FIFTH THIRD BANCORP
Form 10-Q
May 06, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2016

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

Ohio	**31-0854434**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**Identification Number)**

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

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

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

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

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

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

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

There were 767,717,824 shares of the Registrant s common stock, without par value, outstanding as of April 30, 2016.

Table of Contents

FINANCIAL CONTENTS

FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, f projected, intends to, or may include other similar words or phrases such as believes, plans, trend, objective, remain, or similar expressions, or future or conditional verbs such as will, would, should, could, might, can verbs. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including but not limited to the risk factors set forth in our most recent Annual Report on Form 10-K. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic or real estate market conditions, either nationally or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, weaken or are less favorable than expected; (2) deteriorating credit quality; (3) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (4) changes in the interest rate environment reduce interest margins; (5) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions; (6) Fifth Third s ability to maintain required capital levels and adequate sources of funding and liquidity; (7) maintaining capital requirements and adequate sources of funding and liquidity may limit Fifth Third s operations and potential growth; (8) changes and trends in capital markets; (9) problems encountered by larger or similar financial institutions may adversely affect the banking industry and/or Fifth Third; (10) competitive pressures among depository institutions increase significantly; (11) effects of critical accounting policies and judgments; (12) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board (FASB) or other regulatory agencies; (13) legislative or regulatory changes or actions, or significant litigation, adversely affect Fifth Third, one or more acquired entities and/or the combined company or the businesses in which Fifth Third, one or more acquired entities and/or the combined company are engaged, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (14) ability to maintain favorable ratings from rating agencies; (15) fluctuation of Fifth Third s stock price; (16) ability to attract and retain key personnel; (17) ability to receive dividends from its subsidiaries; (18) potentially dilutive effect of future acquisitions on current shareholders ownership of Fifth Third; (19) effects of accounting or financial results of one or more acquired entities; (20) difficulties from Fifth Third s investment in, relationship with, and nature of the operations of Vantiv, LLC; (21) loss of income from any sale or potential sale of businesses (22) difficulties in separating the operations of any branches or other assets divested; (23) inability to achieve expected benefits from branch consolidations and planned sales within desired timeframes, if at all; (24) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; and (25) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.

Table of Contents

Glossary of Abbreviations and Acronyms

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

ARM: Adjustable Rate Mortgage

ASF: Available Stable Funding

ASU: Accounting Standards Update

ATM: Automated Teller Machine

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion

bps: Basis Points

CCAR: Comprehensive Capital Analysis and Review

CDC: Fifth Third Community Development Corporation

CET1: Common Equity Tier 1

CFE: Collateralized Financing Entity

C&I: Commercial and Industrial

DCF: Discounted Cash Flow

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

HFS: Held for Sale

HQLA: High Quality Liquid Assets

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London Interbank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

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

MSA: Metro Statistical Area

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

DFA: Dodd-Frank Wall Street Reform & Consumer Protection Act **DIF:** Deposit Insurance Fund

DTCC: Depository Trust & Clearing Corporation

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FFIEC: Federal Financial Institutions Examination Council

FHA: Federal Housing Administration

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GDP: Gross Domestic Product

GNMA: Government National Mortgage Association

GSE: United States Government Sponsored Enterprise

NM: Not Meaningful

NSFR: Net Stable Funding Ratio

OAS: Option-Adjusted Spread

OCI: Other Comprehensive Income (Loss)

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PCA: Prompt Corrective Action

PMI: Private Mortgage Insurance

RSF: Required Stable Funding

SARs: Stock Appreciation Rights

SBA: Small Business Administration

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TILA: Truth in Lending Act

TruPS: Trust Preferred Securities

U.S.: United States of America

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

VA: United States Department of Veteran Affairs

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

Table of Contents

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

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

TABLE 1: Selected Financial Data

	For the three months ended March 31,				%
($ in millions, except for per share data)		**2016**		2015	Change
Income Statement Data					
Net interest income[a]	$	**909**		852	7
Noninterest income		**637**		630	1
Total revenue[a]		**1,546**		1,482	4
Provision for loan and lease losses		**119**		69	72
Noninterest expense		**986**		923	7
Net income attributable to Bancorp		**327**		361	(9)
Net income available to common shareholders		**312**		346	(10)
Common Share Data					
Earnings per share - basic	$	**0.40**		0.42	(5)
Earnings per share - diluted		**0.40**		0.42	(5)
Cash dividends declared per common share		**0.13**		0.13	-
Book value per share		**19.46**		17.83	9
Market value per share		**16.69**		18.85	(11)
Financial Ratios					
Return on average assets		**0.93**	%	1.06	(12)
Return on average common equity		**8.3**		9.7	(14)
Return on average tangible common equity[b]		**9.9**		11.6	(15)
Dividend payout ratio		**32.5**		31.0	5
Average total Bancorp shareholders equity as a percent of average assets		**11.57**		11.50	1
Tangible common equity as a percent of tangible assets[b][h]		**8.55**		8.40	2
Net interest margin[a]		**2.91**		2.86	2
Efficiency[a]		**63.8**		62.3	2
Credit Quality					
Net losses charged-off	$	**96**		91	5
Net losses charged-off as a percent of average portfolio loans and leases		**0.42**	%	0.41	2
ALLL as a percent of portfolio loans and leases		**1.38**		1.42	(3)

Allowance for credit losses as a percent of portfolio loans and leases(c)		**1.54**	1.57	(2)
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.88**	0.76	16
Average Balances				
Loans and leases, including held for sale	$	**94,078**	91,659	3
Total securities and other short-term investments		**31,573**	29,038	9
Total assets		**141,582**	137,617	3
Transaction deposits(d)		**94,680**	94,172	1
Core deposits(e)		**98,715**	98,194	1
Wholesale funding(f)		**21,936**	18,871	16
Bancorp shareholders equity		**16,376**	15,820	4
Regulatory Capital Ratios		**Basel III Transitional(g)**		
CET1 capital		**9.81 %**	9.52(i)	3
Tier I risk-based capital		**10.91**	10.62(i)	3
Total risk-based capital		**14.66**	14.01(i)	5
Tier I leverage		**9.57**	9.59(i)	-
		Basel III Fully Phased-In		
CET1 capital(b)(g)		**9.72**	9.41(i)	3

(a) Amounts presented on an FTE basis. The FTE adjustment for the three months ended ***March 31, 2016*** *and 2015 was* ***$6*** *and $5, respectively.*

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

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

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

(e) Includes transaction deposits and other time deposits.

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

(g) Under the U.S. banking agencies Basel III Final Rule, assets and credit equivalent amounts of off-balance sheet exposures are calculated according to the standardized approach for risk-weighted assets. The resulting values are added together in the Bancorp s total risk-weighted assets.

(h) Excludes unrealized gains and losses.

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

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At March 31, 2016, the Bancorp had $142.4 billion in assets and operated 1,241 full-service banking centers, including 95 Bank Mart® locations, open seven days a week, inside select grocery stores, and 2,556 ATMs in eleven states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has an approximate 18% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $374 million at March 31, 2016.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2015. Each of these items could have an impact on the Bancorp s financial condition, results of operations and cash flows. In addition, refer to the Glossary of Abbreviations and Acronyms in this report for a list of terms included as a tool for the reader of this quarterly report on Form 10-Q. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements.

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

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the three months ended March 31, 2016, net interest income on an FTE basis and noninterest income provided 59% and 41% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Condensed Consolidated Financial Statements for the three months ended March 31, 2016. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section of MD&A, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

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

Branch Consolidation and Sales Plan

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

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

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

Table of Contents

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

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

Pursuant to the Branch Consolidation and Sales Plan, the Bancorp intended to consolidate and/or sell 60 operating branch locations and to sell an additional 23 parcels of undeveloped land that had been acquired by the Bancorp for future branch expansion as of March 31, 2016.

The sale of the Pittsburgh MSA retail operations to First National Bank of Pennsylvania closed on April 22, 2016. For further information on this transaction, refer to Note 22 of the Notes to Condensed Consolidated Financial Statements.

Accelerated Share Repurchase Transactions

During the three months ended March 31, 2016, the Bancorp entered into or settled accelerated share repurchase transactions. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted-average price of the Bancorp s common stock during the term of the repurchase agreements. For more information on the accelerated share repurchase program, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements. For a summary of the Bancorp s accelerated share repurchase transactions that were entered into or settled during the three months ended March 31, 2016, refer to Table 2.

TABLE 2: Summary of Accelerated Share Repurchase Transactions

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Settlement Date
December 14, 2015	$ 215	9,248,482	1,782,477	11,030,959	January 14, 2016
March 4, 2016	240	12,623,762	1,868,379	14,492,141	April 11, 2016

Senior and Subordinated Notes Offerings

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

Legislative and Regulatory Developments

During the first quarter of 2016, the FDIC issued a final rule implementing a 4.5 bps surcharge on the quarterly FDIC insurance assessments of insured depository institutions with total consolidated assets of $10 billion or more. The surcharge will take effect at the same time the FDIC is required to lower the regular FDIC insurance assessments by approximately 2 bps under a rule adopted by the FDIC in 2011 which is triggered by the DIF reserve ratio reaching 1.15% of insured deposits. The surcharge will take effect on July 1, 2016 if the DIF reserve ratio reaches 1.15% before July 1, 2016; otherwise it will begin the first day of the calendar quarter after the reserve ratio reaches 1.15%. Surcharges will continue through the quarter that the reserve ratio first reaches or exceeds 1.35% of insured deposits, but not later than December 31, 2018. If the reserve ratio does not reach 1.35% by December 31, 2018, the FDIC will impose a shortfall assessment on March 31, 2019, on insured depository institutions with total consolidated assets of $10 billion or more. The FDIC has announced they expect that surcharges will commence in the second half of 2016 and that they should be sufficient to raise the DIF reserve ratio to 1.35% in approximately eight quarters. Fifth Third estimates the announced changes to the FDIC assessments will result in a net increase in its FDIC insurance expense of approximately $24 million on an annual basis.

The FRB launched the 2016 stress testing program and CCAR on January 28, 2016, with submissions of stress test results and capital plans to the FRB due on April 5, 2016, which the Bancorp submitted as required. The FRB expects to release summary results of the 2016 stress testing program and CCAR by June 30, 2016. The results will include supervisory projections of capital ratios, losses and revenue under the supervisory adverse and supervisory severely adverse scenarios. The FRB will also issue an objection or non-objection to each participating institution s capital plan submitted under CCAR. The FRB s summary results will also include an overview of methodologies used for supervisory tests. Additionally, as a CCAR institution, the Bancorp will be required to disclose the results of its company-run stress test as required by the DFA, within 15 days of the date the FRB discloses the results of its DFA supervisory tests.

Fifth Third offers qualified deposit customers a deposit advance product if they choose to avail themselves of this product to meet short-term, small-dollar financial needs. Fifth Third s deposit advance product is designed to fully comply with the applicable federal and state laws and use of this product is subject to strict eligibility requirements and advance restriction guidelines to limit dependency on this product as a borrowing source. The Bancorp s deposit advance balances are included in other consumer loans and leases in the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A and in Table 6 in the Statements of Income Analysis section of MD&A. On January 17, 2014, given developments in industry practice, Fifth Third announced that it would no longer enroll new customers in its deposit advance product and expected to phase out the service to existing customers by the end of 2014. To avoid a disruption to its existing customers during the extension period while the banking industry awaits further regulatory guidance on the deposit advance product, on November 3, 2014, Fifth Third announced changes to its current deposit advance product for existing customers beginning January 1, 2015, including a lower transaction fee, an extended repayment period and a reduced maximum advance period. The Bancorp is continuing to offer the service to existing deposit advance customers until further regulatory guidance is finalized.

On December 10, 2013, the U.S. banking agencies finalized section 619 of the DFA, known as the Volcker Rule, which became effective April 1, 2014. Though the Final Rule was effective April 1, 2014, the FRB granted the industry an extension of time until July 21, 2015 to conform certain of its activities related to proprietary trading to comply with the Volcker Rule.

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

In addition, the FRB has granted the industry an extension of time until July 21, 2016, and announced its intention to grant a one year extension of the conformance period until July 21, 2017, to conform certain ownership interests in, sponsorship activities of and relationships with private equity or hedge funds as well as holding certain collateralized loan obligations that were in place as of December 31, 2013. It is possible that additional conformance period extensions could be granted either to the entire industry, or, upon request, to requesting banking organizations on a case-by-case basis. The Final Rule prohibits banks and BHCs from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options on these instruments for their own account. The Volcker Rule also restricts banks and their affiliated entities from owning, sponsoring or having certain relationships with private equity and hedge funds, as well as holding certain collateralized loan obligations that are deemed to contain ownership interests. Exemptions are provided for certain activities such as underwriting, market making, hedging, trading in certain government obligations and organizing and offering a hedge fund or private equity fund. Fifth Third does not sponsor any private equity or hedge funds that, under the Final Rule, it is prohibited from sponsoring. At March 31, 2016, the Bancorp did not hold collateralized loan obligations. At March 31, 2016, the Bancorp had approximately $183 million in interests and approximately $34 million in binding commitments to invest in private equity funds that are affected by the Volcker Rule. It is expected that over time the Bancorp may need to dispose of these investments, however no formal plan to sell has been approved as of March 31, 2016. As a result of the announced conformance period extension, the Bancorp believes it is likely that these investments will be reduced over time in the ordinary course of events before compliance is required.

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

Earnings Summary

The Bancorp s net income available to common shareholders for the first quarter of 2016 was $312 million, or $0.40 per diluted share, which was net of $15 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the first quarter of 2015 was $346 million, or $0.42 per diluted share, which was net of $15 million in preferred stock dividends. Pre-provision net revenue was $554 million for both the three months ended March 31, 2016 and 2015. Pre-provision net revenue is a non-GAAP measure. For further information, refer to the Non-GAAP Financial Measures section in MD&A.

Net interest income on an FTE basis was $909 million and $852 million for the three months ended March 31, 2016 and 2015, respectively. Net interest income was positively impacted by increases in average taxable securities and average loans and leases of $6.5 billion and $2.4 billion, respectively. Net interest margin on an FTE basis was 2.91% and 2.86% for the three months ended March 31, 2016 and 2015, respectively.

Noninterest income increased $7 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to an increase in corporate banking revenue partially offset by a decrease in other noninterest income. Corporate banking revenue increased $39 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily driven by the impact of a $30 million impairment charge related to operating lease equipment that was recognized in the first quarter of 2015 as well as an increase in syndication fees partially offset by decreases in foreign exchange fees and letter of credit fees. Other noninterest income decreased $27 million in the first quarter of 2016 compared to the first quarter of 2015. The decrease included a positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC of $47 million for the three months ended March 31, 2016 compared to a positive valuation adjustment of $70 million for the three months ended March 31, 2015. Additionally, gain on loan sales decreased $42 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a $37 million gain on the sale of residential mortgage loans classified as TDRs during the three months ended March 31, 2015. The Bancorp recognized a $1 million positive valuation adjustment related to the Visa total return swap for the three months ended March 31, 2016 compared to a negative valuation adjustment of $17 million for the three months ended March 31, 2015. The three months ended March 31, 2016 also included the impact of a $8 million gain on the sale of certain branches in the St. Louis MSA as part of the previously announced Branch Consolidation and Sales Plan.

Noninterest expense increased $63 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to increases in personnel costs and other noninterest expense. Personnel costs increased $35 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily driven by a $14 million increase in retirement costs related to the voluntary early retirement program as well as increases in base and variable compensation. Other noninterest expense increased $31 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to increases in FDIC insurance and other taxes, the provision for the reserve for unfunded commitments and losses and adjustments partially offset by a decrease in donations expense.

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

Table of Contents

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

Credit Summary

The provision for loan and lease losses was $119 million and $69 million for the three months ended March 31, 2016 and 2015, respectively. Net losses charged-off as a percent of average portfolio loans and leases were 0.42% during the first quarter of 2016 compared to 0.41% during the first quarter of 2015. At March 31, 2016, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO increased to 0.88% compared to 0.70% at December 31, 2015. For further discussion on credit quality, refer to the Credit Risk Management subsection of the Risk Management section of MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the PCA requirements of the U.S. banking agencies. As of March 31, 2016, as calculated under the Basel III transition provisions, the CET1 capital ratio was 9.81%, the Tier I risk-based capital ratio was 10.91%, the Total risk-based capital ratio was 14.66% and the Tier I leverage ratio was 9.57%.

Table of Contents

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

NON-GAAP FINANCIAL MEASURES

The following are non-GAAP measures which are important to the reader of the Condensed Consolidated Financial Statements but should be supplemental to primary U.S. GAAP measures.

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

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

TABLE 3: Non-GAAP Financial Measures - Pre-Provision Net Revenue

($ in millions)		**March 31, 2016**	March 31, 2015
Net interest income (U.S. GAAP)	**$**	**903**	847
Add: Noninterest income		**637**	630
Less: Noninterest expense		**986**	923
Pre-provision net revenue	**$**	**554**	554

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

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

TABLE 4: Non-GAAP Financial Measures - Return on Average Tangible Common Equity

($ in millions)		**March 31, 2016**	March 31, 2015
Net income available to common shareholders (U.S. GAAP)	**$**	**312**	346
Add: Intangible amortization, net of tax		**-**	-
Tangible net income available to common shareholders	**$**	**312**	346
Tangible net income available to common shareholders (annualized) (1)		**1,255**	1,403
Average Bancorp s shareholders equity (U.S. GAAP)	**$**	**16,376**	15,820
Less: Average preferred stock		**(1,331)**	(1,331)
Average goodwill		**(2,416)**	(2,416)
Average intangible assets and other servicing rights		**(12)**	(15)
Average tangible common equity (2)	**$**	**12,617**	12,058

Return on average tangible common equity (1) / (2)	**9.9 %**	11.6

The Bancorp considers various measures when evaluating capital utilization and adequacy, including the tangible equity ratio and tangible common equity ratio, in addition to capital ratios defined by the U.S. banking agencies. These calculations are intended to complement the capital ratios defined by the U.S. banking agencies for both absolute and comparative purposes. Because U.S. GAAP does not include capital ratio measures, the Bancorp believes there are no comparable U.S. GAAP financial measures to these ratios. These ratios are not formally defined by U.S. GAAP or codified in the federal banking regulations and, therefore, are considered to be non-GAAP financial measures. Additionally, the Bancorp became subject to the Basel III Final Rule on January 1, 2015 which defined various regulatory capital ratios including the CET1 ratio. The CET1 capital ratio has transition provisions that will be phased out over time. The Bancorp is presenting the CET1 capital ratio on a fully phased-in basis for comparative purposes with other organizations. The Bancorp considers the fully phased-in CET1 ratio a non-GAAP measure since it is not the CET1 ratio in effect for the periods presented. Since analysts and the U.S. banking agencies may assess the Bancorp s capital adequacy using these ratios, the Bancorp believes they are useful to provide investors the ability to assess its capital adequacy on the same basis. The Bancorp encourages readers to consider its Condensed Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

Table of Contents

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

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

TABLE 5: Non-GAAP Financial Measures - Capital Ratios

As of ($ in millions)		**March 31, 2016**	December 31, 2015	
Total Bancorp shareholders equity (U.S. GAAP)	$	**16,323**	15,839	
Less: Preferred stock		**(1,331)**	(1,331)	
Goodwill		**(2,416)**	(2,416)	
Intangible assets and other servicing rights		**(12)**	(13)	
Tangible common equity, including unrealized gains / losses		**12,564**	12,079	
Less: AOCI		**(684)**	(197)	
Tangible common equity, excluding unrealized gains / losses (1)		**11,880**	11,882	
Add: Preferred stock		**1,331**	1,331	
Tangible equity (2)	$	**13,211**	13,213	
Total assets (U.S. GAAP)	$	**142,430**	141,048	
Less: Goodwill		**(2,416)**	(2,416)	
Intangible assets and other servicing rights		**(12)**	(13)	
AOCI, before tax		**(1,052)**	(303)	
Tangible assets, excluding unrealized gains / losses (3)	$	**138,950**	138,316	
Ratios:				
Tangible equity as a percentage of tangible assets (2) / (3)*(d)*		**9.51 %**	9.55	
Tangible common equity as a percentage of tangible assets (1) / (3)*(d)*		**8.55**	8.59	
Basel III Final Rule - Transition to fully phased-in				
CET1 capital (transitional)	$	**11,914**	11,917	
Less: Adjustments to CET1 capital from transitional to fully phased-in*(a)*		**(5)**	(8)	
CET1 capital (fully phased-in) (4)		**11,909**	11,909	
Risk-weighted assets (transitional)*(b)*		**121,432**	121,290	*(e)*
Add: Adjustments to risk-weighted assets from transitional to fully phased-in*(c)*		**1,027**	1,178	
Risk-weighted assets (fully phased-in) (5)	$	**122,459**	122,468	*(e)*
CET1 capital ratio under Basel III Final Rule (fully phased-in) (4) / (5)		**9.72 %**	9.72	*(e)*

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

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

together, along with the measure for market risk, resulting in the Bancorp s total risk-weighted assets.

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

(d) *Excludes unrealized gains and losses.*

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

Table of Contents

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

RECENT ACCOUNTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES

The Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements, goodwill and legal contingencies. These accounting policies are discussed in detail in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2015. No material changes were made to the valuation techniques or models during the three months ended March 31, 2016.

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

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

Table 6 presents the components of net interest income, net interest margin and net interest rate spread for the three months ended March 31, 2016 and 2015, as well as the relative impact of changes in the balance sheet and changes in interest rates on net interest income. Nonaccrual loans and leases and loans held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses on available-for-sale securities included in other assets.

Net interest income on an FTE basis was $909 million and $852 million for the first quarters of 2016 and 2015, respectively. Net interest income was positively impacted by increases in average taxable securities and average loans and leases of $6.5 billion and $2.4 billion, respectively, as well as the decision of the Federal Open Market Committee in December 2015 to raise the target range of the federal funds rate 25 bps. The net interest rate spread increased to 2.70% in the first quarter of 2016 from 2.68% in the same period in 2015 due to a 6 bps increase in yields on average interest-earnings assets partially offset by a 4 bps increase in the rates paid on average interest-bearing liabilities for the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Net interest margin on an FTE basis was 2.91% for the three months ended March 31, 2016 compared to 2.86% for the three months ended March 31, 2015. The increase from March 31, 2015 was driven primarily by the previously mentioned increase in the net interest rate spread coupled with increases in average free funding balances partially offset by a $5.0 billion increase in average interest-earning assets. The increase in average free funding balances was driven by increases in average demand deposits and average shareholders equity of $1.4 billion and $548 million, respectively, for the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Interest income on an FTE basis from loans and leases increased $27 million compared to the first quarter of 2015 primarily due to an increase of $2.4 billion in average loans and leases driven primarily by increases in average commercial and industrial loans, average commercial construction loans and average residential mortgage loans. Yields on average loans and leases were flat for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 as the decrease in yields on average consumer loans and leases, primarily due to decreases in yields on average residential mortgage loans and average other consumer loans and leases, was offset by an increase in yields on average commercial loans and leases, driven primarily by an increase in yields on average commercial and industrial loans. For more information on the Bancorp s loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A. Interest income from investment securities and other short-term investments increased $42 million compared to the three months ended March 31, 2015 primarily as a result of the aforementioned increase in average taxable securities.

Interest expense on core deposits decreased $2 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a decline in the cost of average interest-bearing core deposits to 25 bps for the three months ended March 31, 2016 from 26 bps for the three months ended March 31, 2015. The decrease was primarily due to a decrease in the cost of average money market deposits partially offset by an increase in the cost of average interest checking deposits. Refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s deposits.

Interest expense on average wholesale funding increased $14 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to increases of 28 bps and 19 bps in the rates paid on average other short-term borrowings and average long-term debt, respectively, coupled with an increase in average long-term debt of $535 million. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During the three months ended March 31, 2016 and 2015, respectively, average wholesale funding represented 26% and 23% of average interest-bearing liabilities. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management subsection of the Risk Management section of MD&A.

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

TABLE 6: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE Basis

For the three months ended	**March 31, 2016**			March 31, 2015			Attribution of Change in Net Interest Income[a]		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Yield/Rate	Total
Assets									
Interest-earning assets:									
Loans and leases:[b]									
Commercial and industrial loans	**$ 43,127**	**347**	**3.23 %**	$ 41,462	323	3.16 %	$ 16	8	24
Commercial mortgage loans	**6,908**	**55**	**3.27**	7,248	58	3.27	(3)	-	(3)
Commercial construction loans	**3,297**	**28**	**3.38**	2,198	18	3.23	9	1	10
Commercial leases	**3,875**	**27**	**2.77**	3,716	27	2.90	1	(1)	-
Total commercial loans and leases	**57,207**	**457**	**3.22**	54,624	426	3.16	23	8	31
Residential mortgage loans	**14,405**	**130**	**3.63**	13,515	128	3.83	9	(7)	2
Home equity	**8,241**	**78**	**3.80**	8,802	80	3.66	(5)	3	(2)
Automobile loans	**11,285**	**75**	**2.65**	11,933	79	2.68	(3)	(1)	(4)
Credit card	**2,277**	**60**	**10.64**	2,321	59	10.22	(1)	2	1
Other consumer loans and leases	**663**	**10**	**6.27**	464	11	10.79	4	(5)	(1)
Total consumer loans and leases	**36,871**	**353**	**3.85**	37,035	357	3.91	4	(8)	(4)
Total loans and leases	**$ 94,078**	**810**	**3.46 %**	$ 91,659	783	3.46 %	$ 27	-	27
Securities:									
Taxable	**29,619**	**231**	**3.14**	23,102	187	3.30	53	(9)	44
Exempt from income taxes[b]	**78**	**1**	**4.32**	59	1	5.24	-	-	-
Other short-term investments	**1,876**	**2**	**0.42**	5,877	4	0.25	(4)	2	(2)
Total interest-earning assets	**$ 125,651**	**1,044**	**3.34 %**	$ 120,697	975	3.28 %	$ 76	(7)	69
Cash and due from banks	**2,335**			2,830					
Other assets	**14,869**			15,412					
Allowance for loan and lease losses	**(1,273)**			(1,322)					
Total assets	**$ 141,582**			$ 137,617					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking deposits	**$ 25,740**	**15**	**0.23 %**	$ 26,885	13	0.20 %	$ -	2	2
Savings deposits	**14,601**	**2**	**0.04**	15,174	3	0.07	-	(1)	(1)
Money market deposits	**18,655**	**11**	**0.25**	17,492	14	0.32	1	(4)	(3)
Foreign office deposits	**483**	**-**	**0.15**	861	-	0.20	-	-	-
Other time deposits	**4,035**	**12**	**1.22**	4,022	12	1.17	(1)	1	-
Total interest-bearing core deposits	**63,514**	**40**	**0.25**	64,434	42	0.26	-	(2)	(2)
Certificates $100,000 and over	**2,815**	**9**	**1.28**	2,683	8	1.16	-	1	1
Federal funds purchased	**608**	**1**	**0.36**	172	-	0.09	1	-	1

Other short-term borrowings	**3,564**	**3**	**0.39**	1,602	-	0.11	1	2	3
Long-term debt	**14,949**	**82**	**2.22**	14,414	73	2.03	2	7	9
Total interest-bearing liabilities	**$ 85,450**	**135**	**0.64 %**	$ 83,305	123	0.60 %	$ 4	8	12
Demand deposits	**35,201**			33,760					
Other liabilities	**4,524**			4,693					
Total liabilities	**$ 125,175**			$ 121,758					
Total equity	**$ 16,407**			$ 15,859					
Total liabilities and equity	**$ 141,582**			$ 137,617					
Net interest income (FTE)		**$ 909**			$ 852		$ 72	(15)	57
Net interest margin (FTE)			**2.91 %**			2.86 %			
Net interest rate spread (FTE)			**2.70**			2.68			
Interest-bearing liabilities to interest-earning assets			**68.01**			69.02			

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

*(b) The FTE adjustments included in the above table were **$6** and $5 for the three months ended **March 31, 2016** and 2015, respectively.*

Provision for Loan and Lease Losses

The Bancorp provides as an expense an amount for probable loan and lease losses within the loan and lease portfolio that is based on factors previously discussed in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2015. The provision is recorded to bring the ALLL to a level deemed appropriate by the Bancorp to cover losses inherent in the portfolio. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans and leases actually removed from the Condensed Consolidated Balance Sheets are referred to as charge-offs. Net charge-offs include current period charge-offs less recoveries on previously charged-off loans and leases.

The provision for loan and lease losses was $119 million and $69 million for the three months ended March 31, 2016 and 2015, respectively. The increase in provision expense for the three months ended March 31, 2016 compared to the same period in the prior year was primarily due to prolonged softness in commodity prices, slow global economic growth and appreciation in the US dollar. The ALLL increased $23 million from December 31, 2015 to $1.3 billion at March 31, 2016. At March 31, 2016, the ALLL as a percent of portfolio loans and leases increased to 1.38%, compared to 1.37% at December 31, 2015.

Table of Contents

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

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

Noninterest Income

Noninterest income increased $7 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

The components of noninterest income are as follows:

TABLE 7: Components of Noninterest Income

	For the three months ended March 31,			
($ in millions)		**2016**	2015	% Change
Service charges on deposits	$	**137**	135	1
Investment advisory revenue		**102**	108	(6)
Corporate banking revenue		**102**	63	62
Card and processing revenue		**79**	71	11
Mortgage banking net revenue		**78**	86	(9)
Other noninterest income		**136**	163	(17)
Securities gains, net		**3**	4	(25)
Total noninterest income	$	**637**	630	1

Service charges on deposits

Service charges on deposits increased $2 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a $3 million increase in commercial deposit fees driven by new customer acquisition. This increase was partially offset by a $1 million decrease in consumer deposit fees primarily driven by a decrease in consumer checking fees.

Investment advisory revenue

Investment advisory revenue decreased $6 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a $4 million decrease in transactional securities and brokerage fees driven by lower sales and trading volume and a $2 million decrease in private client service fees due to a decrease in personal asset management fees. The Bancorp had approximately $303 billion and $308 billion in total assets under care as of March 31, 2016 and 2015, respectively, and managed $26 billion and $27 billion in assets, respectively, for individuals, corporations and not-for-profit organizations as of March 31, 2016 and 2015.

Corporate banking revenue

Corporate banking revenue increased $39 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. The increase from the prior year was primarily the result of increases in lease remarketing fees and syndication fees partially offset by decreases in foreign exchange fees and letter of credit fees. The increase in lease remarketing fees included the impact of a $30 million impairment charge related to operating lease equipment that was recognized during the first quarter of 2015. Syndication fees increased $8 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 as a result of increased activity in the market.

Card and processing revenue

Card and processing revenue increased $8 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily driven by an increase in the number of actively used cards and an increase in customer spend volume.

Mortgage banking net revenue

Mortgage banking net revenue decreased $8 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

The components of mortgage banking net revenue are as follows:

TABLE 8: Components of Mortgage Banking Net Revenue

($ in millions)	For the three months ended March 31, 2016	2015
Origination fees and gains on loan sales	$ **42**	44
Net mortgage servicing revenue:		
Gross mortgage servicing fees	**52**	59
MSR amortization	**(27)**	(34)
Net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge MSRs	**11**	17
Net mortgage servicing revenue	**36**	42
Mortgage banking net revenue	$ **78**	86

Origination fees and gains on loan sales decreased $2 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a $44 million or 2% decrease in residential mortgage loan originations.

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

Net mortgage servicing revenue is comprised of gross servicing fees and related MSR amortization as well as valuation adjustments on MSRs and mark-to-market adjustments on both settled and outstanding free-standing derivative financial instruments used to economically hedge the MSR portfolio. Net mortgage servicing revenue decreased $6 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to decreases in gross mortgage servicing fees and net valuation adjustments of $7 million and $6 million, respectively, partially offset by a decrease in servicing rights amortization of $7 million.

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

TABLE 9: Components of Net Valuation Adjustments on MSRs

($ in millions)	For the three months ended March 31, **2016**	2015
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	$ **96**	65
Provision for MSR impairment	**(85)**	(48)
Net valuation adjustments on MSR and free-standing derivatives entered into to economically hedge MSRs	$ **11**	17

Mortgage rates decreased during both the three months ended March 31, 2016 and 2015 which caused modeled prepayment speeds to increase which led to temporary impairment on servicing rights during both the three months ended March 31, 2016 and 2015.

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

The Bancorp s total residential mortgage loans serviced as of March 31, 2016 and 2015 were $72.3 billion and $77.4 billion, respectively, with $57.8 billion and $64.2 billion, respectively, of residential mortgage loans serviced for others.

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 10: Components of Other Noninterest Income

($ in millions)	For the three months ended March 31, 2016	2015
Valuation adjustments on the warrant associated with Vantiv Holding, LLC	$ **47**	70
Operating lease income	**24**	22
BOLI income	**13**	12
Equity method income from interest in Vantiv Holding, LLC	**13**	9
Cardholder fees	**11**	11
Gain on sale of branches	**8**	-
Consumer loan and lease fees	**5**	6
Banking center income	**5**	5
Private equity investment income	**4**	4
Insurance income	**3**	4
Net gains (losses) on disposition and impairment of bank premises and equipment	**1**	(3)
Gain (loss) on swap associated with the sale of Visa, Inc. class B shares	**1**	(17)
(Loss) gain on loan sales	**(2)**	40
Other, net	**3**	-
Total other noninterest income	$ **136**	163

Other noninterest income decreased $27 million in the first quarter of 2016 compared to the first quarter of 2015. The decrease included a positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC of $47 million for the three months ended March 31, 2016 compared to a positive valuation adjustment of $70 million for the three months ended March 31, 2015. The fair value of the stock warrant is calculated using the Black-Scholes option-pricing model, which utilizes several key inputs (Vantiv, Inc. stock price, strike price of the warrant and several unobservable inputs). The positive valuation adjustments for the three months ended March 31, 2016 and 2015 were primarily due to increases of 14% and 11%, respectively, in Vantiv, Inc. s share price from December 31, 2015 to March 31, 2016 and from December 31, 2014 to March 31, 2015. The decrease in the positive valuation adjustment in the first quarter of 2016 compared to the prior year period included the impact of the sale and exercise of a portion of the warrant during the fourth quarter of 2015. Additionally, gain on loan sales decreased $42 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a $37 million gain on the sale of residential mortgage loans classified as TDRs during the three months ended March 31, 2015.

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

The Bancorp recognized a $1 million positive valuation adjustment related to the Visa total return swap for the three months ended March 31, 2016 compared to a negative valuation adjustment of $17 million for the three months ended March 31, 2015. For additional information on the valuation of the warrant associated with the sale of Vantiv Holding, LLC and the valuation of the swap associated with the sale of Visa, Inc. Class B shares, refer to Note 20 of the Notes to Condensed Consolidated Financial Statements. The three months ended March 31, 2016 also included the impact of a $8 million gain on the sale of its retail operations, including retail accounts, certain private banking deposits and related loan relationships in the St. Louis MSA to Great Southern Bank as part of the previously announced Branch Consolidation and Sales Plan. Equity method earnings from the Bancorp s interest in Vantiv Holding, LLC increased $4 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to an increase in net income of Vantiv Holding, LLC. This increase was partially offset by a reduction in the Bancorp s interest in Vantiv Holding, LLC from 23% in the first quarter of 2015 to 18% in the first quarter of 2016.

Noninterest Expense

Noninterest expense increased $63 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to increases in personnel costs (salaries, wages and incentives plus employee benefits) and other noninterest expense.

The major components of noninterest expense are as follows:

TABLE 11: Components of Noninterest Expense

	For the three months ended March 31,		
($ in millions)	**2016**	2015	% Change
Salaries, wages and incentives	$ **403**	369	9
Employee benefits	**100**	99	1
Net occupancy expense	**77**	79	(3)
Technology and communications	**56**	55	2
Card and processing expense	**35**	36	(3)
Equipment expense	**30**	31	(3)
Other noninterest expense	**285**	254	12
Total noninterest expense	$ **986**	923	7
Efficiency ratio on an FTE basis	**63.8 %**	62.3	

Personnel costs increased $35 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily driven by a $14 million increase in retirement costs related to the voluntary early retirement program as well as increases in base and variable compensation. Full-time equivalent employees totaled 18,200 at March 31, 2016 compared to 18,471 at March 31, 2015.

The following table presents the components of other noninterest expense:

TABLE 12: Components of Other Noninterest Expense

($ in millions)		For the three months ended March 31, **2016**	2015
Impairment on affordable housing investments	$	**42**	37
FDIC insurance and other taxes		**34**	16
Marketing		**26**	27
Loan and lease		**23**	27
Losses and adjustments		**23**	14
Operating lease		**20**	18
Professional service fees		**15**	12
Travel		**12**	13
Data processing		**12**	11
Postal and courier		**11**	12
Recruitment and education		**9**	7
Provision for (benefit from) the reserve for unfunded commitments		**6**	(5)
Insurance		**4**	5
Supplies		**4**	4
Donations		**3**	8
Other, net		**41**	48
Total other noninterest expense	$	**285**	254

Other noninterest expense increased $31 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to increases in FDIC insurance and other taxes, the provision for the reserve for unfunded commitments and losses and adjustments partially offset by a decrease in donations expense.

FDIC insurance and other taxes increased $18 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a settlement of a tax liability related to prior years during the first quarter of 2015 and an increase in the FDIC insurance assessment rate due to changes in the Bancorp s asset mix as well as an increase in the assessment base. The provision for the reserve for unfunded commitments increased $11 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to an increase in estimated loss rates related to unfunded commitments. Losses and adjustments increased $9 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to the impact of legal settlements in the first quarter of 2015. Donations expense decreased $5 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to a $4 million contribution to the Fifth Third Foundation in the first quarter of 2015.

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

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 63.8% for the three months ended March 31, 2016 compared to 62.3% for the three months ended March 31, 2015.

Applicable Income Taxes

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

TABLE 13: Applicable Income Taxes

($ in millions)	For the three months ended March 31, 2016	2015
Income before income taxes	$ **435**	485
Applicable income tax expense	**108**	124
Effective tax rate	**25.0 %**	25.6

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

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees and directors. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised and where the Bancorp has not accumulated an excess tax benefit for previously exercised or released stock-based awards, the Bancorp is required to recognize a non-cash charge to income tax expense upon the write-off of the deferred tax asset previously established for these stock-based awards. As the Bancorp had an accumulated excess tax benefit at March 31, 2016 and March 31, 2015, the Bancorp was not required to recognize a non-cash charge to income tax expense related to stock-based awards for the three months ended March 31, 2016 and 2015.

Based on the Bancorp s stock price at March 31, 2016 and the amount of the Bancorp s accumulated excess tax benefit through the quarter ended March 31, 2016, the Bancorp believes it is likely that it will exhaust its accumulated excess tax benefit in the second quarter of 2016 and will therefore be required to recognize a non-cash charge to income tax expense of approximately $4 million over the next 12 months, primarily in the second quarter of 2016. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future. Therefore, it is possible the Bancorp may be required to recognize a non-cash charge to income tax expense in the future.

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

BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its commercial loans and leases based upon primary purpose and consumer loans and leases based upon product or collateral. Table 14 summarizes end of period loans and leases, including loans held for sale and Table 15 summarizes average total loans and leases, including loans held for sale.

TABLE 14: Components of Loans and Leases (including held for sale)

	March 31, 2016		December 31, 2015	
As of ($ in millions)	**Carrying Value**	**% of Total**	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 43,441**	**46**	$ 42,151	46
Commercial mortgage loans	**6,874**	**7**	6,991	7
Commercial construction loans	**3,428**	**4**	3,214	3
Commercial leases	**3,956**	**4**	3,854	4
Total commercial loans and leases	**57,699**	**61**	56,210	60
Consumer loans and leases:				
Residential mortgage loans	**14,563**	**15**	14,424	15
Home equity	**8,131**	**9**	8,336	9
Automobile loans	**11,129**	**12**	11,497	12
Credit card	**2,235**	**2**	2,360	3
Other consumer loans and leases	**651**	**1**	658	1
Total consumer loans and leases	**36,709**	**39**	37,275	40
Total loans and leases	**$ 94,408**	**100**	$ 93,485	100
Total portfolio loans and leases (excluding loans held for sale)	**$ 93,605**		$ 92,582	

Loans and leases, including loans held for sale, increased $923 million, or 1%, from December 31, 2015. The increase from December 31, 2015 was the result of a $1.5 billion, or 3%, increase in commercial loans and leases, partially offset by a $566 million, or 2%, decrease in consumer loans and leases.

Commercial loans and leases increased from December 31, 2015 primarily due to increases in commercial and industrial loans and commercial construction loans partially offset by a decrease in commercial mortgage loans. Commercial and industrial loans increased $1.3 billion, or 3%, from December 31, 2015 primarily as a result of increases in new loan origination activity and line utilization. Commercial construction loans increased $214 million, or 7%, from December 31, 2015 primarily as a result of an increase in new loan origination activity resulting from an increase in demand and targeted marketing efforts. Commercial mortgage loans decreased $117 million, or 2%, from December 31, 2015 primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Consumer loans and leases decreased from December 31, 2015 primarily due to decreases in automobile loans, home equity and credit card, partially offset by an increase in residential mortgage loans. Automobile loans decreased $368 million, or 3%, from December 31, 2015 and home equity decreased $205 million, or 2%, from December 31, 2015 as payoffs exceeded new loan production. Credit card decreased $125 million, or 5%, from December 31, 2015 primarily due to seasonal trends from the paydown of year-end balances which were higher due to holiday spending. Residential mortgage loans increased $139 million, or 1%, from December 31, 2015 primarily due to the continued retention of certain conforming ARMs and certain other fixed-rate loans originated during the three months ended March 31, 2016.

TABLE 15: Components of Average Loans and Leases (including held for sale)

	March 31, 2016		March 31, 2015	
For the three months ended ($ in millions)	**Carrying Value**	**% of Total**	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 43,127**	**46**	$ 41,462	45
Commercial mortgage loans	**6,908**	**7**	7,248	8
Commercial construction loans	**3,297**	**4**	2,198	3
Commercial leases	**3,875**	**4**	3,716	4
Total commercial loans and leases	**57,207**	**61**	54,624	60
Consumer loans and leases:				
Residential mortgage loans	**14,405**	**15**	13,515	15
Home equity	**8,241**	**9**	8,802	10
Automobile loans	**11,285**	**12**	11,933	13
Credit card	**2,277**	**2**	2,321	2
Other consumer loans and leases	**663**	**1**	464	-
Total consumer loans and leases	**36,871**	**39**	37,035	40
Total average loans and leases	**$ 94,078**	**100**	$ 91,659	100
Total average portfolio loans and leases (excluding loans held for sale)	**$ 93,275**		$ 90,508	

Average loans and leases, including loans held for sale, increased $2.4 billion, or 3%, from March 31, 2015. The increase from March 31, 2015 was the result of a $2.6 billion, or 5%, increase in average commercial loans, partially offset by a $164 million decrease in average consumer loans and leases.

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

Average commercial loans and leases increased from March 31, 2015 primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial loans increased $1.7 billion, or 4%, from March 31, 2015 primarily as a result of increases in new loan origination activity and line utilization. Average commercial construction loans increased $1.1 billion, or 50%, from March 31, 2015 primarily as a result of an increase in new loan origination activity resulting from an increase in demand and targeted marketing efforts. Average commercial mortgage loans decreased $340 million, or 5%, from March 31, 2015 primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Average consumer loans and leases decreased from March 31, 2015 primarily due to decreases in average automobile and average home equity, partially offset by increases in average residential mortgage loans and average other consumer loans and leases. Average automobile loans decreased $648 million, or 5%, from March 31, 2015 and average home equity decreased $561 million, or 6%, from March 31, 2015 as payoffs exceeded new loan production. Average residential mortgage loans increased $890 million, or 7%, from March 31, 2015 primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans. Average other consumer loans and leases increased $199 million, or 43%, from March 31, 2015 primarily as a result of an increase in new loan origination activity.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing liquidity support and providing collateral for pledging purposes. Total investment securities were $30.4 billion and $29.5 billion at March 31, 2016 and December 31, 2015, respectively. The taxable investment securities portfolio had an effective duration of 4.8 years at March 31, 2016 compared to 5.1 years at December 31, 2015.

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

At March 31, 2016, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. Securities classified as below investment grade were immaterial as of March 31, 2016 and December 31, 2015. The Bancorp s management has evaluated the securities in an unrealized loss position in the available-for-sale and held-to-maturity portfolios for OTTI. The Bancorp recognized $2 million and $1 million of OTTI on its available-for sale and other debt securities, included in securities gains, net, in the Condensed Consolidated Statements of Income during the three months ended March 31, 2016 and 2015, respectively. The Bancorp recognized $1 million of OTTI on its available-for-sale equity securities, included in securities gains, net, in the Condensed Consolidated Statements of Income during the three months ended March 31, 2016. The Bancorp did not recognize OTTI on its held-to-maturity debt securities during the three months ended March 31, 2016. The Bancorp did not recognize OTTI on any of its available-for-sale equity securities or its held-to-maturity debt securities during the three months ended March 31, 2015.

TABLE 16: Components of Investment Securities

As of ($ in millions)		**March 31, 2016**	December 31, 2015
Available-for-sale and other securities: (amortized cost basis)			
U.S. Treasury and federal agencies securities	$	**1,131**	1,155
Obligations of states and political subdivisions securities		**50**	50
Mortgage-backed securities:			
Agency residential mortgage-backed securities[(a)]		**14,586**	14,811
Agency commercial mortgage-backed securities		**7,837**	7,795
Non-agency commercial mortgage-backed securities		**3,005**	2,801
Asset-backed securities and other debt securities		**1,526**	1,363
Equity securities[(b)]		**703**	703
Total available-for-sale and other securities	$	**28,838**	28,678
Held-to-maturity securities: (amortized cost basis)			
Obligations of states and political subdivisions securities	$	**62**	68
Asset-backed securities and other debt securities		**2**	2
Total held-to-maturity securities	$	**64**	70
Trading securities: (fair value)			
U.S. Treasury and federal agencies securities	$	**18**	19
Obligations of states and political subdivisions securities		**54**	9
Mortgage-backed securities:			
Agency residential mortgage-backed securities		**5**	6
Agency commercial mortgage-backed securities		**1**	-
Asset-backed securities and other debt securities		**23**	19
Equity securities		**304**	333
Total trading securities	$	**405**	386

(a) *Includes interest-only mortgage-backed securities of **$41** and $50 as of **March 31, 2016** and December 31, 2015, respectively, recorded at fair value with fair value changes recorded in securities gains, net in the Condensed Consolidated Statements of Income.*

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

Table of Contents

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

On an amortized cost basis, available-for-sale and other securities increased $160 million, or 1%, from December 31, 2015 primarily due to increases in non-agency commercial mortgage-backed securities and asset-backed securities and other debt securities, partially offset by a decrease in agency residential mortgage-backed securities.

On an amortized cost basis, available-for-sale and other securities were 23% of total interest-earning assets at both March 31, 2016 and December 31, 2015. The estimated weighted-average life of the debt securities in the available-for-sale and other portfolio was 6.0 years at March 31, 2016 compared to 6.4 years at December 31, 2015. In addition, at March 31, 2016, the available-for-sale and other securities portfolio had a weighted-average yield of 3.21%, compared to 3.19% at December 31, 2015.

Information presented in Table 17 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using amortized cost balances. Maturity and yield calculations for the total available-for-sale and other portfolio exclude equity securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale and other securities portfolio were $1.1 billion at March 31, 2016 compared to $366 million at December 31, 2015. The increase from December 31, 2015 was primarily due to a decrease in interest rates during the three months ended March 31, 2016. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally increases when interest rates decrease or when credit spreads contract.

TABLE 17: Characteristics of Available-for-Sale and Other Securities

As of March 31, 2016 ($ in millions)		Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:					
Average life of 1 year or less	$	572	582	0.5	3.82 %
Average life 1 5 years		559	579	1.7	3.73
Total	$	1,131	1,161	1.1	3.77 %
Obligations of states and political subdivisions securities:[(a)]					
Average life of 1 year or less		15	14	0.5	0.01
Average life 1 5 years		1	1	1.9	5.80
Average life 5 10 years		34	37	7.0	3.93
Total	$	50	52	5.1	2.80 %
Agency residential mortgage-backed securities:					
Average life of 1 year or less		151	163	0.9	4.11
Average life 1 5 years		6,561	6,792	3.6	3.39
Average life 5 10 years		7,312	7,577	6.0	3.18
Average life greater than 10 years		562	597	12.2	3.48
Total	$	14,586	15,129	5.1	3.30 %

Agency commercial mortgage-backed securities:				
Average life 1 5 years	1,128	1,183	4.2	3.12
Average life 5 10 years	6,512	6,815	8.1	3.00
Average life greater than 10 years	197	207	12.2	3.20
Total	$ 7,837	8,205	7.7	3.02 %
Non-agency commercial mortgage-backed securities:				
Average life of 1 year or less	86	87	0.3	4.14
Average life 1 5 years	501	517	3.2	3.32
Average life 5 10 years	2,418	2,516	8.1	3.27
Total	$ 3,005	3,120	7.0	3.30 %
Asset-backed securities and other debt securities:				
Average life of 1 year or less	40	41	0.9	3.67
Average life 1 5 years	657	660	2.9	3.03
Average life 5 10 years	341	330	8.0	2.73
Average life greater than 10 years	488	489	13.8	2.19
Total	$ 1,526	1,520	7.5	2.71 %
Equity securities	703	704		
Total available-for-sale and other securities	$ 28,838	29,891	6.0	3.21 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.00%, 0.24%, 2.14% and 1.49% for securities with an average life of 1 year or less, 1-5 years, 5-10 years and in total, respectively.

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

Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 70% and 71% of the Bancorp s asset funding base at March 31, 2016 and December 31, 2015, respectively.

TABLE 18: Components of Deposits

	March 31, 2016		December 31, 2015	
As of ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Demand	**$ 35,858**	**35**	$ 36,267	35
Interest checking	**25,182**	**25**	26,768	26
Savings	**14,738**	**14**	14,601	14
Money market	**19,377**	**19**	18,494	18
Foreign office	**441**	**-**	464	-
Transaction deposits	**95,596**	**93**	96,594	93
Other time	**4,049**	**4**	4,019	4
Core deposits	**99,645**	**97**	100,613	97
Certificates $100,000 and over[(a)]	**2,830**	**3**	2,592	3
Total deposits	**$ 102,475**	**100**	$ 103,205	100

*(a) Includes **$1,381** and $1,449 of certificates $250,000 and over at **March 31, 2016** and December 31, 2015, respectively.*

Core deposits decreased $968 million, or 1%, from December 31, 2015 driven primarily by a decrease of $998 million, or 1%, in transaction deposits. Transaction deposits decreased from December 31, 2015 primarily due to decreases in interest checking deposits and demand deposits, partially offset by increases in money market deposits and savings deposits. Interest checking deposits decreased $1.6 billion, or 6%, from December 31, 2015 driven primarily by lower balances per account for commercial customers. Demand deposits decreased $409 million, or 1%, from December 31, 2015 primarily due to uninvested trust funds held in demand deposit accounts at December 31, 2015 that were invested into non-deposit products during the first quarter of 2016. Money market deposits increased $883 million, or 5%, from December 31, 2015 driven primarily by a promotional product offering during the first quarter of 2016 and higher balances for existing customers. Savings deposits increased $137 million, or 1%, from December 31, 2015. The Bancorp uses certificates $100,000 and over as a method to fund earning assets. Certificates $100,000 and over increased $238 million, or 9%, from December 31, 2015 primarily due to the issuance of institutional certificates of deposit during the three months ended March 31, 2016.

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

TABLE 19: Components of Average Deposits

	March 31, 2016		March 31, 2015	
($ in millions)	**Balance**	**% of Total**	Balance	% of Total

Demand	**$**	**35,201**	**35**	$	33,760	33
Interest checking		**25,740**	**26**		26,885	27
Savings		**14,601**	**14**		15,174	15
Money market		**18,655**	**18**		17,492	17
Foreign office		**483**	**-**		861	1
Transaction deposits		**94,680**	**93**		94,172	93
Other time		**4,035**	**4**		4,022	4
Core deposits		**98,715**	**97**		98,194	97
Certificates $100,000 and over[(a)]		**2,815**	**3**		2,683	3
Total average deposits	**$**	**101,530**	**100**	$	100,877	100

*(a) Includes **$1,395** and $1,501 of average certificates $250,000 and over for the three months ended **March 31, 2016** and 2015, respectively.*

On an average basis, core deposits increased $521 million, or 1%, from March 31, 2015 primarily due to an increase of $508 million, or 1%, in average transaction deposits. The increase in average transaction deposits was driven by increases in average demand deposits and average money market deposits, partially offset by decreases in average interest checking deposits, average savings deposits and average foreign office deposits. Average demand deposits increased $1.4 billion, or 4%, from March 31, 2015 primarily due to increases in average commercial and consumer account balances. Average money market deposits increased $1.2 billion, or 7%, primarily due to higher customer balances per commercial customer account and the acquisition of new commercial customers. The remaining increase was driven by a promotional product offering which drove balance migration from savings deposits which decreased $573 million, or 4%, compared to March 31, 2015. Average interest checking deposits decreased $1.1 billion, or 4%, from March 31, 2015 primarily due to a decrease in average commercial customer balances per account. Average foreign office deposits decreased $378 million, or 44%, from March 31, 2015 primarily due to lower average balances per account. Average certificates $100,000 and over increased $132 million, or 5%, from March 31, 2015 primarily due to the previously mentioned issuance of institutional certificates of deposit during the three months ended March 31, 2016.

Table of Contents

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

Contractual maturities

The contractual maturities of certificates $100,000 and over as of March 31, 2016 are summarized in the following table:

TABLE 20: Contractual Maturities of Certificates $100,000 and over

($ in millions)		
Next 3 months	$	311
3-6 months		508
6-12 months		243
After 12 months		1,768
Total certificates $100,000 and over	$	2,830

The contractual maturities of other time deposits and certificates $100,000 and over as of March 31, 2016 are summarized in the following table:

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

($ in millions)		
Next 12 months	$	2,531
13-24 months		1,783
25-36 months		487
37-48 months		1,371
49-60 months		684
After 60 months		23
Total other time deposits and certificates $100,000 and over	$	6,879

Borrowings

Total borrowings increased $1.5 billion, or 9%, from December 31, 2015. Table 22 summarizes the end of period components of total borrowings. As of March 31, 2016, total borrowings as a percent of interest-bearing liabilities were 22% compared to 21% at December 31, 2015.

TABLE 22: Components of Borrowings

As of ($ in millions)		**March 31, 2016**	December 31, 2015
Federal funds purchased	**$**	**134**	151
Other short-term borrowings		**3,523**	1,507
Long-term debt		**15,305**	15,810

Total borrowings	$	**18,962**	17,468

Other short-term borrowings increased $2.0 billion from December 31, 2015 primarily driven by an increase of $2.0 billion in FHLB short-term borrowings. The level of other short-term borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. For further information on the components of other short-term borrowings, refer to Note 12 of the Notes to Condensed Consolidated Financial Statements. Long-term debt decreased $505 million, or 3%, from December 31, 2015 primarily driven by the maturity of $1.7 billion of unsecured senior bank notes and $385 million of pay-downs on long-term debt associated with automobile loan securitizations, partially offset by issuances in the first quarter of 2016 of $750 million of unsecured senior fixed-rate bank notes and $750 million of unsecured subordinated fixed-rate bank notes. For additional information regarding automobile securitizations and long-term debt, refer to Note 9 and Note 13, respectively, of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 23: Components of Average Borrowings

($ in millions)		**March 31, 2016**	March 31, 2015
Federal funds purchased	$	**608**	172
Other short-term borrowings		**3,564**	1,602
Long-term debt		**14,949**	14,414
Total average borrowings	$	**19,121**	16,188

Total average borrowings increased $2.9 billion, or 18%, compared to March 31, 2015, primarily due to a $2.0 billion increase in average other short-term borrowings and a $535 million increase in average long-term debt due to the aforementioned activities, coupled with a $436 million increase in average federal funds purchased. The level of average federal funds purchased can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Information on the average rates paid on borrowings is discussed in the Net Interest Income subsection of the Statements of Income Analysis section of MD&A. In addition, refer to the Liquidity Risk Management subsection of the Risk Management section of MD&A for a discussion on the role of borrowings in the Bancorp s liquidity management.

Table of Contents

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

BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. Additional information on each business segment is included in Note 21 of the Notes to Condensed Consolidated Financial Statements. Results of the Bancorp s business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp s business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management s accounting practices or businesses change.

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

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities and by the review of the estimated durations for the indeterminate-lived deposits. The credit rate provided for demand deposit accounts is reviewed annually based upon the account type, its estimated duration and the corresponding federal funds, U.S. swap curve or swap rate. The credit rates for several deposit products were reset January 1, 2016 to reflect the current market rates and updated market assumptions. These rates were generally higher than those in place during 2015, thus net interest income for deposit-providing businesses was positively impacted during 2016. FTP charge rates on assets were affected by the prevailing level of interest rates and by the duration and repricing characteristics of the portfolio. As overall market rates increased, the FTP charge increased for asset-generating businesses, thus negatively affecting net interest income during 2016.

During the first quarter of 2016, the Bancorp refined its methodology for allocating provision expense to the business segments to include charges or benefits associated with changes in criticized commercial loan levels in addition to actual net charge-offs experienced by the loans and leases owned by each business segment. The results of operations and financial position for the three months ended March 31, 2015 were adjusted to reflect this change. Provision expense attributable to loan and lease growth and changes in ALLL factors are captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Additionally, the business segments form synergies by taking advantage of cross-sell opportunities and when funding operations by accessing the capital markets as a collective unit.

The results of operations and financial position for the three months ended March 31, 2015 were adjusted to reflect changes in internal expense allocation methodologies.

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

TABLE 24: Net Income (Loss) by Business Segment

		For the three months ended March 31,	
($ in millions)		**2016**	2015
Income Statement Data			
Commercial Banking	**$**	**211**	163
Branch Banking		**110**	72
Consumer Lending		**8**	47
Investment Advisors		**23**	13
General Corporate and Other		**(25)**	66
Net income		**327**	361
Less: Net income attributable to noncontrolling interests		**-**	-
Net income attributable to Bancorp		**327**	361
Dividends on preferred stock		**15**	15
Net income available to common shareholders	**$**	**312**	346

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

Commercial Banking

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

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

TABLE 25: Commercial Banking

	For the three months ended March 31,		
($ in millions)		**2016**	2015
Income Statement Data			
Net interest income (FTE)[(a)]	$	**457**	397
Provision for loan and lease losses		**65**	42
Noninterest income:			
Corporate banking revenue		**102**	62
Service charges on deposits		**73**	70
Other noninterest income		**48**	42
Noninterest expense:			
Personnel costs		**80**	80
Other noninterest expense		**283**	268
Income before income taxes		**252**	181
Applicable income tax expense[(a)(b)]		**41**	18
Net income	$	**211**	163
Average Balance Sheet Data			
Commercial loans and leases, including held for sale	$	**54,071**	51,481
Demand deposits		**20,414**	19,959
Interest checking deposits		**8,975**	9,245
Savings and money market deposits		**6,733**	6,053
Other time deposits and certificates $100,000 and over		**1,126**	1,337
Foreign office deposits		**482**	852

*(a) Includes FTE adjustments of **$6** and $5 for the three months ended **March 31, 2016** and 2015, respectively.*

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

Net income was $211 million for the three months ended March 31, 2016 compared to net income of $163 million for the three months ended March 31, 2015. The increase in net income was driven by increases in net interest income and noninterest income partially offset by increases in the provision for loan and leases losses and noninterest expense.

Net interest income on an FTE basis increased $60 million for the three months ended March 31, 2016 compared to the same period in the prior year. The increase was driven primarily by an increase in average commercial loan and lease balances as well as an increase in their yields of 8 bps. The increase in net interest income was also due to an increase in FTP credit rates on core deposits. These increases for the three months ended March 31, 2016 compared to the same period in the prior year were partially offset by an increase in FTP charge rates on loans and leases.

Provision for loan and lease losses increased $23 million for the three months ended March 31, 2016 compared to the same period in the prior year due to an increase in charge-offs of commercial and industrial loans, primarily in the energy portfolio and related to oil field services loans and an increase in criticized commercial loans. Net charge-offs as a percent of average portfolio loans and leases increased to 37 bps for the three months ended March 31, 2016 compared to 26 bps for the same period in the prior year.

Noninterest income increased $49 million for the three months ended March 31, 2016 compared to the same period in the prior year as a result of increases in corporate banking revenue, other noninterest income and service charges on deposits. Corporate banking revenue increased $40 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily driven by a $30 million impairment charge related to operating lease equipment that was recognized during the first quarter of 2015. The increase was also driven by increases in syndication fees as a result of increased activity in the market, partially offset by decreases in foreign exchange fees and letter of credit fees compared to the same period in the prior year. Other noninterest income increased $6 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to increases in card and processing revenue and operating lease income. Service charges on deposits increased $3 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to the acquisition of new customers.

Noninterest expense increased $15 million for the three months ended March 31, 2016 compared to the same period in the prior year driven by an increase in other noninterest expense. The increase in other noninterest expense was primarily driven by increases in corporate overhead allocations and impairment on affordable housing investments, partially offset by a decrease in expenses related to OREO.

Table of Contents

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

Average commercial loans increased $2.6 billion for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial loans increased $1.7 billion for the three months ended March 31, 2016 compared to the same period in the prior year primarily as a result of an increase in new loan origination activity and line utilization. Average commercial construction loans increased $1.1 billion for the three months ended March 31, 2016 compared to the same period in the prior year primarily as a result of an increase in new loan origination activity resulting from an increase in demand and targeted marketing efforts. Average commercial mortgage loans decreased $314 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Average core deposits increased $489 million for the three months ended March 31, 2016 compared to the same period in the prior year. The increase was primarily driven by increases in average savings and money market deposits and average demand deposits which increased $680 million and $455 million, respectively, for the three months ended March 31, 2016 compared to the same period in the prior year. These increases were partially offset by decreases in average foreign deposits and average interest checking deposits of $370 million and $270 million, respectively, for the three months ended March 31, 2016 compared to the same period in the prior year.

Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,241 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 26: Branch Banking

		For the three months ended March 31,	
($ in millions)		**2016**	2015
Income Statement Data			
Net interest income	$	**426**	377
Provision for loan and lease losses		**34**	42
Noninterest income:			
Service charges on deposits		**64**	65
Card and processing revenue		**61**	55
Investment advisory revenue		**35**	39
Other noninterest income		**29**	17
Noninterest expense:			

Personnel costs		**132**	135
Net occupancy and equipment expense		**59**	61
Card and processing expense		**34**	34
Other noninterest expense		**186**	170
Income before income taxes		**170**	111
Applicable income tax expense		**60**	39
Net income	$	**110**	72
Average Balance Sheet Data			
Consumer loans, including held for sale	$	**13,903**	14,657
Commercial loans, including held for sale		**1,946**	1,990
Demand deposits		**13,131**	12,185
Interest checking deposits		**9,430**	9,112
Savings and money market deposits		**25,326**	25,530
Other time deposits and certificates $100,000 and over		**5,210**	5,054

Net income was $110 million for the three months ended March 31, 2016 compared to net income of $72 million for the three months ended March 31, 2015. The increase was driven by increases in net interest income and noninterest income as well as a decrease in the provision for loan and lease losses partially offset by an increase in noninterest expense.

Net interest income increased $49 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to an increase in FTP credit rates on core deposits and a decrease in interest expense on core deposits driven by a decrease in the rates paid. These benefits were partially offset by a decrease in interest income on residential mortgage loans and home equity loans driven by a decline in average balances and a decrease in interest income on other consumer loans driven by a decline in yields. Additionally, net interest income was impacted by an increase in FTP charge rates on loans and leases.

Provision for loan and lease losses decreased $8 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 89 bps for the three months ended March 31, 2016 compared to 103 bps for the same period in the prior year.

Noninterest income increased $13 million for the three months ended March 31, 2016 compared to the same period in the prior year. The increase was primarily driven by increases in other noninterest income and card and processing revenue partially offset by a decrease in investment advisory revenue.

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

Other noninterest income increased $12 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily driven by a gain of $8 million on the sale of certain St. Louis branches as part of the previously announced Branch Consolidation and Sales Plan and an increase in gains on the disposition of other fixed assets. Card and processing revenue increased $6 million for the three months ended March 31, 2016 compared to the same period in the prior year as a result of an increase in the number of actively used cards and an increase in customer spend volume. Investment advisory revenue decreased $4 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a decrease in transactional securities and brokerage fees driven by lower sales and trading volume.

Noninterest expense increased $11 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily driven by an increase in other noninterest expense partially offset by decreases in personnel costs and net occupancy and equipment expense. Other noninterest expense increased $16 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily driven by an increase in corporate overhead allocations. Personnel costs decreased $3 million for the three months ended March 31, 2016 compared to the same period in the prior year driven by a decrease in base compensation. Net occupancy and equipment expense decreased $2 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a decrease in rent expense driven by a reduction in the number of full-service banking centers and ATM locations.

Average consumer loans decreased $754 million for the three months ended March 31, 2016 compared to the same period in the prior year. The decrease was primarily driven by decreases in average home equity loans and average residential mortgage loans of $461 million and $247 million, respectively, for the three months ended March 31, 2016 compared to the same period in the prior year as payoffs exceeded new loan production. Average commercial loans decreased $44 million for the three months ended March 31, 2016 compared to the same period in the prior year. The decrease was primarily driven by decreases in average commercial mortgage loans and average commercial and industrial loans of $28 million and $12 million, respectively, for the three months ended March 31, 2016 compared to the same period in the prior year as payoffs exceeded new loan production.

Average core deposits increased $1.1 billion for the three months ended March 31, 2016 compared to the same period in the prior year primarily driven by growth in average demand deposits and average interest checking deposits of $946 million and $318 million, respectively, due to an increase in average balances per customer account.

Consumer Lending

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

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

TABLE 27: Consumer Lending

($ in millions)		For the three months ended March 31, 2016	2015
Income Statement Data			
Net interest income	$	**60**	63
Provision for loan and lease losses		**12**	14
Noninterest income:			
Mortgage banking net revenue		**77**	85
Other noninterest income		**6**	44
Noninterest expense:			
Personnel costs		**48**	45
Other noninterest expense		**70**	60
Income before income taxes		**13**	73
Applicable income tax expense		**5**	26
Net income	$	**8**	47
Average Balance Sheet Data			
Residential mortgage loans, including held for sale	$	**9,836**	9,032
Home equity		**384**	452
Automobile loans		**10,772**	11,422
Other consumer loans, including held for sale		-	24

Net income was $8 million for the three months ended March 31, 2016 compared to net income of $47 million for the three months ended March 31, 2015. The decrease was driven by decreases in noninterest income and net interest income as well as an increase in noninterest expense partially offset by a decrease in the provision for loan and lease losses.

Net interest income decreased $3 million for the three months ended March 31, 2016 compared to the same period in the prior year. The decrease was primarily driven by a decrease in average automobile loan balances and a decrease in the yields on average residential mortgage loans partially offset by an increase in average residential mortgage loan balances.

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

Provision for loan and lease losses decreased $2 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to improved delinquency metrics on residential mortgage loans. Net charge-offs as a percent of average portfolio loans and leases decreased to 23 bps for the three months ended March 31, 2016 compared to 29 bps for the same period in the prior year.

Noninterest income decreased $46 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to decreases in other noninterest income and mortgage banking net revenue. Other noninterest income decreased $38 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a $37 million gain on the sale of held for sale residential mortgage loans classified as TDRs in the first quarter of 2015. Mortgage banking net revenue decreased $8 million for the three months ended March 31, 2016 compared to the same period in the prior year. The decrease was due to a $2 million decrease in mortgage origination fees and gains on loan sales and a $6 million decrease in net mortgage servicing revenue. Refer to the Noninterest Income section of MD&A for additional information on the fluctuations in mortgage banking net revenue.

Noninterest expense increased $13 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily driven by an increase in other noninterest expense. Other noninterest expense increased $10 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to the impact of legal settlements in the first quarter of 2015 and an increase in corporate overhead allocations.

Average consumer loans and leases increased $62 million for the three months ended March 31, 2016 compared to the same period in the prior year. Average residential mortgage loans increased $804 million compared to the same period in the prior year primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans. Average automobile loans decreased $650 million for the three months ended March 31, 2016 compared to the same period in the prior year as payoffs exceeded new loan production.

Investment Advisors

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

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

TABLE 28: Investment Advisors

	For the three months ended

($ in millions)		March 31, 2016	2015
Income Statement Data			
Net interest income	$	**43**	29
Provision for loan and lease losses		**-**	1
Noninterest income:			
Investment advisory revenue		**99**	105
Other noninterest income		**1**	2
Noninterest expense:			
Personnel costs		**45**	44
Other noninterest expense		**62**	71
Income before income taxes		**36**	20
Applicable income tax expense		**13**	7
Net income	$	**23**	13
Average Balance Sheet Data			
Loans and leases, including held for sale	$	**3,067**	2,500
Core deposits		**8,864**	9,791

Net income was $23 million for the three months ended March 31, 2016 compared to net income of $13 million for the same period in the prior year. The increase in net income was primarily due to an increase in net interest income and a decrease in noninterest expense partially offset by a decrease in noninterest income.

Net interest income increased $14 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to an increase in FTP credit rates on core deposits and an increase in interest income on loans and leases driven by an increase in average balances. The increase in net interest income was partially offset by an increase in FTP charges due to an increase in average loan balances and an increase in FTP charge rates on loans and leases.

Noninterest income decreased $7 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a $6 million decrease in investment advisory revenue driven by a $4 million decrease in transactional securities and brokerage fees driven by lower sales and trading volume and a $2 million decrease in private client service fees due to a decrease in personal asset management fees.

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

Noninterest expense decreased $8 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a decrease in other noninterest expense driven by decreases in both corporate overhead allocations and operational losses.

Average loans and leases increased $567 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to increases in average residential mortgage loans and average other consumer loans driven by an increase in new loan origination activity. Average core deposits decreased $927 million for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a decrease in average interest checking balances partially offset by increases in average savings and money market deposits and average demand deposits.

General Corporate and Other

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

Net interest income decreased $63 million for the three months ended March 31, 2016 compared to the same period in the prior year. The decrease was primarily driven by an increase in FTP credits on deposits allocated to business segments driven by increases in average deposits and an increase in interest expense on long-term debt. The decrease in net interest income was partially offset by an increase in interest income on taxable securities and an increase in the benefit related to the FTP charges on loans and leases. Results for the three months ended March 31, 2016 were impacted by $8 million of unallocated provision expense compared to a benefit of $30 million for the three months ended March 31, 2015.

Noninterest income decreased $7 million for the three months ended March 31, 2016 compared to the same period in the prior year. The decrease in noninterest income included the impact of the positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC of $47 million for the three months ended March 31, 2016 compared to the positive valuation adjustment of $70 million for the three months ended March 31, 2015. The decrease was partially offset by a $4 million increase in equity method earnings from the Bancorp s interest in Vantiv Holding, LLC. Additionally, noninterest income included a $1 million positive valuation adjustment related to the Visa total return swap for the three months ended March 31, 2016 compared to a negative valuation adjustment of $17 million for the three months ended March 31, 2015.

Noninterest expense for the three months ended March 31, 2016 was an expense of $20 million compared to a benefit of $7 million for the three months ended March 31, 2015. The increase was primarily due to an increase in personnel costs, an increase in the provision for the reserve for unfunded commitments and an increase in FDIC insurance and other taxes. The increase was partially offset by an increase in corporate overhead allocations from General Corporate and Other to the other business segments.

27

Table of Contents

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

RISK MANAGEMENT OVERVIEW

Managing risk is an essential component of successfully operating a financial services company. The Bancorp s risk management approach includes processes for identifying, assessing, managing, monitoring and reporting risks. The ERM division, led by the Bancorp s Chief Risk Officer, ensures the consistency and adequacy of the Bancorp s risk management approach within the structure of the Bancorp s operating model. Management within the lines of business and support functions assess and manage risks associated with their activities and determine if actions need to be taken to strengthen risk management or reduce risk given their risk profile. They are responsible for considering risk when making business decisions and for integrating risk management into business processes. In addition, the Internal Audit division provides an independent assessment of the Bancorp s internal control structure and related systems and processes.

The assumption of risk requires robust and active risk management practices that comprise an integrated and comprehensive set of activities, measures and strategies that apply to the entire organization. The Bancorp has established a Risk Appetite Framework, approved by the Board, that provides the foundations of corporate risk capacity, risk appetite and risk tolerances. The Bancorp s risk capacity is represented by its available financial resources. Risk capacity sets an absolute limit on risk-assumption in the Bancorp s annual and strategic plans. The Bancorp understands that not all financial resources may persist as viable loss buffers over time. Further, consideration must be given to regulatory capital buffers required per Capital Policy Targets that would reduce risk capacity. Those factors take the form of capacity adjustments to arrive at an Operating Risk Capacity which represents the operating risk level the Bancorp can assume while maintaining its solvency standard. The Bancorp s policy currently discounts its Operating Risk Capacity by a minimum of 5% to provide a buffer; as a result, the Bancorp s risk appetite is limited by policy to, at most, 95% of its Operating Risk Capacity.

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

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

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

- ERM is responsible for developing and overseeing the implementation of risk programs and reporting that facilitate a broad integrated view of risk. The department also leads the continual fostering of a strong risk management culture and the framework, policies and committees that support effective risk governance, including the oversight of Sarbanes-Oxley compliance;
- Credit Risk Management is responsible for overseeing the safety and soundness of the commercial and consumer loan portfolio within an independent portfolio management framework that supports the Bancorp s loan growth strategies and underwriting practices, ensuring portfolio optimization and appropriate risk controls. Credit Risk Management is also responsible for the economic capital program and quantitative analytics to support the commercial portfolio and risk rating models, ALLL methodology and analytics needed to assess credit risk and develop mitigation strategies related to that risk. The department also provides oversight, reporting and monitoring of commercial and consumer underwriting and credit administration processes;
- Operational Risk Management works with lines of business and regional management to maintain processes to monitor and manage all aspects of operational risk, including vendors and information security to ensure consistency in application of operational risk programs;
- Bank Protection oversees and manages fraud prevention and detection and provides investigative and recovery services for the Bancorp;
- Capital Markets Risk Management is responsible for instituting, monitoring, and reporting appropriate trading limits within the Capital Markets groups and monitoring liquidity, interest rate risk and risk tolerances resulting from management of Fifth Third s overall balance sheet;
- Regulatory Compliance Risk Management provides independent oversight to ensure than an enterprise-wide framework, including processes and procedures, are in place to comply with applicable laws, regulations, rules and other regulatory requirements; internal policies and procedures; and principles of integrity and fair dealing applicable to the Bancorp s activities and functions. The Bancorp focuses on managing regulatory compliance risk in accordance with the Bancorp s integrated risk management framework, which ensures consistent processes for indentifying, assessing, managing, monitoring and reporting risks; and
- The ERM division creates and maintains other functions, committees or processes as are necessary to effectively oversee risk management throughout the Bancorp.

Risk management oversight and governance is provided by the Risk and Compliance Committee of the Board of Directors and through multiple management committees whose membership includes a broad cross-section of line-of-business, regional market and support representatives. The Risk and Compliance Committee of the Board of Directors consists of five outside directors and has the responsibility for the oversight of risk management for the Bancorp, as well as for the Bancorp s overall aggregate risk profile. The Risk and Compliance Committee of the Board of Directors has approved the formation of key management governance committees that are responsible for evaluating risks and controls.

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

The primary committee responsible for the oversight of risk management is the ERMC. Committees accountable to the ERMC, which support the core risk programs, are the Corporate Credit Committee, the Operational Risk Committee, the Management Compliance Committee, the Asset/Liability Committee and the Enterprise Marketing Committee. Other committees accountable to the ERMC oversee the ALLL, capital, model risk and regulatory change management functions. There is also a risk assessment process applicable to every line of business to ensure an appropriate standard readiness assessment is performed before launching a new or changing product or initiative. Significant risk policies approved by the management governance committees are also reviewed and approved by the Risk and Compliance Committee of the Board of Directors.

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

CREDIT RISK MANAGEMENT

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

The following tables provide a summary of potential problem portfolio loans and leases:

TABLE 29: Potential Problem Portfolio Loans and Leases

As of March 31, 2016 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	**$**	**1,455**	**1,457**	**2,067**
Commercial mortgage loans		**166**	**166**	**168**
Commercial construction loans		**1**	**1**	**1**
Commercial leases		**29**	**29**	**30**
Total potential problem portfolio loans and leases	**$**	**1,651**	**1,653**	**2,266**

TABLE 30: Potential Problem Portfolio Loans and Leases

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

In addition to the individual review of larger commercial loans that exhibit probable or observed credit weaknesses, the commercial credit review process includes the use of two risk grading systems. The risk grading system currently utilized for reserve analysis purposes encompasses ten categories. The Bancorp also maintains a dual risk rating system for credit approval and pricing, portfolio monitoring and capital allocation that includes a through-the-cycle rating philosophy for assessing a borrower s creditworthiness. The dual risk rating system includes thirteen probabilities of default grade categories and an additional six grade categories for estimating losses given an event of default. The probability of default and loss given default evaluations are not separated in the ten-category risk rating system. The Bancorp has completed significant validation and testing of the dual risk rating system as a commercial credit risk management tool. The Bancorp is assessing the necessary modifications to the dual risk rating system outputs to develop a U.S. GAAP compliant ALLL model and will make a decision on the use of modified dual risk ratings for purposes of determining the Bancorp s ALLL once the FASB has issued a final standard regarding proposed methodology changes to the determination of credit impairment as outlined in the FASB s Proposed ASU *Financial Instruments Credit Losses* (Subtopic 825-15) issued on December 20, 2012. Scoring systems, various analytical tools and portfolio performance monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

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

Economic Overview

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

Commercial Portfolio

The Bancorp s credit risk management strategy includes minimizing concentrations of risk through diversification. The Bancorp has commercial loan concentration limits based on industry, lines of business within the commercial segment, geography and credit product type. The risk within the commercial loan and lease portfolio is managed and monitored through an underwriting process utilizing detailed origination policies, continuous loan level reviews, monitoring of industry concentration and product type limits and continuous portfolio risk management reporting.

The origination policies for commercial real estate outline the risks and underwriting requirements for owner and nonowner-occupied and construction lending. Included in the policies are maturity and amortization terms, maximum LTVs, minimum debt service coverage ratios, construction loan monitoring procedures, appraisal requirements, pre-leasing requirements (as applicable), sensitivity and pro-forma analysis requirements and interest rate sensitivity. The Bancorp requires a valuation of real estate collateral, which may include third-party appraisals, be performed at the time of origination and renewal in accordance with regulatory requirements and on an as needed basis when market conditions justify. Although the Bancorp does not back test these collateral value assumptions, the Bancorp maintains an appraisal review department to order and review third-party appraisals in accordance with regulatory requirements. Collateral values on criticized assets with relationships exceeding $1 million are reviewed quarterly to assess the appropriateness of the value ascribed in the assessment of charge-offs and specific reserves. In addition, the Bancorp applies incremental valuation adjustments to older appraisals that relate to collateral dependent loans, which can currently be up to 20-30% of the appraised value based on the type of collateral. These incremental valuation adjustments generally reflect the age of the most recent appraisal as well as collateral type. Trends in collateral values, such as home price indices and recent asset dispositions, are monitored in order to determine whether changes to the appraisal adjustments are warranted. Other factors such as local market conditions or location may also be considered as necessary.

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

TABLE 31: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of March 31, 2016 ($ in millions)		LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$**	**116**	**256**	**1,989**
Commercial mortgage nonowner-occupied loans		**118**	**188**	**2,136**
Total	**$**	**234**	**444**	**4,125**

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

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

Table of Contents

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

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

TABLE 33: Commercial Loan and Lease Portfolio (excluding loans held for sale)

	March 31, 2016			December 31, 2015		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Manufacturing	$ **11,192**	**20,904**	**92**	10,572	20,422	70
Real estate	**6,728**	**10,638**	**45**	6,494	10,293	40
Financial services and insurance	**5,782**	**12,499**	**3**	5,896	13,021	3
Healthcare	**4,710**	**6,808**	**32**	4,676	6,879	22
Business services	**4,584**	**7,002**	**74**	4,471	6,765	96
Wholesale trade	**4,091**	**7,321**	**17**	4,082	7,254	23
Retail trade	**3,874**	**7,414**	**6**	3,764	7,391	8
Transportation and warehousing	**3,230**	**4,661**	**1**	3,111	4,619	1
Communication and information	**3,110**	**5,350**	**1**	2,913	5,052	2
Accommodation and food	**2,632**	**4,205**	**5**	2,507	4,104	6
Construction	**1,858**	**3,403**	**6**	1,871	3,403	8
Mining	**1,481**	**2,496**	**239**	1,499	2,695	36
Entertainment and recreation	**1,395**	**2,311**	**4**	1,210	2,066	4
Utilities	**1,246**	**2,786**	**-**	1,217	2,854	-
Other services	**825**	**1,074**	**7**	864	1,188	10
Public administration	**474**	**517**	**-**	495	562	-
Agribusiness	**355**	**502**	**4**	368	527	4
Individuals	**111**	**155**	**2**	139	187	2
Other	**3**	**7**	**5**	7	6	6
Total	$ **57,681**	**100,053**	**543**	56,156	99,288	341
By Loan Size:						
Less than $200,000	**1 %**	**1**	**4**	1	1	7
$200,000 - $1 million	**3**	**3**	**6**	4	3	10
$1 million - $5 million	**10**	**8**	**17**	10	8	25
$5 million - $10 million	**7**	**6**	**19**	8	7	25
$10 million - $25 million	**23**	**21**	**30**	24	21	15
Greater than $25 million	**56**	**61**	**24**	53	60	18
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Ohio	**15 %**	**17**	**5**	16	17	8
Michigan	**8**	**7**	**7**	8	7	9
Florida	**8**	**7**	**5**	8	7	12

Illinois	**8**	**7**	**10**	7	8	20
Indiana	**5**	**5**	**4**	5	5	4
North Carolina	**4**	**4**	**1**	4	4	1
Tennessee	**3**	**3**	**-**	3	3	-
Kentucky	**3**	**3**	**-**	3	3	1
Pennsylvania	**3**	**3**	**5**	3	3	2
All other states	**43**	**44**	**63**	43	43	43
Total	**100 %**	**100**	**100**	100	100	100

The Bancorp s non-power producing energy and nonowner-occupied commercial real estate portfolios have been identified by the Bancorp as loans which it believes represent a higher level of risk compared to the rest of the Bancorp s commercial loan portfolio, due to economic or market conditions within the Bancorp s key lending areas.

Due to the sensitivity of the non-power producing energy portfolio to downward movements in oil prices, the Bancorp has seen migration in the portfolio into criticized classifications during 2015 and the three months ended March 31, 2016. The reserve-based energy loans that the Bancorp holds are senior secured loans with a borrowing base that is re-determined on a semi-annual basis.

Table of Contents

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

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

TABLE 34: Non-Power Producing Energy Portfolio

								For the three months ended March 31, 2016
						90 Days		Net
As of March 31, 2016 ($ in millions)		Pass	Criticized	Outstanding	Exposure	Past Due	Nonaccrual	Charge-Offs
Reserve-based lending	**$**	**197**	**542**	**739**	**1,183**	**-**	**144**	**-**
Midstream		**327**	**-**	**327**	**1,050**	**-**	**-**	**-**
Oil field services		**164**	**104**	**268**	**437**	**-**	**24**	**9**
Oil and gas		**76**	**52**	**128**	**512**	**-**	**22**	**-**
Refining		**102**	**1**	**103**	**655**	**-**	**-**	**-**
Total	**$**	**866**	**699**	**1,565**	**3,837**	**-**	**190**	**9**

TABLE 35: Non-Power Producing Energy Portfolio

								For the three months ended March 31, 2015
						90 Days Past Due		Net
As of March 31, 2015 ($ in millions)		Pass	Criticized	Outstanding	Exposure		Nonaccrual	Charge-Offs
Reserve-based lending	$	774	119	893	1,586	-	-	-
Midstream		267	12	279	1,028	-	-	-
Oil field services		354	28	382	578	-	-	-
Oil and gas		101	6	107	489	-	-	-
Refining		47	-	47	406	-	-	-
Total	$	1,543	165	1,708	4,087	-	-	-

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

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

For the three months ended

As of March 31, 2016 ($ in millions)		Outstanding	Exposure	90 Days Past Due	Nonaccrual	**March 31, 2016** Net Charge-Offs
By State:						
Ohio	**$**	**1,252**	**1,618**	**-**	**5**	**-**
Florida		**759**	**1,060**	**-**	**7**	**-**
Illinois		**674**	**1,108**	**-**	**1**	**-**
Michigan		**612**	**720**	**-**	**18**	**-**
North Carolina		**408**	**689**	**-**	**3**	**-**
Indiana		**241**	**446**	**-**	**-**	**-**
All other states		**2,560**	**4,441**	**-**	**3**	**-**
Total	**$**	**6,506**	**10,082**	**-**	**37**	**-**

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

TABLE 37: Nonowner-Occupied Commercial Real Estate[(a)]

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

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

32

Table of Contents

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

Consumer Portfolio

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

The Bancorp s consumer portfolio is materially comprised of three categories of loans: residential mortgage loans, home equity and automobile loans. The Bancorp has identified certain categories within these three categories of loans which it believes represent a higher level of risk compared to the rest of the consumer loan portfolio due to high loan amount to collateral value. The Bancorp does not update LTV ratios for the consumer portfolio subsequent to origination except as part of the charge-off process for real estate secured loans. Among consumer portfolios, legacy underwritten residential mortgage and brokered home equity portfolios have exhibited the most stress. As of March 31, 2016, consumer real estate loans originated from 2005 through 2008 represent approximately 20% of the consumer real estate portfolio. These loans account for 57% of total consumer real estate secured losses for the first quarter of 2016. Loss rates continue to improve as newer vintages are performing within expectations.

Residential Mortgage Portfolio

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

The Bancorp does not originate mortgage loans that permit customers to defer principal payments or make payments that are less than the accruing interest. The Bancorp originates both fixed-rate and ARM loans. Resets of rates on ARMs are not expected to have a material impact on credit costs in the current interest rate environment, as approximately $837 million of ARM loans will have rate resets during the next twelve months. Of these resets, 89% are expected to experience an increase in rate, with an average increase of approximately one third of a percent.

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

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

TABLE 38: Residential Mortgage Portfolio Loans by LTV at Origination

	March 31, 2016	December 31, 2015
($ in millions)	Outstanding	Outstanding

		Weighted-Average LTV		Weighted-Average LTV
LTV £ 80%	**$ 10,384**	**65.7 %**	$ 10,198	65.6 %
LTV > 80%, with mortgage insurance	**1,327**	**93.4**	1,300	93.3
LTV > 80%, no mortgage insurance	**2,184**	**95.9**	2,218	96.0
Total	**$ 13,895**	**73.3 %**	$ 13,716	73.4 %

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

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

				For the three months ended March 31, 2016
As of March 31, 2016 ($ in millions)	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
By State:				
Ohio	**$ 532**	**1**	**4**	**1**
Illinois	**380**	**1**	**1**	**-**
Florida	**291**	**-**	**4**	**-**
Michigan	**282**	**1**	**1**	**-**
Indiana	**145**	**1**	**1**	**-**
North Carolina	**107**	**-**	**1**	**-**
Kentucky	**85**	**1**	**-**	**-**
All other states	**362**	**-**	**1**	**-**
Total	**$ 2,184**	**5**	**13**	**1**

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

TABLE 40: Residential Mortgage Portfolio Loans, LTV Greater than 80%, No Mortgage Insurance

					For the three months ended March 31, 2015
As of March 31, 2015 ($ in millions)		Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
By State:					
Ohio	$	503	2	15	2
Illinois		299	-	1	-
Florida		250	-	4	-
Michigan		269	1	2	-
Indiana		127	1	2	-
North Carolina		101	1	1	-
Kentucky		76	-	1	-
All other states		353	1	2	-
Total	$	1,978	6	28	2

Home Equity Portfolio

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

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

The home equity portfolio is managed in two primary groups: loans outstanding with a combined LTV greater than 80% and those loans with a LTV 80% or less based upon appraisals at origination. The carrying value of the greater than 80% LTV home equity loans and 80% or less LTV home equity loans were $2.6 billion and $5.5 billion, respectively, as of March 31, 2016. Of the total $8.1 billion of outstanding home equity loans:

- 85% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois as of March 31, 2016;
- 36% are in senior lien positions and 64% are in junior lien positions at March 31, 2016;
- Over 81% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended March 31, 2016; and
- The portfolio had an average refreshed FICO score of 742 at both March 31, 2016 and December 31, 2015.

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

Table of Contents

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

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

TABLE 41: Home Equity Portfolio Loans Outstanding by Refreshed FICO Score

	March 31, 2016		December 31, 2015	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO £ 620	**$ 156**	**2 %**	$ 159	2 %
FICO 621-719	**559**	**7**	563	7
FICO ³ 720	**2,171**	**27**	2,210	26
Total senior liens	**2,886**	**36**	2,932	35
Junior Liens:				
FICO £ 620	**386**	**5**	389	5
FICO 621-719	**1,363**	**17**	1,399	17
FICO ³ 720	**3,477**	**42**	3,581	43
Total junior liens	**5,226**	**64**	5,369	65
Total	**$ 8,112**	**100 %**	$ 8,301	100 %

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

TABLE 42: Home Equity Portfolio Loans Outstanding by LTV at Origination

	March 31, 2016		December 31, 2015	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
Senior Liens:				
LTV £ 80%	**$ 2,518**	**55.2 %**	$ 2,557	55.1 %
LTV > 80%	**368**	**89.1**	375	89.1
Total senior liens	**2,886**	**59.7**	2,932	59.7
Junior Liens:				
LTV £ 80%	**3,017**	**67.6**	3,088	67.6
LTV > 80%	**2,209**	**90.9**	2,281	90.9
Total junior liens	**5,226**	**79.1**	5,369	79.2
Total	**$ 8,112**	**71.7 %**	$ 8,301	71.8 %

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

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

As of March 31, 2016 ($ in millions)	Outstanding Exposure	**For the three months ended March 31, 2016**