127**	**3.62**	3,341	133	3.99	3,343	147	4.40
Subtotal commercial	**46,934**	**1,870**	**3.98**	44,074	1,843	4.18	44,328	1,954	4.41
Residential mortgage loans	**13,370**	**543**	**4.06**	11,318	503	4.45	9,868	478	4.84
Home equity	**10,369**	**393**	**3.79**	11,077	433	3.91	11,996	479	4.00
Automobile loans	**11,849**	**439**	**3.70**	11,352	530	4.67	10,427	608	5.83
Credit card	**1,960**	**192**	**9.79**	1,864	184	9.86	1,870	201	10.73
Other consumer loans/leases	**340**	**155**	**45.32**	529	136	25.77	743	116	15.58
Subtotal consumer	**37,888**	**1,722**	**4.54**	36,140	1,786	4.94	34,904	1,882	5.39
Total loans and leases	**84,822**	**3,592**	**4.23**	80,214	3,629	4.52	79,232	3,836	4.84
Securities:									
Taxable	**15,262**	**527**	**3.45**	15,334	596	3.89	16,054	650	4.05
Exempt from income taxes[(a)]	**57**	**2**	**3.29**	103	6	5.41	317	13	3.92
Other short-term investments	**1,495**	**4**	**0.26**	2,031	5	0.25	3,328	8	0.25
Total interest-earning assets	**101,636**	**4,125**	**4.06**	97,682	4,236	4.34	98,931	4,507	4.56
Cash and due from banks	**2,355**			2,352			2,245		
Other assets	**15,695**			15,335			14,841		
Allowance for loan and lease losses	**(2,072)**			(2,703)			(3,583)		
Total assets	**$ 117,614**			$ 112,666			$ 112,434		
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 23,096**	**$ 49**	**0.22 %**	$ 18,707	$ 49	0.26 %	$ 18,218	$ 52	0.29 %
Savings	**21,393**	**37**	**0.17**	21,652	67	0.31	19,612	107	0.55
Money market	**4,903**	**11**	**0.22**	5,154	14	0.27	4,808	19	0.40
Foreign office deposits	**1,528**	**4**	**0.27**	3,490	10	0.28	3,355	12	0.35
Other time deposits	**4,306**	**68**	**1.59**	6,260	140	2.23	10,526	276	2.62
Certificates $100,000 and over	**3,102**	**46**	**1.48**	3,656	72	1.97	6,083	125	2.06
Other deposits	**27**	**-**	**0.13**	7	-	0.03	6	-	0.13
Federal funds purchased	**560**	**1**	**0.14**	345	-	0.11	291	1	0.17
Other short-term borrowings	**4,246**	**8**	**0.18**	2,777	3	0.12	1,635	3	0.21
Long-term debt	**9,043**	**288**	**3.17**	10,154	306	3.01	10,902	290	2.65
Total interest-bearing liabilities	**72,204**	**512**	**0.71**	72,202	661	0.92	75,436	885	1.17
Demand deposits	**27,196**			23,389			19,669		
Other liabilities	**4,462**			4,189			3,580		
Total liabilities	**103,862**			99,780			98,685		
Total equity	**13,752**			12,886			13,749		
Total liabilities and equity	**$ 117,614**			$ 112,666			$ 112,434		
Net interest income		**$ 3,613**			$ 3,575			$ 3,622	
Net interest margin			**3.55 %**			3.66 %			3.66 %
Net interest rate spread			**3.35**			3.42			3.39
Interest-bearing liabilities to interest-earning assets			**71.04**			73.92			76.25

*(a) The FTE adjustments included in the above table are **$18** for the years ended **December 31, 2012**, 2011 and 2010. The federal statutory rate utilized was 35% for all periods presented.*

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TABLE 5: CHANGES IN NET INTEREST INCOME ATTRIBUTABLE TO VOLUME AND YIELD/RATE[(a)]

For the years ended December 31	**2012 Compared to 2011**			2011 Compared to 2010		
($ in millions)	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
Assets						
Interest-earning assets:						
Loans and leases:						
Commercial and industrial loans	**$ 180**	**(71)**	**109**	$ 100	(98)	2
Commercial mortgage	**(30)**	**(18)**	**(48)**	(45)	(14)	(59)
Commercial construction	**(27)**	**(1)**	**(28)**	(42)	2	(40)
Commercial leases	**7**	**(13)**	**(6)**	-	(14)	(14)
Subtotal commercial	**130**	**(103)**	**27**	13	(124)	(111)
Residential mortgage loans	**87**	**(47)**	**40**	67	(42)	25
Home equity	**(27)**	**(13)**	**(40)**	(34)	(12)	(46)
Automobile loans	**23**	**(114)**	**(91)**	51	(129)	(78)
Credit card	**9**	**(1)**	**8**	(1)	(16)	(17)
Other consumer loans/leases	**(59)**	**78**	**19**	(41)	61	20
Subtotal consumer	**33**	**(97)**	**(64)**	42	(138)	(96)
Total loans and leases	**163**	**(200)**	**(37)**	55	(262)	(207)
Securities:						
Taxable	**(2)**	**(67)**	**(69)**	(29)	(25)	(54)
Exempt from income taxes	**(2)**	**(2)**	**(4)**	(10)	3	(7)
Other short-term investments	**(1)**	**-**	**(1)**	(3)	-	(3)
Total interest-earning assets	**158**	**(269)**	**(111)**	13	(284)	(271)
Total change in interest income	**$ 158**	**(269)**	**(111)**	$ 13	(284)	(271)
Liabilities and Equity						
Interest-bearing liabilities:						
Interest checking	**$ 9**	**(9)**	**-**	$ 2	(5)	(3)
Savings	**-**	**(30)**	**(30)**	11	(51)	(40)
Money market	**(1)**	**(2)**	**(3)**	1	(6)	(5)
Foreign office deposits	**(6)**	**-**	**(6)**	-	(2)	(2)
Other time deposits	**(38)**	**(34)**	**(72)**	(99)	(37)	(136)
Certificates $100,000 and over	**(10)**	**(16)**	**(26)**	(48)	(5)	(53)
Federal funds purchased	**1**	**-**	**1**	(1)	-	(1)
Other short-term borrowings	**3**	**2**	**5**	2	(2)	-
Long-term debt	**(34)**	**16**	**(18)**	(21)	37	16
Total interest-bearing liabilities	**(76)**	**(73)**	**(149)**	(153)	(71)	(224)
Total change in interest expense	**(76)**	**(73)**	**(149)**	(153)	(71)	(224)
Total change in net interest income	**$ 234**	**(196)**	**38**	$ 166	(213)	(47)

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

Provision for Loan and Lease Losses

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

The provision for loan and lease losses decreased to $303 million in 2012 compared to $423 million in 2011. The decrease in provision expense for 2012 compared to the prior year was due to

decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases, and improvement in underlying loss trends. The ALLL declined $401 million from $2.3 billion at December 31, 2011 to $1.9 billion at December 31, 2012. As of December 31, 2012, the ALLL as a percent of portfolio loans and leases decreased to 2.16%, compared to 2.78% at December 31, 2011.

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

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Noninterest Income

Noninterest income increased $544 million, or 22%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. The components of noninterest income are as follows:

TABLE 6: NONINTEREST INCOME

For the years ended December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Mortgage banking net revenue	**$ 845**	597	647	553	199
Service charges on deposits	**522**	520	574	632	641
Corporate banking revenue	**413**	350	364	372	431
Investment advisory revenue	**374**	375	361	326	366
Card and processing revenue	**253**	308	316	615	912
Gain on sale of the processing business	**-**	-	-	1,758	-
Other noninterest income	**574**	250	406	479	363
Securities gains (losses), net	**15**	46	47	(10)	(86)
Securities gains, net, non-qualifying hedges on mortgage servicing rights	**3**	9	14	57	120
Total noninterest income	**$ 2,999**	2,455	2,729	4,782	2,946

Mortgage banking net revenue

Mortgage banking net revenue increased $248 million, or 41%, in 2012 compared to 2011. The components of mortgage banking net revenue are as follows:

TABLE 7: COMPONENTS OF MORTGAGE BANKING NET REVENUE

For the years ended December 31 ($ in millions)	**2012**	2011	2010
Origination fees and gains on loan sales	**$ 821**	396	490
Net servicing revenue:			
Gross servicing fees	**250**	234	221
Servicing rights amortization	**(186)**	(135)	(137)
Net valuation adjustments on servicing rights and free-standing derivatives entered into to economically hedge MSR	**(40)**	102	73
Net servicing revenue	**24**	201	157
Mortgage banking net revenue	**$ 845**	597	647

Origination fees and gains on loan sales increased $425 million in 2012 compared to 2011 primarily as the result of a 36% increase in residential mortgage loan originations coupled with an increase in profit margins on sold residential mortgage loans. Residential mortgage loan originations increased to $25.2 billion during 2012 compared to $18.6 billion during 2011. The increase in originations is primarily due to strong refinancing activity as mortgage rates remain at historical lows coupled with an increase in refinancing activity under the HARP 2.0 program.

Net servicing revenue is comprised of gross servicing fees and related servicing rights amortization as well as valuation adjustments on MSRs and mark-to-market adjustments on both settled and outstanding free-standing derivative financial instruments used to economically hedge the MSR portfolio. Net servicing revenue decreased $177 million in 2012 compared to 2011 driven primarily by decreases of $142 million in net valuation adjustments. Additionally, servicing rights amortization increased by $51 million in 2012 compared to 2011 driven by higher prepayments due to declining market interest rates and increased MSR volume.

The net valuation adjustment loss of $40 million during 2012 included $103 million of temporary impairment on the MSRs partially offset by $63 million in gains from derivatives economically hedging the MSRs. Mortgage rates decreased during 2012 compared to 2011 causing modeled prepayments speeds to increase, which led to the temporary impairment on the servicing rights for the year ended 2012. In the second half of 2011 and continuing throughout 2012, the Bancorp utilized a macro hedging strategy for the MSR portfolio whereby it reduced the amount of hedges and relied on income from new production to offset declines in the net valuation of MSRs and the related hedges of the MSR portfolio in the down rate environment. The net valuation adjustment gain of $102 million during 2011 included $344 million in gains from derivatives economically hedging the MSRs partially offset by $242 million in temporary impairment on the MSR portfolio. The gain in the net valuation adjustment in 2011 was reflective of refinancing activity in recent years that contributed to prepayments being less sensitive to lower mortgage rates due to customers taking advantage of lower rates in earlier periods as well as the impact of tighter underwriting standards. Additionally, the net MSR/hedge position benefited from the positive carry of the hedge and the widening spread between mortgage and swap rates. Gross servicing fees increased $16 million in 2012 compared to 2011 as a result of an increase in the size of the Bancorp s servicing portfolio. The Bancorp s total residential loans serviced as of December 31, 2012 and 2011 was $77.3 billion and $70.6 billion, respectively, with $62.5 billion and $57.1 billion, respectively, of residential mortgage loans serviced for others.

Servicing rights are deemed impaired when a borrower s loan rate is distinctly higher than prevailing rates. Impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. Further detail on the valuation of MSRs can be found in Note 11 of the Notes to Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation on the MSR portfolio. See Note 12 of the Notes to Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. Net gains on sales of these securities were $3 million and $9 million in 2012 and 2011, respectively, and were recorded in securities gains, net, non-qualifying hedges on mortgage servicing rights in the Bancorp s Consolidated Statements of Income.

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Service charges on deposits

Service charges on deposits increased $2 million in 2012 compared to 2011. Commercial deposit revenue increased by $20 million in 2012 compared to 2011 due to new customer relationships offset by an $18 million decrease in consumer deposit revenue primarily due to the elimination of daily overdraft fees on continuing consumer overdraft positions which took effect in the second quarter of 2012.

Corporate banking revenue

Corporate banking revenue increased $63 million in 2012 compared to 2011. The increase from the prior year was primarily the result of increases in syndication fees, business lending fees, lease remarketing fees and institutional sales.

Investment advisory revenue

Investment advisory revenue decreased $1 million in 2012 compared to 2011. The decrease was primarily driven by a

decline in mutual fund fees due to the sale of certain FTAM funds during the third quarter of 2012 which was partially offset by the positive impact of an overall increase in equity and bond market values. As of December 31, 2012, the Bancorp had approximately $308 billion in total assets under care and managed $27 billion in assets for individuals, corporations and not-for-profit organizations.

Card and processing revenue

Card and processing revenue decreased $55 million in 2012 compared to 2011. The decrease was primarily the result of the impact of the implementation of the Dodd-Frank Act s debit card interchange fee cap in the fourth quarter of 2011 partially offset by increased debit and credit card transaction volumes, higher levels of consumer spending, and new products.

Other noninterest income

The major components of other noninterest income are as follows:

TABLE 8: COMPONENTS OF OTHER NONINTEREST INCOME

For the years ended December 31 ($ in millions)	**2012**	2011	2010
Gain on Vantiv, Inc. IPO and sale of Vantiv, Inc. shares	**$ 272**	-	-
Net gain from warrant and put options associated with sale of the processing business	**67**	39	5
Equity method income from interest in Vantiv Holding, LLC	**61**	57	26
Operating lease income	**60**	58	62
Cardholder fees	**46**	41	36
BOLI income	**35**	41	194
Banking center income	**32**	27	22
Insurance income	**28**	28	38
Consumer loan and lease fees	**27**	31	32
Gain on loan sales	**20**	37	51
TSA revenue	**1**	21	49
Loss on swap associated with the sale of Visa, Inc. class B shares	**(45)**	(83)	(19)
Loss on sale of OREO	**(57)**	(71)	(78)
Other, net	**27**	24	(12)
Total other noninterest income	**$ 574**	250	406

Other noninterest income increased $324 million in 2012 compared to 2011 primarily due to an $115 million gain from the Vantiv, Inc. IPO recognized in the first quarter of 2012 and a $157 million gain from the sale of Vantiv, Inc. shares in the fourth quarter of 2012. Compared to 2011, losses from fair value adjustments on commercial loans designated as held for sale, recorded in the other caption above, were reduced by $38 million. Additionally, other noninterest income included a $38 million increase in income related to the Visa total return swap which had a negative valuation adjustment of $45 million in 2012 compared with a negative valuation adjustment of $83 million in 2011. The $61 million in equity method income from the Bancorp s interest in Vantiv Holding, LLC recorded in 2012 was reduced by $34 million in debt termination charges incurred in connection with the refinancing of Vantiv Holding,

LLC debt which occurred in the first quarter of 2012. The net gain from warrant and put options associated with the sale of the processing business increased by $28 million and the loss on the sale of OREO decreased by $14 million in 2012 compared to 2011. These impacts were partially offset by $21 million in lower of cost or market adjustments associated with bank premises incurred during 2012, recorded in the other caption, along with a $20 million decrease in TSA revenue. As part of the sale of the processing business, in 2009, the Bancorp entered into a TSA with the processing business. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B shares and the valuation of warrants and put options associated with the sale of the processing business, see Note 26 of the Notes to Consolidated Financial Statements.

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TABLE 9: NONINTEREST EXPENSE

For the years ended December 31 ($ in millions)	2012	2011	2010	2009	2008
Salaries, wages and incentives	**$ 1,607**	1,478	1,430	1,339	1,337
Employee benefits	**371**	330	314	311	278
Net occupancy expense	**302**	305	298	308	300
Technology and communications	**196**	188	189	181	191
Card and processing expense	**121**	120	108	193	274
Equipment expense	**110**	113	122	123	130
Goodwill impairment	**-**	-	-	-	965
Other noninterest expense	**1,374**	1,224	1,394	1,371	1,089
Total noninterest expense	**$ 4,081**	3,758	3,855	3,826	4,564
Efficiency ratio	**61.7 %**	62.3	60.7	46.9	70.4

Noninterest Expense

Total noninterest expense increased $323 million, or nine percent, in 2012 compared to 2011 primarily due to an increase in total personnel costs (salaries, wages and incentives plus employee benefits) and other noninterest expense. Total personnel costs increased $170 million, or nine percent, in 2012 compared to 2011 due to an increase in base and incentive

compensation primarily driven by higher compensation costs as a result of improved financial performance and production levels, as well as higher employee benefits expense due to increases in medical costs under the Bancorp s self-insured medical plan and an increase in other employee benefits. Full time equivalent employees totalled 20,798 at December 31, 2012 compared to 21,334 at December 31, 2011.

The major components of other noninterest expense are as follows:

TABLE 10: COMPONENTS OF OTHER NONINTEREST EXPENSE

For the years ended December 31 ($ in millions)	2012	2011	2010
Losses and adjustments	**$ 187**	129	187
Loan and lease	**183**	195	211
Loss (gain) on debt extinguishment	**169**	(8)	17
Marketing	**128**	115	98
FDIC insurance and other taxes	**114**	201	242
Impairment of affordable housing investments	**90**	85	100
Professional service fees	**56**	58	77
Travel	**52**	52	51
Postal and courier	**48**	49	48
Operating lease	**43**	41	41
Data processing	**40**	29	24
Recruitment and education	**28**	31	31
OREO expense	**21**	34	33
Insurance	**18**	25	42
Supplies	**17**	18	24
Intangible asset amortization	**13**	22	43
Provision (benefit) for unfunded commitments and letters of credit	**(2)**	(46)	(24)
Other, net	**169**	194	149
Total other noninterest expense	**$ 1,374**	1,224	1,394

Total other noninterest expense increased $150 million, or 12%, in 2012 compared to 2011 primarily due to increases in the provision for representation and warranty claims, recorded in losses and adjustments, a decrease in the benefit from the reserve for unfunded commitments and letters of credit and an increase in debt extinguishment losses, partially offset by a decrease in FDIC insurance and other taxes.

The provision for representation and warranty claims increased $53 million in 2012 compared to 2011 primarily due to an increase in the reserve as a result of additional information obtained from FHLMC regarding future mortgage repurchase and file requests. As such, the Bancorp was able to better estimate the losses that are probable on loans sold to FHLMC with representation and warranty provisions. Debt extinguishment costs increased by $177 million in 2012 compared to 2011. During the third quarter of 2012, the Bancorp incurred $26 million of debt extinguishment costs associated with the redemption of the outstanding TruPS issued by Fifth Third Capital Trust V and Fifth Third Capital Trust VI. In addition, during the fourth quarter of 2012 the Bancorp incurred

$134 million of debt extinguishment costs associated with the termination of $1 billion of FHLB debt. FDIC insurance and other taxes decreased $87 million in 2012 compared to 2011. The decrease in FDIC insurance and other taxes is primarily attributable to a decrease in the assessment rate due to changes in the level and measurement of higher risk assets and improved credit quality metrics. In addition, the provision for unfunded commitments and letters of credit was a benefit of $2 million in 2012 compared to a benefit of $46 million in 2011. The decrease in the benefit recorded in each period reflects an increase in unfunded commitments for which the Bancorp holds a reserve partially offset by a decline in estimated loss rates due to improved credit trends. For additional information on the TruPS redemptions and FHLB debt termination, see Note 15 of the Notes to Consolidated Financial Statements.

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 61.7% for 2012 compared to 62.3% in 2011.

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Applicable Income Taxes

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

The effective tax rates for the years ended December 31, 2012 and 2011 were primarily impacted by $149 million and $135 million, respectively, in tax credits and $19 million and $26 million, respectively, of non-cash charges relating to previously recognized tax benefits associated with stock-based compensation that will not be realized.

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised, the Bancorp is required to write-off the deferred tax asset previously established for these stock-based awards. As a result of the expiration of certain stock options and SARs and the lapse of restrictions on certain shares of restricted stock during the year ended December 31, 2012, the Bancorp recorded additional income tax expense of approximately $19 million related to the write-off of a portion of the deferred tax asset previously established. As a result of the Bancorp s stock price as of December 31, 2012, it is probable that the Bancorp will be required to record an additional $13 million of income tax expense

during the next twelve months, primarily in the first quarter of 2013. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future; therefore, it is possible that the total impact to income tax expense will be greater than or less than this amount.

Deductibility of Executive Compensation

Certain sections of the IRC limit the deductibility of compensation paid to or earned by certain executive officers of a public company. This has historically limited the deductibility of certain executive compensation to $1 million per executive officer, and the Bancorp s compensation philosophy has been to position pay to ensure deductibility. However, both the amount of the executive compensation that is deductible for certain executive officers and the allowable compensation vehicles changed as a result of the Bancorp s participation in TARP. In particular, the Bancorp was not permitted to deduct compensation earned by certain executive officers in excess of $500,000 per executive officer as a result of the Bancorp s participation in TARP. Therefore, a portion of the compensation earned by certain executive officers was not deductible by the Bancorp for the period in which the Bancorp participated in TARP. Subsequent to ending its participation in TARP, certain limitations on the deductibility of executive compensation will continue to apply to some forms of compensation earned while under TARP. The Bancorp s Compensation Committee determined that the underlying executive compensation programs are appropriate and necessary to attract, retain and motivate senior executives, and that failing to meet these objectives creates more risk for the Bancorp and its value than the financial impact of losing the tax deduction. For the years ended December 31, 2012 and 2011, the tax impact related to non-deductible compensation expense, which is based on the grant date fair values of the respective awards, was $1 million and $2 million, respectively. In addition, the IRS limitation prevented the Bancorp from recognizing a tax benefit of $3 million for the year ended December 31, 2012 that otherwise would have resulted from the vesting and/or exercise of certain stock based compensation awards at fair values in excess of their respective grant date fair values.

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

TABLE 11: APPLICABLE INCOME TAXES

For the years ended December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Income (loss) before income taxes	**$ 2,210**	1,831	940	767	(2,664)
Applicable income tax expense (benefit)	**636**	533	187	30	(551)
Effective tax rate	**28.8 %**	29.1	19.8	3.9	20.7

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BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. Additional detailed financial information on each business segment is included in Note 29 of the Notes to Consolidated Financial Statements. Results of the Bancorp s business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp s business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management s accounting practices are improved or businesses change.

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

Banking and Investment Advisors, on a duration-adjusted basis. The net impact of the FTP methodology is captured in General Corporate and Other.

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities. The credit rate provided for demand deposit accounts is reviewed annually based upon the account type, its estimated duration and the corresponding fed funds, U.S. swap curve or swap rate. The credit rates for several deposit products were reset January 1, 2012 to reflect the current market rates and updated duration assumptions. These rates were lower than those in place during 2011, thus net interest income for deposit providing businesses was negatively impacted during 2012.

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

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

TABLE 12: BUSINESS SEGMENT NET INCOME AVAILABLE TO COMMON SHAREHOLDERS

For the years ended December 31 ($ in millions)	**2012**	2011	2010
Income Statement Data			
Commercial Banking	**$ 694**	441	178
Branch Banking	**186**	190	185
Consumer Lending	**223**	56	(26)
Investment Advisors	**43**	24	29
General Corporate & Other	**428**	587	387
Net income	**1,574**	1,298	753
Less: Net income attributable to noncontrolling interests	**(2)**	1	-
Net income attributable to Bancorp	**1,576**	1,297	753
Dividends on preferred stock	**35**	203	250

Net income available to common shareholders	**$ 1,541**	1,094	503

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Commercial Banking

Commercial Banking offers credit intermediation, cash management and financial services to large and middle-market businesses and government and professional customers. In addition to the traditional lending and depository offerings,

Commercial Banking products and services include global cash management, foreign exchange and international trade finance, derivatives and capital markets services, asset-based lending, real estate finance, public finance, commercial leasing and syndicated finance.

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

TABLE 13: COMMERCIAL BANKING

For the years ended December 31 ($ in millions)	**2012**	2011	2010
Income Statement Data			
Net interest income (FTE)*(a)*	**$ 1,449**	1,374	1,545
Provision for loan and lease losses	**223**	490	1,159
Noninterest income:			
Corporate banking revenue	**395**	332	346
Service charges on deposits	**225**	207	199
Other noninterest income	**117**	102	90
Noninterest expense:			
Salaries, incentives and benefits	**268**	240	214
Other noninterest expense	**838**	833	757
Income before taxes	**857**	452	50
Applicable income tax expense (benefit)*(a)(b)*	**163**	11	(128)
Net income	**$ 694**	441	178
Average Balance Sheet Data			
Commercial loans, including held for sale	**$ 41,364**	38,384	38,304
Demand deposits	**15,046**	13,130	10,872
Interest checking	**7,613**	7,901	8,432
Savings and money market	**2,669**	2,776	2,823
Other time and certificates $100,000 and over	**1,793**	1,778	3,014
Foreign office deposits and other deposits	**1,282**	1,581	2,017

*(a) Includes FTE adjustments of **$17** for the years ended **December 31, 2012** and 2011, and, $14 for the year ended December 31, 2010.*

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

Comparison of 2012 with 2011

Net income was $694 million for the year ended December 31, 2012, compared to net income of $441 million for the year ended December 31, 2011. The increase in net income was primarily driven by a decrease in the provision for loan and lease losses and increases in noninterest income and net interest income, partially offset by higher noninterest expense.

Net interest income increased $75 million primarily due to an increase in interest income related to an increase in average commercial and industrial portfolio loans and a decrease in the FTP charges on loans, partially offset by a decrease in yields of 12 bps on average commercial loans. Provision for loan and lease losses decreased $267 million from 2011 as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 54 bps for 2012 compared to 128 bps for 2011.

Noninterest income increased $96 million from 2011 to 2012, due to increases in corporate banking revenue, service charges on deposits and other noninterest income. The increase in corporate banking revenue was primarily driven by increases in syndication fees, business lending fees, lease remarketing fees and institutional sales. Service charges on deposits increased from 2011 primarily due to new customer relationships. The increase in other noninterest income was primarily due to a decrease in net losses and valuation adjustments recognized on the sale of loans and OREO.

Noninterest expense increased $33 million from the prior year as a result of increases in salaries, incentives and benefits and other noninterest expense. The increase in salaries, incentives and benefits of $28 million was primarily the result of increased base and incentive compensation due to improved production levels. The increase from 2011 to 2012 in other noninterest expense was due to higher corporate overhead allocations as a result of strategic growth

initiatives, partially offset by a decrease in loan and lease expenses and recognized derivative credit losses.

Average commercial loans increased $3.0 billion compared to the prior year. Average commercial and industrial loans increased $4.5 billion from 2011 as a result of an increase in new loan origination activity, partially offset by decreases in average commercial mortgage and construction loans. Average commercial mortgage loans decreased $827 million and average commercial construction loans decreased $836 million due to continued run-off as the level of new originations was below the level of repayments on the current portfolio.

Average core deposits increased $1.2 billion compared to 2011. The increase was primarily driven by strong growth in demand deposit accounts, which increased $1.9 billion compared to the prior year. The increase in demand deposit accounts was partially offset by decreases in interest-bearing deposits of $698 million as customers opted to maintain their balances in more liquid accounts due to interest rates remaining near historical lows.

Comparison of 2011 with 2010

Net income was $441 million for the year ended December 31, 2011, compared to net income of $178 million for the year ended December 31, 2010. The increase in net income was primarily driven by a decrease in the provision for loan and lease losses partially offset by lower net interest income and higher noninterest expense.

Net interest income decreased $171 million primarily due to declines in the FTP credits for demand deposit accounts and decreases in interest income driven primarily by a decline in yields of 17 bps on average loans. Provision for loan and lease losses decreased $669 million. Net charge-offs as a percent of average

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loans and leases decreased to 128 bps for 2011 compared to 302 bps for 2010 largely due net charge-offs on commercial loans moved to held for sale during the third quarter of 2010 and the improvement in credit trends across all commercial loan types.

Noninterest income was relatively flat from 2010 to 2011, as increases in other noninterest income and service charges on deposits were offset by a decrease in corporate banking revenue.

Noninterest expense increased $102 million from the prior year as a result of increases in salaries, incentives and benefits and other noninterest expense. The increase in salaries, incentives and benefits of $26 million was primarily the result of increased incentive compensation due to improved production levels. FDIC insurance expense, which is recorded in other noninterest expense, increased $14 million due to a change in the methodology in determining FDIC insurance premiums. The remaining increase in other noninterest expense was the result of higher corporate overhead allocations in 2011 compared to 2010.

Average commercial loans were flat compared to the prior year. Average commercial mortgage loans decreased $1.0 billion and average commercial construction loans decreased $1.2 billion. The decreases in average commercial mortgage and construction loans were offset by growth in average commercial and industrial loans due to new loan origination activity. Average core deposits increased $1.2 billion compared to 2010. The increase was primarily driven by strong growth in demand deposit accounts, partially offset by decreases in interest-bearing deposits of $1.0 billion.

Branch Banking

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,325 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 14: BRANCH BANKING

For the years ended December 31 ($ in millions)	**2012**	2011	2010
Income Statement Data			
Net interest income	**$ 1,362**	1,423	1,514
Provision for loan and lease losses	**294**	393	555
Noninterest income:			
Service charges on deposits	**294**	309	369
Card and processing revenue	**279**	305	298
Investment advisory revenue	**129**	117	106
Other noninterest income	**110**	106	112
Noninterest expense:			
Salaries, incentives and benefits	**573**	581	560
Net occupancy and equipment expense	**241**	235	223
Card and processing expense	**115**	114	105
Other noninterest expense	**663**	645	668
Income before taxes	**288**	292	288
Applicable income tax expense	**102**	102	103
Net income	**$ 186**	190	185
Average Balance Sheet Data			
Consumer loans, including held for sale	**$ 14,926**	14,151	13,125
Commercial loans, including held for sale	**4,569**	4,621	4,815

Demand deposits	**10,087**	8,408	7,006
Interest checking	**9,262**	8,086	7,462
Savings and money market	**22,729**	22,241	19,963
Other time and certificates $100,000 and over	**5,389**	7,778	12,712

Comparison of 2012 with 2011

Net income decreased $4 million compared to 2011, driven by a decrease in net interest income and noninterest income and an increase in noninterest expense, partially offset by a decline in the provision for loan and lease losses. Net interest income decreased $61 million compared to the prior year primarily driven by decreases in the FTP credits for checking and savings products and lower yields on average commercial and consumer loans. These decreases were partially offset by higher consumer loan balances and a decline in interest expense on core deposits due to favorable shifts from certificates of deposit to lower cost transaction and savings products.

Provision for loan and lease losses for 2012 decreased $99 million compared to the prior year as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 151 bps for 2012 compared to 210 bps for 2011. The decrease is primarily due to decreases in home

equity net charge-offs as a result of improvements in several key markets. In addition, net charge-offs were positively impacted by lower commercial net charge-offs due to improved delinquency trends, aggressive line management, and stabilization in unemployment levels.

Noninterest income decreased $25 million compared to the prior year. The decrease was primarily driven by lower card and processing revenue, which declined $26 million from 2011 due to the implementation of the Dodd-Frank Act s debit card interchange fee cap in the fourth quarter of 2011, partially offset by higher debit and credit card transaction volumes and the impact of the Bancorp s initial mitigation activity, and allocated commission revenue associated with merchant sales. Service charges on deposits declined $15 million primarily due to the elimination of daily overdraft fees on continuing customer overdraft positions in the second quarter of

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2012. These decreases were partially offset by a $12 million increase in investment advisory revenue due to increased amounts from revenue sharing agreements between investment advisors and branch banking.

Noninterest expense increased $17 million, primarily driven by increases in other noninterest expense due to an increase in allocated costs related to higher merchant sales and corporate overhead allocations as a result of strategic growth initiatives, partially offset by a decrease in FDIC insurance expense.

Average consumer loans increased $775 million in 2012 primarily due to increases in average residential mortgage portfolio loans of $1.3 billion due to the retention of certain shorter-term originated mortgage loans. The increases in average residential mortgage portfolio loans was partially offset by decreases in average home equity portfolio loans of $560 million as payoffs exceeded new loan production. Average core deposits increased $1.4 billion compared to the prior year as the growth in transaction accounts due to excess customer liquidity and historically low interest rates outpaced the runoff of higher priced other time deposits.

Comparison of 2011 with 2010

Net income increased $5 million compared to 2010, driven by a decline in the provision for loan and lease losses partially offset by a decrease in net interest income and noninterest income and an increase in noninterest expense. Net interest income decreased $91 million compared to the prior year. The primary drivers of the decline include decreases in the FTP credits for demand deposit accounts, lower yields on average commercial and consumer loans, and a decline in average commercial loans. These decreases were partially offset by a favorable shift in the segment s deposit mix towards lower cost transaction deposits resulting in declines in interest expense of $193 million compared to 2010, and an increase in average consumer loans.

Provision for loan and lease losses for 2011 decreased $162 million compared to the prior year. Net charge-offs as a percent of average loans and leases decreased to 210 bps for 2011 compared to 313 bps for 2010. In addition, the decrease is due to $24 million in charge-offs taken on $60 million of commercial loans which were sold or moved to held for sale during the third quarter of 2010.

Noninterest income decreased $48 million compared to the prior year. The decrease was driven by lower service charges on deposits primarily due to the implementation of Regulation E in the third quarter of 2010. The decrease was partially offset by increased card and processing revenue due to higher debit and credit card transaction volumes, which was partially offset by the impact of the implementation of the Dodd-Frank Act s debit card interchange fee cap in the fourth quarter of 2011. Investment advisory revenue also increased due to improved market performance and sales force expansion.

Noninterest expense increased $19 million, primarily driven by increases in salaries, incentives and benefits expense and card and processing expense partially offset by a decline in other noninterest expense.

Average consumer loans increased $1.0 billion in 2011 primarily due to increases in average residential mortgage portfolio loans of $1.5 billion due to management s decision in the third quarter of 2010 to retain certain mortgage loans. The increases in average residential mortgage portfolio loans was partially offset by decreases in average home equity loans of $421 million due to decreased customer demand and continued tighter underwriting standards. Average commercial loans decreased $194 million due to declines in commercial and industrial loans resulting from lower customer demand for new originations and continued tighter underwriting standards applied to both originations and renewals.

Average core deposits increased by $120 million compared to the prior year as the growth in transaction accounts outpaced the runoff of higher priced certificates of deposit.

Consumer Lending

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

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

TABLE 15: CONSUMER LENDING

For the years ended December 31 ($ in millions)	**2012**	2011	2010
Income Statement Data			
Net interest income	**$ 314**	343	405
Provision for loan and lease losses	**176**	261	569
Noninterest income:			
Mortgage banking net revenue	**830**	585	619
Other noninterest income	**46**	45	51
Noninterest expense:			
Salaries, incentives and benefits	**231**	183	194
Other noninterest expense	**439**	443	352
Income (loss) before taxes	**344**	86	(40)
Applicable income tax expense (benefit)	**121**	30	(14)
Net income (loss)	**$ 223**	56	(26)
Average Balance Sheet Data			
Residential mortgage loans, including held for sale	**$ 10,143**	9,348	9,384
Home equity	**643**	730	851
Automobile loans	**11,191**	10,665	9,713
Consumer leases	**35**	158	384

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

Comparison of 2012 with 2011

Net income was $223 million in 2012 compared to net income of $56 million in 2011. The increase was driven by an increase in noninterest income and a decline in the provision for loan and lease losses, partially offset by an increase in noninterest expense and a decrease in net interest income. Net interest income decreased $29 million due to lower yields on average residential mortgage and automobile loans, partially offset by increases in average residential mortgage and average automobile loans and favorable decreases in the FTP charge applied to the segment.

Provision for loan and lease losses decreased $85 million compared to the prior year as delinquency metrics and underlying loss trends improved across all consumer loan types. Net charge-offs as a percent of average loans and leases decreased to 88 bps for 2012 compared to 134 bps for 2011.

Noninterest income increased $246 million primarily due to increases in mortgage banking net revenue of $245 million driven by an increase in gains on residential mortgage loan sales of $424 million due to an increase in profit margins on sold loans coupled with higher origination volumes. This increase was partially offset by a decrease in net residential mortgage servicing revenue of $178 million, primarily driven by a decrease of $142 million in net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge the MSRs.

Noninterest expense increased $44 million driven by salaries, incentives and benefits which increased $48 million primarily as a result of higher mortgage loan originations.

Average consumer loans and leases increased $1.1 billion from the prior year. Average automobile loans increased $526 million due to a strategic focus to increase automobile lending throughout 2011 and 2012 through consistent and competitive pricing, disciplined sales execution, and enhanced customer service with our dealership network. Average residential mortgage loans increased $795 million as a result of higher origination volumes. Average home equity loans decreased $87 million due to continued runoff in the discontinued brokered home equity product. Average consumer leases decreased $123 million due to runoff as the Bancorp discontinued this product in the fourth quarter of 2008.

Comparison of 2011 with 2010

Net income was $56 million in 2011 compared to a net loss of $26 million in 2010. The increase was driven by a decline in the provision for loan and lease losses, partially offset by decreases in noninterest income and net interest income and an increase in noninterest expense. Net interest income decreased $62 million due to a decline in average loan balances for residential mortgage, home equity, and consumer leases as well as lower yields on average residential mortgage and automobile loans, partially offset by favorable decreases in the FTP charge applied to the segment.

Provision for loan and lease losses decreased $308 million compared to the prior year, as delinquency metrics and underlying loss trends improved across all consumer loan types. Additionally, 2010 included charge-offs of $123 million on the sale of $228 million of portfolio loans. Net charge-offs as a percent of average

loans and leases decreased to 134 bps for 2011 compared to 305 bps for 2010.

Noninterest income decreased $40 million primarily due to decreases in mortgage banking net revenue of $34 million. The decrease from 2010 was driven by declines in origination fees and gains on loan sales of $78 million due to decreased margins and lower origination volumes, partially offset by an increase in net servicing revenue of $44 million.

Noninterest expense increased $80 million driven in part by increased FDIC insurance expense, as the methodology used to determine FDIC insurance premiums changed in 2011 from one based on domestic deposits to one based on total assets less tangible equity. Additional changes were due to an increase of $41 million in the provision for representation and warranty claims related to residential mortgage loans sold to third parties and an increase of $21 million in losses on escrow advances to borrowers relating to bank owned residential mortgages.

Average consumer loans and leases increased $558 million from the prior year. Average automobile loans increased $952 million due to a strategic focus to increase automobile lending throughout 2010 and 2011. This increase was partially offset by declines across all other types of consumer loans. Average residential mortgage loans decreased $36 million as a result of the lower origination volumes. Average home equity loans decreased $121 million due to continued runoff in the discontinued brokered home equity product. Average consumer leases decreased $226 million due to runoff as the Bancorp discontinued this product in the fourth quarter of 2008.

Investment Advisors

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

As previously mentioned, the Bancorp announced that FTAM entered into two agreements under which a third party would acquire assets of 16 mutual funds from FTAM and another third party would acquire certain assets relating to the management of Fifth Third money market funds. Both transactions were completed in the third quarter of 2012. Upon completion of the transactions, the Bancorp recognized a $13 million gain on sale within other noninterest income in the Bancorp s Consolidated Statements of Income.

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

TABLE 16: INVESTMENT ADVISORS

For the years ended December 31 ($ in millions)	**2012**	2011	2010
Income Statement Data			
Net interest income	**$ 117**	113	138
Provision for loan and lease losses	**10**	27	44
Noninterest income:			
Investment advisory revenue	**366**	364	346
Other noninterest income	**30**	9	10
Noninterest expense:			
Salaries, incentives and benefits	**161**	164	156
Other noninterest expense	**276**	257	249
Income before taxes	**66**	38	45
Applicable income tax expense	**23**	**14**	**16**
Net income	**$ 43**	24	29
Average Balance Sheet Data			
Loans and leases	**$ 1,877**	2,037	2,574
Core deposits	**7,709**	6,798	5,897

Comparison of 2012 with 2011

Net income increased $19 million compared to 2011 primarily due to an increase in noninterest income and a decrease in the provision for loan and lease losses, partially offset by an increase in noninterest expense. Net interest income increased $4 million from 2011 due to a decrease in interest expense on core deposits and favorable decreases in the FTP charge applied to the segment, partially offset by a decline in average loan and lease balances and declines in yields of 27 bps on loans and leases.

Provision for loan and lease losses decreased $17 million from the prior year. Net charge-offs as a percent of average loans and leases decreased to 53 bps compared to 132 bps for the prior year reflecting improved credit trends during 2012.

Noninterest income increased $23 million compared to 2011 primarily due to increases in other noninterest income. The increase in other noninterest income was primarily driven by the $13 million gain on the sale of certain funds previously mentioned and an increase in gains on the sale of loans of $5 million.

Noninterest expense increased $16 million compared to 2011 due to increases in other noninterest expense primarily driven by an increase in corporate allocations.

Average loans and leases decreased $160 million compared to the prior year. The decrease was primarily driven by declines in home equity loans of $55 million, commercial mortgage loans of $45 million and commercial and industrial loans of $30 million. Average core deposits increased $911 million compared to 2011 due to growth in interest checking as customers have opted to maintain excess funds in liquid transaction accounts as a result of interest rates remaining near historic lows, partially offset by account migration from foreign office deposits.

Comparison of 2011 with 2010

Net income decreased $5 million compared to 2010 primarily due to a decline in net interest income and an increase in noninterest expense partially offset by a decrease in the provision for loan and lease losses and an increase in investment advisory revenue. Net interest income decreased $25 million from 2010 due to a decline in average loan and lease balances as well as declines in yields on loans and leases.

Provision for loan and leases losses decreased $17 million from the prior year. Net charge-offs as a percent of average loans and leases decreased to 132 bps compared to 171 bps for the prior year reflecting moderation of general economic conditions during 2011.

Noninterest income increased $17 million compared to 2010 primarily due to increases in investment advisory revenue related to

an increase of $10 million in Private Bank income driven by market performance and an increase of $7 million in securities and broker income due to continued expansion of the sales force and market performance.

Noninterest expense increased $16 million compared to 2010 due to increases in salaries, incentives and benefit expense resulting from the expansion of the sales force and compensation related to improved performance in investment advisory revenue related fees.

Average loans and leases decreased $537 million compared to the prior year. The decrease was primarily driven by declines in home equity loans of $373 million due to tighter underwriting standards. Average core deposits increased $901 million compared to 2010 due to growth in interest checking and foreign deposits.

General Corporate and Other

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

Comparison of 2012 with 2011

Results for 2012 and 2011 were impacted by a benefit of $400 million and $748 million, respectively, due to reductions in the ALLL. The decrease in provision expense was driven by general improvements in credit quality and declines in net charge-offs. Net interest income increased from $321 million in 2011 to $370 million for 2012 due to a benefit in the FTP rate. The change in net income compared to the prior year was impacted by a $157 million gain on the sale of Vantiv, Inc. shares and $115 million in gains on the initial public offering of Vantiv, Inc. In addition, the results for 2012 were impacted by dividends on preferred stock of $35 million compared to $203 million in the prior year.

Comparison of 2011 with 2010

Results for 2011 and 2010 were impacted by a benefit of $748 million and $789 million, respectively, due to reductions in the ALLL. The decrease in provision expense for both years was due to a decrease in nonperforming assets and improvement in delinquency metrics and underlying loss trends. Net interest income increased from $16 million in 2010 to $321 million for 2011 due to a benefit in the FTP rate. The change in net income compared to the prior year was impacted by a $127 million benefit, net of expenses, from the settlement of litigation associated with one of the Bancorp s BOLI policies that was recorded in the third quarter of 2010. The results for 2011 were impacted by dividends on preferred stock of $203 million compared to $250 million in the prior year. 2011 results included $153 million in preferred stock dividends as a result of the accelerated accretion of the remaining issuance discount on the Series F Preferred Stock that was repaid in the first quarter of 2011.

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FOURTH QUARTER REVIEW

The Bancorp s 2012 fourth quarter net income available to common shareholders was $390 million, or $0.43 per diluted share, compared to net income available to common shareholders of $354 million, or $0.38 per diluted share, for the third quarter of 2012 and net income available to common shareholders of $305 million, or $0.33 per diluted share, for the fourth quarter of 2011. Fourth quarter 2012 earnings included a $157 million gain on the sale of Vantiv shares, $134 million in debt extinguishment costs associated with the termination of $1.0 billion of FHLB borrowings and $38 million of mortgage representation and warranty provision expense primarily due to additional information obtained from FHLMC regarding future mortgage repurchase and file requests. Third quarter 2012 results included $26 million in debt extinguishment costs associated with the redemption of certain TruPS, a $16 million negative adjustment on the valuation of the warrant associated with the processing business sale, $13 million in gains recognized on the sale of certain FTAM funds, and charges of $34 million related to the mortgage representation and warranty reserve. Fourth quarter 2011 earnings included a $54 million charge related to changes in the fair value of a swap liability that the Bancorp entered into in conjunction with its sale of Visa, Inc. Class B shares in 2009 and $10 million in positive valuation adjustments on puts and warrants associated with the sale of the processing business. The ALLL to loan and lease ratio was 2.16% as of December 31, 2012, compared to 2.32% as of September 30, 2012 and 2.78% as of December 31, 2011.

Fourth quarter 2012 net interest income of $903 million decreased $4 million from the third quarter of 2012 and $17 million from the same period a year ago. The decrease from the third quarter of 2012 was driven by a decrease in interest income, partially offset by a decline in interest expense. Interest income decreased $7 million from the third quarter of 2012 as the benefit of average loans and leases growth was more than offset by a decline in interest income attributable to loan repricing, primarily in the commercial and industrial, auto, and residential mortgage portfolios, as well as lower reinvestment rates on the securities portfolio. Interest expense declined $3 million from the third quarter of 2012, driven by higher demand deposit balances and continued runoff in consumer CD balances due to the low interest rate environment and their replacement into lower yielding products. The decline in net interest income in comparison to the fourth quarter of 2011 was driven by lower asset yields partially offset by higher average loan balances, run-off in higher-priced CDs and a mix shift to lower cost deposit products.

Fourth quarter 2012 noninterest income of $880 million increased $209 million compared to the third quarter of 2012 and $330 million compared to the fourth quarter of 2011. The sequential and year-over-year increases were both driven by a $157 million gain from the sale of Vantiv shares and higher mortgage banking and corporate banking revenue. Fourth quarter 2012 noninterest income included a $19 million negative valuation adjustment on the Vantiv warrants, compared with a $16 million negative valuation adjustment in the third quarter of 2012 and a $10 million positive valuation adjustment on the Vantiv warrant and put instruments in the fourth quarter of 2011. Fourth quarter 2012 results also included a $15 million charge related to the valuation of the total return swap entered into as part of the 2009 sale of Visa, Inc. Class B shares. Negative valuation adjustments on this swap were $1 million in the third quarter of 2012 and $54 million in the fourth quarter of 2011. Third quarter 2012 results also included $13 million in gains recognized on the sale of certain FTAM funds.

Mortgage banking net revenue was $258 million in the fourth quarter of 2012, compared to $200 million in the third quarter of 2012 and $156 million in the fourth quarter of 2011. Fourth quarter 2012 originations were $7.0 billion, compared with $5.8 billion in

the previous quarter and $7.1 billion in the fourth quarter of 2011. Fourth quarter 2012 originations resulted in gains of $239 million on mortgages sold, reflecting higher mortgage sales revenue partially offset by lower gain on sale margins. This compares with gains of $226 million during the third quarter of 2012 and $152 million during the fourth quarter of 2011. Mortgage servicing fees in the fourth quarter of 2012 were $64 million, compared with $62 million in the third quarter of 2012 and $58 million in the fourth quarter of 2011. Mortgage banking net revenue is also affected by net servicing asset value adjustments, which include MSR amortization and MSR valuation adjustments. These factors led to a net loss of $45 million on the net valuation adjustments on MSRs in the fourth quarter of 2012 compared to a net loss of $88 million in the third quarter of 2012 and a net loss of $54 million in the fourth quarter of 2011. Net losses on nonqualifying hedges on mortgage servicing rights were $2 million and $3 million in the fourth quarter of 2012 and 2011, respectively, and net gains on nonqualifying hedges on mortgage servicing rights were $5 million during the third quarter of 2012.

Service charges on deposits of $134 million increased $6 million sequentially and decreased $2 million compared to the fourth quarter of 2011. Retail service charges grew 10 percent sequentially largely due to a seasonal increase in consumer overdrafts as well as the initial benefit of the transition to the Bancorp s new and simplified deposit product offerings. Compared with the fourth quarter of 2011, retail service charges decreased 11 percent primarily due to changes in the Bancorp s overdraft policies during 2012. Commercial service charges increased two percent sequentially and six percent from a year ago primarily as a result of higher treasury management fees.

Corporate banking revenue of $114 million increased $13 million from the previous quarter and $32 million from the fourth quarter of 2011. The sequential increase was primarily driven by higher syndication fees, business lending fees, and derivative fees, which benefited from accelerated activity in anticipation of changes to tax rules. The increase from the fourth quarter of 2011 was primarily driven by increased syndication fees and business lending fees as a result of the Bancorp s investments in the capital markets and treasury management capabilities, which are creating more opportunities and increased production.

Investment advisory revenue of $93 million increased $1 million sequentially and $3 million from the fourth quarter of 2011. Sequential and year-over-year increases were driven by higher private client services and institutional trust fees, which benefited from improvement in equity and bond market values, partially offset by lower mutual fund fees largely due to the sale of certain Fifth Third funds in the third quarter of 2012.

Card and processing revenue of $66 million increased $1 million compared to the third quarter of 2012 and $6 million from the fourth quarter of 2011. Both increases were driven by higher transaction volumes and higher levels of consumer spending.

The net gain on investment securities was $2 million in both the fourth and third quarters of 2012 and a net gain of $5 million in the fourth quarter of 2011.

Noninterest expense of $1.2 billion increased $157 million sequentially and increased $170 million from the fourth quarter of 2011. Fourth quarter 2012 expenses included $134 million of debt extinguishment costs associated with the termination of $1.0 billion of FHLB debt; $38 million of expenses associated with the mortgage representation and warranty reserve; and $13 million in charges to increase litigation reserves. Third quarter 2012 expenses included $26 million of debt extinguishment costs associated with the redemption of TruPS and $34 million of expenses associated with the mortgage representation and warranty reserve. Fourth quarter 2011 expenses included $14 million in charges to increase litigation reserves related to bankcard association membership and $5 million in other litigation reserve additions.

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Net charge-offs as a percent of average loans and leases decreased to 1.49% during 2011 compared to 3.02% during 2010

largely due to decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases, and improvement in underlying loss trends.

TABLE 17: QUARTERLY INFORMATION (unaudited)

	2012				2011			
For the three months ended ($ in millions, except per share data)	**12/31**	**9/30**	**6/30**	**3/31**	12/31	9/30	6/30	3/31
Net interest income (FTE)	**$ 903**	**907**	**899**	**903**	920	902	869	884
Provision for loan and lease losses	**76**	**65**	**71**	**91**	55	87	113	168
Noninterest income	**880**	**671**	**678**	**769**	550	665	656	584
Noninterest expense	**1,163**	**1,006**	**937**	**973**	993	946	901	918
Net income attributable to Bancorp	**399**	**363**	**385**	**430**	314	381	337	265
Net income available to common shareholders	**390**	**354**	**376**	**421**	305	373	328	88
Earnings per share, basic	**0.44**	**0.39**	**0.41**	**0.46**	0.33	0.41	0.36	0.10
Earnings per share, diluted	**0.43**	**0.38**	**0.40**	**0.45**	0.33	0.40	0.35	0.10

COMPARISON OF THE YEAR ENDED 2011 WITH 2010

Net income available to common shareholders for the year ended December 31, 2011 was $1.1 billion, or $1.18 per diluted share, which was net of $203 million in preferred stock dividends. The Bancorp s net income available to common shareholders of $503 million, or $0.63 per diluted share, for 2010, was net of $250 million in preferred stock dividends. The preferred stock dividends in 2011 included $153 million in discount accretion resulting from the Bancorp s repurchase of Series F preferred stock. Overall, credit trends improved in 2011, and as a result, the provision for loan and lease losses decreased to $423 million in 2011 compared to $1.5 billion in 2010. Noninterest income decreased from 2010, primarily due to a $152 million litigation settlement related to one of the Bancorp s BOLI policies during the third quarter of 2010 and reduced service charges on deposits and a decrease in mortgage banking net revenue. Noninterest expense decreased in comparison to 2010, primarily due to a decrease in the provision for representation and warranty claims and a decrease in FDIC expense and other taxes.

Net interest income was $3.6 billion for the years ended December 31, 2011 and 2010. Net interest income in 2011 compared to the prior year was impacted by a 22 bps decrease in average yield on average interest-earning assets offset by a 25 bps decrease in the average rate paid on interest-bearing liabilities and a $3.2 billion decrease in average interest-bearing liabilities, coupled with a mix shift to lower cost deposits.

Noninterest income decreased $274 million, or 10%, in 2011 compared to 2010 primarily as the result of a $152 million litigation settlement related to one of the Bancorp s BOLI policies during the third quarter of 2010, a $54 million decrease in service charges on deposits primarily due to the impact of Regulation E and a $50 million decrease in mortgage banking net revenue primarily as the result of a decrease in origination fees and a decrease in gains on loan sales partially offset by an increase in net servicing revenue.

Noninterest expense decreased $97 million, or three percent, in 2011 compared to 2010 primarily due to a decrease of $59 million in the provision for representation and warranty claims related to residential mortgage loans sold to third parties; a decrease of $41 million in FDIC insurance and other taxes, a $22 million decrease from the change in the provision for unfunded commitments and letters of credit, a $21 million decrease in intangible asset amortization and a $19 million decrease in professional service fees. This activity was partially offset by a $64 million increase in total personnel costs (salaries, wages and incentives plus employee benefits).

Net charge-offs as a percent of average loans and leases decreased to 1.49% during 2011 compared to 3.02% during 2010

largely due net charge-offs on commercial loans moved to held for sale during the third quarter of 2010 coupled with improved credit trends across all commercial loan types. In addition, residential mortgage loan net charge-offs, which typically involve partial charge-offs based upon appraised values of underlying collateral, decreased $266 million from 2010 as a result of improvements in delinquencies and a decrease in the average loss recorded per charge-off.

The Bancorp took a number of actions that impacted its capital position in 2011. On January 25, 2011, the Bancorp raised $1.7 billion in new common equity through the issuance of shares of common stock in an underwritten offering. On February 2, 2011, the Bancorp redeemed all 136,320 shares of its Series F Preferred Stock held by the U.S. Treasury totaling $3.4 billion. The Bancorp used the net proceeds from the common stock offerings previously discussed and a senior debt offering to redeem the Series F Preferred Stock. On March 16, 2011, the Bancorp repurchased the warrant issued to the U.S. Treasury under the CPP for $280 million, which was recorded as a reduction to capital surplus in the Bancorp s Consolidated Financial Statements. On March 18, 2011, the Bancorp announced that the FRB did not object to the Bancorp s capital plan submitted under the FRB 2011 CCAR. Pursuant to this plan, in the second quarter of 2011, the Bancorp redeemed $452 million of certain trust preferred securities, at par, classified as long-term debt. As a result of these redemptions the Bancorp recorded a $6 million gain on the extinguishment within other noninterest expense in the Consolidated Statements of Income.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its loans and leases based upon the primary purpose of the loan. Table 18 summarizes end of period loans and leases, including loans held for sale and Table 19 summarizes average total loans and leases, including loans held for sale.

TABLE 18: COMPONENTS OF LOANS AND LEASES (INCLUDES HELD FOR SALE)

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Commercial:					
Commercial and industrial loans	**$ 36,077**	30,828	27,275	25,687	29,220
Commercial mortgage loans	**9,116**	10,214	10,992	11,936	12,731
Commercial construction loans	**707**	1,037	2,111	3,871	5,335
Commercial leases	**3,549**	3,531	3,378	3,535	3,666
Subtotal commercial	**49,449**	45,610	43,756	45,029	50,952
Consumer:					
Residential mortgage loans	**14,873**	13,474	10,857	9,846	10,292
Home equity	**10,018**	10,719	11,513	12,174	12,752
Automobile loans	**11,972**	11,827	10,983	8,995	8,594
Credit card	**2,097**	1,978	1,896	1,990	1,811
Other consumer loans and leases	**312**	364	702	812	1,194
Subtotal consumer	**39,272**	38,362	35,951	33,817	34,643
Total loans and leases	**$ 88,721**	83,972	79,707	78,846	85,595
Total portfolio loans and leases (excludes loans held for sale)	**$ 85,782**	81,018	77,491	76,779	84,143

Loans and leases, including loans held for sale, increased $4.7 billion, or six percent, from December 31, 2011. The increase in loans and leases from December 31, 2011 was the result of a $3.8 billion, or eight percent, increase in commercial loans and a $910 million, or two percent, increase in consumer loans.

The increase in commercial loans and leases from December 31, 2011 was primarily due to an increase in commercial and industrial loans partially offset by a decrease in commercial mortgage and commercial construction loans. Commercial and industrial loans increased $5.2 billion, or 17%, due to targeted marketing efforts, an increase in new loan origination activity due to a strengthening economy and strong growth in December from uncertainty over tax increases and U.S. fiscal policy. Commercial mortgage loans decreased $1.1 billion, or 11%, from December 31, 2011 and commercial construction loans decreased $330 million, or 32%, from December 31, 2011 due to continued runoff as the level of new originations was less than the repayments of the current portfolio.

The increase in consumer loans and leases from December 31, 2011 was primarily due to an increase in residential mortgage loans, automobile loans, and credit card loans partially offset by a decrease in home equity loans. Residential mortgage loans increased $1.4 billion, or 10%, from December 31, 2011 due to management s decision to retain certain shorter term residential mortgage loans originated through the Bancorp s retail branches throughout 2011 and 2012 and strong originations due to continued refinancing activity associated with historically low interest rates. Automobile loans increased $145 million, or one percent, from December 31, 2011 due to strong origination volumes through consistent and competitive pricing, enhanced customer service with our dealership network, and disciplined sales execution. Credit card loans increased $119 million, or six percent, from December 31, 2011 driven by strong new account originations and modest attrition rates. Home equity loans decreased $701 million, or seven percent, from December 31, 2011 as payoffs exceeded new loan production.

TABLE 19: COMPONENTS OF AVERAGE LOANS AND LEASES (INCLUDES HELD FOR SALE)

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Commercial:					
Commercial and industrial loans	**$ 32,911**	28,546	26,334	27,556	28,426
Commercial mortgage loans	**9,686**	10,447	11,585	12,511	12,776
Commercial construction loans	**835**	1,740	3,066	4,638	5,846
Commercial leases	**3,502**	3,341	3,343	3,543	3,680
Subtotal commercial	**46,934**	44,074	44,328	48,248	50,728
Consumer:					
Residential mortgage loans	**13,370**	11,318	9,868	10,886	10,993
Home equity	**10,369**	11,077	11,996	12,534	12,269
Automobile loans	**11,849**	11,352	10,427	8,807	8,925
Credit card	**1,960**	1,864	1,870	1,907	1,708
Other consumer loans and leases	**340**	529	743	1,009	1,212
Subtotal consumer	**37,888**	36,140	34,904	35,143	35,107
Total average loans and leases	**$ 84,822**	80,214	79,232	83,391	85,835
Total average portfolio loans and leases (excludes loans held for sale)	**$ 82,733**	78,533	77,045	80,681	83,895

Average commercial loans and leases increased $2.9 billion, or six percent, compared to December 31, 2011. The increase in average

commercial loans and leases was driven by an increase in average commercial and industrial loans and commercial leases partially offset by a decrease in average commercial mortgage loans and average commercial construction loans. Average commercial and

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industrial loans increased $4.4 billion, or 15%, average commercial mortgage loans decreased $761 million, or seven percent, and average commercial construction loans decreased $905 million, or 52%, from December 31, 2011 due to the reasons previously discussed in the end of period discussion above.

Average consumer loans and leases increased $1.7 billion, or five percent, compared to December 31, 2011. The increase in average consumer loans and leases from December 31, 2011 was driven by an increase in average residential mortgage loans, average automobile loans, and average credit card loans partially offset by a decrease in average home equity loans. Average residential mortgage loans increased $2.1 billion, or 18%, average credit card balances increased $96 million, or five percent, and average home equity loans decreased $708 million, or six percent, from December 31, 2011 due to the reasons previously discussed in the end of period discussion above. Average automobile loans increased $497 million, or four percent, due to strong originations in the second half of 2011 and throughout 2012.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing liquidity support and providing collateral for pledging purposes. As of December 31, 2012, total investment securities were $15.7 billion compared to $15.9 billion at December 31, 2011. See Note 1 of the Notes to Consolidated Financial Statements for the Bancorp s methodology for both classifying investment securities and management s evaluation of securities in an unrealized loss position for OTTI.

At December 31, 2012, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. The Bancorp did not hold asset-backed securities backed by subprime

mortgage loans in its investment portfolio. Additionally, there was approximately $100 million of securities classified as below investment grade as of December 31, 2012, compared to $122 million as of December 31, 2011.

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. During the years ended December 31, 2012, 2011, and 2010, the Bancorp recognized $58 million, $19 million and $3 million of OTTI on its investment securities portfolio, respectively. The Bancorp did not recognize any OTTI on any of its held-to-maturity investment securities during the years ended December 31, 2012, 2011 or 2010.

TABLE 20: COMPONENTS OF INVESTMENT SECURITIES

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Available-for-sale and other: (amortized cost basis)					
U.S. Treasury and government agencies	**$ 41**	171	225	464	186
U.S. Government sponsored agencies	**1,730**	1,782	1,564	2,143	1,651
Obligations of states and political subdivisions	**203**	96	170	240	323
Agency mortgage-backed securities	**8,403**	9,743	10,570	11,074	8,529
Other bonds, notes and debentures[(a)]	**3,161**	1,792	1,338	2,541	613
Other securities[(b)]	**1,033**	1,030	1,052	1,417	1,248
Total available-for-sale and other securities	**$ 14,571**	14,614	14,919	17,879	12,550
Held-to-maturity: (amortized cost basis)					
Obligations of states and political subdivisions	**$ 282**	320	348	350	355
Other bonds, notes and debentures	**2**	2	5	5	5
Total held-to-maturity	**$ 284**	322	353	355	360
Trading: (fair value)					
Variable rate demand notes	**-**	-	106	235	1,140
Other securities	**207**	177	188	120	51
Total trading	**$ 207**	177	294	355	1,191

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

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

As of December 31, 2012, available-for-sale securities on an amortized cost basis decreased $43 million from December 31, 2011 due to a decrease in agency mortgage-backed securities and U.S. Treasury and government agency securities partially offset by an increase in obligations of states and political subdivision securities and other bonds, notes, and debentures. Agency mortgage-backed securities decreased $1.3 billion, or 14%, from December 31, 2011 primarily due to sales of collateralized mortgage obligations and mortgage-backed securities totaling $2.2 billion which was partially offset by reinvesting cash flows from securities paydown activity. The decrease of $130 million, or 76%, in U.S. Treasury and government agencies securities was due to maturities and the excess cash was reinvested in obligations of states and political subdivisions securities which increased $107 million, or 111%, from December 31, 2011. Other bonds, notes, and debentures increased $1.4 billion, or 76%, due to purchases of commercial mortgage-backed securities, asset-backed securities, and corporate bonds during the year partially offset by sales, paydowns, and bonds called during the year.

At December 31, 2012 and 2011, available-for-sale securities were 14% of total interest-earning assets. The estimated weighted-average life of the debt securities in the available-for-sale portfolio was 3.8 years at December 31, 2012, compared to 3.6 years at December 31, 2011. In addition, at December 31, 2012, the available-for-sale securities portfolio had a weighted-average yield of 3.30%, compared to 3.66% at December 31, 2011.

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 historical cost balances. Maturity and yield calculations for the total available-for-sale portfolio exclude equity securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale securities portfolio were $636 million at December 31, 2012, compared to $748 million at December 31, 2011. The decrease in net unrealized gains was driven by the sales of agency mortgage-backed securities which generated a total realized gain of $67 million recognized in the Consolidated Statements of Income. The remaining decrease in net unrealized gains was due to a decline in interest rates. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally decreases when interest rates increase or when credit spreads widen.

TABLE 21: CHARACTERISTICS OF AVAILABLE-FOR-SALE AND OTHER SECURITIES

As of December 31, 2012 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and government agencies:				
Average life of one year or less	$ 40	40	0.4	0.13 %
Average life 5 10 years	1	1	6.1	1.48
Total	41	41	0.5	0.16
U.S. Government sponsored agencies:				
Average life of one year or less	204	206	0.5	2.50
Average life 1 5 years	1,526	1,705	4.0	3.63
Total	1,730	1,911	3.6	3.50
Obligations of states and political subdivisions:(a)				
Average life of one year or less	7	7	0.8	0.12
Average life 1 5 years	84	85	2.9	1.50
Average life 5 10 years	96	102	6.3	4.37
Average life greater than 10 years	16	18	11.3	5.21
Total	203	212	5.1	3.10
Agency mortgage-backed securities:				
Average life of one year or less	495	506	0.7	4.44
Average life 1 5 years	6,254	6,529	3.3	3.59
Average life 5 10 years	1,654	1,695	5.8	3.42
Total	8,403	8,730	3.6	3.60
Other bonds, notes and debentures:				
Average life of one year or less	245	252	0.7	1.46
Average life 1 5 years	2,049	2,135	3.4	2.55
Average life 5 10 years	659	677	6.4	2.52
Average life greater than 10 years	208	213	14.7	2.35
Total	3,161	3,277	4.6	2.45
Other securities	1,033	1,036		
Total available-for-sale and other securities	$ 14,571	15,207	3.8	3.30 %

(a) *Taxable-equivalent yield adjustments included in the above table are 0.03%, 0.01%, 0.40%, 1.79% and 0.34% for securities with an average life of one year or less, 1-5 years, 5-10 years, greater than 10 years and in total, respectively.*

Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 71% of the Bancorp s asset funding base at December 31, 2012 and 2011.

TABLE 22: DEPOSITS

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Demand	**$ 30,023**	27,600	21,413	19,411	15,287
Interest checking	**24,477**	20,392	18,560	19,935	14,222
Savings	**19,879**	21,756	20,903	17,898	16,063
Money market	**6,875**	4,989	5,035	4,431	4,689
Foreign office	**885**	3,250	3,721	2,454	2,144
Transaction deposits	**82,139**	77,987	69,632	64,129	52,405
Other time	**4,015**	4,638	7,728	12,466	14,350
Core deposits	**86,154**	82,625	77,360	76,595	66,755
Certificates $100,000 and over	**3,284**	3,039	4,287	7,700	11,851
Other	**79**	46	1	10	7
Total deposits	**$ 89,517**	85,710	81,648	84,305	78,613

Core deposits increased $3.5 billion, or four percent, compared to December 31, 2011, driven by an increase of $4.2 billion, or five percent, in transaction deposits, partially offset by a decrease of $623 million, or 13%, in other time deposits. Transaction deposits increased due to an increase in demand deposits, interest checking deposits, and money market deposits partially offset by a decrease in savings deposits and foreign office deposits. Demand deposits increased $2.4 billion, or nine percent, from December 31, 2011 due to an increase in the average balance per account, new product

offerings, and commercial customers opting to hold money in demand deposit accounts at year-end due to uncertainty over tax increases and U.S. fiscal policy. Interest checking deposits increased $4.1 billion, or 20%, from December 31, 2011 due to account migration from foreign office deposits which decreased $2.4 billion, or 73%, from December 31, 2011. The remaining increase in interest checking deposits was due to continued growth from the preferred checking program which was introduced in early 2011 and growth from maturing certificates of deposits. Money market

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deposits increased $1.9 billion, or 38%, due to account migration from savings deposits which decreased $1.9 billion, or nine percent, from December 31, 2011. Other time deposits decreased primarily as a result of continued run-off of certificates of deposits due to the low interest rate environment, as customers have opted to maintain balances in more liquid transaction accounts.

Included in core deposits are foreign office deposits, which are primarily Eurodollar sweep accounts from the Bancorp s commercial customers. These accounts bear interest rates at slightly

higher than money market accounts and unlike repurchase agreements the Bancorp does not have to pledge collateral.

The Bancorp uses certificates of deposit $100,000 and over, as a method to fund earning asset growth. At December 31, 2012, certificates $100,000 and over increased $245 million, or eight percent, compared to December 31, 2011 due to the diversification of funding sources through the issuance of retail and institutional certificates of deposits in the fourth quarter of 2012.

The following table presents average deposits for the twelve months ending December 31:

TABLE 23: AVERAGE DEPOSITS

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Demand	**$ 27,196**	23,389	19,669	16,862	14,017
Interest checking	**23,096**	18,707	18,218	15,070	14,191
Savings	**21,393**	21,652	19,612	16,875	16,192
Money market	**4,903**	5,154	4,808	4,320	6,127
Foreign office	**1,528**	3,490	3,355	2,108	2,153
Transaction deposits	**78,116**	72,392	65,662	55,235	52,680
Other time	**4,306**	6,260	10,526	14,103	11,135
Core deposits	**82,422**	78,652	76,188	69,338	63,815
Certificates $100,000 and over	**3,102**	3,656	6,083	10,367	9,531
Other	**27**	7	6	157	2,067
Total average deposits	**$ 85,551**	82,315	82,277	79,862	75,413

On an average basis, core deposits increased $3.8 billion, or five percent, compared to December 31, 2011 due to an increase of $5.7 billion, or eight percent, in average transaction deposits partially offset by a decrease of $2.0 billion, or 31%, in average other time deposits. The increase in average transaction deposits was driven by

an increase in average demand deposits and average interest checking deposits, partially offset by a decrease in average foreign office deposits due to the reasons discussed in the end of period section. The decrease in average other time deposits was due to the reasons discussed in the end of period discussion.

On an end of period basis, other time deposits and certificates $100,000 and over totaled $7.3 billion and $7.7 billion at December 31, 2012 and 2011, respectively. All of these deposits were interest-bearing.

The contractual maturities of certificates $100,000 and over as of December 31, 2012 are summarized in the following table:

TABLE 24: CONTRACTUAL MATURITIES OF CERTIFICATES $100,000 AND OVER

As of December 31 ($ in millions)	2012
Three months or less	$ 1,444
After three months through six months	230
After six months through 12 months	639
After 12 months	971
Total	$ 3,284

The contractual maturities of other time deposits and certificates $100,000 and over as of December 31, 2012 are summarized in the following table:

TABLE 25: CONTRACTUAL MATURITIES OF OTHER TIME DEPOSITS AND CERTIFICATES $100,000 AND OVER

As of December 31 ($ in millions)	2012
Next 12 months	$ 4,834
13-24 months	1,464
25-36 months	565
37-48 months	231
49-60 months	152
After 60 months	53
Total	$ 7,299

Borrowings

Total borrowings increased $1.0 billion, or eight percent, from December 31, 2011 due to an increase in other short-term borrowings and federal funds purchased, partially offset by a

decrease in long-term debt. Total borrowings as a percentage of interest-bearing liabilities were 19% at both December 31, 2012 and 2011.

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TABLE 26: BORROWINGS

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Federal funds purchased	**$ 901**	346	279	182	287
Other short-term borrowings	**6,280**	3,239	1,574	1,415	9,959
Long-term debt	**7,085**	9,682	9,558	10,507	13,585
Total borrowings	**$ 14,266**	13,267	11,411	12,104	23,831

Federal funds purchased increased by $555 million, or 160%, from December 31, 2011 driven by an increase in excess balances in reserve accounts held at Federal Reserve Banks that the Bancorp purchased from other member banks on an overnight basis. Other short-term borrowings increased $3.0 billion, or 94%, from December 31, 2011 driven by an increase of $3.2 billion in short-term FHLB borrowings offset by a decrease of $132 million in securities sold under repurchase agreements which are accounted

for as collateralized financing transactions. The level of these borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Long-term debt decreased $2.6 billion, or 27%, from December 31, 2011 driven by the redemption of $1.4 billion of TruPS during the third quarter of 2012 and the extinguishment of $1.0 billion of long-term FHLB advances during the fourth quarter of 2012.

TABLE 27: AVERAGE BORROWINGS

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Federal funds purchased	**$ 560**	345	291	517	2,975
Other short-term borrowings	**4,246**	2,777	1,635	6,463	7,785
Long-term debt	**9,043**	10,154	10,902	11,035	13,903
Total average borrowings	**$ 13,849**	13,276	12,828	18,015	24,663

Average total borrowings increased $573 million, or four percent, compared to December 31, 2011, primarily due to an increase in average federal funds purchased and other short-term borrowings, partially offset by a decrease in average long-term debt. Average federal funds purchased increased $215 million, or 62%, primarily due to an increase in excess balances in reserve accounts held at Federal Reserve Banks that the Bancorp purchased from other member banks on an overnight basis. Average other short-term borrowings increased $1.5 billion, or 53%, primarily due to the previously mentioned increase in short-term FHLB borrowings. Average long-term debt decreased $1.1 billion, or 11%, primarily due to the previously mentioned extinguishment of $1.0 billion in long-term FHLB borrowings and the redemption of $1.4 billion of certain TruPS during the year ended December 31, 2012.

Information on the average rates paid on borrowings is discussed in the net interest income section of the MD&A. In addition, refer to the Liquidity Risk Management section for a discussion on the role of borrowings in the Bancorp s liquidity management.

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

RISK MANAGEMENT

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

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

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

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

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

- Enterprise Risk Management Programs is responsible for developing and overseeing the implementation of risk programs and reporting that facilitate a broad integrated view of risk. The department also leads the continual fostering of a strong risk management culture and the framework, policies and committees that support effective risk governance, including the oversight of Sarbanes-Oxley compliance;
- Commercial Credit Risk Management provides safety and
soundness within an independent portfolio management framework that supports the Bancorp s commercial loan growth strategies and underwriting practices, ensuring portfolio optimization and appropriate risk controls;
- Risk Strategies and Reporting is responsible for quantitative analysis needed to support the commercial dual rating methodology, ALLL methodology and analytics needed to assess credit risk and develop mitigation strategies related to that risk. The department also provides oversight, reporting and monitoring of commercial underwriting and credit administration processes. The Risk Strategies and Reporting department is also responsible for the economic capital program;
- Consumer Credit Risk Management provides safety and soundness within an independent management framework that supports the Bancorp s consumer loan growth strategies, ensuring portfolio optimization, appropriate risk controls and oversight, reporting, and monitoring of underwriting and credit administration processes;
- Operational Risk Management works with affiliates and lines of business to maintain processes to monitor and manage all aspects of operational risk, including ensuring consistency in application of operational risk programs;
- Bank Protection oversees and manages fraud prevention and detection and provides investigative and recovery services for the Bancorp;

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

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

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

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

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appropriate standard readiness assessment is performed before launching a new product or initiative. Significant risk policies approved by the management governance committees are also reviewed and approved by the Risk and Compliance Committee of the Board of Directors.

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

CREDIT RISK MANAGEMENT

The objective of the Bancorp s credit risk management strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. The Bancorp s credit risk management strategy is based on three core principles: conservatism, diversification and monitoring. The Bancorp believes that effective credit risk management begins with conservative lending practices. These practices include conservative exposure and counterparty limits and conservative underwriting, documentation and collection standards. The Bancorp s credit risk management strategy also emphasizes diversification on a geographic, industry and customer level as well as regular credit examinations and timely management reviews of large credit exposures and credits experiencing deterioration of credit quality. Credit officers with the authority to extend credit are delegated specific authority amounts, the utilization of which is closely monitored. Underwriting activities are centrally managed,

and ERM manages the policy and the authority delegation process directly. The Credit Risk Review function provides objective assessments of the quality of underwriting and documentation, the accuracy of risk grades and the charge-off, nonaccrual and reserve analysis process. The Bancorp s credit review process and overall assessment of the adequacy of the allowance for credit losses is based on quarterly assessments of the probable estimated losses inherent in the loan and lease portfolio. The Bancorp uses these assessments to promptly identify potential problem loans or leases within the portfolio, maintain an adequate reserve and take any necessary charge-offs. The Bancorp defines potential problem loans as those rated substandard that do not meet the definition of a nonperforming asset or a restructured loan. See Note 6 of the Notes to the Consolidated Financial Statements for further information on the Bancorp s credit grade categories, which are derived from standard regulatory rating definitions.

The following tables provide a summary of potential problem loans as of December 31:

TABLE 28: POTENTIAL PROBLEM LOANS

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

TABLE 29: POTENTIAL PROBLEM LOANS

As of December 31, 2011 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	$ 1,376	1,376	1,744
Commercial mortgage	1,215	1,216	1,223
Commercial construction	239	240	258
Commercial leases	33	33	33
Total	$ 2,863	2,865	3,258

In addition to the individual review of larger commercial loans that exhibit probable or observed credit weaknesses, the commercial credit review process includes the use of two risk grading systems. The risk grading system currently utilized for reserve analysis purposes encompasses ten categories. The Bancorp also maintains a dual risk rating system for credit approval and pricing, portfolio monitoring and capital allocation that includes a through-the-cycle rating philosophy for modeling expected losses. The dual risk rating system includes thirteen probabilities of default grade categories and an additional six grade categories for estimating losses given an event of default. The probability of default and loss given default evaluations are not separated in the ten-category risk rating system. The Bancorp has completed significant validation and testing of the dual risk rating system as a commercial credit risk management tool. The Bancorp is assessing the necessary modifications to the dual

risk rating system outputs to develop a GAAP compliant ALLL model and will make a decision on the use of modified dual risk ratings for purposes of determining the Bancorp s ALLL once the FASB has issued a final standard regarding proposed methodology changes to the determination of credit impairment as outlined in the FASB s proposed Accounting Standard Update *Financial Instruments Credit Losses* (Subtopic 825-15) issued on December 20, 2012. Scoring systems, various analytical tools and delinquency monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

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

Overview

General economic conditions showed only modest improvement in 2011 and 2012 as the economic recovery struggled to gain any significant momentum. Uncertainty in terms of finding long term solutions for federal government deficit spending continues to weigh on the economy. Geographically, the Bancorp continues to experience the most stress in Michigan and Florida due to the decline in real estate values. Real estate value deterioration, as measured by the Home Price Index, was most prevalent in Florida due to past real estate price appreciation and related over-development, and in Michigan due in part to cutbacks in automobile manufacturing and the state s economic downturn. Among commercial portfolios, the homebuilder, residential developer and portions of the remaining non-owner occupied commercial real estate portfolios continue to remain under stress.

Among consumer portfolios, residential mortgage and brokered home equity portfolios exhibited the most stress. Management suspended homebuilder and developer lending in 2007 and new commercial non-owner occupied real estate lending in 2008, discontinued the origination of brokered home equity products at the end of 2007 and tightened underwriting standards across both the commercial and consumer loan product offerings. With the stabilization of certain real estate markets, the Bank began to selectively originate new homebuilder and developer lending and non-owner occupied commercial lending real estate in the third quarter of 2011. However, the level of new originations is below the amortization and pay-off of the current portfolio. Since the fourth quarter of 2008, in an effort to reduce loan exposure to the real estate and construction industries, the Bancorp has sold certain consumer loans and sold or transferred to held for sale certain commercial loans. Throughout 2011 and 2012, the Bancorp continued to aggressively engage in other loss mitigation strategies such as reducing credit commitments, restructuring certain commercial and consumer loans, tightening underwriting standards on commercial loans and across the consumer loan portfolio, as well as utilizing expanded commercial and consumer loan workout teams. For commercial and consumer loans owned by the Bancorp, loan modification strategies are developed that are workable for both the borrower and the Bancorp when the borrower displays a willingness to cooperate. These strategies typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. For residential mortgage loans serviced for FHLMC and FNMA, the Bancorp participates in the HAMP and HARP 2.0 programs. For loans refinanced under the HARP 2.0 program, the Bancorp strictly adheres to the underwriting requirements of the program and promptly sells the refinanced loan back to the agencies. Loan restructuring under the HAMP program is performed on behalf of FHLMC or FNMA and the Bancorp does not take possession of these loans during the modification process. Therefore, participation in these programs does not significantly impact the Bancorp s credit quality statistics. The Bancorp participates in trial modifications in conjunction with the HAMP program for loans it services for FHLMC and FNMA. As these trial modifications relate to loans serviced for others, they are not included in the Bancorp s troubled debt restructurings as they are not assets of the Bancorp. In the event there is a representation and warranty violation on loans sold through the programs, the Bancorp may be required to repurchase the sold loan. As of December 31, 2012, repurchased loans restructured or refinanced under these programs were immaterial to the Bancorp s Consolidated Financial Statements. Additionally, as of December 31, 2012, $475 million of loans refinanced under HARP 2.0 were included in loans held for

sale in the Bancorp s Consolidated Balance Sheets. For the year ended December 31, 2012 the Bancorp recognized $218 million of fee income in mortgage banking net revenue in the Bancorp s Consolidated Statements of Income related to the sale of loans restructured or refinanced under the HAMP and HARP 2.0 programs.

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

Commercial Portfolio

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

The risk within the commercial loan and lease portfolio is managed and monitored through an underwriting process utilizing detailed origination policies, continuous loan level reviews, monitoring of industry concentration and product type limits and continuous portfolio risk management reporting. The origination policies for commercial real estate outline the risks and underwriting requirements for owner and non-owner occupied and construction lending. Included in the policies are maturity and amortization terms, maximum LTVs, minimum debt service coverage ratios, construction loan monitoring procedures, appraisal requirements, pre-leasing requirements (as applicable) and sensitivity and pro-forma analysis requirements. The Bancorp requires a valuation of real estate collateral, which may include third-party appraisals, be performed at the time of origination and renewal in accordance with regulatory requirements and on an as needed basis when market conditions justify. Although the Bancorp does not back test these collateral value assumptions, the Bancorp maintains an appraisal review department to order and review third-party appraisals in accordance with regulatory requirements. Collateral values on criticized assets with relationships exceeding $1 million are reviewed quarterly to assess the appropriateness of the value ascribed in the assessment of charge-offs and specific reserves. In addition, the Bancorp applies incremental valuation haircuts to older appraisals that relate to collateral dependent loans, which can currently be up to 25-40% of the appraised value based on the type of collateral. These incremental valuation haircuts generally reflect the age of the most recent appraisal as well as collateral type. Trends in collateral values, such as home price indices and recent asset dispositions, are monitored in order to determine whether adjustments to the appraisal haircuts are warranted. Other factors such as local market conditions or location may also be considered as necessary.

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

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TABLE 30: COMMERCIAL MORTGAGE LOANS OUTSTANDING BY LTV, LOANS GREATER THAN $1 MILLION

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

TABLE 31: COMMERCIAL MORTGAGE LOANS OUTSTANDING BY LTV, LOANS GREATER THAN $1 MILLION

As of December 31, 2011($ in millions)	LTV > 100%	LTV 80-100%	LTV £ 80%
Commercial mortgage owner-occupied loans	$ 528	419	2,353
Commercial mortgage nonowner-occupied loans	684	734	2,164
Total	$ 1,212	1,153	4,517

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

TABLE 32: COMMERCIAL LOAN AND LEASE PORTFOLIO (EXCLUDING LOANS HELD FOR SALE)

		2012			2011	
As of December 31 ($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By industry:						
Manufacturing	**$ 9,982**	**18,414**	**58**	$ 9,020	17,065	116
Real estate	**5,588**	**6,840**	**198**	6,274	7,060	299
Financial services and insurance	**4,886**	**12,062**	**54**	4,596	9,975	46
Business services	**4,600**	**6,917**	**56**	3,898	5,976	78
Healthcare	**4,079**	**6,094**	**14**	3,477	5,179	15
Wholesale trade	**4,042**	**7,401**	**26**	3,656	6,796	50
Transportation and warehousing	**3,105**	**4,222**	**3**	2,304	3,152	16
Retail trade	**2,624**	**5,699**	**38**	2,639	5,548	56
Construction	**1,995**	**3,254**	**105**	2,226	3,470	199
Mining	**1,683**	**2,767**		1,157	1,994	7
Communication and information	**1,547**	**2,631**	**19**	1,128	2,117	3
Accommodation and food	**1,478**	**2,160**	**17**	1,127	1,636	22
Other services	**1,156**	**1,517**	**42**	998	1,503	48
Entertainment and recreation	**914**	**1,393**	**11**	874	1,228	18
Utilities	**608**	**2,009**		564	1,752	
Public administration	**441**	**693**		644	886	
Agribusiness	**376**	**527**	**44**	425	564	65
Individuals	**281**	**335**	**12**	460	512	20
Other	**3**	**2**		5	5	
Total	**$ 49,388**	**84,937**	**697**	$ 45,472	76,418	1,058
By loan size:						
Less than $200,000	**2 %**	**1**	**9**	2 %	2	7
$200,000 to $1 million	**6**	**5**	**22**	8	6	23
$1 million to $5 million	**15**	**12**	**28**	18	15	32
$5 million to $10 million	**11**	**9**	**13**	12	10	15
$10 million to $25 million	**27**	**25**	**24**	28	25	19
Greater than $25 million	**39**	**48**	**4**	32	42	4
Total	**100 %**	**100**	**100**	100 %	100	100
By state:						
Ohio	**20 %**	**24**	**13**	24 %	27	16
Michigan	**11**	**10**	**17**	13	11	22
Illinois	**8**	**8**	**8**	7	8	10
Florida	**7**	**6**	**19**	8	6	17
Indiana	**5**	**5**	**11**	5	5	10
Kentucky	**4**	**3**	**4**	4	4	4
North Carolina	**3**	**3**	**2**	3	3	4

Tennessee	**3**	**3**	**5**	3	3	2
Pennsylvania	**3**	**2**	**1**	2	2	1
All other states	**36**	**36**	**20**	31	31	14
Total	**100 %**	**100**	**100**	100 %	100	100

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The Bancorp has identified certain categories of loans which it believes represent a higher level of risk compared to the rest of the

Bancorp s loan portfolio, due to economic or market conditions within the Bancorp s key lending areas.

The following table provides analysis of each of the categories of loans (excluding loans held for sale) by state as of December 31, 2012 and 2011:

TABLE 33: NON-OWNER OCCUPIED COMMERCIAL REAL ESTATE *(a)*

As of December 31, 2012 ($ in millions) By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	For the Year Ended December 31, 2012 Net Charge-offs
Ohio	**$ 1,236**	**1,351**		**39**	**19**
Michigan	**1,098**	**1,123**		**49**	**32**
Florida	**596**	**632**		**42**	**20**
Illinois	**430**	**481**		**21**	**11**
Indiana	**283**	**303**		**14**	**2**
North Carolina	**205**	**228**		**12**	**6**
All other states	**972**	**1,250**		**33**	**(3)**
Total	**$ 4,820**	**5,368**		**210**	**87**

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

TABLE 34: NON-OWNER OCCUPIED COMMERCIAL REAL ESTATE *(a)*

As of December 31, 2011 ($ in millions) By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	For the Year Ended December 31, 2011 Net Charge-offs
Ohio	$ 1,958	2,125	1	88	64
Michigan	1,443	1,476	1	77	39
Florida	713	740		72	44
Illinois	417	499	1	44	31
Indiana	312	316		13	6
North Carolina	302	332		33	13
All other states	586	650		35	14
Total	$ 5,731	6,138	3	362	211

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

TABLE 35: HOMEBUILDER AND DEVELOPER *(a)*

As of December 31, 2012 ($ in millions) By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	For the Year Ended December 31, 2012 Net Charge-offs
Ohio	**$ 133**	**199**		**11**	**7**
Michigan	**52**	**60**		**6**	**7**
Florida	**32**	**59**		**3**	**10**
North Carolina	**24**	**34**		**4**	**1**
Indiana	**18**	**21**		**8**	
Illinois	**28**	**31**		**8**	**3**
All other states	**31**	**35**		**2**	

Total	$	**318**	**439**	**42**	**28**

(a) Homebuilder and Developer loans, exclusive of commercial and industrial loans with an outstanding balance of $73 and a total exposure of $132 are also included in Table 33: Non-Owner Occupied Commercial Real Estate.

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

TABLE 36: HOMEBUILDER AND DEVELOPER *(a)*

As of December 31, 2011 ($ in millions)					For the Year Ended December 31, 2011
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 166	234		15	22
Michigan	108	128		8	7
Florida	64	73		27	12
North Carolina	50	56		13	7
Indiana	51	56		10	3
Illinois	16	27		9	4
All other states	57	69		14	1
Total	$ 512	643		96	56

(a) Homebuilder and Developer loans, exclusive of commercial and industrial loans with an outstanding balance of $136 and a total exposure of $222 are also included in Table 34: Non-Owner Occupied Commercial Real Estate.

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Consumer Portfolio

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

Residential Mortgage Portfolio

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

The Bancorp does not originate mortgage loans that permit customers to defer principal payments or make payments that are

less than the accruing interest. The Bancorp originates both fixed and adjustable rate residential mortgage loans. Resets of rates on adjustable rate mortgages are not expected to have a material impact on credit costs in the current interest rate environment, as approximately $1.1 billion of adjustable rate residential mortgage loans will have rate resets during the next twelve months, with less than one percent of those resets expected to experience an increase in monthly payments in comparison to the monthly payment at the time of origination.

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

The following table provides an analysis of the residential mortgage portfolio loans outstanding, excluding held for sale, by LTV at origination:

TABLE 37: RESIDENTIAL MORTGAGE PORTFOLIO LOANS BY LTV AT ORIGINATION

	2012		2011	
As of December 31 ($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV > 80%	**$ 8,993**	**65.8 %**	$ 7,876	66.6 %
LTV > 80%, with mortgage insurance	**1,165**	**93.6**	1,030	92.7
LTV > 80%, no mortgage insurance	**1,859**	**95.6**	1,766	95.6
Total	**$ 12,017**	**73.1 %**	$ 10,672	73.9 %

The following tables provide analysis of the residential mortgage portfolio loans outstanding, excluding held for sale, with a greater than 80% LTV ratio and no mortgage insurance as of December 31, 2012 and 2011:

TABLE 38: RESIDENTIAL MORTGAGE PORTFOLIO LOANS, LTV GREATER THAN 80%, NO MORTGAGE INSURANCE

As of December 31, 2012 ($ in millions)				**For the Year Ended December 31, 2012**
By State:	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs

Ohio	$ **600**	**4**	**24**	**13**
Michigan	**310**	**1**	**10**	**10**
Florida	**262**		**17**	**15**
North Carolina	**111**	**1**	**5**	**3**
Indiana	**115**	**1**	**5**	**2**
Illinois	**193**	**1**	**5**	**3**
Kentucky	**89**	**1**	**2**	**1**
All other states	**179**		**5**	**5**
Total	$ **1,859**	**9**	**73**	**52**

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TABLE 39: RESIDENTIAL MORTGAGE PORTFOLIO LOANS, LTV GREATER THAN 80%, NO MORTGAGE INSURANCE

As of December 31, 2011 ($ in millions)				For the Year Ended December 31, 2011
By State:	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 600	6	25	15
Michigan	305	1	14	13
Florida	283	2	27	29
North Carolina	123		4	7
Indiana	111	1	4	2
Illinois	122	1	3	2
Kentucky	84	1	3	1
All other states	138	1	5	7
Total	$ 1,766	13	85	76

Home Equity Portfolio

The Bancorp s home equity portfolio is primarily comprised of home equity lines of credit. The home equity line of credit offered by the Bancorp is 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 first lien and junior-lien categories segmented in the determination of the probable credit losses in the home equity portfolio. The modeled loss factor for the home equity portfolio is based on the trailing twelve month historical loss rate for each category, as adjusted for certain prescriptive loss rate factors and certain qualitative adjustment factors to reflect risks associated with current conditions and trends. The prescriptive loss rate factors include adjustments for delinquency trends, LTV trends, refreshed FICO score trends and product mix. The qualitative factors include adjustments for credit administration and portfolio management, credit policy and underwriting and the national and local economy. The Bancorp considers home price index trends when determining the national and local economy qualitative factor.

The home equity portfolio is managed in two primary groups: loans outstanding with a LTV greater than 80% and those loans with a LTV 80% or less based upon appraisals at origination. The carrying value of the greater than 80% LTV home equity loans and 80% or less LTV home equity loans were $3.7 billion and $6.3

billion, respectively, as of December 31, 2012. Of the total $10.0 billion of outstanding home equity loans:

- 82% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois;
- 32% are in first lien positions and 68% are in second lien positions at December 31, 2012;
- For approximately 1/3 of the home equity portfolio in a second lien position, the first lien is either owned or serviced by the Bancorp;
- Over 80% of non-delinquent borrowers made at least one payment greater than the minimum payment during the year ended December 31, 2012; and
- The portfolio had an average refreshed FICO score of 735 and 734 at December 31, 2012 and 2011, respectively.

The Bancorp actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation. The Bancorp does not routinely obtain appraisals on performing loans to update LTV ratios after origination. However, the Bancorp monitors the local housing markets by reviewing various home price indices and incorporates the impact of the changing market conditions in its on-going credit monitoring processes. For second lien home equity loans, the Bancorp is unable to track the performance of the first lien loans if it does not service the first lien loan, but instead monitors the refreshed FICO scores as part of its assessment of the home equity portfolio.

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

TABLE 40: HOME EQUITY LOANS OUTSTANDING BY REFRESHED FICO SCORE

($ in millions)	**December 31, 2012**	**% of Total**	December 31, 2011	% of Total
First Liens:				
FICO < 620	**$ 224**	**2%**	214	2%
FICO 621-719	**653**	**6**	643	6
FICO > 720	**2,374**	**24**	2,466	23
Total First Liens	**3,251**	**32**	3,323	31
Second Liens:				
FICO < 620	**661**	**7**	750	7
FICO 621-719	**1,817**	**18**	1,929	18
FICO > 720	**4,289**	**43**	4,717	44
Total Second Liens	**6,767**	**68**	7,396	69
Total	**$ 10,018**	**100%**	10,719	100%

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

TABLE 41: HOME EQUITY LOANS OUTSTANDING BY LTV AT ORIGINATION

As of December 31 ($ in millions)	2012 Outstanding	2012 Weighted Average LTV	2011 Outstanding	2011 Weighted Average LTV
First Liens:				
LTV £ 80%	**$ 2,763**	**54.9 %**	$ 2,800	54.9 %
LTV > 80%	**488**	**88.9**	523	89.2
Total First Liens	**3,251**	**60.2**	3,323	60.4
Second Liens:				
LTV £ 80%	**3,602**	**67.3**	3,882	67.3
LTV > 80%	**3,165**	**91.6**	3,514	91.8
Total Second Liens	**6,767**	**80.5**	7,396	81.0
Total	**$ 10,018**	**73.4 %**	$ 10,719	74.0 %

The following tables provide analysis of home equity loans by state with LTV greater than 80% as of December 31, 2012 and 2011:

TABLE 42: HOME EQUITY LOANS OUTSTANDING WITH LTV GREATER THAN 80%

As of December 31, 2012 ($ in millions) By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	**For the Year Ended December 31, 2012** Net Charge-offs
Ohio	**$ 1,254**	**1,927**	**8**	**6**	**24**
Michigan	**795**	**1,108**	**6**	**4**	**24**
Illinois	**428**	**611**	**5**	**3**	**17**
Indiana	**348**	**521**	**2**	**2**	**5**
Kentucky	**327**	**499**	**2**	**1**	**6**
Florida	**130**	**175**	**2**	**3**	**8**
All other states	**371**	**491**	**4**	**2**	**17**
Total	**$ 3,653**	**5,332**	**29**	**21**	**101**

TABLE 43: HOME EQUITY LOANS OUTSTANDING WITH LTV GREATER THAN 80%

As of December 31, 2011 ($ in millions) By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	For the Year Ended December 31, 2011 Net Charge-offs
Ohio	$ 1,393	2,083	12	7	33
Michigan	884	1,197	8	4	37
Illinois	448	630	8	2	17
Indiana	391	573	2	2	9
Kentucky	366	549	3	2	8
Florida	146	190	4	3	17
All other states	409	519	5	2	19
Total	$ 4,037	5,741	42	22	140

Automobile Portfolio

The automobile portfolio is characterized by direct and indirect lending products to consumers. As of December 31, 2012, 50% of the automobile loan portfolio is comprised of new automobiles. It is a common practice to advance on automobile loans an amount in excess of the automobile value due to the inclusion of taxes, title, and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans.

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

TABLE 44: AUTOMOBILE LOANS OUTSTANDING WITH LTV AT ORIGINATION

	2012		2011	
As of December 31 ($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 100%	**$ 8,123**	**81.5 %**	$ 7,805	81.7 %
LTV > 100%	**3,849**	**110.8**	4,022	111.5
Total	**$ 11,972**	**91.2 %**	$ 11,827	92.1 %

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The following tables provide analysis of the Bancorp s automobile loans with a LTV at origination greater than 100% as of December 31, 2012 and 2011, respectively:

TABLE 45: AUTOMOBILE LOANS OUTSTANDING WITH LTV GREATER THAN 100%

As of December 31, 2012 ($ in millions)				**For the Year Ended December 31, 2012**
By State:	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	**$ 409**			**2**
Illinois	**232**			**2**
Michigan	**221**			**2**
Indiana	**158**			**1**
Florida	**194**			**1**
Kentucky	**141**			**1**
All other states	**2,494**	**4**	**2**	**15**
Total	**$ 3,849**	**4**	**2**	**24**

TABLE 46: AUTOMOBILE LOANS OUTSTANDING WITH LTV GREATER THAN 100%

As of December 31, 2011 ($ in millions)				For the Year Ended December 31, 2011
By State:	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 425	1		3
Illinois	291			3
Michigan	245			2
Indiana	181			2
Florida	192			3
Kentucky	158			1
All other states	2,530	3	2	20
Total	$ 4,022	4	2	34

European Exposure

The Bancorp has no direct sovereign exposure to any European nation as of December 31, 2012. In providing services to our customers, the Bancorp routinely enters into financial transactions with foreign domiciled and U.S. subsidiaries of foreign businesses as well as foreign financial institutions. These financial transactions are in the form of loans, loan commitments, letters of credit, derivatives and securities. The Bancorp s risk appetite for foreign country exposure is managed by having established country exposure limits. The Bancorp s total exposure to European domiciled or owned

businesses and European financial institutions was $2.6 billion and funded exposure was $1.5 billion as of December 31, 2012. Additionally, the Bancorp was within its established country exposure limits for all European countries.

Certain European countries have been experiencing increased levels of stress throughout 2012 including Greece, Ireland, Italy, Portugal and Spain. The Bancorp s total exposure to businesses domiciled or owned by companies and financial institutions in these countries was approximately $210 million and funded exposure was $115 million as of December 31, 2012.

The following table provides detail about the Bancorp s exposure to all European domiciled and owned businesses and financial institutions as of December 31, 2012:

TABLE 47: EUROPEAN EXPOSURE

	Sovereigns		Financial Institutions		Non-Financial Institutions		Total	
($ in millions)	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure [(a)]	Funded Exposure
Peripheral Europe[(b)]	$		26		184	115	210	115
Other Eurozone[(c)]			50	46	1,463	846	1,513	892
Total Eurozone			76	46	1,647	961	1,723	1,007
Other Europe[(d)]			62	32	821	485	883	517
Total Europe	$		138	78	2,468	1,446	2,606	1,524

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

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 48.

Residential mortgage loans are typically placed on nonaccrual status when principal and interest payments have become past due 150 days unless such loans are both well secured and in the process of collection. Residential mortgage loans may stay on nonaccrual status for an extended time as the foreclosure process typically lasts longer than 180 days. Typically, home equity loans are reported on nonaccrual status if principal or interest has been in default for 180 days or more unless the loan is both well secured and in the process of collection. Residential mortgage, home equity, automobile and other consumer loans and leases that have been modified in a TDR and subsequently become past due 90 days are placed on nonaccrual status unless the loan is both well secured and in the process of collection. Commercial and credit card loans that have been modified in a TDR are classified as nonaccrual unless such loans have a sustained repayment performance of six months or greater and the Bancorp is reasonably assured of repayment in accordance with the restructured terms. Well secured loans are collateralized by perfected security interests in real and/or personal property for which the Bancorp estimates proceeds from sale would be sufficient to recover the outstanding principal and accrued interest balance of the loan and pay all costs to sell the collateral. The Bancorp considers a loan in the process of collection if collection efforts or legal action is proceeding and the Bancorp expects to collect funds sufficient to bring the loan current or recover the entire outstanding principal and accrued interest balance. When a loan is placed on nonaccrual status, the accrual of interest, amortization of loan premiums, accretion of loan discounts and amortization or accretion of deferred net loan fees or costs are discontinued and previously accrued, but unpaid interest is reversed. Commercial loans on nonaccrual status are reviewed for impairment at least quarterly. If the principal or a portion of the principal is deemed a loss, the loss amount is charged off to the ALLL.

Total nonperforming assets, including loans held for sale, were $1.3 billion at December 31 2012 compared to $2.0 billion at December 31, 2011. At December 31, 2012, $29 million of nonaccrual loans, consisting primarily of real estate secured loans, were held for sale, compared to $138 million at December 31, 2011.

Nonperforming assets as a percentage of total loans, leases and other assets, including OREO and nonaccrual loans held for sale as of December 31, 2012 were 1.48%, compared to 2.32% as of December 31, 2011. Excluding nonaccrual loans held for sale, nonperforming assets as a percentage of portfolio loans, leases and other assets, including OREO was 1.49% as of December 31, 2012, compared to 2.23% as of December 31, 2011. The composition of nonaccrual loans and leases continues to be concentrated in real estate as 67% of nonaccrual loans and leases were secured by real estate as of December 31, 2012 compared to 69% as of December 31, 2011.

Commercial nonperforming loans and leases were $726 million at December 31, 2012, a decrease of $470 million from December 31, 2011. Excluding commercial nonperforming loans and leases held for sale, commercial nonperforming loans and leases at December 2012 decreased $361 million compared to December 31, 2011. The decrease from December 31, 2011 was due to a continued decrease in new nonaccruals and an increase in paydowns and payoffs in 2012 due to improved delinquency metrics and an improvement in underlying loss trends.

Consumer nonperforming loans and leases were $332 million at December 31, 2012, a decrease of $48 million from December 31, 2011. The decrease is due to the continued moderation in general economic conditions in 2012. Home equity nonaccrual levels remain modest as the Bancorp continues to fully charge-off a high proportion of the severely delinquent loans at 180 days past due.

Geography continues to be a large driver of nonaccrual activity as Florida properties represent approximately 14% and 8% of residential mortgage and home equity balances, respectively, but represent 47% and 19% of nonaccrual loans for each category. Refer to Table 49 for a rollforward of the nonperforming loans and leases.

Consumer restructured loans on accrual status totaled $1.7 billion and $1.6 billion at December 31, 2012 and 2011, respectively. As of December 31, 2012, the percentage of restructured residential mortgage loans, home equity loans and credit card loans that are past due 30 days or more are 25%, 13% and 14%, respectively.

OREO and other repossessed property was $257 million at December 31, 2012, compared to $378 million at December 31, 2011. The decrease from December 31, 2011 was primarily due to a decrease in new OREO properties reflecting the changes made to the Bancorp s underwriting of real estate loans in prior periods as well as improvements in general economic conditions during 2011 and 2012. The Bancorp recognized $74 million and $171 million in losses on the sale or write-down of OREO properties in 2012 and 2011, respectively. These losses are primarily reflective of the continued stress in the Michigan and Florida markets for commercial real estate and residential mortgage loans as Michigan and Florida represented 14% and 17%, respectively, of total OREO losses in 2012 compared with 16% and 26%, respectively, in 2011. Properties in Michigan and Florida accounted for 38% of OREO at December 31, 2012, compared to 42% at December 31, 2011.

In 2012 and 2011, approximately $102 million and $125 million, respectively, of interest income would have been recorded if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. 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.

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TABLE 48: SUMMARY OF NONPERFORMING ASSETS AND DELINQUENT LOANS

As of December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Nonaccrual loans and leases:					
Commercial and industrial loans	**$ 234**	408	473	734	541
Commercial mortgage loans	**215**	358	407	898	482
Commercial construction loans	**70**	123	182	646	362
Commercial leases	**1**	9	11	67	21
Residential mortgage loans	**114**	134	152	275	259
Home equity	**30**	25	23	21	26
Automobile loans			1	1	5
Other consumer loans and leases	**1**	1	84		
Restructured loans and leases:					
Commercial and industrial loans	**96**	79	95	35	
Commercial mortgage loans	**67**	63	28	4	
Commercial construction loans	**6**	15	10	8	
Commercial leases	**8**	3	8		
Residential mortgage loans[(a)]	**123**	141	116	137	20
Home equity[(a)]	**23**	29	33	33	29
Automobile loans[(a)]	**2**	2	2	1	1
Credit card	**39**	48	55	87	30
Total nonperforming loans and leases[(e)]	**1,029**	1,438	1,680	2,947	1,776
OREO and other repossessed property[(d)]	**257**	378	494	297	230
Total nonperforming assets	**1,286**	1,816	2,174	3,244	2,006
Nonaccrual loans held for sale	**29**	138	294	224	473
Total nonperforming assets including loans held for sale	**$ 1,315**	1,954	2,468	3,468	2,479
Loans and leases 90 days past due and accruing:					
Commercial and industrial loans	**$ 1**	4	16	118	76
Commercial mortgage loans	**22**	3	11	59	136
Commercial construction loans	**1**	1	3	17	74
Commercial leases				4	4
Residential mortgage loans[(c)]	**75**	79	100	189	198
Home equity	**58**	74	89	99	96
Automobile loans	**8**	9	13	17	21
Credit card and other	**30**	30	42	64	56
Other consumer loans and leases					1
Total loans and leases 90 days past due and accruing[(f)]	**$ 195**	200	274	567	662
Nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO[(b)]	**1.49%**	2.23	2.79	4.22	2.38
Allowance for loan and lease losses as a percent of nonperforming assets[(a)(b)]	**144**	124	138	116	139

(a) During 2009, the Bancorp modified its consumer nonaccrual policy to exclude TDR loans that were less than 90 days past due because they were performing in accordance with the restructured terms. For comparability purposes, prior periods were adjusted to reflect this reclassification.

(b) Excludes nonaccrual loans held for sale.

*(c) Information for all periods presented excludes advances made pursuant to servicing agreements to GNMA mortgage loan pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of **December 31, 2012**, 2011, 2010, 2009, and 2008 these advances were **$414**, $309, $279, $130 and $40 respectively. The Bancorp recognized credit losses of $2 million for the year ended **December 31, 2012** and immaterial credit losses for 2011 due to claim denials and curtailments associated with these advances.*

*(d) Excludes **$72**, $64, $38, $15 and $23 of OREO related to government insured loans at **December 31, 2012**, 2011, 2010, 2009, and 2008, respectively.*

*(e) Includes **$10**, $17, $24, $32, and $29 of nonaccrual government insured commercial loans whose repayments are insured by the Small Business Administration at **December 31, 2012**, 2011, 2010, 2009, and 2008, respectively, and **$1** and $2 of restructured nonaccrual government insured commercial loans at **December 31, 2012** and 2011, respectively and zero for 2010, 2009 and 2008.*

(f) Includes an immaterial amount of government insured commercial loans 90 days past due and accruing whose repayments are insured by the Small Business Administration at December 31, 2012, 2011, 2010, 2009, and 2008.

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

TABLE 49: ROLLFORWARD OF PORTFOLIO NONPERFORMING LOANS AND LEASES

For the year ended December 31, 2012 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Beginning Balance	**$ 1,058**	**275**	**105**	**1,438**
Transfers to nonperforming	**560**	**318**	**354**	**1,232**
Transfers to performing	**(22)**	**(45)**	**(73)**	**(140)**
Transfers to performing (restructured)	**(31)**	**(57)**	**(90)**	**(178)**
Transfers to held for sale	**(13)**			**(13)**
Loans sold from portfolio	**(36)**	**(4)**		**(40)**
Loan paydowns/payoffs	**(466)**	**(121)**	**(12)**	**(599)**
Transfers to other real estate owned	**(108)**	**(71)**		**(179)**
Charge-offs	**(297)**	**(58)**	**(194)**	**(549)**
Draws/other extensions of credit	**52**		**5**	**57**
Ending Balance	**$ 697**	**237**	**95**	**1,029**
For the year ended December 31, 2011 ($ in millions)				
Beginning Balance	$ 1,214	268	198	1,680
Transfers to nonperforming	1,075	396	456	1,927
Transfers to performing	(23)	(45)	(85)	(153)
Transfers to performing (restructured)	(1)	(74)	(95)	(170)
Transfers from held for sale	4			4
Transfers to held for sale	(92)			(92)
Loans sold from portfolio	(57)	(1)	(21)	(79)
Loan paydowns/payoffs	(425)	(85)	(13)	(523)
Transfers to other real estate owned	(110)	(79)		(189)
Charge-offs	(554)	(106)	(342)	(1,002)
Draws/other extensions of credit	27	1	7	35
Ending Balance	$ 1,058	275	105	1,438

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, 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.

During the third quarter of 2012, the OCC, a national bank regulatory agency, issued interpretive guidance that requires Chapter 7 non-reaffirmed loans to be accounted for as nonperforming TDRs and collateral dependent loans regardless of their payment history and capacity to pay in the future. The Bancorp s banking subsidiary is a state chartered bank and therefore is not subject to guidance of the OCC, however, the Bancorp is closely following these developments and is in communication with its regulators to evaluate their position on this new guidance. At December 31, 2012, the Bancorp had loans with unpaid principal balances totaling approximately $175 million that could potentially be impacted by this guidance, of which approximately 87% are current with their original contractual payments and approximately one third of which are already classified as TDRs. This guidance, if fully adopted by the Bancorp s regulators, would result in additional charge-offs of approximately $70 million as well as additional TDRs and possible increases to nonperforming assets.

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

TABLE 50: PERFORMING AND NONPERFORMING TDRs

As of December 31, 2012 ($ in millions)	Current	Performing 30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial	$ 431			177	$ 608
Residential mortgages[(a)]	1,006	70	99	123	1,298
Home equity	377	35		23	435
Credit card	35			39	74
Automobile and other consumer loans and leases	31	2		2	35
Total	$ 1,880	107	99	364	$ 2,450

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of December 31, 2012, these advances represented $107 of current loans, $26 of 30-89 days past due loans and $79 of 90 days or more past due loans.

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Analysis of Net Loan Charge-offs

Net charge-offs were 85 bps and 149 bps of average portfolio loans and leases for the years ended December 31, 2012 and 2011, respectively. Table 51 provides a summary of credit loss experience and net charge-offs as a percentage 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 decreased to 63 bps during 2012 compared to 126 bps in 2011, as a result of decreases in net charge-offs of $257 million coupled with an increase in average portfolio commercial loan and lease balances of $3.0 billion. Decreases in net charge-offs were realized across all commercial loan types, excluding commercial leases, and were primarily due to improvements in general economic conditions and previous actions taken by the Bancorp to address problem loans. Among several actions taken by the Bancorp were suspending homebuilder and developer lending in 2007 and non-owner occupied commercial real estate lending in 2008 and tightened underwriting standards across all commercial loan product offerings. The Bancorp resumed homebuilder and developer lending and non-owner occupied commercial real estate lending in the third quarter of 2011. Net charge-offs for 2012 related to non-owner occupied commercial real estate were $87 million compared to $211 million in 2011. Net charge-offs related to non-owner occupied commercial real estate are recorded in the commercial mortgage loans and commercial construction loans captions in Table 51. Net charge-offs on these loans represented 29% of total commercial loan and lease net charge-offs in 2012 and 38% in 2011.

The ratio of consumer loan and lease net charge-offs to average consumer loans and leases decreased to 113 bps in 2012 compared to 179 bps in 2011. Residential mortgage loan net charge-offs, which typically involve partial charge-offs based upon appraised values of underlying collateral, decreased $51 million from

the prior year as a result of improvements in delinquencies and a decrease in the average loss recorded per charge-off. The Bancorp s combined Florida and Michigan markets accounted for 66% and 58% of net charge-offs on residential mortgage loans in the portfolio in 2012 and 2011, respectively. Fifth Third expects the composition of the residential mortgage portfolio to improve as it continues to retain high quality, shorter duration residential mortgage loans that are originated through its branch network as a low-cost, refinance product of conforming residential mortgage loans.

Home equity net charge-offs decreased $63 million compared to the prior year, primarily due to decreases in net charge-offs in the Michigan market. In addition, management actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration or property devaluation.

Automobile loan net charge-offs decreased $22 million compared to 2011, due to the origination of high credit quality loans as a result of tighter underwriting standards and higher resale on automobiles sold at auction.

Credit card net charge-offs decreased $24 million from 2011 reflecting improving delinquency trends, aggressive line management, and stabilization in unemployment levels. The Bancorp utilizes a risk-adjusted pricing methodology to ensure adequate compensation is received for those products that have higher credit costs.

Other consumer loan net charge-offs decreased $51 million compared to 2011 due to charge-offs of $56 million recognized in 2011 associated with certain consumer loans that were acquired during the fourth quarter of 2010 when the Bancorp foreclosed on a commercial loan that was collateralized by individual consumer loans.

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TABLE 51: SUMMARY OF CREDIT LOSS EXPERIENCE

For the years ended December 31 ($ in millions)	**2012**	2011	2010	2009	2008
Losses charged off:					
Commercial and industrial loans	**$ (194)**	(314)	(631)	(768)	(667)
Commercial mortgage loans	**(120)**	(211)	(541)	(436)	(618)
Commercial construction loans	**(34)**	(89)	(265)	(420)	(750)
Commercial leases	**(10)**	(1)	(7)	(11)	
Residential mortgage loans	**(129)**	(180)	(441)	(359)	(243)
Home equity	**(172)**	(234)	(276)	(330)	(212)
Automobile loans	**(55)**	(85)	(132)	(189)	(168)
Credit card	**(90)**	(114)	(164)	(178)	(101)
Other consumer loans and leases	**(33)**	(86)	(28)	(28)	(32)
Total losses	**(837)**	(1,314)	(2,485)	(2,719)	(2,791)
Recoveries of losses previously charged off:					
Commercial and industrial loans	**29**	38	45	50	18
Commercial mortgage loans	**21**	16	17	14	5
Commercial construction loans	**9**	4	13	4	2
Commercial leases	**2**	3	5	4	1
Residential mortgage loans	**7**	7	2	2	
Home equity	**15**	14	12	8	7
Automobile loans	**24**	32	44	41	34
Credit card	**16**	16	9	8	7
Other consumer loans and leases	**10**	12	10	7	7
Total recoveries	**133**	142	157	138	81
Net losses charged off:					
Commercial and industrial loans	**(165)**	(276)	(586)	(718)	(649)
Commercial mortgage loans	**(99)**	(195)	(524)	(422)	(613)
Commercial construction loans	**(25)**	(85)	(252)	(416)	(748)
Commercial leases	**(8)**	2	(2)	(7)	1
Residential mortgage loans	**(122)**	(173)	(439)	(357)	(243)
Home equity	**(157)**	(220)	(264)	(322)	(205)
Automobile loans	**(31)**	(53)	(88)	(148)	(134)
Credit card	**(74)**	(98)	(155)	(170)	(94)
Other consumer loans and leases	**(23)**	(74)	(18)	(21)	(25)
Total net losses charged off	**$ (704)**	(1,172)	(2,328)	(2,581)	(2,710)
Net charge-offs as a percent of average loans and leases (excluding held for sale):					
Commercial and industrial loans	**0.50%**	0.97	2.23	2.61	2.31
Commercial mortgage loans	**1.02**	1.89	4.58	3.43	4.80
Commercial construction loans	**3.08**	4.96	8.48	9.24	12.80
Commercial leases	**0.22**	(0.08)	0.05	0.22	(0.02)
Total commercial loans	**0.63**	1.26	3.10	3.27	3.99
Residential mortgage loans	**1.07**	1.75	5.49	4.15	2.47
Home equity	**1.51**	1.97	2.20	2.57	1.67
Automobile loans	**0.26**	0.47	0.85	1.68	1.56
Credit card	**3.79**	5.19	8.28	8.87	5.51
Other consumer loans and leases	**7.02**	15.29	2.58	2.14	2.10
Total consumer loans and leases	**1.13**	1.79	2.92	3.10	2.08
Total net losses charged off	**0.85%**	1.49	3.02	3.20	3.23

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 percentage level of the ALLL. The Bancorp also considers overall asset quality trends, credit administration and portfolio management practices, risk identification practices, credit policy and underwriting practices, overall portfolio growth, portfolio concentrations and current

national and local economic conditions that might impact the portfolio. See the Critical Accounting Policies section for more information.

In 2012, the Bancorp did not substantively change any material aspect of its overall approach in the determination of the ALLL and there have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance. In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the 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 Consolidated Statements of Income.

The ALLL attributable to the portion of the residential mortgage and consumer loan and lease portfolio that has not been

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

The Bancorp s determination of the ALLL for commercial loans is sensitive to the risk grades it assigns to these loans. In the event that 10% of commercial loans in each risk category would experience a downgrade of one risk category, the allowance for commercial loans would increase by approximately $154 million at December 31, 2012. In addition, the Bancorp s determination of the allowance for residential and consumer loans is sensitive to changes in estimated loss rates. In the event that estimated loss rates would increase by 10%, the allowance for residential and consumer loans would increase by approximately $51 million at December 31, 2012. 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 52: CHANGES IN ALLOWANCE FOR CREDIT LOSSES

For the years ended December 31 ($ in millions)	**2012**	2011	2010	2009	2008
ALLL:					