ECOLAB INC
Form 11-K/A
August 25, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K/A

(Amendment No. 1)

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-09328

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

ECOLAB PUERTO RICO SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

ECOLAB INC.

370 Wabasha Street North

Saint Paul, Minnesota 55102-1390

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Ecolab Puerto Rico Savings Plan

FINANCIAL STATEMENTS

as of December 31, 2014 and 2013

and

for the year ended December 31, 2014

AND SUPPLEMENTAL SCHEDULES

as of and for the year ended December 31, 2014

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Explanatory Note

This Amendment No. 1 on Form 11-K/A (Amendment No. 1) to the Annual Report on Form 11-K for the fiscal year ended December 31, 2014 filed by the Ecolab Puerto Rico Savings Plan (the Registrant) with the Securities and Exchange Commission (the SEC) on June 24, 2015 (the Original Filing) is being filed by the Registrant to amend the Original Filing to remove the audit report (the Audit Report) of McGladrey LLP (McGladrey), the Registrant s former independent accounting firm, on the financial statements in the Original Filing, which comprise the statements of net assets available for benefits as of December 31, 2014 and 2013, the related statement of changes in net assets available for benefits for the year ended December 31, 2014 and the notes to the financial statements, and to mark such financial statements as being unaudited. As a result, the Audit Report should not be relied upon.

The Registrant is filing this Amendment No. 1 in response to McGladrey s notice dated August 5, 2015 of its determination that an associated entity of McGladrey provided certain prohibited non-audit services to an international affiliate of the Registrant s sponsor, Ecolab Inc., during the fiscal years ended December 31, 2013 and 2014. Despite its belief that the services at issue did not impact its integrity and objectivity, McGladrey has concluded that its independence has been impaired with respect to the Registrant in accordance with the rules of the SEC and the Public Company Accounting Oversight Board, has withdrawn the Audit Report and has resigned as the Registrant s independent accounting firm.

Unless expressly noted otherwise, the disclosures in this Amendment No. 1 continue to speak as of the date of the Original Filing, and do not reflect events occurring after the filing of the Original Filing.

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ECOLAB PUERTO RICO SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2014 and 2013

(Unaudited)

(in thousands)	**2014**	**2013**
ASSETS		
Investments, at fair value:		
Ecolab Inc. common stock	$ 4,781	$ 5,011
Registered investment companies	3,081	2,717
Total investments	7,862	7,728
Receivables:		
Notes receivable from participants	356	395
Dividends and interest receivable	15	13
Employer contributions receivable	6	7
Employee contributions receivable		5
Total receivables	377	420
Total assets	8,239	8,148
LIABILITIES		
Excess contributions payable	(3)	(5)
NET ASSETS AVAILABLE FOR BENEFITS	$ 8,236	$ 8,143

The accompanying notes are an integral

part of the financial statements.

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ECOLAB PUERTO RICO SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2014

(Unaudited)

(in thousands)

Investment results:		
Net appreciation in fair value of investments	$	104
Dividends and interest		138
		242
Interest income on notes receivable from participants		14
Contributions:		
Participants		289
Employer		151
		440
Deductions:		
Distributions to participants		(601)
Plan expenses		(2)
		(603)
Net increase		93
Net assets available for benefits:		
Beginning of year		8,143
End of year	$	8,236

The accompanying notes are an integral

part of the financial statements.

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Plan:

The following brief description of the Ecolab Puerto Rico Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information regarding the Plan s definitions, benefits, eligibility and other matters.

The Plan is sponsored by Ecolab Inc. (Ecolab) for the benefit of certain individuals employed by Ecolab s wholly owned subsidiary, Ecolab Manufacturing Inc. (the Company), and is subject to income taxation under Puerto Rico laws.

GENERAL AND ELIGIBILITY:

The Plan is a contributory qualified defined contribution plan available to certain employees of the Company in Puerto Rico. Employees who are employed by the Company and who are subject to income taxation under the laws of Puerto Rico may participate in the Plan as of the first day of the month on or after their date of hire, provided they are not subject to a collective bargaining agreement which does not provide for their participation in the Plan. Employee participation in the Plan is voluntary.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Puerto Rico tax code (the Code). The Plan and trust are located and qualified only in Puerto Rico.

CONTRIBUTIONS:

Contributions are made to the Plan as pre-tax savings contributions and employer matching contributions.

Pre-tax savings contributions are contributions made by the Company on behalf of participants who have agreed to have their taxable compensation reduced. Participants may reduce their compensation (subject to a Puerto Rico statutory annual maximum of $15,000 for 2014) for the purpose of making pre-tax savings contributions to the Plan.

Participants who have attained age 50 or above are allowed to make additional catch-up contributions in accordance with Puerto Rico laws (up to $1,500 in 2014).

Participant contributions of up to 3% of eligible compensation are matched 100% by the Company and participant contributions over 3% and up to 5% of eligible compensation are matched 50% by the Company. The Plan also allows additional employer matching contributions to true-up the employer match. This true-up ensures all participants receive their full annualized employer match.

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Plan (continued):

The levels of contributions made by or on behalf of participants who are highly compensated, as defined in the Code, are subject to limitations under the Code.

VESTING:

Participants are fully vested in their accounts at all times.

PLAN BENEFITS:

As participants are fully vested at all times, benefits to participants are equal to their account balances. Upon retirement, death, disability or separation from service, a distribution may be made to the participant or beneficiary equal to the participant s account balance. Employees may be eligible to withdraw part or all of their account balance upon attainment of age 59 1/2. Loans and in-service withdrawals for hardships are also available. A participant distribution or withdrawal from the Plan generally is subject to taxation under the tax rules applicable to Puerto Rico residents.

NOTES RECEIVABLE FROM PARTICIPANTS:

Active participants (and beneficiaries who are parties in interest as defined by ERISA) are permitted to borrow from their accounts. The total amount of a participant s note may not exceed the lesser of (a) $50,000 minus the participant s highest outstanding note balance for the previous twelve-month period, or (b) 50% of the participant s interest in his or her account. When a note is granted, the appropriate account balances are reduced and a separate note account is created. Note payments, together with interest at a market rate determined by the Plan Administrator, are repaid generally over 5 years unless the note is for the purchase of a principal residence, in which case the term can be up to 10 years. Notes receivable from participants at December 31, 2014 had interest rates ranging from 3.25% to 4.25% and are due at various dates through April 2020. A participant can have no more than two notes outstanding at any time. Notes receivable from participants are collateralized by the borrower s account balance and are repaid through ratable payroll deductions.

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Plan (continued):

PARTICIPANT ACCOUNTS AND ALLOCATION:

Banco Popular de Puerto Rico (Banco Popular or trustee) provides investment management, recordkeeping and trustee services for the Plan directly or indirectly through one or more of its subsidiaries. The trust agreement authorizes services to be performed by the trustee, its agents or affiliates.

Each participant s account is credited with the participant s contributions, the employer matching contributions and investment income thereon, net of Plan expenses. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

All participant contributions made under the Plan are paid to and invested by Banco Popular in one or more of the available investment options as directed by the participants.

Participants are allowed to allocate their entire account balance in any combination of the available investment options.

PLAN TERMINATION:

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

2. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION:

The accompanying financial statements have been prepared on the accrual basis of accounting.

USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

2. Summary of Significant Accounting Policies (continued):

VALUATION OF INVESTMENTS AND INCOME RECOGNITION:

Banco Popular holds the Plan s assets and executes transactions therein based upon instructions received from the Plan Administrator, Ecolab and the participants of the Plan. The Plan s investments are stated at fair value. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Interest income is recorded as earned on an accrual basis and dividend income is recorded on the ex-dividend date. Purchases and sales of securities and realized gains and losses related to sales of investments are recorded on a trade-date basis. Unrealized gains and losses are recorded based on the fair values as of the reporting date.

NOTES RECEIVABLE FROM PARTICIPANTS:

Notes receivable from participants are measured at their unpaid principal balances plus any accrued interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Notes receivable from participants have been classified as an investment asset for Form 5500 reporting purposes and, accordingly, have been included as an investment in supplemental schedule, Schedule H, line 4i Schedule of Assets (Held at End of Year).

CONTRIBUTIONS:

Participant pre-tax contributions are recorded in the period the employer makes the payroll deductions. Employer matching contributions are recorded based on participant contributions in the same period.

RISKS AND UNCERTAINTIES:

The Plan provides for various investment options in various combinations of investment funds. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, including Ecolab Inc. common stock, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the 2014 statement of net assets available for benefits.

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

2. Summary of Significant Accounting Policies (continued):

CONCENTRATION OF MARKET RISK:

At December 31, 2014 and 2013, approximately 58% and 62%, respectively, of the Plan s net assets were invested in the common stock of Ecolab. The underlying value of Ecolab Inc. common stock is dependent on the performance of Ecolab and the market s evaluation of such performance.

DISTRIBUTIONS TO PARTICIPANTS:

Distributions to participants are recorded when paid.

PLAN EXPENSES:

The Company pays a portion of the administrative expenses of the Plan, which are excluded from these financial statements, and a portion is paid by Plan participants within the Plan. Certain asset management and administrative fees of the Plan are charged against the Plan s investment results.

SUBSEQUENT EVENTS:

The Plan Administrator has evaluated subsequent events through the date and time the financial statements were issued.

3. Investments:

Investments that represent 5 percent or more of the Plan s net assets available for benefits at December 31, 2014 and 2013 are summarized as follows:

(in thousands)	2014	2013
Ecolab Inc. common stock	$ 4,781	$ 5,011
Spartan 500 Index Fund Investor Class	926	849
Fidelity Money Market Trust Retirement	604	572

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

3. Investments (continued):

During 2014, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

(in thousands)		**2014**
Investment in:		
Registered investment companies	$	78
Ecolab Inc. common stock		26
Net appreciation in fair value of investments	$	104

4. Fair Value Measurements:

Accounting guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under accounting guidance are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

4. Fair Value Measurements (continued):

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The asset s or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Registered investment companies and Ecolab Inc. common stock: Investments in registered investment companies are recorded at the underlying net asset value per unit, which approximates fair value based on the publicly quoted market price of these funds. Investments in Ecolab Inc. common stock are recorded at fair value based on the quoted market price of Ecolab s common stock on the New York Stock Exchange.

The Plan reviews the fair value hierarchy classification on an annual basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Plan s policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the fiscal year in which the actual event or change in circumstances that caused the transfer occurs. There were no transfers between Level 1 and Level 2 during the years ended December 31, 2014 and 2013. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. At December 31, 2014 and 2013, the Plan did not have any assets or liabilities classified within Level 2 or Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

4. Fair Value Measurements (continued):

The following tables represent the Plan s fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2014 and 2013:

	Investment Assets at Fair Value As of December 31, 2014			
(in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Ecolab Inc. common stock	$ 4,781	$ 4,781	$	$
Registered investment companies:				
Large cap equity	1,178	1,178		
Blended fund	733	733		
Money market	604	604		
Fixed income	257	257		
International equity	174	174		
Mid cap equity	135	135		
Total investment assets at fair value	$ 7,862	$ 7,862	$	$

	Investment Assets at Fair Value As of December 31, 2013			
(in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Ecolab Inc. common stock	$ 5,011	$ 5,011	$	$
Registered investment companies:				
Large cap equity	1,052	1,052		
Money market	572	572		
Blended fund	569	569		
Fixed income	230	230		
International equity	169	169		
Small cap equity	67	67		
Mid cap equity	58	58		
Total investment assets at fair value	$ 7,728	$ 7,728	$	$

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ECOLAB PUERTO RICO SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

5. Tax Status:

The Plan constitutes a qualified plan and trust under the Puerto Rico tax code. The Plan is maintained as a foreign trust covering only individuals subject to taxation under the Puerto Rico tax code and therefore no provision for United States federal income taxes has been included in the Plan s financial statements.

A favorable determination letter, dated May 22, 2012, was received from the Puerto Rico Treasury Department on the form of the Banco Popular Master Defined Contribution Retirement Plan adoption agreement and master plan, upon which the Plan is maintained. The Plan also received an individual determination letter from the Puerto Rico Treasury Department dated July 9, 2013. The Plan Administrator believes the Plan is currently designed and being operated in accordance with Section 1165(a) of the Puerto Rico Internal Revenue Code and is, therefore, exempt from Puerto Rico income taxes. As such, no provision for Puerto Rico income taxes has been included in the Plan s financial statements.

U.S. GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Puerto Rico tax authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

6. Related Party and Party-In-Interest Transactions:

The trustee is authorized under contract provisions, or by ERISA regulations providing an administrative or statutory exemption, to invest in funds under its control and in securities of Ecolab.

Participant contributions and employer matching contributions are invested in one or more of the investment fund options offered under the Plan, including Ecolab Inc. common stock.

During 2014, the Plan invested in Ecolab Inc. common stock. The Plan held 45,744 and 48,057 shares at December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, purchases and sales of shares by the Plan totaled approximately $246,000 and $502,000, respectively.

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SUPPLEMENTAL SCHEDULES

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ECOLAB PUERTO RICO SAVINGS PLAN

SCHEDULE H, LINE 4a SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

for the year ended December 31, 2014

(Unaudited)

EIN 41-0231510

Plan Number: 005

[redacted]

2014	$ 62		$ 62	
2013	34,032		34,032	

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ECOLAB PUERTO RICO SAVINGS PLAN

SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)

as of December 31, 2014

(Unaudited)

EIN 41-0231510

Plan Number: 005

(in thousands, except units)

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Current Value	
Registered investment companies:				
	Spartan 500 Index Fund Investor Class	Mutual Fund 12,709 units	$	926
	Fidelity Money Market Trust Retirement	Money Market 603,657 units		604
	Vanguard Target Retirement 2025 Fund	Mutual Fund 17,989 units		297
	Spartan US Bond Index Fund	Mutual Fund 21,768 units		255
	Dodge & Cox International Stock Fund	Mutual Fund 4,129 units		174
	Dodge & Cox Stock Fund	Mutual Fund 764 units		138
	Harbor Capital Appreciation Fund	Mutual Fund 1,952 units		114
	Vanguard Target Retirement 2040 Fund	Mutual Fund 3,531 units		105
	Vanguard Target Retirement 2035 Fund	Mutual Fund 5,857 units		104

	Vanguard Target Retirement 2030 Fund	Mutual Fund 3,234 units	94
	CRM Small/Mid Cap Value Fund	Mutual Fund 4,686 units	70
	Spartan Extended Market Index Investment	Mutual Fund 1,181 units	65
	Vanguard Target Retirement 2045 Fund	Mutual Fund 2,655 units	50

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ECOLAB PUERTO RICO SAVINGS PLAN

SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)

as of December 31, 2014 (Continued)

(Unaudited)

EIN 41-0231510

Plan Number: 005

(in thousands, except units)

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Current Value
Registered investment companies (continued):			
	Vanguard Target Retirement 2020 Fund	Mutual Fund 1,167 units	33
	Vanguard Target Retirement 2050 Fund	Mutual Fund 1,068 units	32
	Vanguard Target Retirement 2010 Fund	Mutual Fund 539 units	14
	Vanguard Target Retirement 2015 Fund	Mutual Fund 273 units	4
*	Banco Popular Time Deposit Open Account	Money Market 1,698 units	2
		(8	) 3

Total registered investment companies									
Other deposits	**17**		**0.08**	32		0.13			
Federal funds purchased	**464**		**0.10**	664		0.13			
Other short-term borrowings	**1,675**	**1**	**0.21**	4,856	3	0.19	(2)		(2)
Long-term debt	**7,453**	**47**	**2.47**	8,863	65	2.97	(8)	(10)	(18)
Total interest-bearing liabilities	**73,190**	**99**	**0.54**	72,026	120	0.67		(21)	(21)
Demand deposits	**30,655**			27,127					
Other liabilities	**5,023**			4,430					
Total liabilities	**108,868**			103,583					
Total equity	**14,478**			13,938					
Total liabilities and equity	**$ 123,346**			$ 117,521					
Net interest income		**$ 898**			$ 907		$ 67	(76)	(9)
Net interest margin			**3.31 %**			3.56 %			
Net interest rate spread			**3.14**			3.36			
Interest-bearing liabilities to interest-earning assets			**67.97**			71.02			

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

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

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

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

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

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

Provision for Loan and Lease Losses

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

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

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

Noninterest Income

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

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

TABLE 5: Noninterest Income

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

Mortgage banking net revenue

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

The components of mortgage banking net revenue are as follows:

TABLE 6: Components of Mortgage Banking Net Revenue

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

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

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

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

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

The Bancorp s total residential loans serviced as of September 30, 2013 and 2012 were $82.8 billion and $75.9 billion, respectively, with $69.0 billion, and $62.4 billion, respectively, of residential mortgage loans serviced for others.

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. The Bancorp sold the securities related to the non-qualifying hedging strategy during the three months ended September 30, 2013 and recognized a gain of $5 million and $13 million, respectively, recorded in securities gains, net, non-qualifying hedges on mortgage servicing rights in the Bancorp s Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013. Net gains on sales of these securities were $5 million for both the three and nine months ended September 30, 2012.

Service charges on deposits

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

Corporate banking revenue

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

Investment advisory revenue

Investment advisory revenue increased $5 million and $14 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The increase for both periods was primarily due to increased securities and brokerage fees due to an increase in equity and bond market values coupled with increased private client service fees, partially offset by a decrease in mutual fund fees. Due to the sale of certain FTAM funds during the third quarter of 2012, mutual fund fees decreased $3 million and $12 million for the three and nine months ended September 30, 2013 compared to the same prior year periods. The Bancorp had approximately $318.4 billion and $299.8 billion in total assets under care as of September 30, 2013 and 2012, respectively, and managed $27.4 billion and $26.2 billion in assets, respectively, for individuals, corporations and not-for-profit organizations for the same comparative periods.

Card and processing revenue

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

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Other noninterest income

The major components of other noninterest income are as follows:

TABLE 7: Components of Other Noninterest Income

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

Other noninterest income increased $107 million in the third quarter of 2013 compared to the third quarter of 2012 and $349 million for the nine months ended September 30, 2013 compared to the same period in the prior year. The increase for both periods was primarily due to gains of $242 million and $85 million on the sale of Vantiv, Inc. shares in the second and third quarters of 2013, respectively, compared to gains of $115 million related to the Vantiv, Inc. IPO recorded in the first quarter of 2012. In addition, the positive valuation adjustments on the stock warrants associated with Vantiv Holding, LLC increased $22 million and $31 million, respectively, for the three and nine months ended September 30, 2013 from the comparable prior year periods. Additionally, the equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $7 million compared to the three months ended September 30, 2012 and increased $27 million compared to the nine months ended September 30, 2012. The decrease for the three months ended September 30, 2013 was due to the decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from 39% as of September 30, 2012 to 25% as of September 30, 2013 primarily due to the previously mentioned share sales. The increase for the nine months ended September 30, 2013 was primarily due to $34 million in debt termination charges incurred in the first quarter of 2012 related to Vantiv Holding, LLC s debt refinancing which was included in equity method earnings.

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

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Noninterest Expense

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

The major components of noninterest expense are as follows:

TABLE 8: Noninterest Expense

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

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

TABLE 9: Components of Other Noninterest Expense

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

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

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

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

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

Applicable Income Taxes

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

TABLE 10: Applicable Income Taxes

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

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

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised, the Bancorp is required to write-off the deferred tax asset previously established for these stock-based awards. As a result of the Bancorp s stock price as of September 30, 2013, it is probable that the Bancorp will be required to record an additional $2 million of income tax expense during the next twelve months, primarily in the second quarter of 2014. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future; therefore, it is possible that the total impact to income tax expense will be greater than or less than this amount.

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

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BALANCE SHEET ANALYSIS

Loans and Leases

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

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

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

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

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

Consumer loans and leases decreased from December 31, 2012 primarily due to a decrease in residential mortgage loans and home equity, partially offset by an increase in automobile loans. Residential mortgage loans decreased $1.0 billion, or seven percent, primarily due to a decline in loans held for sale of $1.6 billion from reduced origination volume driven by higher mortgage rates. This decline was partially offset by an increase in portfolio residential mortgage loans which increased $517 million from December 31, 2012 due to the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches. Home equity decreased $662 million, or seven percent, from December 31, 2012 as payoffs exceeded new loan production. Additionally, automobile loans increased $100 million, or one percent, from December 31, 2012 due to an increase in originations, partially offset by the securitization and sale in the first quarter of 2013 of $509 million of automobile loans.

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

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

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

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

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

Investment Securities

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

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

At September 30, 2013, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. The Bancorp did not hold asset-backed securities backed by subprime mortgage loans in its investment portfolio. Additionally, securities classified as below investment grade had a carrying value of $1 million as of September 30, 2013, compared to $31 million as of December 31, 2012. The Bancorp s management has evaluated the securities in an unrealized loss position in the available-for-sale and held-to-maturity portfolios for OTTI. The Bancorp recognized $45 million and $57 million of OTTI on its available-for-sale and other debt securities during the three and nine months ended September 30, 2013 and $23 million and $39 million of OTTI during the three and nine months ended September 30, 2012, respectively. The Bancorp did not recognize any OTTI on any of its available-for-sale equity securities or held-to-maturity debt securities during the three and nine months ended September 30, 2013 and 2012. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for further information on OTTI.

TABLE 13: Components of Investment Securities

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

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

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

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

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

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

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

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

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

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

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

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

(a) *Taxable-equivalent yield adjustments included in the above table are 0.03%, 0.01%, 0.89%, 1.74% and 0.35% for securities with an average life of one year or less, 1-5 years, 5-10 years, greater than 10 years and in total, respectively.*

Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 69% and 71% of the Bancorp s asset funding base at September 30, 2013 and December 31, 2012, respectively.

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TABLE 15: Deposits

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

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

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

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

TABLE 16: Average Deposits

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

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

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

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

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

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

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

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

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

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

Borrowings

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

TABLE 19: Borrowings

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

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

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

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

TABLE 20: Average Borrowings

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

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

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

BUSINESS SEGMENT REVIEW

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

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

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

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

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

TABLE 21: Business Segment Net Income Available to Common Shareholders

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

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

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 22: Commercial Banking

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

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

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

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

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

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

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

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

Average commercial loans increased $3.7 billion for both the three and nine months ended September 30, 2013 compared to the same periods of the prior year primarily due to an increase in average commercial and industrial loans, partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial portfolio loans increased $4.9 billion for both the three and nine months ended September 30, 2013 compared to the same periods of the prior year as a result of an increase in new origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage portfolio loans decreased $1.2 billion and $1.1 billion for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year due to continued run-off as the level of new originations was less than the repayments of the existing portfolio.

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

Branch Banking

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,326 full-service Banking Centers. Branch Banking offers depository and loan products, such as checking and savings accounts, home equity loans and lines of credit, credit cards and loans for automobiles and other personal financing needs, as well as products designed to meet the specific needs of small businesses, including cash management services.

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

TABLE 23: Branch Banking

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

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

Net income was $71 million for the three months ended September 30, 2013, compared to net income of $46 million for the three months ended September 30, 2012. For the nine months ended September 30, 2013, net income was $180 million compared to $125 million for the same period of the prior year. Both increases were driven by an increase in net interest income and noninterest income and a decline in the provision for loan and lease losses, partially offset by an increase in noninterest expense.

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

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

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

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

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

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

Average core deposits increased $1.7 billion and $1.9 billion for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year as the growth in demand deposits due to excess customer liquidity and historically low interest rates outpaced the run-off of higher priced other time deposits.

Consumer Lending

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

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

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

TABLE 24: Consumer Lending

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

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

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

Provision for loan and lease losses decreased $18 million and $69 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods of the prior year, as delinquency metrics and underlying loss trends improved across all consumer loan types. Net charge-offs as a percent of average loans and leases decreased to 40 bps for the three months ended September 30, 2013 compared to 75 bps for the same period of the prior year and decreased to 47 bps for the nine months ended September 30, 2013 compared to 94 bps for the same period of the prior year.

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

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

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

Investment Advisors

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

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

TABLE 25: Investment Advisors

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

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

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

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

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

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

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

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

General Corporate and Other

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

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

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

RISK MANAGEMENT OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CREDIT RISK MANAGEMENT

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

The following tables provide a summary of potential problem loans:

TABLE 26: Potential Problem Loans

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

TABLE 27: Potential Problem Loans

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

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

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Overview

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

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

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

Commercial Portfolio

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

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

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

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

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

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

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

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

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

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

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

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The Bancorp has identified certain categories of loans which it believes represent a higher level of risk compared to the rest of the Bancorp s loan portfolio, due to economic or market conditions within the Bancorp s key lending areas. The following tables provide analysis of each of the categories of loans (excluding loans held for sale) by state as of and for the three and nine months ended September 30, 2013 and 2012:

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

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

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

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

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

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

TABLE 33: Homebuilder and Developer[a]

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

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

TABLE 34: Homebuilder and Developer[(a)]

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

(a) *Homebuilder and Developer loans, exclusive of commercial and industrial loans with an outstanding balance of $151 and a total exposure of $236 are also included in Table 32: Non-Owner Occupied Commercial Real Estate.*

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Consumer Portfolio

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

Residential Mortgage Portfolio

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

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

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

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

TABLE 35: Residential Mortgage Portfolio Loans by LTV at Origination

	September 30, 2013		December 31, 2012	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 80%	**$ 9,430**	**65.1 %**	$ 8,993	65.8 %
LTV > 80%, with mortgage insurance	**1,195**	**93.8**	1,165	93.6
LTV > 80%, no mortgage insurance	**1,909**	**95.9**	1,859	95.6
Total	**$ 12,534**	**72.6 %**	$ 12,017	73.1 %

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

TABLE 36: Residential Mortgage Portfolio Loans, LTV Greater Than 80%, No Mortgage Insurance

As of September 30, 2013 ($ in millions)			**Net Charge-offs for September 30, 2013**
By State:	Outstanding	Nonaccrual	

		90 Days Past Due		Three Months Ended	Nine Months Ended
Ohio	$ 588	3	20	3	8
Michigan	305	1	8	1	4
Florida	257	1	10	1	3
Illinois	223	1	4		1
Indiana	117	1	3		1
North Carolina	98		2		1
Kentucky	84		4		2
All other states	237		2		
Total	$ 1,909	7	53	5	20

TABLE 37: Residential Mortgage Portfolio Loans, LTV Greater Than 80%, No Mortgage Insurance

As of September 30, 2012 ($ in millions)				Net Charge-offs for September 30, 2012	
By State:	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	$ 611	3	23	3	11
Michigan	313	1	11	3	9
Florida	260	1	17	3	12
Illinois	181	2	4	1	2
North Carolina	116		5	1	3
Indiana	115	1	4		1
Kentucky	89		2		1
All other states	174	1	5	1	3
Total	$ 1,859	9	71	12	42

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Home Equity Portfolio

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

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

The home equity portfolio is managed in two primary groups: loans outstanding with a LTV greater than 80% and those loans with a LTV 80% or less based upon appraisals at origination. The carrying value of the greater than 80% LTV home equity loans and 80% or less LTV home equity loans were $3.3 billion and $6.0 billion, respectively, as of September 30, 2013. Of the total outstanding home equity loans:

82% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois;

33% are in senior lien positions and 67% are in junior lien positions at September 30, 2013;

Over 80% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended September 30, 2013; and

The portfolio had an average refreshed FICO score of 735 at September 30, 2013 and December 31, 2012.

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

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

TABLE 38: Home Equity Loans Outstanding by Refreshed FICO Score

	September 30, 2013	December 31, 2012
($ in millions)	Outstanding	Outstanding

		% of Total		% of Total
Senior Liens:				
FICO < 620	$ 212	2 %	$ 224	2 %
FICO 621-719	632	7	653	6
FICO > 720	2,259	24	2,374	24
Total Senior Liens	3,103	33	3,251	32
Junior Liens:				
FICO < 620	594	6	661	7
FICO 621-719	1,716	19	1,817	18
FICO > 720	3,943	42	4,289	43
Total Junior Liens	6,253	67	6,767	68
Total	$ 9,356	100 %	$ 10,018	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 first and second lien position by LTV at origination:

TABLE 39: Home Equity Loans Outstanding by LTV at Origination

	September 30, 2013		December 31, 2012	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
Senior Liens:				
LTV £ 80%	$ 2,650	54.9 %	$ 2,763	54.9 %
LTV > 80%	453	88.9	488	88.9
Total Senior Liens	3,103	60.0	3,251	60.2
Junior Liens:				
LTV £ 80%	3,374	67.4	3,602	67.3
LTV > 80%	2,879	91.4	3,165	91.6
Total Junior Liens	6,253	80.3	6,767	80.5
Total	$ 9,356	73.0 %	$ 10,018	73.4 %

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

TABLE 40: Home Equity Loans Outstanding with LTV Greater than 80%

As of September 30, 2013 ($ in millions)					**Net Charge-offs for September 30, 2013**	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	**$ 1,176**	**1,875**	**7**	**6**	**3**	**12**
Michigan	**720**	**1,013**	**4**	**3**	**3**	**11**
Illinois	**394**	**566**	**3**	**2**	**2**	**6**
Indiana	**307**	**467**	**2**	**2**	**1**	**3**
Kentucky	**287**	**448**	**1**	**1**	**1**	**3**
Florida	**119**	**160**	**1**	**2**		**3**
All other states	**329**	**440**	**2**	**2**	**1**	**5**
Total	**$ 3,332**	**4,969**	**20**	**18**	**11**	**43**

TABLE 41: Home Equity Loans Outstanding with LTV Greater than 80%

As of September 30, 2012 ($ in millions)					Net Charge-offs for September 30, 2012	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	$ 1,294	1,972	8	6	6	20
Michigan	818	1,135	7	4	5	19
Illinois	437	620	6	2	4	13
Indiana	359	535	3	2	1	4
Kentucky	339	514	2	1	1	4
Florida	134	178	3	2	2	7
All other states	383	504	3	4	4	13
Total	$ 3,764	5,458	32	21	23	80

The following table provides an analysis of home equity loans by lien position:

TABLE 42: Home Equity Loans by Lien Position

As of September 30, 2013 ($ in millions)	Outstanding	90 Days Past Due	Nonaccrual
Senior Lien Home Equity	$ 3,103	12	19

Junior Lien Home Equity behind Fifth Third Serviced or Owned Senior Lien		2,282	8	7
Junior Lien Home Equity behind Third Party Serviced Senior Lien		3,971	26	22
Total	$	9,356	46	48

Typically, home equity loans are reported on nonaccrual status if principal or interest has been in default for 180 days or more or if the loan has been modified in a TDR and subsequently becomes past due 90 days or more unless the loan is both well secured and in the process of collection. The Bancorp s policy does not place on nonaccrual status, junior lien home equity loans that are behind delinquent senior lien loans. At September 30, 2013, the Bancorp had $7 million of nonaccrual junior lien home equity loans behind Fifth Third serviced or owned senior lien loans and $16 million of performing junior lien home equity loans behind senior lien loans serviced or owned by Fifth Third which were 90 days or more past due. For junior lien home equity loans, the Bancorp is unable to track the performance of the senior lien loan if it does not service or own the senior lien loan.

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Automobile Portfolio

The automobile portfolio is characterized by direct and indirect lending products to consumers. As of September 30, 2013, 51% of the automobile loan portfolio is comprised of new automobiles. It is a common practice to advance on automobile loans an amount in excess of the automobile value due to the inclusion of taxes, title, and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans.

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

TABLE 43: Automobile Loans Outstanding with LTV at Origination

	September 30, 2013		December 31, 2012	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 100%	**$ 8,340**	**81.4 %**	$ 8,123	81.5 %
LTV > 100%	**3,732**	**110.7**	3,849	110.8
Total	**$ 12,072**	**90.8 %**	$ 11,972	91.2 %

The following tables provide analysis of the Bancorp s automobile loans with a LTV at origination greater than 100%:

TABLE 44: Automobile Loans Outstanding with LTV Greater than 100%

As of September 30, 2013 ($ in millions)				**Net Charge-offs for September 30, 2013**	
By State:	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	**$ 382**	**1**			**1**
Illinois	**209**				
Michigan	**195**				**1**
Florida	**186**			**1**	**1**
Indiana	**151**				
Kentucky	**125**				
All other states	**2,484**	**3**	**1**	**3**	**7**
Total	**$ 3,732**	**4**	**1**	**4**	**10**

TABLE 45: Automobile Loans Outstanding with LTV Greater than 100%

As of September 30, 2012 ($ in millions)				Net Charge-offs for September 30, 2012	
By State:	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
Ohio	$ 410	1		1	2

Illinois	242	1			1
Michigan	223			1	1
Florida	191				
Indiana	159				1
Kentucky	145				1
All other states	2,507	3	2	2	12
Total	$ 3,877	5	2	4	18

European Exposure

The Bancorp has no direct sovereign exposure to any European nation as of September 30, 2013. In providing services to our customers, the Bancorp routinely enters into financial transactions with foreign domiciled and U.S. subsidiaries of foreign businesses as well as foreign financial institutions. These financial transactions are in the form of loans, loan commitments, letters of credit, derivatives and securities. The Bancorp s risk appetite for foreign country exposure is managed by having established country exposure limits. The Bancorp s total exposure to European domiciled or owned businesses and European financial institutions was $3.1 billion and funded exposure was $1.8 billion as of September 30, 2013. Additionally, the Bancorp was within its established country exposure limits for all European countries.

Certain European countries have been experiencing increased levels of stress throughout 2012 and during the nine months ended September 30, 2013 including Greece, Ireland, Italy, Portugal and Spain. The Bancorp s total exposure to businesses domiciled or owned by companies and financial institutions in these countries was approximately $193 million and funded exposure was $107 million as of September 30, 2013.

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The following table provides detail about the Bancorp s exposure to all European domiciled and owned businesses and financial institutions as of September 30, 2013:

TABLE 46: European Exposure

	Sovereigns		Financial Institutions		Non-Financial Institutions		Total	
($ in millions)	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure*(a)*	Funded Exposure
Peripheral Europe*(b)*	$		10		183	107	193	107
Other Eurozone*(c)*			45	25	1,847	1,107	1,892	1,132
Total Eurozone			55	25	2,030	1,214	2,085	1,239
Other Europe*(d)*			118	14	879	522	997	536
Total Europe	$		173	39	2,909	1,736	3,082	1,775

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

Analysis of Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial and credit card loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 47.

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

Total nonperforming assets, including loans held for sale, were $1.0 billion at September 30, 2013 compared to $1.3 billion at December 31, 2012. At September 30, 2013, $11 million of nonaccrual loans, consisting primarily of real estate secured loans, were held for sale, compared to $29 million at December 31, 2012.

Total nonperforming assets, including loans held for sale, as a percentage of total loans, leases and other assets, including OREO as of September 30, 2013 were 1.15%, compared to 1.48% as of December 31, 2012. Excluding nonaccrual loans held for sale, nonperforming assets as a percentage of portfolio loans, leases and other assets, including OREO were 1.16% as of September 30, 2013, compared to 1.49% as of December 31, 2012. The composition of nonaccrual loans and leases continues to be concentrated in real estate as 59% of nonaccrual loans and leases were secured by real estate as of September 30, 2013 compared with 67% as of December 31, 2012.

Commercial nonperforming loans and leases were $532 million at September 30, 2013, a decrease of $194 million from December 31, 2012 due primarily to the impact of loss mitigation actions and modest improvement in general economic conditions. Excluding commercial nonperforming loans and leases held for sale, commercial nonperforming loans and leases at September 30, 2013 decreased $176 million compared to December 31, 2012.

Consumer nonperforming loans and leases were $249 million at September 30, 2013, a decrease of $83 million from December 31, 2012. The decrease is due to a decline in new nonaccrual levels due to modest improvement in general economic conditions in the first nine months of 2013. Home equity nonaccrual levels remain modest as the Bancorp continues to fully charge-off a high proportion of the severely delinquent loans at 180 days past due. Geographical market conditions continue to be a large driver of nonaccrual activity as Florida properties represent approximately 13% and 8% of residential mortgage and home equity balances, respectively, but represent 41% and 18% of nonaccrual loans for each category. Refer to Table 48 for a rollforward of the nonperforming loans and leases.

OREO and other repossessed property was $244 million at September 30, 2013, compared to $257 million at December 31, 2012. The decrease from December 31, 2012 was primarily due to the sale of OREO properties coupled with a decrease in new OREO properties reflecting the impact of changes made to the Bancorp s underwriting of real estate loans in prior periods as well as improvements in general

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economic conditions during 2013. The Bancorp recognized $8 million and $16 million in losses on the sale or write-down of OREO properties for the three months ended September 30, 2013 and 2012, respectively and $37 million and $60 million for the nine months ended September 30, 2013 and 2012, respectively. These losses are primarily reflective of the continued stress in the Michigan and Florida markets for commercial real estate and residential mortgage loans as Michigan and Florida represented 10% and 20%, respectively, of total OREO losses for the nine months ended September 30, 2013 compared with 10% and 16%, respectively, for the nine months ended September 30, 2012. Properties in Michigan and Florida accounted for 35% of OREO at September 30, 2013, compared to 38% at December 31, 2012.

For the three and nine months ended September 30, 2013 approximately $17 million and $55 million, respectively, of interest income would have been recognized if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. For the three and nine months ended September 30, 2012 approximately $25 million and $79 million, respectively, of interest income would have been recognized. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

TABLE 47: Summary of Nonperforming Assets and Delinquent Loans

($ in millions)	**September 30, 2013**	December 31, 2012
Nonaccrual loans and leases:		
Commercial and industrial loans	$ **146**	234
Commercial mortgage loans	**106**	215
Commercial construction loans	**27**	70
Commercial leases	**1**	1
Residential mortgage loans	**83**	114
Home equity	**28**	30
Other consumer loans and leases		1
Restructured loans and leases:		
Commercial and industrial loans	**162**	96
Commercial mortgage loans(f)	**76**	67
Commercial construction loans	**3**	6
Commercial leases		8
Residential mortgage loans	**83**	123
Home equity	**20**	23
Automobile loans	**1**	2
Credit card	**34**	39
Total nonperforming loans and leases(d)	**770**	1,029
OREO and other repossessed property(c)	**244**	257
Total nonperforming assets	**1,014**	1,286
Nonaccrual loans held for sale	**11**	29
Total nonperforming assets including loans held for sale	$ **1,025**	1,315
Loans and leases 90 days past due and accruing		
Commercial and industrial loans	$ **3**	1
Commercial mortgage loans		22
Commercial construction loans		1
Residential mortgage loans(b)	**73**	75
Home equity	**46**	58

Automobile loans		**8**	8
Credit card		**26**	30
Total loans and leases 90 days past due and accruing[(e)]	**$**	**156**	195
Nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO[(a)]		**1.16%**	1.49
Allowance for loan and lease losses as a percent of nonperforming assets[(a)]		**165**	144

(a) Excludes nonaccrual loans held for sale.

*(b) Information for all periods presented excludes advances made pursuant to servicing agreements to GNMA mortgage loan pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. These advances were **$379** as of **September 30, 2013** and $414 as of December 31, 2012. The Bancorp recognized **$1** and **$2** of losses for the three and nine months ended **September 30, 2013**, respectively, due to claim denials and curtailments associated with these advances. The Bancorp recognized immaterial credit losses for the three months ended September 30, 2012 and $2 of credit losses for the nine months ended September 30, 2012.*

*(c) Excludes **$75** and $72 of OREO related to government insured loans at **September 30, 2013** and December 31, 2012, respectively.*

*(d) Includes **$11** and $10 of nonaccrual government insured commercial loans whose repayments are insured by the SBA at **September 30, 2013** and December 31, 2012, respectively, and **$2** and $1 of restructured nonaccrual government insured loans at **September 30, 2013** and December 31, 2012, respectively.*

*(e) Includes an immaterial amount of government insured commercial loans 90 days past due and accruing whose repayments are insured by the SBA at **September 30, 2013** and December 31, 2012.*

*(f) Excludes **$22** of restructured nonaccrual loans at **September 30, 2013** associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

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

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

TABLE 48: Rollforward of Portfolio Nonperforming Loans and Leases

For the nine months ended September 30, 2013 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Beginning Balance	**$ 697**	**237**	**95**	**1,029**
Transfers to nonperforming	**302**	**148**	**189**	**639**
Transfers to performing	**(8)**	**(41)**	**(46)**	**(95)**
Transfers to performing (restructured)	**(13)**	**(33)**	**(48)**	**(94)**
Transfers to held for sale	**(3)**			**(3)**
Loans sold from portfolio	**(19)**			**(19)**
Loan paydowns/payoffs	**(234)**	**(90)**	**(9)**	**(333)**
Transfers to other real estate owned	**(69)**	**(58)**	**(8)**	**(135)**
Charge-offs	**(143)**	**3**	**(92)**	**(232)**
Draws/other extensions of credit	**11**		**2**	**13**
Ending Balance	**$ 521**	**166**	**83**	**770**
For the nine months ended September 30, 2012 ($ in millions)				
Beginning Balance	$ 1,058	275	105	1,438
Transfers to nonperforming	491	254	272	1,017
Transfers to performing	(18)	(33)	(57)	(108)
Transfers to performing (restructured)	(26)	(42)	(71)	(139)
Transfers to held for sale	(13)			(13)
Loans sold from portfolio	(30)	(4)		(34)
Loan paydowns/payoffs	(376)	(88)	(9)	(473)
Transfers to other real estate owned	(86)	(54)		(140)
Charge-offs	(242)	(53)	(152)	(447)
Draws/other extensions of credit	48		4	52
Ending Balance	$ 806	255	92	1,153

Troubled Debt Restructurings

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

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

Consumer restructured loans on accrual status totaled $1.7 billion at September 30, 2013 and December 31, 2012. As of September 30, 2013, the percentage of restructured residential mortgage loans, home equity loans, and credit card loans that are past due 30 days or more were 23%, 11% and 15%, respectively.

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

TABLE 49: Performing and Nonperforming TDRs

As of September 30, 2013 ($ in millions)	Current	Performing 30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial[b][c]	$ 499			241	740
Residential mortgages[a]	1,044	72	117	83	1,316
Home equity	379	25		20	424
Automobile and other consumer loans and leases	26	2		1	29
Credit card	29			34	63
Total	$ 1,977	99	117	379	2,572

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of September 30, 2013, these advances represented $157 of current loans, $33 of 30-89 days past due loans and $90 of 90 days or more past due loans.

(b) Excludes $8 of restructured accruing loans and $22 of restructured nonaccrual loans associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.

(c) Excludes restructured nonaccrual loans held for sale.

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During the third quarter of 2012, the OCC, a national bank regulatory agency, issued interpretive guidance that requires non-reaffirmed loans included in Chapter 7 bankruptcy filings to be accounted for as nonperforming TDRs and collateral dependent loans regardless of their payment history and capacity to pay in the future. The Bancorp s banking subsidiary is a state chartered bank which therefore is not subject to guidance of the OCC; however, the Bancorp is closely following these developments and is in communication with its regulators to evaluate their position on this new guidance. At September 30, 2013, the Bancorp had loans with unpaid principal balances totaling approximately $171 million that could potentially be impacted by this guidance, of which approximately 89% are current with their original contractual payments and approximately $66 million are already classified as TDRs. This guidance, if fully adopted by the Bancorp s regulators, would result in additional charge-offs of approximately $69 million as well as additional TDRs and possible increases to nonperforming assets.

Analysis of Net Loan Charge-offs

Net charge-offs were 49 bps and 75 bps of average portfolio loans and leases for the three months ended September 30, 2013 and 2012, respectively, and were 54 bps and 90 bps for the nine months ended September 30, 2013 and 2012, respectively. Table 50 provides a summary of credit loss experience and net charge-offs as a percentage of average loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs to average portfolio commercial loans and leases decreased to 35 bps and 38 bps during the three and nine months ended September 30, 2013 compared to 53 bps and 69 bps during the three and nine months ended September 30, 2012, respectively. The decreases are a result of decreases in net charge-offs of $18 million and $99 million for the three and nine months ended September 30, 2013, respectively, from the same periods in the prior year coupled with an increase in the average commercial loan and lease balances of $3.9 billion and $3.7 billion, respectively. Decreases in net charge-offs were realized across all commercial loan types, excluding commercial and industrial loans, and were primarily due to improvements in general economic conditions and previous actions taken by the Bancorp to address problem loans. Actions taken by the Bancorp included suspending homebuilder and developer lending in 2007 and non-owner occupied commercial real estate lending in 2008 and tightened underwriting standards across all commercial loan product offerings. The Bancorp resumed homebuilder and developer lending and non-owner occupied commercial real estate lending in the third quarter of 2011. Net recoveries for the three months ended September 30, 2013 related to non-owner occupied commercial real estate were $3 million compared to net charge-offs of $23 million for the three months ended September 30, 2012. Net charge-offs for the nine months ended September 30, 2013 related to non-owner occupied commercial real estate were $20 million compared to $73 million for the nine months ended September 30, 2012. Net charge-offs related to non-owner occupied commercial real estate are recorded in the commercial mortgage loans and commercial construction loans captions in Table 50. Net charge-offs on these loans represented 14% and 30% of total commercial loan and lease net charge-offs for the nine months ended September 30, 2013 and 2012, respectively.

The ratio of consumer loan and lease net charge-offs to average portfolio consumer loans and leases decreased to 70 bps and 77 bps during the three and nine months ended September 30, 2013, respectively, compared to 104 bps and 118 bps during the three and nine months ended September 30, 2012. Net charge-offs on residential mortgage loans, which typically involve partial charge-offs based upon appraised values of underlying collateral, decreased $14 million and $52 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in the prior year as a result of improvements in delinquencies and a decrease in the average loss recorded per charge-off. The Bancorp s Florida market, in aggregate, accounted for 23% and 30% of net charge-offs on residential mortgage loans in the portfolio during the three and nine months ended September 30, 2013, respectively. Fifth Third expects the composition of the residential mortgage portfolio to improve as it continues to retain high quality, shorter duration residential mortgage loans that are originated through its branch network as a low-cost, refinance product of conforming residential mortgage loans.

Home equity net charge-offs decreased $18 million and $51 million compared to the three and nine months ended September 30, 2012, primarily due to improvements in loss severities and delinquencies. In addition, management actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation.

Automobile loan net charge-offs decreased $1 million and $8 million compared to the three and nine months ended September 30, 2012, due to higher resale on automobiles sold at auction.

Credit card and other consumer loan net charge-offs increased $4 million and $6 million for the three and nine months ended September 30, 2013 compared to the same periods in the prior year. Credit card net charge-offs remained relatively flat during the three and nine months ended

September 30, 2013. Other consumer loan net charge-offs increased $3 million and $5 million for the three and nine months ended September 30, 2013 compared to the same periods in 2012 due to an increase in charge-offs and a decrease in recoveries for both periods in the current year. The Bancorp utilizes a risk-adjusted pricing methodology to ensure adequate compensation is received for those products that have higher credit costs.

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TABLE 50: Summary of Credit Loss Experience

($ in millions)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Losses charged off:				
Commercial and industrial loans	**$ (52)**	(39)	**(129)**	(151)
Commercial mortgage loans	**(8)**	(32)	**(53)**	(98)
Commercial construction loans	**(1)**	(4)	**(5)**	(31)
Commercial leases		(1)	**(2)**	(9)
Residential mortgage loans	**(15)**	(28)	**(55)**	(104)
Home equity	**(23)**	(41)	**(84)**	(133)
Automobile loans	**(10)**	(13)	**(33)**	(42)
Credit card	**(22)**	(21)	**(68)**	(69)
Other consumer loans and leases	**(10)**	(9)	**(25)**	(23)
Total losses	**(141)**	(188)	**(454)**	(660)
Recoveries of losses previously charged off:				
Commercial and industrial loans	**8**	10	**27**	22
Commercial mortgage loans	**6**	4	**14**	15
Commercial construction loans	**3**		**4**	9
Commercial leases			**1**	1
Residential mortgage loans	**3**	2	**8**	5
Home equity	**4**	4	**13**	11
Automobile loans	**4**	6	**18**	19
Credit card	**3**	3	**11**	13
Other consumer loans and leases	**1**	3	**5**	8
Total recoveries	**32**	32	**101**	103
Net losses charged off:				
Commercial and industrial loans	**(44)**	(29)	**(102)**	(129)
Commercial mortgage loans	**(2)**	(28)	**(39)**	(83)
Commercial construction loans	**2**	(4)	**(1)**	(22)
Commercial leases		(1)	**(1)**	(8)
Residential mortgage loans	**(12)**	(26)	**(47)**	(99)
Home equity	**(19)**	(37)	**(71)**	(122)
Automobile loans	**(6)**	(7)	**(15)**	(23)
Credit card	**(19)**	(18)	**(57)**	(56)
Other consumer loans and leases	**(9)**	(6)	**(20)**	(15)
Total net losses charged off	**$ (109)**	(156)	**(353)**	(557)
Net charge-offs as a percent of average loans and leases (excluding held for sale):				
Commercial and industrial loans	**0.46 %**	0.36	**0.36**	0.53
Commercial mortgage loans	**0.14**	1.15	**0.62**	1.12
Commercial construction loans	**(1.16)**	2.29	**0.01**	3.39
Commercial leases	**(0.02)**	0.11	**0.06**	0.33

Total commercial loans	**0.35**	0.53	**0.38**	0.69
Residential mortgage loans	**0.39**	0.90	**0.52**	1.18
Home equity	**0.79**	1.43	**0.99**	1.57
Automobile loans	**0.19**	0.22	**0.17**	0.26
Credit card	**3.52**	3.49	**3.67**	3.81
Other consumer loans and leases	**9.09**	9.11	**6.95**	6.15
Total consumer loans and leases	**0.70**	1.04	**0.77**	1.18
Total net losses charged off	**0.49 %**	0.75	**0.54**	0.90

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. The ALLL provides coverage for probable and estimable losses in the loan and lease portfolio. The Bancorp evaluates the ALLL each quarter to determine its adequacy to cover inherent losses. Several factors are taken into consideration in the determination of the overall ALLL, including an unallocated component. These factors include, but are not limited to, the overall risk profile of the loan and lease portfolios, net charge-off experience, the extent of impaired loans and leases, the level of nonaccrual loans and leases, the level of 90 days past due loans and leases and the overall percentage level of the ALLL. The Bancorp also considers overall asset quality trends, credit administration and portfolio management practices, risk identification practices, credit policy and underwriting practices, overall portfolio growth, portfolio concentrations and current national and local economic conditions that might impact the portfolio. More information on the ALLL can be found in Management s Discussion and Analysis Critical Accounting Policies in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2012.

During the nine months ended September 30, 2013, the Bancorp did not substantively change any material aspect of its overall approach in the determination of the ALLL and there have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance. In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the Condensed Consolidated Balance Sheets. The methodology used to determine the adequacy of this reserve is similar to the Bancorp s methodology for determining the ALLL. The provision for unfunded commitments is included in other noninterest expense in the Condensed Consolidated Statements of Income.

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

The Bancorp s determination of the ALLL for commercial loans is sensitive to the risk grades it assigns to these loans. In the event that 10% of commercial loans in each risk category would experience a downgrade of one risk category, the allowance for commercial loans would increase by approximately $172 million at September 30, 2013. In addition, the Bancorp s determination of the allowance for residential and consumer loans is sensitive to changes in estimated loss rates. In the event that estimated loss rates would increase by 10%, the allowance for residential and consumer loans would increase by approximately $43 million at September 30, 2013. As several qualitative and quantitative factors are considered in determining the ALLL, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the ALLL. They are intended to provide insights into the impact of adverse changes to risk grades and estimated loss rates and do not imply any expectation of future deterioration in the risk ratings or loss rates. Given current processes employed by the Bancorp, management believes the risk grades and estimated loss rates currently assigned are appropriate.

TABLE 51: Changes in Allowance for Credit Losses

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
ALLL:				
Balance, beginning of period	**$ 1,735**	2,016	**1,854**	2,255
Losses charged off	**(141)**	(188)	**(454)**	(660)
Recoveries of losses previously charged off	**32**	32	**101**	103
Provision for loan and lease losses	**51**	65	**176**	227
Balance, end of period	**$ 1,677**	1,925	**1,677**	1,925
Reserve for unfunded commitments:				
Balance, beginning of period	**$ 166**	178	**179**	181
Provision (benefit) for unfunded commitments	**1**	(2)	**(12)**	(5)
Balance, end of period	**$ 167**	176	**167**	176

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

An unallocated component to the ALLL is maintained to recognize the imprecision in estimating and measuring loss. The unallocated allowance as a percent of total portfolio loans and leases was 0.12% and 0.13% at September 30, 2013 and December 31, 2012, respectively. The unallocated allowance was six percent of the total allowance as of September 30, 2013 and December 31, 2012.

As shown in Table 52, the ALLL as a percent of portfolio loan and leases was 1.92% at September 30, 2013 compared to 2.16% at December 31, 2012. The ALLL was $1.7 billion as of September 30, 2013 compared to $1.9 billion as of December 31, 2012. The decrease from December 31, 2012 is reflective of a number of factors including decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases and improvement in underlying loss trends.

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

TABLE 52: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

($ in millions)	September 30, 2013	December 31, 2012
Allowance attributed to:		
Commercial and industrial loans	$ **813**	802
Commercial mortgage loans	**239**	333
Commercial construction loans	**32**	33
Commercial leases	**63**	68
Residential mortgage loans	**194**	229
Home equity	**105**	143
Automobile loans	**26**	28
Credit card	**87**	87
Other consumer loans and leases	**17**	20
Unallocated	**101**	111
Total ALLL	$ **1,677**	1,854
Portfolio loans and leases:		
Commercial and industrial loans	$ **38,253**	36,038
Commercial mortgage loans	**8,052**	9,103
Commercial construction loans	**875**	698
Commercial leases	**3,572**	3,549
Residential mortgage loans	**12,534**	12,017
Home equity	**9,356**	10,018
Automobile loans	**12,072**	11,972
Credit card	**2,157**	2,097
Other consumer loans and leases	**360**	290
Total portfolio loans and leases	$ **87,231**	85,782
Attributed allowance as a percent of respective portfolio loans and leases:		
Commercial and industrial loans	**2.13 %**	2.23
Commercial mortgage loans	**2.97**	3.66
Commercial construction loans	**3.66**	4.73
Commercial leases	**1.76**	1.92
Residential mortgage loans	**1.55**	1.91
Home equity	**1.12**	1.43
Automobile loans	**0.22**	0.23
Credit card	**4.03**	4.15
Other consumer loans and leases	**4.72**	6.90
Unallocated (as a percent of total portfolio loans and leases)	**0.12**	0.13
Attributed allowance as a percent of total portfolio loans and leases	**1.92 %**	2.16

MARKET RISK MANAGEMENT

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

- Assets and liabilities may mature or reprice at different times;
- Short-term and long-term market interest rates may change by different amounts; or
- The expected maturity of various assets or liabilities may shorten or lengthen as interest rates change.

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

Net Interest Income Simulation Model

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

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The Bancorp s Executive ALCO, which includes senior management representatives and is accountable to the ERM Committee, monitors and manages interest rate risk within Board approved policy limits. In addition to the risk management activities of ALCO, the Bancorp has a Market Risk Management function as part of ERM that provides independent oversight of market risk activities. In 2012, the NII and EVE ALCO policy limits were lowered to reflect the Bancorp s current risk appetite and due to significant uncertainty with respect to the economic environment, market interest rates and balance sheet and deposit pricing behaviors. The policy limits were updated in conjunction with the Market Risk Management group and were approved by ALCO.

The Bancorp s interest rate risk exposure is currently evaluated by measuring the anticipated change in net interest income over 12 month and 24 month horizons assuming a 100 bps and 200 bps parallel ramped increase in interest rates. The Fed Funds interest rate, targeted by the Federal Reserve at a range of 0% to 0.25%, is currently set at a level that would be negative in parallel ramped decrease scenarios; therefore, those scenarios were omitted from the interest rate risk analyses at September 30, 2013 and 2012. In accordance with the current policy, the rate movements are assumed to occur over one year and are sustained thereafter.

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

TABLE 53: Estimated NII Sensitivity Profile

	September 30, 2013				September 30, 2012			
	% Change in NII (FTE)		ALCO Policy Limits		% Change in NII (FTE)		ALCO Policy Limits	
Change in Interest Rates (bps)	12 Months	13 to 24 Months	12 Months	13 to 24 Months	12 Months	13 to 24 Months	12 Months	13 to 24 Months
+ 200	**1.14 %**	**6.14**	**(4.00)**	**(6.00)**	2.34 %	8.84	(5.00)	(7.00)
+ 100	**0.50**	**3.01**			1.00	4.30		

At September 30, 2013, the Bancorp s interest rate risk profile reflects a change to a less asset sensitive position in year one and year two compared to September 30, 2012. The lower asset sensitivity at September 30, 2013 compared to September 30, 2012 is the result of an increase in the levels of market interest rates and mortgage rates and increases in fixed-rate loan and security balances. These impacts are partially offset by an increase in actual and projected fixed-rate borrowing balances.

Economic Value of Equity

The Bancorp also utilizes EVE as a measurement tool in managing interest rate risk. Whereas the NII simulation model highlights exposures over a relatively short time horizon, the EVE analysis incorporates all cash flows over the estimated remaining life of all balance sheet and derivative positions. The EVE of the balance sheet, at a point in time, is defined as the discounted present value of asset and net derivative cash flows less the discounted value of liability cash flows. The sensitivity of EVE to changes in the level of interest rates is a measure of longer-term interest rate risk. EVE values only the current balance sheet and does not incorporate the growth assumptions used in the NII simulation model. As with the NII simulation model, assumptions about the timing and variability of existing balance sheet cash flows are critical in the EVE analysis. Particularly important are assumptions driving loan and security prepayments and the expected balance attrition and pricing of transaction deposit portfolios.

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

TABLE 54: Estimated EVE Sensitivity Profile

	September 30, 2013		September 30, 2012	
Change in Interest Rates (bps)	Change in EVE	ALCO Policy Limit	Change in EVE	ALCO Policy Limit
+ 200	**(6.25)%**	**(12.00)**	1.59 %	(15.00)
+ 100	**(3.03)**		1.12	
+ 25	**(0.70)**		0.29	
- 25	**0.44**		(0.42)	

The September 30, 2013 EVE at risk profile suggests a negative impact from market rate increases of +25 bps through the +200 bps scenarios. This EVE at risk profile reflects a shift to liability sensitivity from asset sensitivity as reported at September 30, 2012. The primary factors contributing to the change are an increase in the levels of market interest rates and mortgage rates, growth in fixed-rate loan and securities balances, and a less asset sensitive MSR risk profile.

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

The Bancorp regularly evaluates its exposures to LIBOR and Prime basis risks, nonparallel shifts in the yield curve and embedded options risk. In addition, the impact on NII and EVE of extreme changes in interest rates is modeled, wherein the Bancorp employs the use of yield curve shocks and environment-specific scenarios.

Use of Derivatives to Manage Interest Rate Risk

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

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

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

Portfolio Loans and Leases and Interest Rate Risk

Although the Bancorp s portfolio loans and leases contain both fixed and floating/adjustable rate products, the rates of interest earned by the Bancorp on the outstanding balances are generally established for a period of time. The interest rate sensitivity of loans and leases is directly related to the length of time the rate earned is established. The following table summarizes the expected principal cash flows of the Bancorp s portfolio loans and leases as of September 30, 2013:

TABLE 55: Portfolio Loan and Lease Expected Maturities

As of September 30, 2013 ($ in millions)	Less than 1 year	1-5 years	Over 5 years	Total
Commercial and industrial loans	$ 9,410	26,059	2,784	38,253
Commercial mortgage loans	3,305	4,062	685	8,052
Commercial construction loans	312	536	27	875
Commercial leases	668	1,577	1,327	3,572
Subtotal - commercial loans and leases	13,695	32,234	4,823	50,752
Residential mortgage loans	2,541	4,362	5,631	12,534
Home equity	1,368	5,155	2,833	9,356
Automobile loans	4,824	7,011	237	12,072
Credit card	619	1,538		2,157
Other consumer loans and leases	304	53	3	360
Subtotal - consumer loans and leases	9,656	18,119	8,704	36,479
Total	$ 23,351	50,353	13,527	87,231

Additionally, the following table displays a summary of expected principal cash flows occurring after one year for both fixed and floating/adjustable rate loans as of September 30, 2013:

TABLE 56: Portfolio Loan and Lease Principal Cash Flows Occurring After One Year

Interest Rate

As of September 30, 2013 ($ in millions)	Fixed	Floating or Adjustable
Commercial and industrial loans	$ 4,852	23,991
Commercial mortgage loans	1,271	3,476
Commercial construction loans	17	546
Commercial leases	2,904	
Subtotal - commercial loans and leases	9,044	28,013
Residential mortgage loans	7,417	2,576
Home equity	894	7,094
Automobile loans	7,200	48
Credit card	624	914
Other consumer loans and leases	32	24
Subtotal - consumer loans and leases	16,167	10,656
Total	$ 25,211	38,669

Residential Mortgage Servicing Rights and Interest Rate Risk

The net carrying amount of the residential MSR portfolio was $915 million and $697 million as of September 30, 2013 and December 31, 2012, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally, as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk associated with changes in the value of its MSR portfolio as a result of changing interest rates.

Mortgage rates increased during the nine months ended September 30, 2013 and decreased during the three months ended September 30, 2013 and during the three and nine months ended September 30, 2012. The increase in interest rates during the nine months ended September 30, 2013 caused modeled prepayments speeds to slow, which led to a recovery of temporary impairment of $150 million on servicing rights during the nine months ended September 30, 2013. The decrease in interest rates during the three months ended September 30, 2013 caused

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modeled prepayments speeds to increase, which led to $1 million in temporary impairment on servicing rights during the three months ended September 30, 2013 compared to $72 million and $122 million in temporary impairment during the three and nine months ended September 30, 2012, respectively. Servicing rights are deemed temporarily impaired when a borrower s loan rate is distinctly higher than prevailing rates. Temporary impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. In addition to the mortgage servicing rights valuation, the Bancorp recognized net gains of $24 million and net losses of $13 million on its non-qualifying hedging strategy for the three and nine months ended September 30, 2013, respectively, compared to net gains of $32 million and $75 million for the three and nine months ended September 30, 2012, respectively. The Bancorp recognized net gains on securities related to the Bancorp s non-qualifying hedging strategy of $5 million and $13 million during the three and nine months ended September 30, 2013, respectively, compared to net gains of $5 million during the three and nine months ended September 30, 2012. The Bancorp may adjust its hedging strategy to reflect its assessment of the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges given the economic environment. See Note 10 of the Notes to Condensed Consolidated Financial Statements for further discussion on servicing rights and the instruments used to hedge interest rate risk on MSRs.

Foreign Currency Risk

The Bancorp may enter into foreign exchange derivative contracts to economically hedge certain foreign denominated loans. The derivatives are classified as free-standing instruments with the revaluation gain or loss being recorded in other noninterest income in the Condensed Consolidated Statements of Income. The balance of the Bancorp s foreign denominated loans at September 30, 2013 and December 31, 2012 was $575 million and $549 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations. The Bancorp has internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of currency volatility and credit equivalent exposure on these contracts, counterparty credit approvals and country limits.

LIQUIDITY RISK MANAGEMENT

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

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

Sources of Funds

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

Projected contractual maturities from loan and lease repayments are included in Table 55 of the Market Risk Management section of MD&A. Of the $18.1 billion of securities in the Bancorp s available-for-sale portfolio at September 30, 2013, $3.3 billion in principal and interest is expected to be received in the next 12 months and an additional $2.0 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp s securities portfolio, see the Investment Securities subsection of the Balance Sheet Analysis section of MD&A.

Asset-driven liquidity is provided by the Bancorp s ability to sell or securitize loans and leases. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination. Additional assets such as certain other residential mortgages, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. The Bancorp sold or securitized loans totaling $6.4 billion and $21.0 billion, respectively, for the three and nine months ended September 30, 2013 compared to $5.0 billion and $16.5 billion, respectively, for the three and nine months ended September 30, 2012. For further information on the transfer of financial assets, see Note 10 of the Notes to Condensed Consolidated Financial Statements.

Core deposits have historically provided the Bancorp with a sizeable source of relatively stable and low cost funds. The Bancorp s average core deposits and shareholders equity funded 82% of its average total assets for the third quarter of 2013 and 81% for the third quarter of 2012. In addition to core deposit funding, the Bancorp also accesses a variety of other short-term and long-term funding sources, which include the use of the FHLB system. Certificates of deposit carrying a balance of $100,000 or more and deposits in the Bancorp s foreign branch located in the Cayman Islands are wholesale funding tools utilized to fund asset growth. Management does not rely on any one source of liquidity and manages availability in response to changing balance sheet needs.

As of September 30, 2013, $5.0 billion of debt or other securities were available for issuance under the current Bancorp s Board of Directors authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. Additionally, the Bancorp has approximately $36.5 billion of borrowing capacity available through secured borrowing sources including the FHLB and FRB.

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In February of 2013, the Bancorp s banking subsidiary updated and amended its existing global bank note program to increase the capacity from $20 billion to $25 billion. On February 28, 2013, the Bank issued and sold, under its amended bank notes program, $1.3 billion in aggregate principal amount of bank notes. The bank notes consisted of: $600 million of 1.45% senior fixed rate notes with a maturity of five years due February 28, 2018; $400 million of 0.90% senior fixed rate notes with a maturity of three years due February 26, 2016; and $300 million of senior floating rate notes. Interest on the floating rate notes is 3-month LIBOR plus 41 basis points, with a maturity of three years due February 26, 2016. 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 through the redemption date. In the second quarter of 2013, $500 million of senior bank notes matured. The Bancorp has $23.2 billion of funding available for issuance under the global bank note program as of September 30, 2013.

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. The Bancorp utilized a securitization trust to facilitate the securitization process. The trust issued asset-backed securities in the form of notes and equity certificates, with varying levels of credit subordination and payment priority. The Bancorp does not hold any of the notes or equity certificates issued by the trust, and the investors in these securities have no credit recourse to the Bancorp s assets for failure of debtors to pay when due.

In August of 2013, the Bancorp transferred approximately $1.3 billion in fixed-rate consumer automobile loans to a bankruptcy remote trust which was deemed to be a VIE. The Bancorp concluded that it is the primary beneficiary of the VIE and, therefore, has consolidated this VIE. The primary purposes for which the VIE was created were to issue asset backed securities with varying levels of credit subordination and payment priority and to provide the Bancorp with access to liquidity for its originated loans. The assets of the VIE are restricted to the settlement of the notes and other obligations of the VIE. Third-party holders of the notes do not have recourse to the general assets of the Bancorp.

Liquidity Coverage Ratio and Net Stable Funding Ratio

Section 165 of the Dodd-Frank Act requires the FRB to establish enhanced liquidity standards for BHCs with total assets of $50 billion or greater. The BCBS key reform within the Basel III framework to strengthen liquidity standards was the introduction of the LCR and NSFR. On January 7, 2013, the BCBS issued a final standard for the LCR, which would phase in the LCR beginning in 2015 upon with full implementation in 2019. The BCBS plans on introducing the NSFR final standard in the next two years.

The BCBS LCR would promote the short-term resilience of a bank s liquidity profile by ensuring an adequate level of unencumbered high-quality liquid assets that can be converted into cash easily and immediately in private markets to meet its liquidity needs within 30 calendar days. Financial institutions subject to the LCR generally would be expected to hold unencumbered high-quality assets of at least 100% of net cash flows over the next 30 calendar days upon full implementation in 2019.

The BCBS NSFR is intended to promote medium and long-term funding of the assets and activities of financial institutions. This ratio would establish a minimum acceptable amount of stable funding based on the liquidity characteristics of a financial institution s assets and activities over a one year horizon. Management is currently monitoring the progress of the BCBS work on the NSFR.

On October 24, 2013, the U.S. Banking Agencies issued an NPR that would implement a LCR requirement that is generally consistent with the international LCR standards published by the BCBS for large internationally active banking organizations. Additionally, a Modified LCR requirement was proposed for BHC s with total consolidated assets of at least $50 billion that are not internationally active, like Fifth Third. The Modified LCR requirement incorporates a shorter (21-calendar days) stress scenario for calculating total net cash outflows than the LCR s 30 calendar day requirement. Therefore, the estimated net cash outflows for the Modified LCR generally would be 70% of the LCR s estimated net cash outflows. The NPR s transition period begins on January 1, 2015 whereby LCR and Modified LCR entities must comply with a minimum ratio of 80%. On January 1, 2016 and 2017 the minimum ratio increases to 90% and 100%, respectively. The NPR is open for public comment until January 31, 2014. Management is currently reviewing the NPR and evaluating its impact upon the Bancorp s Condensed Consolidated Financial Statements.

Credit Ratings

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

The Bancorp s credit ratings are summarized in Table 57. The ratings reflect the ratings agencies view on the Bancorp s capacity to meet financial commitments. *

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

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TABLE 57: Agency Ratings

As of November 6, 2013	Moody s	Standard and Poor s	Fitch	DBRS
Fifth Third Bancorp:				
Short-term	No rating	A-2	F1	R-1 (low)
Senior debt	Baa1	BBB+	A	A (low)
Subordinated debt	Baa2	BBB	A-	BBBH
Fifth Third Bank:				
Short-term	P-2	A-2	F1	R-1 (low)
Long-term deposit	A3	No rating	A+	A
Senior debt	A3	A-	A	A
Subordinated debt	Baa1	BBB+	A-	A (low)

CAPITAL MANAGEMENT

Management regularly reviews the Bancorp s capital levels to help ensure it is appropriately positioned under various operating environments. The Bancorp has established a Capital and Liquidity Committee, which is responsible for all capital related decisions. The Capital and Liquidity Committee makes recommendations to management involving capital actions. These recommendations are reviewed and approved by the ERMC.

Capital Ratios

The U.S banking agencies established quantitative measures that assign risk weightings to assets and off-balance sheet items and also define and set minimum regulatory capital requirements. The U.S. banking agencies define well capitalized ratios for Tier I and total risk-based capital as 6% and 10%, respectively. The Bancorp exceeded these well-capitalized ratios for all periods presented.

The Basel II advanced approach framework was finalized by U.S. banking agencies in 2007. Core banks, defined as those with consolidated total assets in excess of $250 billion or on balance sheet foreign exposures of $10 billion were required to adopt the advanced approach effective April 1, 2008. The Bancorp does not meet these thresholds and, therefore, is not subject to the requirements of Basel II.

The Dodd-Frank Act requires more stringent prudential standards, including capital and liquidity requirements, for larger institutions. It addresses the quality of capital components by limiting the degree to which certain hybrid instruments can be included. The Dodd-Frank Act will phase out the inclusion of certain TruPS as a component of Tier I risk-based capital when the banking agencies implement the proposed enhancement to the regulatory capital framework. At September 30, 2013, the Bancorp s Tier I risk-based capital included $810 million of TruPS representing approximately 71 bps of risk-weighted assets.

In December of 2010 and revised in June of 2011, the BCBS issued Basel III, a global regulatory framework, to enhance international capital standards. In June of 2012, U.S. banking regulators proposed enhancements to the regulatory capital requirements for U.S. banks, which implement aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. In July of 2013, U.S. banking regulators approved final enhanced regulatory capital requirements, which included modifications to the proposed rules. These modifications provide for certain banks, including the Bancorp, to opt out of including AOCI in Tier 1 capital and retain the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The new capital rules are effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain of their components and other provisions. The Bancorp is in the process of evaluating the final rules and their potential impact. The Bancorp s current estimate of the pro-forma fully phased in Tier I common equity ratio at September 30, 2013 under the final capital rules is approximately 9.47% compared with 9.88% as calculated under the existing Basel I capital framework. The primary drivers of the change from the existing Basel I capital framework to the Basel III final rules are an increase in Tier I common equity of approximately 8 bps (primarily from the elimination of the current 10% deduction of mortgage servicing rights from capital), which would be more than offset by the impact of increases in risk-weighted assets (primarily from the treatment of securitizations and commitments with an original maturity of one year or less). If the Bancorp elects to include AOCI components in capital, the September 30, 2013 pro forma Basel III Tier 1 common ratio would be increased by approximately 18 bps. The pro-forma Tier I common equity ratio exceeds the proposed minimum Tier I common equity ratio of 7% comprised of a minimum of 4.5% plus a capital conservation buffer of 2.5%. The pro-forma Tier I common equity ratio does not include the effect of any mitigating actions the Bancorp may undertake to offset the impact of the proposed capital enhancements. Additionally, pursuant to the final rules, the minimum capital ratios as of January 1, 2015 will be 6% for the Tier I capital ratio, 8% for the total risk-based capital ratio and 4% for the Tier I capital to average consolidated assets (leverage ratio). For further discussion on the Basel I and Basel III Tier I common equity ratios, see the Non-GAAP Financial Measures section of MD&A.

Market Risk Rule

On June 7, 2012, banking agencies approved a final rule effective January 1, 2013, titled as Risk-Based Capital Guidelines: Market Risk, to implement enhancements to the market risk framework adopted by the BCBS. The final rule, to which the Bancorp is subject, requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities. The rule introduces new measures of market risk, establishes a charge related to stressed VaR for covered trading positions and replaces references to credit ratings in the market risk rules with alternative methodologies for assessing risk. The intention of the rule is to better capture positions for which the market risk capital rule is appropriate, reduce procyclicality in market risk capital requirements, enhance sensitivity to risks that are not adequately captured by the current regulatory methodologies and increase transparency through enhanced disclosures. Upon the adoption of the market risk final rule in the first quarter of 2013, the Bancorp s Tier I and Total risk-based capital ratios decreased 1 bp and adoption had an immaterial impact to the Tier I common equity ratio.

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TABLE 58: Capital Ratios

($ in millions)	September 30, 2013	December 31, 2012
Average equity as a percent of average assets	**11.71 %**	11.65
Tangible equity as a percent of tangible assets[(a)]	**9.75**	9.17
Tangible common equity as a percent of tangible assets[(a)]	**9.27**	8.83
Tier I capital	**$ 12,762**	11,685
Total risk-based capital	**16,436**	15,816
Risk-weighted assets[(b)]	**114,544**	109,699
Regulatory capital ratios:		
Tier I risk-based capital	**11.14 %**	10.65
Total risk-based capital	**14.35**	14.42
Tier I leverage	**10.58**	10.05
Tier I common equity[(a)]	**9.88**	9.51

(a) For further information on these ratios, see the Non-GAAP Financial Measures section of MD&A.

(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 resulting in the Bancorp s total risk-weighted assets.

2013 Stress Tests and CCAR

The FRB launched the 2013 stress testing program and CCAR on November 9, 2012. The CCAR requires bank holding companies to submit a capital plan in addition to their stress testing results. The mandatory elements of the capital plan are an assessment of the expected use and sources of capital over the planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the Bancorp s business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the Bancorp s process for assessing capital adequacy and the Bancorp s capital policy. The stress testing results and capital plan were submitted by the Bancorp to the FRB on January 7, 2013 covering the period from April 1, 2013 to March 31, 2014.

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

On March 14, 2013 the Bancorp announced the FRB s response to the capital plan it submitted as part of the 2013 CCAR. The FRB indicated that it did not object to the following capital actions for the period beginning April 1, 2013 and ending March 31, 2014:

Increase in the quarterly common stock dividend to $0.12 per share;

Repurchase of up to $750 million in TruPS subject to the determination of a regulatory capital event and replacement with the issuance of a similar amount of Tier II-qualifying subordinated debt;

Conversion of the $398 million in outstanding Series G 8.5% convertible preferred stock into approximately 35.5 million common shares issued to the holders. If this conversion were to occur, the Bancorp would intend to repurchase the common shares issued in the conversion up to $550 million in market value, and issue $550 million in preferred stock;

- Repurchase of common shares in an amount up to $984 million, including any shares issued in a Series G preferred stock conversion; and
- Issuance of an additional $500 million in preferred stock.

The capital plan also included the assumption that the Bancorp would issue approximately 3.5 million shares in restricted stock under employee compensation plans in 2013. In addition, the Bancorp intends to make incremental repurchases of common shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock. The above potential capital actions are subject to Board approval and other factors including regulatory developments and market conditions.

Additionally, as a CCAR institution, the Bancorp is required to disclose its own estimates of results under the supervisory severely adverse scenario, and to provide information related to risks included in its stress testing; a summary description of the methodologies used; estimates of aggregate pre-provision net revenue, losses, provisions and pro forma capital ratios at the end of the forward-looking planning horizon of at least nine quarters; and an explanation of the most significant causes of changes in regulatory capital ratios. On March 14, 2013 the Bancorp publicly disclosed the results of its company-run stress test in a Form 8-K as required by the Dodd-Frank Act stress testing rules.

Beginning in 2013, the Bancorp and other large bank holding companies were required to conduct a separate mid-year stress test using financial data as of March 31st under three company-derived macro-economic scenarios (base, adverse and severely adverse). The Bancorp submitted the results of its mid-year stress test to the FRB in July of 2013 and the Bancorp published a summary of the results under the severely adverse scenario in September of 2013. These results represented estimates of the Bancorp s results from the second quarter of 2013 through the second quarter of 2015 under the severely adverse scenario, which is considered highly unlikely to occur.

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Preferred Stock Offering and Conversion

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

On June 11, 2013, the Bancorp s Board of Directors authorized the conversion into common stock, no par value, of all outstanding shares of the Bancorp s 8.50% non-cumulative convertible perpetual preferred stock, Series G, which shares are represented by depositary shares each representing 1/250th of a share of Series G preferred stock, pursuant to the Amended Articles of Incorporation. The Articles grant the Bancorp the right, at its option, to convert all outstanding shares of Series G preferred stock if the closing price of common stock exceeded 130% of the applicable conversion price for 20 trading days within any period of 30 consecutive trading days. The closing price of shares of common stock satisfied such threshold for the 30 trading days ended June 10, 2013, and the Bancorp gave the required notice of its exercise of its conversion right.

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

Dividend Policy and Stock Repurchase Program

The Bancorp s common stock dividend policy and stock repurchase program reflect its earnings outlook, desired payout ratios, the need to maintain adequate capital levels, the ability of its subsidiaries to pay dividends, the need to comply with safe and sound banking practices as well as meet regulatory requirements and expectations. The Bancorp declared dividends per common share of $0.12 and $0.10 for the three months ended September 30, 2013 and 2012, respectively, and $0.35 and $0.26 for the nine months ended September 30, 2013 and 2012, respectively.

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

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

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

As a result of the FRB s non-objection to the Bancorp s capital plan under the 2013 CCAR process, on March 19, 2013, Fifth Third s Board of Directors authorized the Bancorp to repurchase up to 100 million shares of its outstanding common stock in the open market or in privately negotiated transactions, and to utilize any derivative or similar instrument to affect share repurchase transactions. This share repurchase authorization replaces the Board s previous authorization.

On May 21, 2013, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 25,035,519 shares, or approximately $539 million of its outstanding common stock on May 24, 2013. The Bancorp repurchased the shares of its common stock as part of its 100 million share repurchase program previously announced on March 19, 2013. At settlement of the forward contract on October 1, 2013, the Bancorp received an additional 4,270,250 shares which were recorded in the fourth quarter of 2013 as an adjustment to the basis in the treasury shares purchased on the acquisition date.

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TABLE 59: Share Repurchases

Period	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1, 2013 - July 31, 2013		$		74,964,481
August 1, 2013 - August 31, 2013				74,964,481
September 1, 2013 - September 30, 2013				74,964,481
Total		$		74,964,481

(a) *The Bancorp repurchased 195,772 shares during the third quarter of 2013 in connection with various employee compensation plans. These purchases are not included in the calculation for average price paid per share and do not count against the maximum number of shares that may yet be purchased under the Board of Directors authorization.*

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OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, the Bancorp enters into financial transactions to extend credit and various forms of commitments and guarantees that may be considered off-balance sheet arrangements. These transactions involve varying elements of market, credit and liquidity risk. Refer to Note 15 of the Notes to Condensed Consolidated Financial Statements for additional information. A discussion of these transactions is as follows:

Residential Mortgage Loan Sales

Conforming residential mortgage loans sold to unrelated third parties are generally sold with representation and warranty provisions. Such provisions include the loan s compliance with applicable loan criteria, including certain documentation standards per agreements with unrelated third parties. Additional reasons for the Bancorp having to repurchase the loans include compliance with collateral appraisal standards, fraud related to the loan application and the rescission of mortgage insurance. Under these provisions, the Bancorp is required to repurchase any previously sold loan for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading. As of September 30, 2013 and December 31, 2012, the Bancorp maintained reserves related to these loans sold with the representation and warranty provisions totaling $103 million and $110 million, respectively, which were included in other liabilities in the Bancorp s Condensed Consolidated Balance Sheets.

For the three months ended September 30, 2013 and 2012, the Bancorp paid $9 million and $8 million, respectively, in the form of make whole payments and repurchased $19 million and $29 million, respectively, in outstanding principal of loans to satisfy investor demands. For the nine months ended September 30, 2013 and 2012, the Bancorp paid $33 million and $25 million, respectively, in the form of make whole payments and repurchased $70 million and $94 million, respectively, of loans to satisfy investor demands. Total repurchase demand requests during the three months ended September 30, 2013 and 2012 were $62 million and $70 million, respectively. Total repurchase demand requests during the nine months ended September 30, 2013 and 2012 were $191 million and $280 million, respectively. Total outstanding repurchase demand inventory was $49 million at September 30, 2013 compared to $67 million at December 31, 2012.

The Bancorp sold certain residential mortgage loans in the secondary market with credit recourse. In the event of any customer default, pursuant to the credit recourse provided, the Bancorp is required to reimburse the third party. The maximum amount of credit risk in the event of nonperformance by the underlying borrowers is equivalent to the total outstanding balance. In the event of nonperformance, the Bancorp has rights to the underlying collateral value securing the loan. The outstanding balances on these loans sold with credit recourse were $589 million and $662 million at September 30, 2013 and December 31, 2012, respectively. The Bancorp maintained an estimated credit loss reserve on these loans sold with credit recourse of $18 million at September 30, 2013, and $20 million at December 31, 2012, recorded in other liabilities in the Condensed Consolidated Balance Sheets. To determine the credit loss reserve, the Bancorp used an approach that is consistent with its overall approach in estimating credit losses for various categories of residential mortgage loans held in its loan portfolio.

Private Mortgage Insurance

For certain mortgage loans originated by the Bancorp, borrowers may be required to obtain PMI provided by third-party insurers. In some instances, these insurers cede a portion of the PMI premiums to the Bancorp, and the Bancorp provides reinsurance coverage within a specified range of the total PMI coverage. The Bancorp s reinsurance coverage typically ranges from 5% to 10% of the total PMI coverage.

The Bancorp s maximum exposure in the event of nonperformance by the underlying borrowers is equivalent to the Bancorp s total outstanding reinsurance coverage, which was $40 million at September 30, 2013 and $58 million at December 31, 2012. As of September 30, 2013 and December 31, 2012, the Bancorp maintained a reserve of $13 million and $18 million, respectively, related to exposures within the reinsurance portfolio which was included in other liabilities in the Condensed Consolidated Balance Sheets. In 2009, the Bancorp suspended the practice of providing reinsurance of private mortgage insurance for newly originated mortgage loans.

Automobile Loan Securitization

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. The Bancorp utilized a securitization trust to facilitate the securitization process. The trust issued asset-backed securities in the form of notes and equity certificates, with varying levels of credit subordination and payment priority. The Bancorp does not hold any of the notes or equity certificates issued by the trust, and the investors in these securities have no credit recourse to the Bancorp s assets for failure of debtors to pay when due. As part of the sale, the Bancorp obtained servicing responsibilities and recognized a servicing asset with an initial fair value of $6 million. For further information on this automobile securitization, see Note 9 of the Notes to Condensed Consolidated Financial Statements.

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Quantitative and Qualitative Disclosure about Market Risk (Item 3)

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

Controls and Procedures (Item 4)

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

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (Item 1)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share data)	As of September 30, 2013	December 31, 2012
Assets		
Cash and due from banks[(a)]	**$ 2,887**	2,441
Available-for-sale and other securities[(b)]	**18,080**	15,207
Held-to-maturity securities[(c)]	**265**	284
Trading securities	**246**	207
Other short-term investments	**2,622**	2,421
Loans held for sale[(d)]	**1,330**	2,939
Portfolio loans and leases:		
Commercial and industrial loans	**38,253**	36,038
Commercial mortgage loans[(a)]	**8,052**	9,103
Commercial construction loans	**875**	698
Commercial leases	**3,572**	3,549
Residential mortgage loans[(e)]	**12,534**	12,017
Home equity	**9,356**	10,018
Automobile loans[(a)]	**12,072**	11,972
Credit card	**2,157**	2,097
Other consumer loans and leases	**360**	290
Portfolio loans and leases	**87,231**	85,782
Allowance for loan and lease losses[(a)]	**(1,677)**	(1,854)
Portfolio loans and leases, net	**85,554**	83,928
Bank premises and equipment	**2,528**	2,542
Operating lease equipment	**707**	581
Goodwill	**2,416**	2,416
Intangible assets	**21**	27
Servicing rights	**919**	697
Other assets[(a)]	**8,098**	8,204
Total Assets	**$ 125,673**	121,894
Liabilities		
Deposits:		
Demand	**$ 30,153**	30,023
Interest checking	**23,527**	24,477
Savings	**17,583**	19,879
Money market	**10,433**	6,875
Other time	**3,524**	4,015
Certificates - $100,000 and over	**7,497**	3,284
Foreign office and other	**1,409**	964
Total deposits	**94,126**	89,517
Federal funds purchased	**225**	901

Other short-term borrowings	**3,487**	6,280
Accrued taxes, interest and expenses	**1,692**	1,708
Other liabilities[(a)]	**3,365**	2,639
Long-term debt[(a)]	**8,098**	7,085
Total Liabilities	**110,993**	108,130
Equity		
Common stock[(f)]	**2,051**	2,051
Preferred stock[(g)]	**593**	398
Capital surplus	**2,565**	2,758
Retained earnings	**9,876**	8,768
Accumulated other comprehensive income	**218**	375
Treasury stock[(f)]	**(662)**	(634)
Total Bancorp shareholders equity	**14,641**	13,716
Noncontrolling interests	**39**	48
Total Equity	**14,680**	13,764
Total Liabilities and Equity	**$ 125,673**	121,894

(a) *Includes **$53** and $0 of cash and due from banks, **$50** and $50 of commercial mortgage loans, **$1,145** and $0 of automobile loans, **$(16)** and $(5) of ALLL, **$12** and $3 of other assets, **$2** and $0 of other liabilities, and **$1,198** and $0 of long-term debt from consolidated VIEs that are included in their respective captions above at **September 30, 2013** and December 31, 2012, respectively. See Note 9.*

(b) *Amortized cost of **$17,665** and $14,571 at **September 30, 2013** and December 31, 2012, respectively.*

(c) *Fair value of **$265** and $284 at **September 30, 2013** and December 31, 2012, respectively.*

(d) *Includes **$1,298** and $2,856 of residential mortgage loans held for sale measured at fair value at **September 30, 2013** and December 31, 2012, respectively.*

(e) *Includes **$89** and $76 of residential mortgage loans measured at fair value at **September 30, 2013** and December 31, 2012, respectively.*

(f) *Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at **September 30, 2013** **887,029,539** (excludes **36,863,042** treasury shares), December 31, 2012 882,152,057 (excludes 41,740,524 treasury shares).*

(g) *476,000 shares of undesignated no par value preferred stock are authorized and unissued at September 30, 2013; fixed-to-floating rate non-cumulative Series H perpetual preferred stock with a $25,000 liquidation preference: **24,000** authorized, issued and outstanding at **September 30, 2013** and 8.5% non-cumulative Series G convertible (into 2,159.8272 common shares) perpetual preferred stock with a $25,000 liquidation preference: 46,000 authorized and 16,450 issued and outstanding at December 31, 2012.*

See Notes to Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

($ in millions, except per share data)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Interest Income				
Interest and fees on loans and leases	$ **857**	893	**2,603**	2,683
Interest on securities	**134**	129	**365**	405
Interest on other short-term investments	**1**	1	**3**	3
Total interest income	**992**	1,023	**2,971**	3,091
Interest Expense				
Interest on deposits	**51**	52	**154**	165
Interest on other short-term borrowings	**1**	3	**5**	6
Interest on long-term debt	**47**	65	**151**	224
Total interest expense	**99**	120	**310**	395
Net Interest Income	**893**	903	**2,661**	2,696
Provision for loan and lease losses	**51**	65	**176**	227
Net Interest Income After Provision for Loan and Lease Losses	**842**	838	**2,485**	2,469
Noninterest Income				
Mortgage banking net revenue	**121**	200	**574**	588
Service charges on deposits	**140**	128	**407**	387
Corporate banking revenue	**102**	101	**307**	299
Investment advisory revenue	**97**	92	**295**	281
Card and processing revenue	**69**	65	**201**	187
Other noninterest income	**185**	78	**708**	359
Securities gains, net	**2**	2	**19**	13
Securities gains, net - non-qualifying hedges on mortgage servicing rights	**5**	5	**13**	5
Total noninterest income	**721**	671	**2,524**	2,119
Noninterest Expense				
Salaries, wages and incentives	**389**	399	**1,193**	1,191
Employee benefits	**83**	79	**280**	274
Net occupancy expense	**75**	76	**230**	227
Technology and communications	**52**	49	**151**	144
Card and processing expense	**33**	30	**97**	90
Equipment expense	**29**	28	**85**	82
Other noninterest expense	**298**	345	**936**	910

Total noninterest expense		**959**	1,006	**2,972**	2,918
Income Before Income Taxes		**604**	503	**2,037**	1,670
Applicable income tax expense		**183**	139	**613**	491
Net Income		**421**	364	**1,424**	1,179
Less: Net income attributable to noncontrolling interests			1	**(9)**	1
Net Income Attributable to Bancorp		**421**	363	**1,433**	1,178
Dividends on preferred stock			9	**18**	26
Net Income Available to Common Shareholders	**$**	**421**	354	**1,415**	1,152
Earnings Per Share	**$**	**0.47**	0.39	**1.62**	1.26
Earnings Per Diluted Share	**$**	**0.47**	0.38	**1.58**	1.23
Average common shares - basic		**880,182,513**	904,474,989	**869,930,016**	911,056,331
Average common shares - diluted		**888,111,269**	944,820,608	**900,541,471**	952,258,953
Cash dividends declared per common share	**$**	**0.12**	0.10	**0.35**	0.26

See Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

($ in millions)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Net income	**$ 421**	364	**1,424**	1,179
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) on available-for-sale securities arising during period	**69**	22	**(178)**	19
Reclassification adjustment for net (gains) losses included in net income	**(4)**	(4)	**34**	(10)
Unrealized gains on cash flow hedge derivatives:				
Unrealized holding gains on cash flow hedge derivatives arising during period	**6**	8	**5**	23
Reclassification adjustment for net gains included in net income	**(4)**	(14)	**(24)**	(41)
Defined benefit pension plans:				
Net actuarial loss arising during period	**2**	2	**6**	7
Other comprehensive income (loss)	**69**	14	**(157)**	(2)
Comprehensive income	**490**	378	**1,267**	1,177
Less: Comprehensive income attributable to noncontrolling interests		1	**(9)**	1
Comprehensive income attributable to Bancorp	**$ 490**	377	**1,276**	1,176

See Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus	Bancorp Shareholders Equity Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Bancorp Shareholders Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2011	$ 2,051	398	2,792	7,554	470	(64)	13,201	50	13,251
Net income				1,178			1,178	1	1,179
Other comprehensive loss					(2)		(2)		(2)
Cash dividends declared:									
Common stock at $0.26 per share				(237)			(237)		(237)
Preferred stock				(26)			(26)		(26)
Shares acquired for treasury			(34)			(391)	(425)		(425)
Impact of stock transactions under stock compensation plans, net			(26)			53	27		27
Other			1	(3)		4	2		2
Balance at September 30, 2012	2,051	398	2,733	8,466	468	(398)	13,718	51	13,769
Balance at December 31, 2012	2,051	398	2,758	8,768	375	(634)	13,716	48	13,764
Net income				**1,433**			**1,433**	**(9)**	**1,424**
Other comprehensive loss					**(157)**		**(157)**		**(157)**
Cash dividends declared:									
Common stock at $0.35 per share				**(305)**			**(305)**		**(305)**
Preferred stock				**(18)**			**(18)**		**(18)**
Shares acquired for treasury			**(58)**			**(606)**	**(664)**		**(664)**
Issuance of preferred stock		**593**					**593**		**593**
Redemption of preferred stock		**(398)**	**(142)**			**540**			
Impact of stock transactions under stock compensation plans, net			**7**			**35**	**42**		**42**
Other				**(2)**		**3**	**1**		**1**
Balance at September 30, 2013	**$ 2,051**	**593**	**2,565**	**9,876**	**218**	**(662)**	**14,641**	**39**	**14,680**

See Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

($ in millions)	For the nine months ended September 30, 2013	2012
Operating Activities		
Net income	**$ 1,424**	1,179
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	**176**	227
Depreciation, amortization and accretion	**410**	388
Stock-based compensation expense	**60**	54
Provision for deferred income taxes	**195**	133
Securities gains	**(152)**	(50)
Securities gains non-qualifying hedges on mortgage servicing rights	**(13)**	(10)
Securities losses	**133**	37
Securities losses non-qualifying hedges on mortgage servicing rights		5
(Recovery of) provision for MSR impairment	**(150)**	122
Net gains on sales of loans and fair value adjustments on loans held for sale	**(391)**	(164)
Bank premises and equipment impairment	**2**	19
Capitalized servicing rights	**(217)**	(254)
Loss on extinguishment on TruPS redemptions		26
Proceeds from sales of loans held for sale	**19,615**	16,955
Loans originated for sale, net of repayments	**(16,991)**	(15,469)
Dividends representing return on equity method investments	**37**	27
Gain on sales of Vantiv, Inc. shares and Vantiv, Inc. IPO	**(327)**	(115)
Net change in:		
Trading securities	**(35)**	(26)
Other assets	**(288)**	(203)
Accrued taxes, interest and expenses	**(117)**	8
Other liabilities	**456**	(153)
Net Cash Provided by Operating Activities	**3,827**	2,736
Investing Activities		
Sales:		
Available-for-sale securities	**7,146**	2,282
Loans	**619**	209
Disposal of bank premises and equipment	**27**	5
Repayments / maturities:		
Available-for-sale securities	**2,657**	3,111
Held-to-maturity securities	**18**	33
Purchases:		
Available-for-sale securities	**(12,780)**	(5,291)
Bank premises and equipment	**(198)**	(271)

Proceeds from sales and dividends representing return of equity method investments	**644**	116
Net change in:		
Other short-term investments	**(201)**	496
Loans and leases	**(3,125)**	(2,925)
Operating lease equipment	**(167)**	(76)
Net Cash Used in Investing Activities	**(5,360)**	(2,311)
Financing Activities		
Net change in:		
Core deposits	**475**	(992)
Certificates - $100,000 and over, including other foreign office	**4,134**	(29)
Federal funds purchased	**(676)**	340
Other short-term borrowings	**(2,793)**	2,264
Dividends paid on common shares	**(286)**	(221)
Dividends paid on preferred shares	**(18)**	(17)
Proceeds from issuance of long-term debt	**2,548**	516
Repayment of long-term debt	**(1,317)**	(2,015)
Repurchase of treasury shares and related forward contract	**(664)**	(425)
Issuance of preferred shares	**593**	
Other	**(17)**	(19)
Net Cash Provided by (Used in) Financing Activities	**1,979**	(598)
Increase (Decrease) in Cash and Due from Banks	**446**	(173)
Cash and Due from Banks at Beginning of Period	**2,441**	2,663
Cash and Due from Banks at End of Period	**$ 2,887**	2,490

See Notes to Condensed Consolidated Financial Statements. Note 2 contains cash payments related to interest and income taxes in addition to noncash investing and financing activities.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

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

In the opinion of management, the unaudited Condensed Consolidated Financial Statements include all adjustments, which consist of normal recurring accruals, necessary to present fairly the results for the periods presented. In accordance with U.S. GAAP and the rules and regulations of the SEC for interim financial information, these statements do not include certain information and footnote disclosures required for complete annual financial statements and it is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the latest annual financial statements. The results of operations and comprehensive income for the three and nine months ended September 30, 2013 and 2012 and the cash flows and changes in equity for the nine months ended September 30, 2013 and 2012 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2012 has been derived from the annual audited Consolidated Financial Statements of the Bancorp.

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

2. Supplemental Cash Flow Information

Cash payments related to interest and income taxes in addition to noncash investing and financing activities are presented in the following table for the nine months ended September 30:

($ in millions)	**2013**	2012
Cash payments:		
Interest	**$ 343**	417
Income taxes	**386**	262
Transfers:		
Portfolio loans to loans held for sale	**603**	29
Loans held for sale to portfolio loans	**36**	72
Portfolio loans to OREO	**167**	219
Loans held for sale to OREO	**4**	23

3. Accounting and Reporting Developments

Disclosures about Offsetting Assets and Liabilities

In December 2011, and clarified in January 2013, the FASB issued amended guidance related to disclosures about offsetting assets and liabilities. The amended guidance requires the Bancorp to disclose both gross information and net information about financial instruments, including derivatives, and transactions eligible for offset in the Condensed Consolidated Balance Sheets as well as financial instruments and transactions subject to agreements similar to a master netting arrangement. The amended guidance is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The amended guidance was adopted by the Bancorp on January 1, 2013 and the required disclosures are included in Note 12.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued amended guidance related to amounts reclassified out of AOCI. The amended guidance requires the Bancorp to present, either on the face of the Condensed Consolidated Statements of Income or in the Notes to Condensed Consolidated Financial Statements, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety, the Bancorp is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amended guidance is effective prospectively for reporting periods beginning after December 15, 2012 and was adopted by the Bancorp on January 1, 2013. The required disclosures are included in Note 19.

Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date

In February 2013, the FASB issued amended guidance relating to the measurement of obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date. For the total amount of an obligation under an arrangement to be considered fixed at the reporting date, there can be no measurement uncertainty relating to the total amount of the obligation. The obligation resulting from joint and several liability arrangements would be measured initially as the sum of 1) the amount the Bancorp has agreed to pay on the basis of its arrangement among its co-obligors and 2) any additional amount the Bancorp expects to pay on behalf of its co-obligors. The amended guidance also would require the Bancorp to disclose the nature and amount of the obligation as well as information about the risks that such obligations pose to future cash flows. The amended guidance is effective for reporting periods beginning after December 15, 2013 and will be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements that exist at the beginning of the fiscal year of adoption. The Bancorp is currently in the process of evaluating the impact of adopting the amended guidance, but does not expect the impact to be material to the Bancorp s Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes

In July 2013, the FASB issued amended guidance which permits the OIS to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to UST and LIBOR. The amended guidance also removed a previous scope reference that required the same benchmark interest rate be used for similar hedges and that using different rates be rare and justified. The amended guidance is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013 (i.e., the issuance date). The Bancorp s adoption of the amended guidance in the third quarter of 2013 did not have a material impact on the Bancorp s Condensed Consolidated Financial Statements.

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the FASB issued amended guidance to clarify that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, with early adoption permitted. The Bancorp will adopt the amended guidance on January 1, 2014 and the adoption of the amended guidance is not expected to have a material impact on the presentation of the Bancorp s Condensed Consolidated Financial Statements.

4. Securities

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

September 30, 2013 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other:				
U.S. Treasury and government agencies	**$ 26**			**26**
U.S. Government sponsored agencies	**1,524**	**129**		**1,653**
Obligations of states and political subdivisions	**201**	**4**		**205**
Agency mortgage-backed securities[(a)]	**11,149**	**229**	**(25)**	**11,353**
Other bonds, notes and debentures	**3,773**	**82**	**(16)**	**3,839**
Other securities[(b)]	**992**	**13**	**(1)**	**1,004**
Total	**$ 17,665**	**457**	**(42)**	**18,080**
Held-to-maturity:				
Obligations of states and political subdivisions	**$ 264**			**264**
Other debt securities	**1**			**1**

Total	**$ 265**			**265**

December 31, 2012 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other:				
U.S. Treasury and government agencies	$ 41			41
U.S. Government sponsored agencies	1,730	181		1,911
Obligations of states and political subdivisions	203	9		212
Agency mortgage-backed securities[(a)]	8,403	345	(18)	8,730
Other bonds, notes and debentures	3,161	119	(3)	3,277
Other securities[(b)]	1,033	3		1,036
Total	$ 14,571	657	(21)	15,207
Held-to-maturity:				
Obligations of states and political subdivisions	$ 282			282
Other debt securities	2			2
Total	$ 284			284

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

*(b) Other securities consist of FHLB and FRB restricted stock holdings of **$497** and **$349**, respectively, at **September 30, 2013** and $497 and $347, respectively, at December 31, 2012, that are carried at cost, and certain mutual fund and equity security holdings.*

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

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

($ in millions)	For the three months ended September 30, **2013**	2012	For the nine months ended September 30, **2013**	2012
Realized gains	**$ 14**	29	**54**	57
Realized losses	**(4)**		**(90)**	(2)
OTTI	**(45)**	(23)	**(57)**	(39)
Net realized (losses) gains[(a)]	**$ (35)**	6	**(93)**	16

(a) *Excludes net gains on interest-only mortgage-backed securities of $40 for the three months ended September 30, 2013 and net gains on interest-only mortgage backed securities of $121 for the nine months ended September 30, 2013, respectively.*

Trading securities totaled $246 million as of September 30, 2013, compared to $207 million at December 31, 2012. Gross realized gains were immaterial for the three months ended September 30, 2013 and 2012, respectively, and were $1 million for the nine months ended September 30, 2013 and 2012, respectively. Gross realized losses on trading securities were immaterial for the three and nine months ended September 30, 2013 and 2012, respectively. Net unrealized gains on trading securities were $2 million and immaterial for the three months ended September 30, 2013 and 2012, respectively, and $3 million and $1 million for the nine months ended September 30, 2013 and 2012, respectively.

At September 30, 2013 and December 31, 2012, securities with a fair value of $8.9 billion and $12.6 billion, respectively, were pledged to secure borrowings, public deposits, trust funds, derivative contracts and for other purposes as required or permitted by law.

The expected maturity distribution of the Bancorp s agency mortgage-backed securities and the contractual maturity distribution of the Bancorp s available-for-sale and other and held-to-maturity securities as of September 30, 2013 are shown in the following table:

($ in millions)	Available-for-Sale & Other Amortized Cost	Fair Value	Held-to-Maturity Amortized Cost	Fair Value
Debt securities:[(a)]				
Under 1 year	$ 282	291	72	72
1-5 years	4,984	5,215	174	174
5-10 years	7,806	7,906	18	18
Over 10 years	3,601	3,664	1	1
Other securities	992	1,004		
Total	$ 17,665	18,080	265	265

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

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

	Less than 12 months		12 months or more		Total	
($ in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2013						
Obligations of states and political subdivisions	**$ 31**				**31**	
Agency mortgage-backed securities	**2,276**	**(25)**	**2**		**2,278**	**(25)**
Other bonds, notes and debentures	**1,048**	**(13)**	**100**	**(3)**	**1,148**	**(16)**
Other securities	**37**	**(1)**			**37**	**(1)**
Total	**$ 3,392**	**(39)**	**102**	**(3)**	**3,494**	**(42)**
December 31, 2012						
Agency mortgage-backed securities	$ 1,784	(18)			1,784	(18)
Other bonds, notes and debentures	454	(3)			454	(3)
Other securities	1				1	
Total	$ 2,239	(21)			2,239	(21)

Other-Than-Temporary Impairments

The Bancorp recognized $45 million and $57 million in OTTI, included in securities gains, net, in the Bancorp s Condensed Consolidated Statements of Income, on its available-for-sale and other debt securities for the three and nine months ended September 30, 2013. During the three and nine months ended September 30, 2012, the Bancorp recognized $23 million and $39 million of OTTI on its available-for-sale and other debt securities. The Bancorp did not recognize OTTI on any of its available-for-sale equity securities or held-to-maturity debt securities during the three and nine months ended September 30, 2013 and 2012. Less than one percent of unrealized losses in the available-for-sale securities portfolio were represented by non-rated securities at September 30, 2013 and December 31, 2012.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

5. Loans and Leases

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

The following table provides a summary of the total loans and leases classified by primary purpose as of:

($ in millions)	September 30, 2013	December 31, 2012
Loans and leases held for sale:		
Commercial and industrial loans	$ **7**	39
Commercial mortgage loans	**6**	13
Commercial construction loans	**4**	9
Residential mortgage loans	**1,298**	2,856
Other consumer loans and leases	**15**	22
Total loans and leases held for sale	$ **1,330**	2,939
Portfolio loans and leases:		
Commercial and industrial loans	$ **38,253**	36,038
Commercial mortgage loans	**8,052**	9,103
Commercial construction loans	**875**	698
Commercial leases	**3,572**	3,549
Total commercial loans and leases	**50,752**	49,388
Residential mortgage loans	**12,534**	12,017
Home equity	**9,356**	10,018
Automobile loans	**12,072**	11,972
Credit card	**2,157**	2,097
Other consumer loans and leases	**360**	290
Total consumer loans and leases	**36,479**	36,394
Total portfolio loans and leases	$ **87,231**	85,782

Total portfolio loans and leases are recorded net of unearned income, which totaled $711 million as of September 30, 2013 and $758 million as of December 31, 2012. Additionally, portfolio loans and leases are recorded net of unamortized premiums and discounts, deferred loan fees and costs, and fair value adjustments (associated with acquired loans or loans designated at fair value upon origination) which totaled a net premium of $111 million and $73 million as of September 30, 2013 and December 31, 2012, respectively.

The Bancorp s FHLB and FRB advances are generally secured by loans. The Bancorp had loans of $11.2 billion and $12.7 billion at September 30, 2013 and December 31, 2012, respectively, pledged at the FHLB, and loans of $33.0 billion and $30.9 billion at September 30, 2013 and December 31, 2012, respectively, pledged at the FRB.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

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

($ in millions)	Balance		90 Days Past Due and Still Accruing	
	September 30, 2013	December 31, 2012	**September 30, 2013**	December 31, 2012
Commercial and industrial loans	**$ 38,260**	36,077	**$ 3**	1
Commercial mortgage loans	**8,058**	9,116		22
Commercial construction loans	**879**	707		1
Commercial leases	**3,572**	3,549		
Residential mortgage loans	**13,832**	14,873	**73**	75
Home equity	**9,356**	10,018	**46**	58
Automobile loans	**12,072**	11,972	**8**	8
Credit card	**2,157**	2,097	**26**	30
Other consumer loans and leases	**375**	312		
Total loans and leases	**$ 88,561**	88,721	**$ 156**	195
Less: Loans held for sale	**$ 1,330**	2,939		
Total portfolio loans and leases	**$ 87,231**	85,782		

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

($ in millions)	For the nine months ended September 30,	
	2013	2012
Commercial and industrial loans	**$ 102**	129
Commercial mortgage loans	**39**	83
Commercial construction loans	**1**	22
Commercial leases	**1**	8
Residential mortgage loans	**47**	99
Home equity	**71**	122
Automobile loans	**15**	23
Credit card	**57**	56
Other consumer loans and leases	**20**	15
Total	**$ 353**	557

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

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

For the three months ended September 30, 2013

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	**$ 1,183**	**201**	**247**	**104**	**1,735**
Losses charged off	**(61)**	**(15)**	**(65)**		**(141)**
Recoveries of losses previously charged off	**17**	**3**	**12**		**32**
Provision for loan and lease losses	**8**	**5**	**41**	**(3)**	**51**
Balance, end of period	**$ 1,147**	**194**	**235**	**101**	**1,677**

For the three months ended September 30, 2012

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	$ 1,347	232	316	121	2,016
Losses charged off	(76)	(28)	(84)		(188)
Recoveries of losses previously charged off	14	2	16		32
Provision for loan and lease losses	2	26	42	(5)	65
Balance, end of period	$ 1,287	232	290	116	1,925

For the nine months ended September 30, 2013

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	**$ 1,236**	**229**	**278**	**111**	**1,854**
Losses charged off	**(189)**	**(55)**	**(210)**		**(454)**
Recoveries of losses previously charged off	**46**	**8**	**47**		**101**
Provision for loan and lease losses	**54**	**12**	**120**	**(10)**	**176**
Balance, end of period	**$ 1,147**	**194**	**235**	**101**	**1,677**

For the nine months ended September 30, 2012	Commercial	Residential Mortgage	Consumer	Unallocated	Total

($ in millions)					
Transactions in the ALLL:					
Balance, beginning of period	$ 1,527	227	365	136	2,255
Losses charged off	(289)	(104)	(267)		(660)
Recoveries of losses previously charged off	47	5	51		103
Provision for loan and lease losses	2	104	141	(20)	227
Balance, end of period	$ 1,287	232	290	116	1,925

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

As of September 30, 2013 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:[(a)]					
Individually evaluated for impairment	**$ 164**[(c)]	**135**	**54**		**353**
Collectively evaluated for impairment	**983**	**59**	**181**		**1,223**
Loans acquired with deteriorated credit quality					
Unallocated				**101**	**101**
Total ALLL	**$ 1,147**	**194**	**235**	**101**	**1,677**
Loans and leases:[(b)]					
Individually evaluated for impairment	**$ 1,396**[(c)]	**1,316**	**516**		**3,228**
Collectively evaluated for impairment	**49,356**	**11,124**	**23,429**		**83,909**
Loans acquired with deteriorated credit quality		**5**			**5**
Total portfolio loans and leases	**$ 50,752**	**12,445**	**23,945**		**87,142**

*(a) Includes **$10** related to leveraged leases.*

*(b) Excludes **$89** of residential mortgage loans measured at fair value, and includes **$875** of leveraged leases, net of unearned income.*

*(c) Includes five restructured nonaccrual loans at **September 30, 2013** associated with a consolidated variable interest entity, in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with a recorded investment of **$29** and an allowance of **$11**.*

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2012 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:[a]					
Individually evaluated for impairment	$ 95	137	62		294
Collectively evaluated for impairment	1,140	91	216		1,447
Loans acquired with deteriorated credit quality	1	1			2
Unallocated				111	111
Total ALLL	$ 1,236	229	278	111	1,854
Loans and leases:[b]					
Individually evaluated for impairment	$ 980	1,298	544		2,822
Collectively evaluated for impairment	48,407	10,637	23,833		82,877
Loans acquired with deteriorated credit quality	1	6			7
Total portfolio loans and leases	$ 49,388	11,941	24,377		85,706

(a) Includes $11 related to leveraged leases.
(b) Excludes $76 of residential mortgage loans measured at fair value, and includes $862 of leveraged leases, net of unearned income.

CREDIT RISK PROFILE

Commercial Portfolio Segment

For purposes of monitoring the credit quality and risk characteristics of its commercial portfolio segment, the Bancorp disaggregates the segment into the following classes: commercial and industrial, commercial mortgage owner-occupied, commercial mortgage non-owner occupied, commercial construction and commercial leasing.

To facilitate the monitoring of credit quality within the commercial portfolio segment, and for purposes of analyzing historical loss rates used in the determination of the ALLL for the commercial portfolio segment, the Bancorp utilizes the following categories of credit grades: pass, special mention, substandard, doubtful or loss. The five categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass ratings, which are assigned to those borrowers that do not have identified potential or well defined weaknesses and for which there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter.

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

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

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

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

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

As of September 30, 2013 ($ in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	**$ 35,499**	**903**	**1,828**	**23**	**38,253**
Commercial mortgage owner occupied loans	**3,889**	**214**	**469**		**4,572**
Commercial mortgage non-owner occupied loans	**2,693**	**268**	**519**		**3,480**
Commercial construction loans	**678**	**35**	**162**		**875**
Commercial leases	**3,480**	**50**	**42**		**3,572**
Total	**$ 46,239**	**1,470**	**3,020**	**23**	**50,752**

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Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2012 ($ in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	$ 33,521	1,113	1,379	25	36,038
Commercial mortgage owner occupied loans	3,934	338	603	1	4,876
Commercial mortgage non-owner occupied loans	2,958	449	815	5	4,227
Commercial construction loans	444	59	195		698
Commercial leases	3,483	48	18		3,549
Total	$ 44,340	2,007	3,010	31	49,388

Consumer Portfolio Segment

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

The Bancorp considers repayment performance as the best indicator of credit quality for residential mortgage and consumer loans, which includes both the delinquency status and performing versus nonperforming status of the loans. The delinquency status of all residential mortgage and consumer loans is presented by class in the age analysis section below while the performing versus nonperforming status is presented in the table below. Residential mortgage loans that have principal and interest payments that have become past due 150 days and home equity loans with principal and interest payments that have become past due 180 days are classified as nonperforming unless such loans are both well secured and in the process of collection. Residential mortgage, home equity, automobile, and other consumer loans and leases that have been modified in a TDR and subsequently become past due 90 days are classified as nonperforming unless the loan is both well secured and in the process of collection. Credit card loans that have been modified in a TDR are classified as nonperforming unless such loans have a sustained repayment performance of six months or greater and are reasonably assured of repayment in accordance with the restructured terms. Well secured loans are collateralized by perfected security interests in real and/or personal property for which the Bancorp estimates proceeds from sale would be sufficient to recover the outstanding principal and accrued interest balance of the loan and pay all costs to sell the collateral. The Bancorp considers a loan in the process of collection if collection efforts or legal action is proceeding and the Bancorp expects to collect funds sufficient to bring the loan current or recover the entire outstanding principal and accrued interest balance.

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

	September 30, 2013		December 31, 2012	
($ in millions)	Performing	Nonperforming	Performing	Nonperforming
Residential mortgage loans[(a)]	**$ 12,279**	**166**	11,704	237
Home equity	**9,308**	**48**	9,965	53
Automobile loans	**12,071**	**1**	11,970	2
Credit card	**2,123**	**34**	2,058	39
Other consumer loans and leases	**360**		289	1
Total	**$ 36,141**	**249**	35,986	332

*(a) Excludes **$89** and $76 of loans measured at fair value at **September 30, 2013** and December 31, 2012, respectively.*

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Age Analysis of Past Due Loans and Leases

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

As of September 30, 2013 ($ in millions)	Current Loans and Leases[(c)]	Past Due 30-89 Days[(c)]	Past Due 90 Days and Greater[(c)]	Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial:						
Commercial and industrial loans	**$ 38,083**	**36**	**134**	**170**	**38,253**	**3**
Commercial mortgage owner occupied loans	**4,492**	**8**	**72**	**80**	**4,572**	
Commercial mortgage non-owner occupied loans	**3,423**	**11**	**46**	**57**	**3,480**	
Commercial construction loans	**844**		**31**	**31**	**875**	
Commercial leases	**3,571**		**1**	**1**	**3,572**	
Residential mortgage loans[(a) (b)]	**12,142**	**69**	**234**	**303**	**12,445**	**73**
Consumer:						
Home equity	**9,166**	**96**	**94**	**190**	**9,356**	**46**
Automobile loans	**12,016**	**47**	**9**	**56**	**12,072**	**8**
Credit card	**2,092**	**35**	**30**	**65**	**2,157**	**26**
Other consumer loans and leases	**358**	**2**		**2**	**360**	
Total portfolio loans and leases[(a)]	**$ 86,187**	**304**	**651**	**955**	**87,142**	**156**

(a) *Excludes **$89** of loans measured at fair value.*
(b) *Information for current residential mortgage loans includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of **September 30, 2013**, **$83** of these loans were 30-89 days past due and **$379** were 90 days or more past due. The Bancorp recognized **$1** and **$2** of losses during the three and nine months ended **September 30, 2013**, respectively, due to claim denials and curtailments associated with these advances.*
(c) *Includes accrual and nonaccrual loans and leases.*

As of December 31, 2012 ($ in millions)	Current Loans and Leases[(c)]	Past Due 30-89 Days[(c)]	Past Due 90 Days and Greater[(c)]	Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial:						
Commercial and industrial loans	$ 35,826	46	166	212	36,038	1
Commercial mortgage owner occupied loans	4,752	29	95	124	4,876	22
Commercial mortgage non-owner occupied loans	4,094	21	112	133	4,227	
Commercial construction loans	622		76	76	698	1
Commercial leases	3,546	2	1	3	3,549	
Residential mortgage loans[(a) (b)]	11,547	87	307	394	11,941	75
Consumer:						
Home equity	9,782	126	110	236	10,018	58

Automobile loans	11,900	62	10	72	11,972	8
Credit card	2,025	38	34	72	2,097	30
Other consumer loans and leases	287	2	1	3	290	
Total portfolio loans and leases[(a) (d)]	$ 84,381	413	912	1,325	85,706	195

(a) Excludes $76 of loans measured at fair value.

(b) Information for current residential mortgage loans includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of December 31, 2012, $80 of these loans were 30-89 days past due and $414 were 90 days or more past due. The Bancorp recognized $2 of losses for the year ended December 31, 2012 due to claim denials and curtailments associated with these advances.

(c) Includes accrual and nonaccrual loans and leases.

(d) Includes an immaterial amount of government insured commercial loans 30-89 and 90 days past due and accruing whose repayments are insured by the SBA at December 31, 2012.

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Impaired Loans and Leases

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

The following tables summarize the Bancorp s impaired loans and leases (by class) that were subject to individual review, which includes all loans and leases restructured in a troubled debt restructuring:

As of September 30, 2013 ($ in millions)	Unpaid Principal Balance	Recorded Investment	Allowance
With a related allowance recorded:			
Commercial:			
Commercial and industrial loans	**$ 675**	**578**	**122**
Commercial mortgage owner occupied loans[(b)]	**71**	**59**	**11**
Commercial mortgage non-owner occupied loans	**117**	**86**	**13**
Commercial construction loans	**59**	**47**	**7**
Commercial leases	**1**	**1**	
Restructured residential mortgage loans	**1,079**	**1,047**	**135**
Restructured consumer:			
Home equity	**390**	**386**	**41**
Automobile loans	**24**	**24**	**3**
Credit card	**63**	**63**	**10**
Other consumer loans and leases	**2**	**2**	
Total impaired loans and leases with a related allowance	**$ 2,481**	**2,293**	**342**
With no related allowance recorded:			
Commercial:			
Commercial and industrial loans	**$ 261**	**207**	
Commercial mortgage owner occupied loans	**107**	**97**	
Commercial mortgage non-owner occupied loans	**268**	**243**	
Commercial construction loans	**74**	**46**	
Commercial leases	**3**	**3**	
Restructured residential mortgage loans	**311**	**269**	
Restructured consumer:			
Home equity	**42**	**38**	
Automobile loans	**3**	**3**	
Total impaired loans and leases with no related allowance	**1,069**	**906**	

Total impaired loans and leases	**$ 3,550**	**3,199**[(a)]	**342**

*(a) Includes **$499**, **$1,233** and **$461**, respectively, of commercial, residential mortgage and consumer TDRs on accrual status; **$241**, **$83** and **$55**, respectively, of commercial, residential mortgage and consumer TDRs on nonaccrual status.*

*(b) Excludes five restructured nonaccrual loans at **September 30, 2013** associated with a consolidated variable interest entity, in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an unpaid principal balance of **$29**, a recorded investment of **$29**, and an allowance of **$11**.*

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Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2012

($ in millions)	Unpaid Principal Balance	Recorded Investment	Allowance
With a related allowance recorded:			
Commercial:			
Commercial and industrial loans	$ 263	194	65
Commercial mortgage owner occupied loans	54	43	5
Commercial mortgage non-owner occupied loans	215	160	16
Commercial construction loans	48	37	5
Commercial leases	8	8	5
Restructured residential mortgage loans	1,067	1,023	137
Restructured consumer:			
Home equity	400	396	46
Automobile loans	31	30	4
Credit card	74	74	12
Other consumer loans and leases	2	2	
Total impaired loans and leases with a related allowance	$ 2,162	1,967	295
With no related allowance recorded:			
Commercial:			
Commercial and industrial loans	$ 207	169	
Commercial mortgage owner occupied loans	107	99	
Commercial mortgage non-owner occupied loans	209	199	
Commercial construction loans	109	67	
Commercial leases	5	5	
Restructured residential mortgage loans	326	275	
Restructured consumer:			
Home equity	40	39	
Automobile loans	3	3	
Total impaired loans and leases with no related allowance	1,006	856	
Total impaired loans and leases	$ 3,168	2,823(a)	295

(a) Includes $431, $1,175 and $480, respectively, of commercial, residential mortgage and consumer TDRs on accrual status;$177, $123 and $64, respectively, of commercial, residential mortgage and consumer TDRs on nonaccrual status.

The following table summarizes the Bancorp s average impaired loans and leases and interest income by class:

	For the three months ended September 30, 2013		**For the nine months ended September 30, 2013**	
($ in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized

Commercial:				
Commercial and industrial loans	$ 553	7	$ 403	11
Commercial mortgage owner occupied loans[(a)]	145	1	140	3
Commercial mortgage non-owner occupied loans	322	2	326	6
Commercial construction loans	103	1	109	3
Commercial leases	8		10	
Restructured residential mortgage loans	1,311	13	1,308	39
Restructured consumer:				
Home equity	426	6	433	17
Automobile loans	27	1	29	1
Credit card	66	1	69	3
Other consumer loans and leases	2		2	
Total impaired loans and leases	$ 2,963	32	$ 2,829	83

(a) *Excludes five restructured nonaccrual loans, associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an average recorded investment of **$29** and **$30** and an immaterial amount of interest income recognized for the three and nine months ended **September 30, 2013**, respectively.*

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($ in millions)	For the three months ended September 30, 2012 Average Recorded Investment	For the three months ended September 30, 2012 Interest Income Recognized	For the nine months ended September 30, 2012 Average Recorded Investment	For the nine months ended September 30, 2012 Interest Income Recognized
Commercial:				
Commercial and industrial loans	$ 439	1	$ 467	3
Commercial mortgage owner occupied loans	168	1	157	3
Commercial mortgage non-owner occupied loans	387	3	356	7
Commercial construction loans	149		176	2
Commercial leases	10		10	
Restructured residential mortgage loans	1,276	13	1,269	38
Restructured consumer:				
Home equity	438	19	440	37
Automobile loans	37	1	39	2
Credit card	78	1	81	3
Other consumer loans and leases	2		2	
Total impaired loans and leases	$ 2,984	39	$ 2,997	95

Nonperforming Assets

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

($ in millions)	**September 30, 2013**	December 31, 2012
Commercial:		
Commercial and industrial loans	**$ 308**	330
Commercial mortgage owner occupied loans[(a)]	**112**	125
Commercial mortgage non-owner occupied loans	**70**	157
Commercial construction loans	**30**	76
Commercial leases	**1**	9
Total commercial loans and leases	**521**	697
Residential mortgage loans	**166**	237
Consumer:		
Home equity	**48**	53
Automobile loans	**1**	2
Credit card	**34**	39
Other consumer loans and leases		1

Total consumer loans and leases		**83**	95
Total nonperforming loans and leases[(b) (c)]	$	**770**	1,029
OREO and other repossessed property[(d)]		**244**	257

(a) *Excludes **$22** of restructured nonaccrual loans at **September 30, 2013** associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*
(b) *Excludes **$11*** and *$29 of nonaccrual loans held for sale at **September 30, 2013** and December 31, 2012, respectively.*
(c) *Includes **$11** and $10 of nonaccrual government insured commercial loans whose repayments are insured by the SBA at **September 30, 2013** and December 31, 2012, respectively, and **$2** and $1 of restructured nonaccrual government insured commercial loans at **September 30, 2013** and December 31, 2012, respectively.*
(d) *Excludes **$75** and $72 of OREO related to government insured loans at **September 30, 2013** and December 31, 2012, respectively.*

Troubled Debt Restructurings

If a borrower is experiencing financial difficulty, the Bancorp may consider, in certain circumstances, modifying the terms of their loan to maximize collection of amounts due. Within each of the Bancorp s loan classes, TDRs typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. Modifying the terms of loans may result in an increase or decrease to the ALLL depending upon the terms modified, the method used to measure the ALLL for a loan prior to modification, and whether any charge-offs were recorded on the loan before or at the time of modification. Refer to the ALLL section of Note 1 in the Bancorp s Form 10-K for the year ended December 31, 2012 for information on the Bancorp s ALLL methodology. Upon modification of a loan, the Bancorp measures the related impairment as the difference between the estimated future cash flows, discounted at the original effective yield of the loan, expected to be collected on the modified loan and the carrying value of the loan. The resulting measurement may result in the need for minimal or no valuation allowance because it is probable that all cash flows will be collected under the modified terms of the loan. In addition, if the stated interest rate was increased in a TDR, the cash flows on the modified loan, using the pre-modification interest rate as the discount rate, often exceed the recorded investment of the loan. Conversely, the Bancorp often recognizes an impairment loss as an increase to the ALLL upon a modification that reduces the stated interest rate on a loan.

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If a TDR involves a reduction of the principal balance of the loan or the loan s accrued interest, that amount is charged off to the ALLL. As of September 30, 2013 and December 31, 2012, the Bancorp had $41 million and $28 million in line of credit commitments and $23 million and $25 million in letter of credit commitments, respectively, to lend additional funds to borrowers whose terms have been modified in a TDR.

The following table provides a summary of loans modified in a TDR by the Bancorp during the three months ended:

September 30, 2013 ($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial:				
Commercial and industrial loans	**56**	**$ 79**	**(13)**	
Commercial mortgage owner occupied loans[c]	**32**	**7**		
Commercial mortgage non-owner occupied loans	**16**	**11**	**(2)**	
Commercial construction loans	**1**	**9**		
Residential mortgage loans	**452**	**65**	**8**	
Consumer:				
Home equity	**117**	**6**		
Automobile loans	**115**	**2**		
Credit card	**1,950**	**12**	**2**	
Total portfolio loans and leases	**2,739**	**$ 191**	**(5)**	

September 30, 2012 ($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial:				
Commercial and industrial loans	20	$ 20		5
Commercial mortgage owner occupied loans	16	29	(3)	2
Commercial mortgage non-owner occupied loans	12	11	(3)	
Commercial construction loans	3			
Commercial leases	6	3		
Residential mortgage loans	505	90	7	
Consumer:				
Home equity	364	21	1	
Automobile loans	213	3		
Credit card	2,231	13	2	
Total portfolio loans and leases	3,370	$ 190	4	7

(a) *Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.*
(b) *Represents number of loans post-modification.*

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The following table provides a summary of loans modified in a TDR by the Bancorp during the nine months ended:

September 30, 2013 ($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial:				
Commercial and industrial loans	**119**	**$ 201**	**(13)**	**1**
Commercial mortgage owner-occupied loans[c]	**56**	**16**	**(1)**	
Commercial mortgage nonowner-occupied loans	**50**	**65**	**(7)**	
Commercial construction loans	**3**	**16**	**(1)**	
Residential mortgage loans	**1,266**	**194**	**24**	
Consumer:				
Home equity	**621**	**33**		
Automobile loans	**363**	**11**	**1**	
Credit card	**6,442**	**39**	**5**	
Total portfolio loans and leases	**8,920**	**$ 575**	**8**	**1**

September 30, 2012 ($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial:				
Commercial and industrial loans	61	$ 45	(10)	5
Commercial mortgage owner-occupied loans	52	45	(6)	2
Commercial mortgage nonowner-occupied loans	52	78	(8)	
Commercial construction loans	14	36	(4)	
Commercial leases	6	3		
Residential mortgage loans	1,542	259	22	
Consumer:				
Home equity	1,034	63	3	
Automobile loans	774	12	2	
Credit card	7,963	51	7	
Total portfolio loans and leases	11,498	$ 592	6	7

(a) *Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.*
(b) *Represents number of loans post-modification.*
(c) *Excludes five loans modified in a TDR during the nine months ended **September 30, 2013** associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party. The TDR has a recorded investment of **$29**, ALLL increased **$7** upon modification, and a charge-off of **$2** was recognized upon modification.*

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

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The following table provides a summary of subsequent defaults of TDRs that occurred during the three months ended September 30, 2013 and 2012 and within 12 months of the restructuring date:

September 30, 2013 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial:		
Commercial and industrial loans	**1**	**$ 5**
Commercial mortgage owner-occupied loans	**2**	
Residential mortgage loans	**78**	**11**
Consumer:		
Home equity	**21**	**1**
Credit card	**380**	**2**
Total portfolio loans and leases	**482**	**$ 19**

September 30, 2012 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial:		
Commercial mortgage owner-occupied loans	1	$ 1
Residential mortgage loans	98	16
Consumer:		
Home equity	19	2
Automobile loans	15	
Credit card	376	3
Total portfolio loans and leases	509	$ 22

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

The following table provides a summary of subsequent defaults that occurred during the nine months ended September 30, 2013 and 2012 and within 12 months of the restructuring date:

September 30, 2013 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial:		
Commercial and industrial loans	**3**	**$ 6**
Commercial mortgage owner-occupied loans	**6**	**1**
Residential mortgage loans	304	47
Consumer:		

Home equity	**55**		**3**
Automobile loans	**3**		
Credit card	**1,306**		**8**
Total portfolio loans and leases	**1,677**	**$**	**65**

September 30, 2012 ($ in millions)[(a)]	Number of Contracts		Recorded Investment
Commercial:			
Commercial mortgage owner-occupied loans	3	$	2
Commercial mortgage nonowner-occupied loans	2		1
Commercial construction loans	2		3
Residential mortgage loans	224		41
Consumer:			
Home equity	67		5
Automobile loans	36		
Credit card	1,385		10
Total portfolio loans and leases	1,719	$	62

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

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7. Goodwill

Business combinations entered into by the Bancorp typically include the acquisition of goodwill. Acquisition activity includes acquisitions in the respective period, in addition to purchase accounting adjustments related to previous acquisitions. During the fourth quarter of 2008, the Bancorp determined that the Commercial Banking and Consumer Lending segments goodwill carrying amounts exceeded their associated implied fair values by $750 million and $215 million, respectively. The resulting $965 million goodwill impairment charge was recorded in the fourth quarter of 2008 and represents the total amount of accumulated impairment losses as of September 30, 2013.

Changes in the net carrying amount of goodwill, by reporting unit, for the nine months ended September 30, 2013 and 2012 were as follows:

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	Total
Net carrying value as of December 31, 2012	$ 613	1,655		148	2,416
Acquisition activity					
Net carrying value as of September 30, 2013	**$ 613**	**1,655**		**148**	**2,416**
Net carrying value as of December 31, 2011	613	1,656		148	2,417
Acquisition activity					
Net carrying value as of September 30, 2012	$ 613	1,656		148	2,417

The Bancorp evaluates goodwill at the business segment level for impairment as the Bancorp s segments have been determined to be reporting units under U.S. GAAP. The Bancorp conducts its evaluation of goodwill impairment as of September 30th each year, and more frequently if events or circumstances indicate that there may be impairment. At September 30, 2013, the Bancorp performed a qualitative assessment of goodwill at the reporting unit level to determine whether any indicators of impairment existed. In performing this qualitative assessment, the Bancorp evaluated events and circumstances since the date of the last quantitative impairment test including the results of that test, macroeconomic conditions, banking industry and market conditions, key financial metrics of the Bancorp as well as segment and overall Bancorp financial performance. After assessing the totality of the events and circumstances, the Bancorp determined that it was not more likely than not that the fair value of each of its reporting units was less than their carrying amounts and, therefore, the first and second steps of the quantitative goodwill impairment test were deemed unnecessary.

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8. Intangible Assets

Intangible assets consist of servicing rights, core deposit intangibles, customer lists, non-compete agreements and cardholder relationships. Intangible assets are amortized on either a straight-line or an accelerated basis over their estimated useful lives. Intangible assets, excluding servicing rights, have an estimated remaining weighted-average life at September 30, 2013 of 4.1 years. The Bancorp reviews intangible assets for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. For more information on servicing rights, see Note 10.

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

($ in millions)	Gross Carrying Amount	Accumulated Amortization	Valuation Allowance	Net Carrying Amount
As of September 30, 2013				
Mortgage servicing rights	**$ 3,036**	**(1,610)**	**(511)**	**915**
Automobile servicing rights	**6**	**(2)**		**4**
Core deposit intangibles	**154**	**(139)**		**15**
Other	**45**	**(39)**		**6**
Total intangible assets	**$ 3,241**	**(1,790)**	**(511)**	**940**
As of December 31, 2012				
Mortgage servicing rights	$ 2,825	(1,467)	(661)	697
Core deposit intangibles	180	(160)		20
Other	44	(37)		7
Total intangible assets	$ 3,049	(1,664)	(661)	724

As of September 30, 2013, all of the Bancorp s intangible assets were being amortized. Amortization expense recognized on intangible assets, including servicing rights, for the three months ended September 30, 2013 and 2012 was $42 million and $51 million, respectively. For the nine months ended September 30, 2013 and 2012, amortization expense was $152 million and $145 million, respectively.

The Bancorp s projections of amortization expense shown below are based on existing asset balances as of September 30, 2013. Future amortization expense may vary from these projections. Estimated amortization expense for the remainder of 2013 through 2017 is as follows:

($ in millions)	Servicing Rights	Other Intangible Assets	Total
Remainder of 2013	$ 29	2	31
2014	110	5	115
2015	101	2	103
2016	92	2	94
2017	85	2	87

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9. Variable Interest Entities

The Bancorp, in the normal course of business, engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity to finance their activities, or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The primary beneficiary of a VIE is generally the enterprise that has both the power to direct the activities most significant to the economic performance of the VIE and the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. For certain investment funds, the primary beneficiary is the enterprise that will absorb a majority of the fund s expected losses or receive a majority of the fund s expected residual returns. The Bancorp evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Bancorp is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that requires a reconsideration. If the Bancorp is determined to be the primary beneficiary of a VIE, it must account for the VIE as a consolidated subsidiary. If the Bancorp is determined not to be the primary beneficiary of a VIE but holds a variable interest in the entity, such variable interests are accounted for under the equity method of accounting or other accounting standards as appropriate.

Consolidated VIEs

The following table provides a summary of the classifications of consolidated VIE assets, liabilities and noncontrolling interests included in the Bancorp s Condensed Consolidated Balance Sheets as of:

September 30, 2013 ($ in millions)	Automobile Loan Securitization	CDC Investments	Total
Assets:			
Cash and due from banks	$ **53**		**53**
Commercial mortgage loans		**50**	**50**
Automobile loans[(a)]	**1,145**		**1,145**
ALLL	**(3)**	**(13)**	**(16)**
Other assets	**10**	**2**	**12**
Total assets	**1,205**	**39**	**1,244**
Liabilities:			
Other liabilities	$ **2**		**2**
Long-term debt	**1,198**		**1,198**
Total liabilities	$ **1,200**		**1,200**
Noncontrolling interests		**39**	**39**

(a) Net of $56 of unamortized fees and discounts.

December 31, 2012 ($ in millions)	CDC Investments	Total
Assets:		
Commercial mortgage loans	$ 50	50
ALLL	(5)	(5)
Other assets	3	3
Total assets	48	48
Noncontrolling interests	48	48

Automobile Loan Securitization

In August of 2013, the Bancorp transferred approximately $1.3 billion in fixed-rate consumer automobile loans to a bankruptcy remote trust which was deemed to be a VIE. The primary purposes for which the VIE was created were to issue asset-backed securities with varying levels of credit subordination and payment priority, as well as residual interests, and to provide the Bancorp with access to liquidity for its originated loans. The Bancorp retained residual interests in the VIE and, therefore, has an obligation to absorb losses and a right to receive benefits from the VIE that could potentially be significant to the VIE. In addition, the Bancorp retained servicing rights for the underlying loans and, therefore, holds the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE. As a result, the Bancorp concluded that it is the primary beneficiary of the VIE and, therefore, has consolidated this VIE. The assets of the VIE are restricted to the settlement of the notes and other obligations of the VIE. Third-party holders of the notes do not have recourse to the general assets of the Bancorp.

The economic performance of the VIE is most significantly impacted by the performance of the underlying loans. The principal risks to which the VIE are exposed include credit risk and prepayment risk. The credit and prepayment risks are managed through credit enhancements in the form of reserve accounts, overcollateralization, excess interest on the loans and the subordination of certain classes of asset-backed securities to other classes.

CDC Investments

CDC, a wholly-owned indirect subsidiary of the Bancorp, was created to invest in projects to create affordable housing, revitalize business and residential areas, and preserve historic landmarks. CDC generally co-invests with other unrelated companies and/or individuals and typically makes investments in a separate legal entity that owns the property under development. The entities are usually formed as limited partnerships and LLCs, and CDC typically invests as a limited partner/investor member in the form of equity contributions. The economic performance of the VIEs is driven by the performance of their underlying investment projects as well as the VIEs ability to operate in

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compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. Typically, the general partner or managing member will be the party that has the right to make decisions that will most significantly impact the economic performance of the entity. The Bancorp s subsidiaries serve as the managing member of certain LLCs invested in business revitalization projects. The Bancorp has provided an indemnification guarantee to the investor member of these LLCs related to the qualification of tax credits generated by the investor member s investment. Accordingly, the Bancorp concluded that it is the primary beneficiary and, therefore, has consolidated these VIEs. As a result, the investor members interests in these VIEs are presented as noncontrolling interests in the Bancorp s Condensed Consolidated Financial Statements. This presentation includes reporting separately the equity attributable to the noncontrolling interests in the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Changes in Equity and reporting separately the comprehensive income attributable to the noncontrolling interests in the Condensed Consolidated Statements of Comprehensive Income and the net income attributable to the noncontrolling interests in the Condensed Consolidated Statements of Income. The Bancorp s maximum exposure related to these indemnifications at September 30, 2013 and December 31, 2012 was $20 million and $18 million, respectively, which is based on an amount required to meet the investor member s defined target rate of return.

Non-consolidated VIEs

The following tables provide a summary of assets and liabilities carried on the Bancorp s Condensed Consolidated Balance Sheets related to non-consolidated VIEs for which the Bancorp holds an interest, but is not the primary beneficiary of the VIE, as well as the Bancorp s maximum exposure to losses associated with its interests in the entities:

As of September 30, 2013 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	**$ 1,420**	**421**	**1,420**
Private equity investments	**207**		**303**
Loans provided to VIEs	**1,837**		**3,783**
Automobile loan securitization	**4**		**4**
Restructured loans	**1**		**1**

As of December 31, 2012 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	$ 1,442	394	1,442
Private equity investments	189		310
Loans provided to VIEs	1,622		2,465
Restructured loans	2		2

CDC Investments

As noted previously, CDC typically invests in VIEs as a limited partner or investor member in the form of equity contributions. The Bancorp has determined that it is not the primary beneficiary of these VIEs because it lacks the power to direct the activities that most significantly impact the economic performance of the underlying project or the VIEs ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. This power is held by the general partners/managing members who exercise full and exclusive control of the operations of the VIEs. Accordingly, the Bancorp accounts for these investments under the equity method of accounting.

The Bancorp s funding requirements are limited to its invested capital and any additional unfunded commitments for future equity contributions. The Bancorp s maximum exposure to loss as a result of its involvement with the VIEs is limited to the carrying amounts of the investments, including the unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Condensed

Consolidated Balance Sheets, and the liabilities related to the unfunded commitments, which are included in other liabilities in the Condensed Consolidated Balance Sheets, are included in the previous tables for all periods presented. The Bancorp has no other liquidity arrangements or obligations to purchase assets of the VIEs that would expose the Bancorp to a loss. In certain arrangements, the general partner/managing member of the VIE has guaranteed a level of projected tax credits to be received by the limited partners/investor members, thereby minimizing a portion of the Bancorp s risk.

Private Equity Investments

The Bancorp invests as a limited partner in private equity funds which provide the Bancorp an opportunity to obtain higher rates of return on invested capital, while also creating cross-selling opportunities for the Bancorp s commercial products. Each of the limited partnerships has an unrelated third-party general partner responsible for appointing the fund manager. The Bancorp has not been appointed fund manager for any of these private equity funds. The funds finance primarily all of their activities from the partners capital contributions and investment returns. Under the VIE consolidation guidance still applicable to the funds, the Bancorp has determined that it is not the primary beneficiary of the funds because it does not absorb a majority of the funds expected losses or receive a majority of the funds expected residual returns. Therefore, the Bancorp accounts for its investments in these limited partnerships under the equity method of accounting.

The Bancorp is exposed to losses arising from negative performance of the underlying investments in the private equity funds. As a limited partner, the Bancorp s maximum exposure to loss is limited to the carrying amounts of the investments plus unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Condensed Consolidated Balance Sheets, are included in the above tables. Also, as of September 30, 2013 and December 31, 2012, the unfunded commitment amounts to the funds were $96 million and $121 million, respectively. The Bancorp made capital contributions of $11 million to private equity funds during the three months ended September 30, 2013 and 2012. The Bancorp made capital contributions of $25 million and $35 million, respectively, to private equity funds during the nine months ended September 30, 2013 and 2012.

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Loans Provided to VIEs

The Bancorp has provided funding to certain unconsolidated VIEs sponsored by third parties. These VIEs are generally established to finance certain consumer and small business loans originated by third parties. The entities are primarily funded through the issuance of a loan from the Bancorp or a syndication through which the Bancorp is involved. The sponsor/administrator of the entities is responsible for servicing the underlying assets in the VIEs. Because the sponsor/administrator, not the Bancorp, holds the servicing responsibilities, which include the establishment and employment of default mitigation policies and procedures, the Bancorp does not hold the power to direct the activities most significant to the economic performance of the entity and, therefore, is not the primary beneficiary.

The principal risk to which these entities are exposed is credit risk related to the underlying assets. The Bancorp s maximum exposure to loss is equal to the carrying amounts of the loans and unfunded commitments to the VIEs. The Bancorp s outstanding loans to these VIEs, included in commercial loans in the Condensed Consolidated Balance Sheets, are included in the previous tables for all periods presented. Also, as of September 30, 2013 and December 31, 2012 the Bancorp s unfunded commitments to these entities were $1.9 billion and $843 million, respectively. The loans and unfunded commitments to these VIEs are included in the Bancorp s overall analysis of the ALLL and reserve for unfunded commitments, respectively. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

Automobile Loan Securitization

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. The securitization and the resulting sale of all underlying securities qualified for sale accounting. The Bancorp has concluded that it is not the primary beneficiary of the trust because it has neither the obligation to absorb losses of the entity that could potentially be significant to the VIE nor the right to receive benefits from the entity that could potentially be significant to the VIE. The Bancorp is not required to provide any additional financial support to the trust. Investors and creditors only have recourse to the assets held by the trust. The interest the Bancorp holds in the VIE relates to servicing rights which are included in the Bancorp s Condensed Consolidated Balance Sheets. The maximum exposure to loss is equal to the carrying value of the servicing asset.

Restructured Loans

As part of loan restructuring efforts, the Bancorp received equity capital from certain borrowers to facilitate the restructuring of the borrower s debt. These borrowers meet the definition of a VIE because the Bancorp was involved in their refinancing and because their equity capital is insufficient to fund ongoing operations. These restructurings were intended to provide the VIEs with serviceable debt levels while providing the Bancorp an opportunity to maximize the recovery of the loans. The VIEs finance their operations from earned income, capital contributions, and through restructured debt agreements. Assets of the VIEs are used to settle their specific obligations, including loan payments due to the Bancorp. The Bancorp continues to maintain its relationship with these VIEs as a lender and minority shareholder; however, it is not involved in management decisions and does not have sufficient voting rights to control the membership of the respective boards. Therefore, the Bancorp accounts for its equity investments in these VIEs under the equity method or cost method based on its percentage of ownership and ability to exercise significant influence.

The Bancorp s maximum exposure to loss as a result of its involvement with these VIEs is limited to the equity investments, the principal and accrued interest on the outstanding loans, and any unfunded commitments. Due to the VIEs short-term cash deficit projections at the restructuring dates, the Bancorp determined that the initial fair value of its equity investments in these VIEs was zero. As of September 30, 2013 and December 31, 2012, the Bancorp s carrying value of these equity investments was immaterial to the Bancorp s Condensed Consolidated Balance Sheets. Additionally, the Bancorp had outstanding loans to these VIEs, included in commercial loans in the Condensed Consolidated Balance Sheets, which are included in the above tables for all periods presented. The Bancorp had no unfunded loan commitments to these VIEs as of September 30, 2013 and December 31, 2012. The loans to these VIEs are included in the Bancorp s overall analysis of the ALLL. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

10. Sales of Receivables and Servicing Rights

Automobile Loan Securitization

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. The Bancorp utilized a securitization trust to facilitate the securitization process. The trust issued asset-backed securities in the form of notes and equity certificates, with varying levels of credit subordination and payment priority. The Bancorp does not hold any of the notes or equity certificates issued by the trust, and the investors in these securities have no credit recourse to the Bancorp s assets for failure of debtors to pay when due. As part of the sale, the Bancorp obtained servicing responsibilities and recognized a servicing asset with an initial fair value of $6 million.

Residential Mortgage Loan Sales

The Bancorp sold fixed and adjustable rate residential mortgage loans during the three and nine months ended September 30, 2013 and 2012. In those sales, the Bancorp obtained servicing responsibilities and the investors have no recourse to the Bancorp s other assets for failure of debtors to pay when due. The Bancorp receives annual servicing fees based on a percentage of the outstanding balance. The Bancorp identifies classes of servicing assets based on financial asset type and interest rates.

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Information related to residential mortgage loan sales and the Bancorp s mortgage banking activity, which is included in mortgage banking net revenue in the Condensed Consolidated Statements of Income, is as follows:

($ in millions)	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Residential mortgage loan sales	**$ 5,105**	5,002	**$ 19,115**	16,650
Origination fees and gains on loan sales	**74**	226	**393**	583
Servicing fees	**63**	62	**187**	186

Servicing Assets

The following table presents changes in the servicing assets related to residential mortgage and automobile loans for the nine months ended September 30:

($ in millions)	2013	2012
Carrying amount before valuation allowance as of the beginning of the period	**$ 1,358**	1,239
Servicing rights that result from the transfer of residential mortgage loans	**211**	254
Servicing rights that result from the transfer of automobile loans	**6**	
Amortization	**(145)**	(134)
Carrying amount before valuation allowance	**1,430**	1,359
Valuation allowance for servicing assets:		
Beginning balance	**(661)**	(558)
Recovery of (provision for) MSR impairment	**150**	(122)
Ending balance	**(511)**	(680)
Carrying amount as of the end of the period	**$ 919**	679

Temporary impairment or impairment recovery, affected through a change in the MSR valuation allowance, was captured as a component of mortgage banking net revenue in the Condensed Consolidated Statements of Income. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the value of the MSR portfolio. This strategy includes the purchase of free-standing derivatives and various available-for-sale securities. The interest income, mark-to-market adjustments and gain or loss from sale activities associated with these portfolios are expected to economically hedge a portion of the change in value of the MSR portfolio caused by fluctuating discount rates, earnings rates and prepayment speeds. The fair value of the servicing asset is based on the present value of expected future cash flows.

The following table displays the beginning and ending fair value of the servicing assets for the nine months ended September 30:

($ in millions)	2013	2012
Fixed rate residential mortgage loans:		
Beginning balance	**$ 664**	649
Ending balance	**876**	645
Adjustable rate residential mortgage loans:		
Beginning balance	**33**	32
Ending balance	**39**	34
Fixed rate automobile loans:		
Beginning balance		
Ending balance	**4**	

The following table presents activity related to valuations of the MSR portfolio and the impact of the non-qualifying hedging strategy, which is included in the Condensed Consolidated Statements of Income:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
Securities gains, net - non-qualifying hedges on MSRs	**$ 5**	5	**13**	5
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio (Mortgage banking net revenue)	**24**	32	**(13)**	75
(Provision for) recovery of MSR impairment (Mortgage banking net revenue)	**(1)**	(72)	**150**	(122)

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As of September 30, 2013 and 2012, the key economic assumptions used in measuring the interests in residential mortgage loans that continued to be held by the Bancorp at the date of sale or securitization resulting from transactions completed during the three months ended:

		September 30, 2013				September 30, 2012			
	Rate	Weighted-Average Life (in years)	Prepayment Speed (annual)	Discount Rate (annual)	Weighted-Average Default rate	Weighted-Average Life (in years)	Prepayment Speed (annual)	Discount Rate (annual)	Weighted-Average Default rate
Residential mortgage loans:									
Servicing assets	Fixed	**7.7**	**8.5 %**	**10.2 %**	**N/A**	6.3	11.0 %	10.3 %	N/A
Servicing assets	Adjustable	**3.7**	**22.4**	**11.5**	**N/A**	3.8	21.7	11.4	N/A

Based on historical credit experience, expected credit losses for residential mortgage loan servicing assets have been deemed immaterial, as the Bancorp sold the majority of the underlying loans without recourse. At September 30, 2013 and December 31, 2012, the Bancorp serviced $69.0 billion and $62.5 billion, respectively, of residential mortgage loans for other investors. The value of MSRs that continue to be held by the Bancorp is subject to credit, prepayment and interest rate risks on the sold financial assets.

At September 30, 2013, the sensitivity of the current fair value of residual cash flows to immediate 10%, 20% and 50% adverse changes in prepayment speed assumptions and immediate 10% and 20% adverse changes in other assumptions are as follows:

				Prepayment Speed Assumption				Residual Servicing Cash Flows		
					Impact of Adverse Change on Fair Value				Impact of Adverse Change on Fair Value	
($ in millions)[a]	Rate	Fair Value	Weighted-Average Life (in years)	Rate	10%	20%	50%	Discount Rate	10%	20%
Residential mortgage loans:										
Servicing assets	Fixed	$ 876	6.4	11.4 %	$ (36)	(70)	(158)	10.4 %	$ (34)	(65)
Servicing assets	Adjustable	39	3.2	25.7	(2)	(3)	(7)	11.6	(1)	(2)

(a) The impact of the weighted-average default rate on the current fair value of residual cash flows for all scenarios is immaterial.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on these variations in the assumptions typically cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The Bancorp believes variations of these levels are reasonably possible; however, there is the potential that adverse changes in key assumptions could be even greater. Also, in the previous table, the effect of a variation in a particular assumption on the fair value of the interests that continue to be held by the Bancorp is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which might magnify or counteract these sensitivities.

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11. Derivative Financial Instruments

The Bancorp maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce certain risks related to interest rate, prepayment and foreign currency volatility. Additionally, the Bancorp holds derivative instruments for the benefit of its commercial customers and for other business purposes. The Bancorp does not enter into unhedged speculative derivative positions.

The Bancorp s interest rate risk management strategy involves modifying the repricing characteristics of certain financial instruments so that changes in interest rates do not adversely affect the Bancorp s net interest margin and cash flows. Derivative instruments that the Bancorp may use as part of its interest rate risk management strategy include interest rate swaps, interest rate floors, interest rate caps, forward contracts, options and swaptions. Interest rate swap contracts are exchanges of interest payments, such as fixed-rate payments for floating-rate payments, based on a stated notional amount and maturity date. Interest rate floors protect against declining rates, while interest rate caps protect against rising interest rates. Forward contracts are contracts in which the buyer agrees to purchase, and the seller agrees to make delivery of, a specific financial instrument at a predetermined price or yield. Options provide the purchaser with the right, but not the obligation, to purchase or sell a contracted item during a specified period at an agreed upon price. Swaptions are financial instruments granting the owner the right, but not the obligation, to enter into or cancel a swap.

Prepayment volatility arises mostly from changes in fair value of the largely fixed-rate MSR portfolio, mortgage loans and mortgage-backed securities. The Bancorp may enter into various free-standing derivatives (principal-only swaps, interest rate swaptions, interest rate floors, mortgage options, TBAs and interest rate swaps) to economically hedge prepayment volatility. Principal-only swaps are total return swaps based on changes in the value of the underlying mortgage principal-only trust. TBAs are a forward purchase agreement for a mortgage-backed securities trade whereby the terms of the security are undefined at the time the trade is made.

Foreign currency volatility occurs as the Bancorp enters into certain loans denominated in foreign currencies. Derivative instruments that the Bancorp may use to economically hedge these foreign denominated loans include foreign exchange swaps and forward contracts.

The Bancorp also enters into derivative contracts (including foreign exchange contracts, commodity contracts and interest rate contracts) for the benefit of commercial customers and other business purposes. The Bancorp may economically hedge significant exposures related to these free-standing derivatives by entering into offsetting third-party contracts with approved, reputable counterparties with substantially matching terms and currencies. Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. The Bancorp s exposure is limited to the replacement value of the contracts rather than the notional, principal or contract amounts. Credit risk is minimized through credit approvals, limits, counterparty collateral and monitoring procedures.

The Bancorp s derivative assets include certain contractual features in which the Bancorp requires the counterparties to provide collateral in the form of cash and securities to offset changes in the fair value of the derivatives, including changes in the fair value due to credit risk of the counterparty. As of September 30, 2013 and December 31, 2012, the balance of collateral held by the Bancorp for derivative assets was $534 million and $927 million, respectively. The credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts as of September 30, 2013 and December 31, 2012 was $16 million and $18 million, respectively.

In measuring the fair value of derivative liabilities, the Bancorp considers its own credit risk, taking into consideration collateral maintenance requirements of certain derivative counterparties and the duration of instruments with counterparties that do not require collateral maintenance. When necessary, the Bancorp posts collateral primarily in the form of cash and securities to offset changes in fair value of the derivatives, including changes in fair value due to the Bancorp s credit risk. As of September 30, 2013 and December 31, 2012, the balance of collateral posted by the Bancorp for derivative liabilities was $648 million and $785 million, respectively. Certain of the Bancorp s derivative liabilities contain credit-risk related contingent features that could result in the requirement to post additional collateral upon the occurrence of specified events. As of September 30, 2013, the fair value of the additional collateral that could be required to be posted as a result of the credit-risk related contingent features being triggered was not material to the Bancorp s Condensed Consolidated Financial Statements. The posting of collateral has been determined to remove the need for further consideration of credit risk. As a result, the Bancorp determined that the impact of the Bancorp s credit risk to the valuation of its derivative liabilities was immaterial to the Bancorp s Condensed Consolidated Financial

Statements.

The Bancorp holds certain derivative instruments that qualify for hedge accounting treatment and are designated as either fair value hedges or cash flow hedges. Derivative instruments that do not qualify for hedge accounting treatment, or for which hedge accounting is not established, are held as free-standing derivatives. All customer accommodation derivatives are held as free-standing derivatives.

The fair value of derivative instruments is presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Derivative instruments with a positive fair value are reported in other assets in the Condensed Consolidated Balance Sheets while derivative instruments with a negative fair value are reported in other liabilities in the Condensed Consolidated Balance Sheets. Cash collateral payables and receivables associated with the derivative instruments are not added to or netted against the fair value amounts. For further information on offsetting derivatives, see Note 12 of the Notes to Condensed Consolidated Financial Statements.

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The following tables reflect the notional amounts and fair values for all derivative instruments included in the Condensed Consolidated Balance Sheets as of:

		Fair Value	
September 30, 2013 ($ in millions)	Notional Amount	Derivative Assets	Derivative Liabilities
Qualifying hedging instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	**$ 3,205**	**345**	**11**
Total fair value hedges		**345**	**11**
Cash flow hedges:			
Interest rate swaps related to C&I loans	**1,000**	**45**	
Total cash flow hedges		**45**	
Total derivatives designated as qualifying hedging instruments		**390**	**11**
Derivatives not designated as qualifying hedging instruments			
Free-standing derivatives - risk management and other business purposes			
Interest rate contracts related to MSRs	**2,992**	**147**	**8**
Forward contracts related to held for sale mortgage loans	**4,068**	**12**	**44**
Stock warrants associated with Vantiv Holding, LLC	**569**	**293**	
Swap associated with the sale of Visa, Inc. Class B shares	**812**		**35**
Total free-standing derivatives - risk management and other business purposes		**452**	**87**
Free-standing derivatives - customer accommodation:			
Interest rate contracts for customers	**29,128**	**399**	**412**
Interest rate lock commitments	**1,433**	**25**	**1**
Commodity contracts	**3,330**	**83**	**82**
Foreign exchange contracts	**18,299**	**237**	**214**
Total free-standing derivatives - customer accommodation		**744**	**709**
Total derivatives not designated as qualifying hedging instruments		**1,196**	**796**
Total		**$ 1,586**	**807**

		Fair Value	
	Notional	Derivative	Derivative

December 31, 2012 ($ in millions)	Amount	Assets	Liabilities
Qualifying hedging instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	$ 2,880	558	
Total fair value hedges		558	
Cash flow hedges:			
Interest rate floors related to C&I loans	1,500	22	
Interest rate swaps related to C&I loans	1,000	60	
Interest rate caps related to long-term debt	500		
Interest rate swaps related to long-term debt	250		1
Total cash flow hedges		82	1
Total derivatives designated as qualifying hedging instruments		640	1
Derivatives not designated as qualifying hedging instruments			
Free-standing derivatives - risk management and other business purposes			
Interest rate contracts related to MSRs	10,177	219	
Forward contracts related to held for sale mortgage loans	5,322	2	14
Stock warrants associated with Vantiv Holding, LLC	416	177	
Swap associated with the sale of Visa, Inc. Class B shares	644		33
Total free-standing derivatives - risk management and other business purposes		398	47
Free-standing derivatives - customer accommodation:			
Interest rate contracts for customers	27,354	586	602
Interest rate lock commitments	4,894	60	
Commodity contracts	3,084	87	82
Foreign exchange contracts	17,297	201	183
Derivative instruments related to equity linked CDs	5		
Total free-standing derivatives - customer accommodation		934	867
Total derivatives not designated as qualifying hedging instruments		1,332	914
Total		$ 1,972	915

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Fair Value Hedges

The Bancorp may enter into interest rate swaps to convert its fixed-rate funding to floating-rate. Decisions to convert fixed-rate funding to floating are made primarily through consideration of the asset/liability mix of the Bancorp, the desired asset/liability sensitivity and interest rate levels. As of September 30, 2013 and December 31, 2012, certain interest rate swaps met the criteria required to qualify for the shortcut method of accounting. Based on this shortcut method of accounting treatment, no ineffectiveness is assumed. For interest rate swaps that do not meet the shortcut requirements, an assessment of hedge effectiveness using regression analysis was performed and such swaps were accounted for using the long-haul method. The long-haul method requires a quarterly assessment of hedge effectiveness and measurement of ineffectiveness. For interest rate swaps accounted for as a fair value hedge using the long-haul method, ineffectiveness is the difference between the changes in the fair value of the interest rate swap and changes in fair value of the related hedged item attributable to the risk being hedged. The ineffectiveness on interest rate swaps hedging fixed-rate funding is reported within interest expense in the Condensed Consolidated Statements of Income.

The following table reflects the change in fair value of interest rate contracts, designated as fair value hedges, as well as the change in fair value of the related hedged items attributable to the risk being hedged, included in the Condensed Consolidated Statements of Income:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Interest rate contracts:					
Change in fair value of interest rate swaps hedging long-term debt	Interest on long-term debt	**$ (30)**	(35)	**(223)**	(56)
Change in fair value of hedged long-term debt attributable to the risk being hedged	Interest on long-term debt	**30**	44	**220**	59

Cash Flow Hedges

The Bancorp may enter into interest rate swaps to convert floating-rate assets and liabilities to fixed rates or to hedge certain forecasted transactions. The assets or liabilities may be grouped in circumstances where they share the same risk exposure for which the Bancorp desires to hedge. The Bancorp may also enter into interest rate caps and floors to limit cash flow variability of floating rate assets and liabilities. As of September 30, 2013, all hedges designated as cash flow hedges were assessed for effectiveness using regression analysis. Ineffectiveness is generally measured as the amount by which the cumulative change in the fair value of the hedging instrument exceeds the present value of the cumulative change in the hedged item s expected cash flows attributable to the risk being hedged. Ineffectiveness is reported within other noninterest income in the Condensed Consolidated Statements of Income. The effective portion of the cumulative gains or losses on cash flow hedges are reported within accumulated other comprehensive income and are reclassified from accumulated other comprehensive income to current period earnings when the forecasted transaction affects earnings. As of September 30, 2013, the maximum length of time over which the Bancorp is hedging its exposure to the variability in future cash flows is 29 months.

Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income while reclassified gains and losses on interest rate contracts related to long-term debt are recorded within interest expense in the Condensed Consolidated Statements of Income. As of September 30, 2013 and December 31, 2012, $31 million and $50 million, respectively, of deferred gains, net of tax, on cash flow hedges were recorded in accumulated other comprehensive income in the Condensed Consolidated Balance Sheets. As of September 30, 2013, approximately $18 million of net deferred gains, net of tax, recorded in accumulated other comprehensive income are expected to be reclassified into earnings during the next twelve months. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to September 30, 2013.

During the three and nine months ended September 30, 2013 and 2012, there were no gains or losses reclassified from accumulated other comprehensive income into earnings associated with the discontinuance of cash flow hedges because it was probable that the original forecasted transaction would not occur by the end of the originally specified time period or within the additional period of time as defined by U.S. GAAP.

The following table presents the net gains recorded in the Condensed Consolidated Statements of Income and accumulated other comprehensive income in the Condensed Consolidated Statements of Comprehensive Income relating to derivative instruments designated as cash flow hedges:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
Amount of net gains recognized in OCI	**$ 9**	10	**8**	35
Amount of net gains reclassified from OCI into net income	**6**	22	**37**	63

Free-Standing Derivative Instruments   Risk Management and Other Business Purposes

As part of its overall risk management strategy relative to its mortgage banking activity, the Bancorp may enter into various free-standing derivatives (principal-only swaps, interest rate swaptions, interest rate floors, mortgage options, TBAs and interest rate swaps) to economically hedge changes in fair value of its largely fixed-rate MSR portfolio. Principal-only swaps hedge the mortgage-LIBOR spread because these swaps appreciate in value as a result of tightening spreads. Principal-only swaps also provide prepayment protection by increasing in value when prepayment speeds increase, as opposed to MSRs that lose value in a faster prepayment environment. Receive fixed/pay floating interest rate swaps and swaptions increase in value when interest rates do not increase as quickly as expected.

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The Bancorp enters into forward contracts and mortgage options to economically hedge the change in fair value of certain residential mortgage loans held for sale due to changes in interest rates. Interest rate lock commitments issued on residential mortgage loan commitments that will be held for sale are also considered free-standing derivative instruments and the interest rate exposure on these commitments is economically hedged primarily with forward contracts. Revaluation gains and losses from free-standing derivatives related to mortgage banking activity are recorded as a component of mortgage banking net revenue in the Condensed Consolidated Statements of Income.

Additionally, as part of the Bancorp s overall risk management strategy with respect to minimizing significant fluctuations in earnings and cash flows caused by interest rate and prepayment volatility**,** the Bancorp may enter into free-standing derivative instruments (options, swaptions and interest rate swaps). The gains and losses on these derivative contracts are recorded within other noninterest income in the Condensed Consolidated Statements of Income.

In conjunction with the sale of the Bancorp s 51% interest in Vantiv Holding, LLC, the Bancorp received warrants and issued put options, which are accounted for as free-standing derivatives. The put options expired as a result of the Vantiv, Inc. initial public offering in March of 2012. Refer to Note 21 for further discussion of significant inputs and assumptions used in the valuation of the warrants.

In conjunction with the sale of Visa, Inc. Class B shares in 2009, the Bancorp entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B shares into Class A shares. This total return swap is accounted for as a free-standing derivative. See Note 21 for further discussion of significant inputs and assumptions used in the valuation of this instrument.

The net gains (losses) recorded in the Condensed Consolidated Statements of Income relating to free-standing derivative instruments used for risk management and other business purposes are summarized in the following table:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Interest rate contracts:					
Forward contracts related to mortgage loans held for sale	Mortgage banking net revenue	**$ (191)**	(59)	**(20)**	(42)
Interest rate contracts related to MSR portfolio	Mortgage banking net revenue	**24**	32	**(13)**	75
Interest rate swaps related to long-term debt	Other noninterest income		1		2
Foreign exchange contracts:					
Foreign exchange contracts for trading purposes	Other noninterest income	**(2)**	(1)	**3**	(1)
Equity contracts:					
Stock warrants associated with Vantiv Holding, LLC	Other noninterest income	**6**	(16)	**116**	85
Put options associated with sale of the processing business	Other noninterest income				1
Swap associated with sale of Visa, Inc. Class B shares	Other noninterest income	**(2)**	(1)	**(13)**	(30)

Free-Standing Derivative Instruments Customer Accommodation

The majority of the free-standing derivative instruments the Bancorp enters into are for the benefit of its commercial customers. These derivative contracts are not designated against specific assets or liabilities on the Bancorp s Condensed Consolidated Balance Sheets or to forecasted transactions and, therefore, do not qualify for hedge accounting. These instruments include foreign exchange derivative contracts entered into for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations and commodity contracts to hedge such items as natural gas and various other derivative contracts. The Bancorp may economically hedge significant exposures related to these derivative contracts entered into for the benefit of customers by entering into offsetting contracts with approved, reputable, independent counterparties with substantially matching terms. The Bancorp hedges its interest rate exposure on commercial customer transactions by executing offsetting swap agreements with primary dealers. Revaluation gains and losses on interest rate, foreign exchange, commodity and other commercial customer derivative contracts are recorded as a component of corporate banking revenue in the Condensed Consolidated Statements of Income.

The Bancorp enters into risk participation agreements, under which the Bancorp assumes credit exposure relating to certain underlying interest rate derivative contracts. The Bancorp only enters into these risk participation agreements in instances in which the Bancorp has participated in the loan that the underlying interest rate derivative contract was designed to hedge. The Bancorp will make payments under these agreements if a customer defaults on its obligation to perform under the terms of the underlying interest rate derivative contract. As of September 30, 2013 and December 31, 2012, the total notional amount of the risk participation agreements was $1.2 billion and $1.0 billion, respectively, and the fair value was a liability of $3 million at September 30, 2013 and $2 million at December 31, 2012, respectively, which is included in interest rate contracts for customers. As of September 30, 2013, the risk participation agreements had an average remaining life of 3.9 years.

The Bancorp s maximum exposure in the risk participation agreements is contingent on the fair value of the underlying interest rate derivative contracts in an asset position at the time of default. The Bancorp monitors the credit risk associated with the underlying customers in the risk participation agreements through the same risk grading system currently utilized for establishing loss reserves in its loan and lease portfolio.

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Risk ratings of the notional amount of risk participation agreements under this risk rating system are summarized in the following table:

As of ($ in millions)	September 30, 2013	December 31, 2012
Pass	$ **1,157**	993
Special mention	**37**	
Substandard	**13**	13
Doubtful		
Total	$ **1,207**	1,006

The net gains (losses) recorded in the Condensed Consolidated Statements of Income relating to free-standing derivative instruments used for customer accommodation are summarized in the following table:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30, 2013	2012	For the nine months ended September 30, 2013	2012
Interest rate contracts:					
Interest rate contracts for customers (contract revenue)	Corporate banking revenue	$ **8**	7	**22**	20
Interest rate contracts for customers (credit losses)	Other noninterest expense		(1)	**(3)**	(2)
Interest rate contracts for customers (credit portion of fair value adjustment)	Other noninterest expense		2	**4**	5
Interest rate lock commitments	Mortgage banking net revenue	**43**	166	**41**	341
Commodity contracts:					
Commodity contracts for customers (contract revenue)	Corporate banking revenue	**1**	1	**5**	6
Commodity contracts for customers (credit portion of fair value adjustment)	Other noninterest expense		1		1
Foreign exchange contracts:					
Foreign exchange contracts - customers (contract revenue)	Corporate banking revenue	**14**	16	**52**	49
Foreign exchange contracts - customers (credit portion of fair value adjustment)	Other noninterest expense		1	**(2)**	2

12. Offsetting Derivative Financial Instruments

The Bancorp s derivative transactions are generally governed by ISDA Master Agreements and similar arrangements, which include provisions governing the setoff of assets and liabilities between the parties. When the Bancorp has more than one outstanding derivative transaction with a single counterparty, the setoff provisions contained within these agreements generally allow the non-defaulting party the right to reduce its liability to the defaulting party by amounts eligible for setoff, including the collateral received as well as eligible offsetting transactions with that counterparty, irrespective of the currency, place of payment, or booking office. The Bancorp s policy is to present its derivative assets and derivative liabilities on the Condensed Consolidated Balance Sheets on a gross basis, even when provisions allowing for setoff are in place.

Collateral amounts included in the table below consist primarily of cash and highly-rated government-backed securities.

September 30, 2013 ($ in millions)	Amount Recognized in the Condensed Consolidated Balance Sheet[a]	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet Derivatives	Collateral[b]	Net Amount
Assets				
Derivatives	$ **1,268**	**(322)**	**(430)**	$ **516**
Total assets	**1,268**	**(322)**	**(430)**	**516**
Liabilities				
Derivatives	**806**	**(322)**	**(360)**	**124**
Total liabilities	$ **806**	**(322)**	**(360)**	$ **124**

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December 31, 2012 ($ in millions)	Amount Recognized in the Condensed Consolidated Balance Sheet[(a)]	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet Derivatives	Collateral[(b)]	Net Amount
Assets				
Derivatives	$ 1,735	(291)	(794)	$ 650
Total assets	1,735	(291)	(794)	650
Liabilities				
Derivatives	915	(291)	(505)	119
Total liabilities	$ 915	(291)	(505)	$ 119

(a) *Amount does not include stock warrants associated with Vantiv Holding, LLC and interest rate lock commitments because these instruments are not subject to master netting or similar arrangement.*
(b) *Amount of collateral received as an offset to asset positions or pledged as an offset to liability positions. Collateral values in excess of related derivative amounts recognized in the Condensed Consolidated Balance Sheets were excluded from this table.*

13. Long-Term Debt

On February 25, 2013, the Bancorp s banking subsidiary updated and amended its existing global bank note program. The amended global bank note program increased the Bank s capacity to issue its senior and subordinated unsecured bank notes from $20 billion to $25 billion. Additionally, on February 28, 2013, the Bank issued and sold, under its amended bank notes program, $1.3 billion in aggregate principal amount of unsecured senior bank notes. The bank notes consisted of: $600 million of 1.45% senior fixed rate notes, with a maturity of five years, due on February 28, 2018; $400 million of 0.90% senior fixed rate notes with a maturity of three years, due on February 26, 2016; and $300 million of senior floating rate notes with a maturity of three years, due on February 26, 2016. Interest on the floating rate notes is 3-month LIBOR plus 41 basis points. 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 through the redemption date.

As previously discussed in Note 9, the Bancorp was determined to be the primary beneficiary of a VIE associated with an automobile loan securitization completed in the third quarter of 2013. As such, $1.2 billion of long-term debt related to this VIE was consolidated in the Bancorp s Condensed Consolidated Financial Statements as of September 30, 2013. Third-party holders of this debt do not have recourse to the general assets of the Bancorp.

14. Capital Actions

Accelerated Share Repurchase Transactions

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

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

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

On March 19, 2013, the Bancorp s Board of Directors authorized the Bancorp to repurchase up to 100 million shares of its outstanding common stock in the open market or in privately negotiated transactions, and to utilize any derivative or similar instrument to effect share repurchase transactions (including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, floor transactions or other similar transactions or any combination of the foregoing transactions). This share repurchase authorization replaces the Board s previous authorization from August of 2012.

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On May 21, 2013, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 25,035,519 shares, or approximately $539 million, of its outstanding common stock on May 24, 2013. The Bancorp repurchased the shares of its common stock as part of its 100 million share repurchase program previously announced on March 19, 2013. At settlement of the forward contract on October 1, 2013, the Bancorp received an additional 4,270,250 shares which were recorded in the fourth quarter of 2013 as an adjustment to the basis in the treasury shares purchased on the acquisition date.

Preferred Stock Offering and Conversion

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

On June 11, 2013, the Bancorp s Board of Directors authorized the conversion into common stock, no par value, of all outstanding shares of the Bancorp s 8.50% non-cumulative convertible perpetual preferred stock, Series G, which shares are represented by depositary shares each representing 1/250th of a share of Series G preferred stock, pursuant to the Amended Articles of Incorporation. The Articles grant the Bancorp the right, at its option, to convert all outstanding shares of Series G preferred stock if the closing price of common stock exceeded 130% of the applicable conversion price for 20 trading days within any period of 30 consecutive trading days. The closing price of shares of common stock satisfied such threshold for the 30 trading days ended June 10, 2013, and the Bancorp gave the required notice of its exercise of its conversion right.

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

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15. Commitments, Contingent Liabilities and Guarantees

The Bancorp, in the normal course of business, enters into financial instruments and various agreements to meet the financing needs of its customers. The Bancorp also enters into certain transactions and agreements to manage its interest rate and prepayment risks, provide funding, equipment and locations for its operations and invest in its communities. These instruments and agreements involve, to varying degrees, elements of credit risk, counterparty risk and market risk in excess of the amounts recognized in the Bancorp s Condensed Consolidated Balance Sheets. The creditworthiness of counterparties for all instruments and agreements is evaluated on a case-by-case basis in accordance with the Bancorp s credit policies. The Bancorp s significant commitments, contingent liabilities and guarantees in excess of the amounts recognized in the Condensed Consolidated Balance Sheets are discussed in further detail below:

Commitments

The Bancorp has certain commitments to make future payments under contracts. The following table reflects a summary of significant commitments as of:

($ in millions)	**September 30, 2013**	December 31, 2012
Commitments to extend credit	**$ 59,411**	53,403
Forward contracts to sell mortgage loans	**4,068**	5,322
Letters of credit	**4,019**	4,281
Noncancelable lease obligations	**742**	769
Capital commitments for private equity investments	**96**	121
Purchase obligations	**89**	87
Capital expenditures	**38**	29
Capital lease obligations	**19**	24

Commitments to extend credit

Commitments to extend credit are agreements to lend, typically having fixed expiration dates or other termination clauses that may require payment of a fee. Since many of the commitments to extend credit may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements. The Bancorp is exposed to credit risk in the event of nonperformance by the counterparty for the amount of the contract. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and the Bancorp s exposure is limited to the replacement value of those commitments. As of September 30, 2013 and December 31, 2012, the Bancorp had a reserve for unfunded commitments, including letters of credit, totaling $167 million and $179 million, respectively, included in other liabilities in the Condensed Consolidated Balance Sheets. The Bancorp monitors the credit risk associated with commitments to extend credit using the same risk rating system utilized within its loan and lease portfolio.

Risk ratings under this risk rating system are summarized in the following table:

($ in millions)	**September 30, 2013**	December 31, 2012
Pass	**$ 58,752**	52,812
Special mention	**304**	370

Substandard	**350**	221
Doubtful	**5**	
Total	**$ 59,411**	53,403

Forward contracts to sell mortgage loans

The Bancorp enters into forward contracts to economically hedge the change in fair value of certain residential mortgage loans held for sale due to changes in interest rates. The outstanding notional amounts of these forward contracts are included in the summary of significant commitments table above for all periods presented.

Letters of credit

Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party and expire as summarized in the following table as of:

($ in millions)	September 30, 2013
Less than 1 year[(a)]	$ 1,795
1 - 5 years[(a)]	2,172
Over 5 years	52
Total	$ 4,019

(a) Includes $67 and $6 issued on behalf of commercial customers to facilitate trade payments in U.S. dollars and foreign currencies which expire less than one year and between one and five years, respectively.

Standby letters of credit accounted for 98% of total letters of credit at September 30, 2013 compared to 99% at December 31, 2012 and are considered guarantees in accordance with U.S. GAAP. Approximately 46% and 49% of the total standby letters of credit were fully secured as of September 30, 2013 and December 31, 2012, respectively. In the event of nonperformance by the customers, the Bancorp has rights to

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the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The reserve related to these standby letters of credit, which was included in the total reserve for unfunded commitments, was $2 million at September 30, 2013 and $4 million at December 31, 2012. The Bancorp monitors the credit risk associated with letters of credit using the same risk rating system utilized within its loan and lease portfolio.

Risk ratings under this risk rating system are summarized in the following table:

($ in millions)	September 30, 2013	December 31, 2012
Pass	$ 3,515	3,902
Special mention	137	129
Substandard	343	223
Doubtful	24	27
Total	$ 4,019	4,281

At September 30, 2013 and December 31, 2012, the Bancorp had outstanding letters of credit that were supporting certain securities issued as VRDNs. The Bancorp facilitates financing for its commercial customers, which consist of companies and municipalities, by marketing the VRDNs to investors. The VRDNs pay interest to holders at a rate of interest that fluctuates based upon market demand. The VRDNs generally have long-term maturity dates, but can be tendered by the holder for purchase at par value upon proper advance notice. When the VRDNs are tendered, a remarketing agent generally finds another investor to purchase the VRDNs to keep the securities outstanding in the market. As of September 30, 2013 and December 31, 2012, total VRDNs were $2.3 billion and $2.8 billion of which FTS acted as the remarketing agent to issuers on $2.0 billion and $2.5 billion, respectively. As remarketing agent, FTS is responsible for finding purchasers for VRDNs that are put by investors. The Bancorp issued letters of credit, as a credit enhancement, on $1.7 billion and $2.0 billion to the VRDNs remarketed by FTS, in addition to $299 million and $345 million in VRDNs remarketed by third parties at September 30, 2013 and December 31, 2012, respectively. These letters of credit are included in the total letters of credit balance provided in the previous table.

Noncancelable lease obligations and other commitments

The Bancorp s subsidiaries have entered into a number of noncancelable lease agreements. The minimum rental commitments under noncancelable lease agreements are shown in the summary of significant commitments table. The Bancorp has also entered into a limited number of agreements for work related to banking center construction and to purchase goods or services.

Contingent Liabilities

Private mortgage reinsurance

For certain mortgage loans originated by the Bancorp, borrowers may be required to obtain PMI provided by third-party insurers. In some instances, these insurers cede a portion of the PMI premiums to the Bancorp, and the Bancorp provides reinsurance coverage within a specified range of the total PMI coverage. The Bancorp s reinsurance coverage typically ranges from 5% to 10% of the total PMI coverage. The Bancorp s maximum exposure in the event of nonperformance by the underlying borrowers is equivalent to the Bancorp s total outstanding reinsurance coverage, which was $40 million at September 30, 2013 and $58 million at December 31, 2012. As of September 30, 2013 and December 31, 2012, the Bancorp maintained a reserve of $13 million and $18 million, respectively, related to exposures within the reinsurance portfolio which was included in other liabilities in the Condensed Consolidated Balance Sheets. During 2009, the Bancorp suspended the practice of providing reinsurance of private mortgage insurance for newly originated mortgage loans.

Legal claims

There are legal claims pending against the Bancorp and its subsidiaries that have arisen in the normal course of business. See Note 16 for additional information regarding these proceedings.

Guarantees

The Bancorp has performance obligations upon the occurrence of certain events under financial guarantees provided in certain contractual arrangements as discussed in the following sections.

Residential mortgage loans sold with representation and warranty provisions

Conforming residential mortgage loans sold to unrelated third parties are generally sold with representation and warranty provisions. A contractual liability arises only in the event of a breach of these representations and warranties and, in general, only when a loss results from the breach. The Bancorp may be required to repurchase any previously sold loan or indemnify (make whole) the investor or insurer for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading.

The Bancorp establishes a residential mortgage repurchase reserve related to various representations and warranties that reflects management s estimate of losses based on a combination of factors. The Bancorp s estimation process requires management to make subjective and complex judgments about matters that are inherently uncertain, such as, future demand expectations, economic factors and the specific characteristics of the loans subject to repurchase. Such factors incorporate historical investor audit and repurchase demand rates, appeals success rates, historical loss severity, and any additional information obtained from the GSEs regarding future mortgage repurchase and file request criteria. At the time of a loan sale, the Bancorp records a representation and warranty reserve at the estimated fair value of the Bancorp s guarantee and continually updates the reserve during the life of the loan as losses in excess of the reserve become probable and reasonably estimable. The provision for the estimated fair value of the representation and warranty guarantee arising from the loan sales is recorded as an adjustment to the gain on sale, which is included in noninterest income at the time of sale. Updates to the reserve are recorded in other noninterest expense.

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The Bancorp maintained reserves related to these loans sold with representation and warranty provisions, which were included in other liabilities on the Condensed Consolidated Balance Sheets, totaling $103 million and $110 million as of September 30, 2013 and December 31, 2012, respectively.

The Bancorp uses the best information available to it in estimating its mortgage representation and warranty reserve; however, the estimation process is inherently uncertain and imprecise and, accordingly, losses in excess of the amounts reserved as of September 30, 2013, are reasonably possible. The Bancorp currently estimates that it is reasonably possible that it could incur losses related to mortgage representation and warranty provisions in an amount up to approximately $61 million in excess of amounts reserved. This estimate was derived by modifying the key assumptions discussed above to reflect management s judgment regarding reasonably possible adverse changes to those assumptions. The actual repurchase losses could vary significantly from the recorded mortgage representation and warranty reserve or this estimate of reasonably possibly losses, depending on the outcome of various factors, including those noted above.

The following table summarizes activity in the reserve for representation and warranty provisions:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2013**	2012	**2013**	2012
Balance, beginning of period	**$ 117**	57	**110**	55
(Recovery of) provision for representation and warranty expense	**(3)**	37	**34**	66
Losses charged against the reserve	**(11)**	(13)	**(41)**	(40)
Balance, end of period	**$ 103**	81	**103**	81

The following table provides a rollforward of unresolved demands by claimant type for the nine months ended September 30, 2013:

	GSE		Private Label	
($ in millions)	Units	Dollars	Units	Dollars
Balance, beginning of period	**294**	**$ 48**	**124**	**$ 19**
New demands	**1,409**	**189**	**223**	**2**
Loan paydowns/payoffs	**(11)**	**(2)**	**(6)**	**(1)**
Resolved demands	**(1,397)**	**(190)**	**(311)**	**(16)**
Balance, end of period	**295**	**$ 45**	**30**	**$ 4**

The following table provides a rollforward of unresolved demands by claimant type for the nine months ended September 30, 2012:

	GSE		Private Label	
($ in millions)	Units	Dollars	Units	Dollars
Balance, beginning of period	328	$ 47	109	$ 19
New demands	2,116	274	173	6
Loan paydowns/payoffs	(34)	(5)	(1)	

Resolved demands	(2,092)	(261)	(157)	(6)
Balance, end of period	318	$ 55	124	$ 19

Residential mortgage loans sold with credit recourse

The Bancorp sold certain residential mortgage loans in the secondary market with credit recourse. In the event of any customer default, pursuant to the credit recourse provided, the Bancorp is required to reimburse the third party. The maximum amount of credit risk in the event of nonperformance by the underlying borrowers is equivalent to the total outstanding balance. In the event of nonperformance, the Bancorp has rights to the underlying collateral value securing the loan. The outstanding balances on these loans sold with credit recourse were $589 million and $662 million at September 30, 2013 and December 31, 2012, respectively, and the delinquency rates were 4.6% and 5.9% at September 30, 2013 and December 31, 2012, respectively. The Bancorp maintained an estimated credit loss reserve on these loans sold with credit recourse of $18 million and $20 million at September 30, 2013 and December 31, 2012, respectively, recorded in other liabilities in the Condensed Consolidated Balance Sheets. To determine the credit loss reserve, the Bancorp used an approach that is consistent with its overall approach in estimating credit losses for various categories of residential mortgage loans held in its loan portfolio.

Margin accounts

FTS, a subsidiary of the Bancorp, guarantees the collection of all margin account balances held by its brokerage clearing agent for the benefit of its customers. FTS is responsible for payment to its brokerage clearing agent for any loss, liability, damage, cost or expense incurred as a result of customers failing to comply with margin or margin maintenance calls on all margin accounts. The margin account balance held by the brokerage clearing agent was $11 million and $17 million at September 30, 2013 and December 31, 2012, respectively. In the event of any customer default, FTS has rights to the underlying collateral provided. Given the existence of the underlying collateral provided and negligible historical credit losses, the Bancorp does not maintain a loss reserve related to the margin accounts.

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Long-term borrowing obligations

The Bancorp had certain fully and unconditionally guaranteed long-term borrowing obligations issued by wholly-owned issuing trust entities of $812 million at September 30, 2013.

Visa litigation

The Bancorp, as a member bank of Visa prior to Visa s reorganization and IPO (the IPO) of its Class A common shares in 2008, had certain indemnification obligations pursuant to Visa s certificate of incorporation and by-laws and in accordance with their membership agreements. In accordance with Visa s by-laws prior to the IPO, the Bancorp could have been required to indemnify Visa for the Bancorp s proportional share of losses based on the pre-IPO membership interests. As part of its reorganization and IPO, the Bancorp s indemnification obligation was modified to include only certain known litigation (the Covered Litigation) as of the date of the restructuring. This modification triggered a requirement to recognize a $3 million liability for the year ended December 31, 2007 equal to the fair value of the indemnification obligation. Additionally during 2007, the Bancorp recorded $169 million for its share of litigation formally settled by Visa and for probable future litigation settlements. In conjunction with the IPO, the Bancorp received 10.1 million of Visa s Class B shares based on the Bancorp s membership percentage in Visa prior to the IPO. The Class B shares are not transferable (other than to another member bank) until the later of the third anniversary of the IPO closing or the date which the Covered Litigation has been resolved; therefore, the Bancorp s Class B shares were classified in other assets and accounted for at their carryover basis of $0. Visa deposited $3 billion of the proceeds from the IPO into a litigation escrow account, established for the purpose of funding judgments in, or settlements of, the Covered Litigation. If Visa s litigation committee determines that the escrow account is insufficient, then Visa will issue additional Class A shares and deposit the proceeds from the sale of the shares into the litigation escrow account. When Visa funds the litigation escrow account, the Class B shares are subject to dilution through an adjustment in the conversion rate of Class B shares into Class A shares. During 2008, the Bancorp recorded additional reserves of $71 million for probable future settlements related to the Covered Litigation and recorded its proportional share of $169 million of the Visa escrow account net against the Bancorp s litigation reserve.

During 2009, Visa announced it had deposited an additional $700 million into the litigation escrow account. As a result of this funding, the Bancorp recorded its proportional share of $29 million of these additional funds as a reduction to its net Visa litigation reserve liability and a reduction to noninterest expense. Later in 2009, the Bancorp completed the sale of Visa, Inc. Class B shares for proceeds of $300 million. As part of this transaction the Bancorp entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B shares into Class A shares. The swap terminates on the later of the third anniversary of Visa s IPO or the date on which the Covered Litigation is settled. The Bancorp calculates the fair value of the swap based on its estimate of the probability and timing of certain Covered Litigation settlement scenarios and the resulting payments related to the swap. The counterparty to the swap as a result of its ownership of the Class B shares will be impacted by dilutive adjustments to the conversion rate of the Class B shares into Class A shares caused by any Covered Litigation losses in excess of the litigation escrow account. If actual judgments in, or settlements of, the Covered Litigation significantly exceed current expectations, then additional funding by Visa of the litigation escrow account and the resulting dilution of the Class B shares could result in a scenario where the Bancorp s ultimate exposure associated with the Covered Litigation (the Visa Litigation Exposure) exceeds the value of the Class B shares owned by the swap counterparty (the Class B Value). In the event the Bancorp concludes that it is probable that the Visa Litigation Exposure exceeds the Class B Value, the Bancorp would record a litigation reserve liability and a corresponding amount of other noninterest expense for the amount of the excess. Any such litigation reserve liability would be separate and distinct from the fair value derivative liability associated with the total return swap.

As of the date of the Bancorp s sale of Visa Class B shares and through September 30, 2013, the Bancorp has concluded that it is not probable that the Visa Litigation Exposure will exceed the Class B value. Based on this determination, upon the sale of Class B shares, the Bancorp reversed its net Visa litigation reserve liability and recognized a free-standing derivative liability associated with the total return swap with an initial fair value of $55 million. The sale of the Class B shares, recognition of the derivative liability and reversal of the net litigation reserve liability resulted in a pre-tax benefit of $288 million ($187 million after-tax) recognized by the Bancorp for the year ended December 31, 2009. In the second and fourth quarters of 2010, Visa funded an additional $500 million and $800 million, respectively, into the litigation escrow account which resulted in further dilution in the conversion of Class B shares into Class A shares and required the Bancorp to make cash payments of $20 million and $35 million, respectively, (each of which reduced the swap liability) to the swap counterparty. In the second quarter of 2011, Visa funded an additional $400 million into the litigation escrow account. Upon Visa s funding of the litigation escrow account in the second quarter of 2011, along with additional terms of the total return swap, the Bancorp made a $19 million cash payment (which reduced the swap liability) to the swap counterparty. During the fourth quarter of 2011, Visa announced it decided to fund an additional $1.565 billion into the litigation escrow account which increased the swap liability approximately $54 million. Upon Visa s funding of the litigation escrow account in the first quarter of 2012, along with additional terms of the total return swap, the Bancorp made a $75 million cash payment (which reduced the swap liability) to the swap counterparty. On July 24, 2012, Visa funded an additional $150 million into the litigation escrow account which resulted in further dilution in the conversion of Class B shares into Class A shares and required the Bancorp to make a $6 million cash payment (which reduced the swap liability) to the swap counterparty during the quarter ended September 30, 2012. The fair value of the swap liability was $35 million and $33 million at September 30, 2013 and December 31, 2012, respectively. Refer to Note 16 for further information.

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16. Legal and Regulatory Proceedings

During April 2006, the Bancorp was added as a defendant in a consolidated antitrust class action lawsuit originally filed against Visa®, MasterCard® and several other major financial institutions in the United States District Court for the Eastern District of New York. The plaintiffs, merchants operating commercial businesses throughout the U.S. and trade associations, claim that the interchange fees charged by card-issuing banks are unreasonable and seek injunctive relief and unspecified damages. In addition to being a named defendant, the Bancorp is also subject to a possible indemnification obligation of Visa as discussed in Note 15 and has also entered into judgment and loss sharing agreements with Visa, MasterCard and certain other named defendants. On October 19, 2012, the parties to the litigation entered into a settlement agreement. The court entered a Class Settlement Preliminary Approval Order on November 27, 2012. Pursuant to the terms of the settlement agreement, the Bancorp paid $46 million into a class settlement escrow account. Previously, the Bancorp paid an additional $4 million in another settlement escrow in connection with the settlement of claims from plaintiffs not included in the class action. More than 7,900 merchants have requested exclusion from the class settlement. Pursuant to the terms of the settlement agreement, 25% of the funds paid into the class settlement escrow account will be returned to the control of the defendants through Class Exclusion Takedown Payments. A number of the merchants who requested exclusion from the class have filed separate federal lawsuits against Visa, MasterCard and certain other defendants alleging similar antitrust violations. The federal lawsuits have been tentatively transferred to the United States District Court for the Eastern District of New York. The Bancorp was not named as a defendant in any of the federal lawsuits, but may have obligations pursuant to indemnification arrangements and/or the judgment or loss sharing agreements noted above. In addition, one merchant filed a separate state court lawsuit against Visa, MasterCard and certain other defendants, including the Bancorp, alleging similar antitrust violations. Refer to Note 15 for further information.

In September 2007, Ronald A. Katz Technology Licensing, L.P. (Katz) filed a suit in the United States District Court for the Southern District of Ohio against the Bancorp and its Ohio banking subsidiary. In the suit, Katz alleges that the Bancorp and its Ohio bank are infringing on Katz s patents for interactive call processing technology by offering certain automated telephone banking and other services. This lawsuit is one of many related patent infringement suits brought by Katz in various courts against numerous other defendants. Katz is seeking unspecified monetary damages and penalties as well as injunctive relief in the suit. Management believes there are substantial defenses to these claims and intends to defend them vigorously. The impact of the final disposition of this lawsuit cannot be assessed at this time.

For the year ended December 31, 2008, five putative securities class action complaints were filed against the Bancorp and its Chief Executive Officer, among other parties. The five cases have been consolidated under the caption Local 295/Local 851 IBT Employer Group Pension Trust and Welfare Fund v. Fifth Third Bancorp. et al., Case No. 1:08CV00421, and are currently pending in the United States District Court for the Southern District of Ohio. On December 18, 2012, the Bancorp entered into a settlement agreement to resolve these cases. The settlement is subject to court approval, which process is ongoing. Under the terms of the settlement, the Bancorp and its insurer will pay a total of $16 million to a fund to settle all the claims of the class members. In the settlement the Bancorp has denied any liability and has agreed to the settlement in order to avoid potential future litigation costs and uncertainty. The Bancorp does not consider the impact of the settlement to be material to its financial condition or results of operations. In addition to the foregoing, two cases were filed in the United States District Court for the Southern District of Ohio against the Bancorp and certain officers alleging violations of ERISA based on allegations similar to those set forth in the securities class action cases filed during the same period of time. The two cases alleging violations of ERISA were dismissed by the trial court, but the Sixth Circuit Court of Appeals reversed the trial court decision. The Bancorp petitioned the United States Supreme Court to review and reverse the Sixth Circuit decision and sought a stay of proceedings in the trial court pending appeal. On March 25, 2013, the Supreme Court issued an order directing the Solicitor General to file a brief stating the view of the United States on the issues raised in the Bancorp s petition. The motion to stay remains pending. The impact of the final disposition of the ERISA lawsuits cannot be assessed at this time.

The Bancorp and its subsidiaries are not parties to any other material litigation. However, there are other litigation matters that arise in the normal course of business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes any resulting liability from these other actions would not have a material effect upon the Bancorp s consolidated financial position, results of operations or cash flows.

The Bancorp and/or its affiliates are involved in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by various governmental regulatory agencies and law enforcement authorities, as well as self-regulatory bodies regarding their respective businesses. Additional matters will likely arise from time to time. Any of these matters may result in material adverse consequences to the Bancorp, its affiliates and/or their respective directors, officers and other personnel, including adverse judgments, findings, settlements, fines, penalties, orders, injunctions or other actions, amendments and/or restatements of the Bancorp s SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in our disclosure controls and procedures. Investigations by regulatory authorities may from time to time result in civil or criminal referrals to law enforcement authorities such as the Department of Justice or a United States Attorney. Among other matters, the Bancorp has been cooperating with the Department of Justice and the Office of the Inspector General for the Department of Housing and Urban Development in a civil investigation regarding compliance with requirements relating to certain Federal Housing Agency-insured loans originated by affiliates of the Bancorp. The investigation is ongoing, and no demand or claim has been made of the Bancorp. The investigation could lead to a demand under the federal False Claims Act and the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989, which allow up to treble and other special damages substantially in excess of actual losses.

As previously disclosed, the SEC has been investigating the Bancorp s historical accounting and reporting with respect to certain commercial loans that were sold or reclassified as held-for-sale in the fourth quarter of 2008. At dispute in the matter is whether certain of those loans should have been moved to held for sale in the third quarter of that year. The Bancorp is in discussions with the SEC staff concerning a

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proposed settlement of that investigation, pursuant to which the Bancorp, without admitting or denying any factual allegations, would consent to the SEC s issuance of an administrative order finding that the Bancorp did not properly account for a portion of its commercial real estate loan portfolio in its Form 10-Q for the third quarter of 2008 in violation of certain provisions of the securities laws, including Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934. The proposed settlement would also order the Bancorp to cease and desist from committing or causing any such violations in the future and to pay a civil money penalty. Daniel T. Poston, the Bancorp s interim chief financial officer during the relevant time, is in separate settlement discussions with the SEC staff concerning a settlement pursuant to which Mr. Poston, without admitting or denying any factual allegations, would consent to similar findings and charges against him, a cease and desist order, a separate civil money penalty, and a one-year ban from practicing before the SEC. The proposed settlement is subject to approval by the Commissioners of the SEC. There can be no assurance that the Commissioners will approve a settlement on the terms described above. Refer to the Bancorp s Current Report on Form 8-K filed with the SEC on November 5, 2013 for additional information regarding this proposed settlement and related actions.

The Bancorp is party to numerous claims and lawsuits concerning matters arising from the conduct of its business activities. The outcome of litigation and the timing of ultimate resolution are inherently difficult to predict. The following factors, among others, contribute to this lack of predictability: plaintiff claims often include significant legal uncertainties, damages alleged by plaintiffs are often unspecified or overstated, discovery may not have started or may not be complete and material facts may be disputed or unsubstantiated. As a result of these factors, the Bancorp is not always able to provide an estimate of the range of reasonably possible outcomes for each claim. A reserve for a potential litigation loss is established when information related to the loss contingency indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such reserve is adjusted from time to time thereafter as appropriate to reflect changes in circumstances. The Bancorp also determines, when possible (due to the uncertainties described above), estimates of reasonably possible losses or ranges of reasonably possible losses, in excess of amounts reserved. Under U.S. GAAP, an event is reasonably possible if the chance of the future event or events occurring is more than remote but less than likely and an event is remote if the chance of the future event or events occurring is slight. Thus, references to the upper end of the range of reasonably possible loss for cases in which the Bancorp is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the Bancorp believes the risk of loss is more than slight. For matters where the Bancorp is able to estimate such possible losses or ranges of possible losses, the Bancorp currently estimates that it is reasonably possible that it could incur losses related to legal proceedings including the matters discussed above in an aggregate amount up to approximately $116 million in excess of amounts reserved, with it also being reasonably possible that no losses will be incurred in these matters. The estimates included in this amount are based on the Bancorp s analysis of currently available information, and as new information is obtained the Bancorp may change its estimates.

For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established reserve that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, the Bancorp believes that the eventual outcome of the actions against the Bancorp and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on the Bancorp s consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to the Bancorp s results of operations for any particular period, depending, in part, upon the size of the loss or liability imposed and the operating results for the applicable period.

17. Related Party Transactions

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

As of September 30, 2013, the Bancorp continued to hold approximately 48.8 million Class B units of Vantiv Holding, LLC and a warrant to purchase approximately 20.4 million Class C non-voting units of Vantiv Holding, LLC, both of which may be exchanged for Class A Common

Stock of Vantiv, Inc. on a one for one basis or at Vantiv, Inc. s option for cash. In addition, the Bancorp holds approximately 48.8 million Class B common shares of Vantiv, Inc. The Class B common shares give the Bancorp voting rights, but no economic interest in Vantiv, Inc. The voting rights attributable to the Class B common shares are limited to 18.5% of the voting power in Vantiv, Inc. at any time other than in connection with a stockholder vote with respect to a change in control in Vantiv, Inc. These securities are subject to certain terms and restrictions.

18. Income Taxes

The Bancorp s provision for income taxes was $183 million and $139 million for the three months ended September 30, 2013 and 2012, respectively. The provision for income taxes was $613 million and $491 million for the nine months ended September 30, 2013 and 2012, respectively. The effective tax rates for the three months ended September 30, 2013 and 2012 were 30.3% and 27.7%, respectively. The effective tax rates for the nine months ended September 30, 2013 and 2012 were 30.1% and 29.4%, respectively. The increase in the effective tax rate for the three months ended September 30, 2013 from the three months ended September 30, 2012 was primarily due to an increase in projected annual pre-tax income and anticipated increases in non-deductible expenses and decreases in non-taxable income from the prior period.

The Bancorp s unrecognized tax benefits as of September 30, 2013 were $6 million. While it is reasonably possible that the amount of the unrecognized tax benefits with respect to certain of the Bancorp s uncertain tax positions could increase or decrease during the next 12 months, the Bancorp believes it is unlikely that its unrecognized tax benefits will change by a material amount during the next 12 months.

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19. Accumulated Other Comprehensive Income

The activity of the components of other comprehensive income and accumulated other comprehensive income for the three months ended September 30, 2013 and 2012 was as follows:

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
September 30, 2013						
Unrealized holding gains on available-for-sale securities arising during period	**$ 106**	**(37)**	**69**			
Reclassification adjustment for net gains included in net income	**(5)**	**1**	**(4)**			
Net unrealized gains on available-for-sale securities	**101**	**(36)**	**65**	**203**	**65**	**268**
Unrealized holding gains on cash flow hedge derivatives arising during period	**9**	**(3)**	**6**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(6)**	**2**	**(4)**			
Net unrealized gains on cash flow hedge derivatives	**3**	**(1)**	**2**	**29**	**2**	**31**
Defined benefit plans:						
Net actuarial loss	**3**	**(1)**	**2**			
Defined benefit plans, net	**3**	**(1)**	**2**	**(83)**	**2**	**(81)**
Total	**$ 107**	**(38)**	**69**	**149**	**69**	**218**

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
September 30, 2012						
Unrealized holding gains on available-for-sale securities arising during period	$ 33	(11)	22			
Reclassification adjustment for net gains included in net income	(6)	2	(4)			
Net unrealized gains on available-for-sale securities	27	(9)	18	476	18	494
Unrealized holding gains on cash flow hedge derivatives arising during period	10	(2)	8			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(22)	8	(14)			
Net unrealized gains on cash flow hedge derivatives	(12)	6	(6)	68	(6)	62

Defined benefit plans:						
Net actuarial loss	3	(1)	2			
Defined benefit plans, net	3	(1)	2	(90)	2	(88)
Total	$ 18	(4)	14	454	14	468

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Notes to Condensed Consolidated Financial Statements (unaudited)

The activity of the components of other comprehensive income and accumulated other comprehensive income for the nine months ended September 30, 2013 and 2012 was as follows:

($ in millions)	Total Other Comprehensive Income Pretax Activity	Tax Effect	Net Activity	Total Accumulated Other Comprehensive Income Beginning Balance	Net Activity	Ending Balance
September 30, 2013						
Unrealized holding losses on available-for-sale securities arising during period	**$ (274)**	**96**	**(178)**			
Reclassification adjustment for net losses included in net income	**53**	**(19)**	**34**			
Net unrealized gains on available-for-sale securities	**(221)**	**77**	**(144)**	**412**	**(144)**	**268**
Unrealized holding gains on cash flow hedge derivatives arising during period	**8**	**(3)**	**5**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(37)**	**13**	**(24)**			
Net unrealized gains on cash flow hedge derivatives	**(29)**	**10**	**(19)**	**50**	**(19)**	**31**
Defined benefit plans:						
Net actuarial loss	**9**	**(3)**	**6**			
Defined benefit plans, net	**9**	**(3)**	**6**	**(87)**	**6**	**(81)**
Total	**$ (241)**	**84**	**(157)**	**375**	**(157)**	**218**

($ in millions)	Total Other Comprehensive Income Pretax Activity	Tax Effect	Net Activity	Total Accumulated Other Comprehensive Income Beginning Balance	Net Activity	Ending Balance
September 30, 2012						
Unrealized holding gains on available-for-sale securities arising during period	$ 29	(10)	19			
Reclassification adjustment for net gains included in net income	(16)	6	(10)			
Net unrealized gains on available-for-sale securities	13	(4)	9	485	9	494
Unrealized holding gains on cash flow hedge derivatives arising during period	35	(12)	23			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(63)	22	(41)			
Net unrealized gains on cash flow hedge derivatives	(28)	10	(18)	80	(18)	62
Defined benefit plans:						
Net actuarial loss	11	(4)	7			
Defined benefit plans, net	11	(4)	7	(95)	7	(88)
Total	$ (4)	2	(2)	470	(2)	468

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The table below presents reclassifications out of accumulated other comprehensive income for the three months ended September 30, 2013:

Components of AOCI: ($ in millions)	Amount Reclassified from AOCI[(b)]		Affected Line Item in the Condensed Consolidated Statements of Income
Net unrealized gains on available-for-sale securities			
Net gains included in net income	$	5	Securities gains, net
		5	Income before income taxes
		(1)	Applicable income tax expense
		4	Net income
Net unrealized gains on cash flow hedge derivatives			
Interest rate contracts related to C&I loans		6	Interest and fees on loans and leases
		6	Income before income taxes
		(2)	Applicable income tax expense
		4	Net income
Amortization of defined benefit pension items			
Net actuarial loss		(3)	(a)
		(3)	Income before income taxes
		1	Applicable income tax expense
		(2)	Net income
Total reclassifications for the period	$	6	Net income

The table below presents reclassifications out of accumulated other comprehensive income for the nine months ended September 30, 2013:

Components of AOCI: ($ in millions)	Amount Reclassified from AOCI[(b)]		Affected Line Item in the Condensed Consolidated Statements of Income
Net unrealized gains on available-for-sale securities			
Net losses included in net income	$	(53)	Securities gains, net
		(53)	Income before income taxes
		19	Applicable income tax expense

		(34)	Net income
Net unrealized gains on cash flow hedge derivatives			
Interest rate contracts related to C&I loans		38	Interest and fees on loans and leases
Interest rate contracts related to long-term debt		(1)	Interest on long-term debt
		37	Income before income taxes
		(13)	Applicable income tax expense
		24	Net income
Amortization of defined benefit pension items			
Net actuarial loss		(9)	(a)
		(9)	Income before income taxes
		3	Applicable income tax expense
		(6)	Net income
Total reclassifications for the period	$	(16)	Net income

(a) This AOCI component is included in the computation of net periodic benefit cost. Refer to Note 20 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2012 for information on the computation of net periodic benefit cost.

(b) Amounts in parentheses indicate reductions to net income.

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20. Earnings Per Share

The calculation of earnings per share and the reconciliation of earnings per share and earnings per diluted share were as follows:

For the three months ended September 30, (in millions, except per share data)	2013 Income	2013 Average Shares	2013 Per Share Amount	2012 Income	2012 Average Shares	2012 Per Share Amount
Earnings per share:						
Net income attributable to Bancorp	**$ 421**			363		
Dividends on preferred stock				9		
Net income available to common shareholders	**421**			354		
Less: Income allocated to participating securities	**3**			2		
Net income allocated to common shareholders	**$ 418**	**880**	**0.47**	352	904	0.39
Earnings per diluted share:						
Net income available to common shareholders	**$ 421**			354		
Effect of dilutive securities:						
Stock-based awards		**8**			5	
Series G convertible preferred stock				9	36	(0.01)
Net income available to common shareholders plus assumed conversions	**421**			363		
Less: Income allocated to participating securities	**3**			2		
Net income allocated to common shareholders plus assumed conversions	**$ 418**	**888**	**0.47**	361	945	0.38

For the nine months ended September 30, (in millions, except per share data)	2013 Income	2013 Average Shares	2013 Per Share Amount	2012 Income	2012 Average Shares	2012 Per Share Amount
Earnings per share:						
Net income attributable to Bancorp	**$ 1,433**			1,178		
Dividends on preferred stock	**18**			26		
Net income available to common shareholders	**1,415**			1,152		
Less: Income allocated to participating securities	**10**			7		
Net income allocated to common shareholders	**$ 1,405**	**870**	**1.62**	1,145	911	1.26
Earnings per diluted share:						
Net income available to common shareholders	**$ 1,415**			1,152		

Effect of dilutive securities:						
Stock-based awards		**7**			5	
Series G convertible preferred stock	**18**	**24**	**(0.04)**	26	36	(0.03)
Net income available to common shareholders plus assumed conversions	**1,433**			1,178		
Less: Income allocated to participating securities	**10**			7		
Net income allocated to common shareholders plus assumed conversions	**$ 1,423**	**901**	**1.58**	1,171	952	1.23

Shares are excluded from the computation of net income per diluted share when their inclusion has an anti-dilutive effect on earnings per share. The diluted earnings per share computation for the three and nine months ended September 30, 2013 excludes 24 million and 25 million, respectively, of stock appreciation rights and an immaterial amount of stock options for the three months ended September 30, 2013 and 1 million of stock options for the nine months ended September 30, 2013. The diluted earnings per share computation for the three and nine months ended September 30, 2012 excludes 39 million and 36 million, respectively, of stock appreciation rights and 3 million and 5 million, respectively, of stock options.

The diluted earnings per share computation for the three and nine months ended September 30, 2013 excludes the impact of the forward contract related to the May 21, 2013 share repurchase agreement. Based on the average daily volume-weighted average price of the Bancorp s common stock during the third quarter of 2013, the counterparty to the transaction would have been required to deliver approximately 4 million shares as of September 30, 2013, and thus the impact of the accelerated share repurchase transaction would have been anti-dilutive to earnings per share. The diluted earnings per share computation for the three and nine months ended September 30, 2012 excluded the impact of the forward contract related to the August 23, 2012 accelerated share repurchase transaction because, based upon the average daily volume-weighted average price of the Bancorp s common stock during the third quarter of 2012, the counterparty would have been required to deliver approximately 2 million shares as of September 30, 2012, and thus the impact would have been anti-dilutive to earnings per share.

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21. Fair Value Measurements

The Bancorp measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument s fair value measurement. For more information regarding the fair value hierarchy, see Note 1 in the Bancorp s Form 10-K for the year ended December 31, 2012.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize assets and liabilities measured at fair value on a recurring basis, including residential mortgage loans held for sale for which the Bancorp has elected the fair value option as of:

	Fair Value Measurements Using			
September 30, 2013 ($ in millions)	Level 1[c]	Level 2[c]	Level 3	Total Fair Value
Assets:				
Available-for-sale securities:				
U.S. Treasury and government agencies	**$ 26**			**26**
U.S. Government sponsored agencies		**1,653**		**1,653**
Obligations of states and political subdivisions		**205**		**205**
Agency mortgage-backed securities		**11,353**		**11,353**
Other bonds, notes and debentures		**3,839**		**3,839**
Other securities[a]	**92**	**66**		**158**
Available-for-sale securities[a]	**118**	**17,116**		**17,234**
Trading securities:				
U.S. Treasury and government agencies	**1**			**1**
U.S. Government sponsored agencies		**20**		**20**
Obligations of states and political subdivisions		**20**	**1**	**21**
Agency mortgage-backed securities		**1**		**1**
Other bonds, notes and debentures		**9**		**9**
Other securities	**194**			**194**
Trading securities	**195**	**50**	**1**	**246**
Residential mortgage loans held for sale		**1,298**		**1,298**
Residential mortgage loans[b]			**89**	**89**
Derivative assets:				
Interest rate contracts	**12**	**936**	**25**	**973**
Foreign exchange contracts		**237**		**237**
Equity contracts			**293**	**293**
Commodity contracts	**9**	**74**		**83**
Derivative assets	**21**	**1,247**	**318**	**1,586**

Total assets	**$ 334**	**19,711**	**408**	**20,453**
Liabilities:				
Derivative liabilities:				
Interest rate contracts	**$ 44**	**428**	**4**	**476**
Foreign exchange contracts		**214**		**214**
Equity contracts			**35**	**35**
Commodity contracts	**14**	**68**		**82**
Derivative liabilities	**58**	**710**	**39**	**807**
Short positions	**17**	**2**		**19**
Total liabilities	**$ 75**	**712**	**39**	**826**

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December 31, 2012 ($ in millions)	Fair Value Measurements Using Level 1[c]	Level 2[c]	Level 3	Total Fair Value
Assets:				
Available-for-sale securities:				
U.S. Treasury and Government agencies	$ 41			41
U.S. Government sponsored agencies		1,911		1,911
Obligations of states and political subdivisions		212		212
Agency mortgage-backed securities		8,730		8,730
Other bonds, notes and debentures		3,277		3,277
Other securities[a]	79	113		192
Available-for-sale securities[a]	120	14,243		14,363
Trading securities:				
U.S. Treasury and Government agencies	1			1
U.S. Government sponsored agencies		6		6
Obligations of states and political subdivisions		16	1	17
Agency mortgage-backed securities		7		7
Other bonds, notes and debentures		15		15
Other securities	161			161
Trading securities	162	44	1	207
Residential mortgage loans held for sale		2,856		2,856
Residential mortgage loans[b]			76	76
Derivative assets:				
Interest rate contracts	2	1,445	60	1,507
Foreign exchange contracts		201		201
Equity contracts			177	177
Commodity contracts		87		87
Derivative assets	2	1,733	237	1,972
Total assets	$ 284	18,876	314	19,474
Liabilities:				
Derivative liabilities:				
Interest rate contracts	$ 14	600	3	617
Foreign exchange contracts		183		183
Equity contracts			33	33
Commodity contracts		82		82
Derivative liabilities	14	865	36	915
Short positions	8	2		10
Total liabilities	$ 22	867	36	925

(a) *Excludes FHLB and FRB restricted stock totaling **$497** and **$349**, respectively, at **September 30, 2013** and $497 and $347, respectively, at December 31, 2012.*
(b) *Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.*
(c) *During the three and nine months ended September 30, 2013 and for the year ended December 31, 2012, no assets or liabilities were transferred between Level 1 and Level 2.*

The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale and trading securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which are classified within Level 2 of the valuation hierarchy, include agency and non-agency mortgage-backed securities, other asset-backed securities, obligations of U.S. Government sponsored agencies, and corporate and municipal bonds. Corporate bonds are included in other bonds, notes and debentures in the previous table. Agency mortgage-backed securities, obligations of U.S. Government sponsored agencies, and corporate and municipal bonds are generally valued using a market approach based on observable prices of securities with similar characteristics.

Non-agency mortgage-backed securities and other asset-backed securities, which are included in other bonds, notes and debentures, are generally valued using an income approach based on discounted cash flows, incorporating prepayment speeds, performance of underlying collateral and specific tranche-level attributes. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

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Residential mortgage loans held for sale

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

Residential mortgage loans

Residential mortgage loans held for sale that are reclassified to held for investment are transferred from Level 2 to Level 3 of the fair value hierarchy. It is the Bancorp s policy to value any transfers between levels of the fair value hierarchy based on end of period fair values.

For residential mortgage loans reclassified from held for sale to held for investment, the fair value estimation is based on mortgage-backed securities prices, interest rate risk and an internally developed credit component. Therefore, these loans are classified within Level 3 of the valuation hierarchy. An adverse change in the loss rate or severity assumption would result in a decrease in fair value of the related loan. The Secondary Marketing Department, which reports to the Bancorp s Chief Operating Officer, in conjunction with the Consumer Credit Risk Department, which reports to the Bancorp s Chief Risk and Credit Officer, are responsible for determining the valuation methodology for residential mortgage loans held for investment. The Secondary Marketing Department reviews loss severity assumptions quarterly to determine if adjustments are necessary based on decreases in observable housing market data. This group also reviews trades in comparable benchmark securities and adjusts the values of loans as necessary. Consumer Credit Risk is responsible for the credit component of the fair value which is based on internally developed loss rate models that take into account historical loss rates and loss severities based on underlying collateral values.

Derivatives

Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation hierarchy. Most of the Bancorp s derivative contracts are valued using discounted cash flow or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and structured interest rate swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At September 30, 2013 and December 31, 2012, derivatives classified as Level 3, which are valued using models containing unobservable inputs, consisted primarily of warrants associated with the initial sale of the Bancorp s 51% interest in Vantiv Holding, LLC to Advent International and a total return swap associated with the Bancorp s sale of Visa, Inc. Class B shares. Level 3 derivatives also include interest rate lock commitments, which utilize internally generated loan closing rate assumptions as a significant unobservable input in the valuation process.

The warrants allow the Bancorp to purchase approximately 20 million incremental nonvoting units in Vantiv Holding, LLC under certain defined conditions involving change of control. The fair value of the warrants is calculated in conjunction with a third party valuation provider by applying Black-Scholes option valuation models using probability weighted scenarios which contain the following inputs: Vantiv, Inc. stock price, strike price per the Warrant Agreement and several unobservable inputs, such as expected term, expected volatility and expected dividend rate.

For the warrants, an increase in the expected term (years) and the expected volatility assumptions would result in an increase in the fair value; correspondingly, a decrease in these assumptions would result in a decrease in the fair value. The Accounting and Treasury Departments, both of which report to the Bancorp s Chief Financial Officer, determined the valuation methodology for the warrants. Accounting and Treasury review changes in fair value on a quarterly basis for reasonableness based on changes in historical and implied volatilities, expected terms, probability weightings of the related scenarios, and other assumptions.

Under the terms of the total return swap, the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Visa, Inc. Class B shares into Class A shares. Additionally the Bancorp will make a quarterly payment based on Visa s stock price and the conversion rate of the Visa, Inc. Class B shares into Class A shares until the date on which the Covered Litigation is settled. The fair value of the total return swap was calculated using a discounted cash flow model based on unobservable inputs consisting of management s estimate of the probability of certain litigation scenarios, the timing of the resolution of the Covered Litigation and Visa litigation loss estimates in excess, or shortfall, of the Bancorp s proportional share of escrow funds.

An increase in the loss estimate or a delay in the resolution of the Covered Litigation would result in an increase in fair value; correspondingly, a decrease in the loss estimate or an acceleration of the resolution of the Covered Litigation would result in a decrease in fair value. The Accounting and Treasury Departments determined the valuation methodology for the total return swap. Accounting and Treasury review the changes in fair value on a quarterly basis for reasonableness based on Visa stock price changes, litigation contingencies, and escrow funding.

The net fair value asset of the interest rate lock commitments at September 30, 2013 was $24 million. Immediate decreases in current interest rates of 25 bps and 50 bps would result in increases in the fair value of the interest rate lock commitments of approximately $10 million and $19 million, respectively. Immediate increases of current interest rates of 25 bps and 50 bps would result in decreases in the fair value of the interest rate lock commitments of approximately $12 million and $25 million, respectively. The decrease in fair value of interest rate lock commitments due to immediate 10% and 20% adverse changes in the assumed loan closing rates would be approximately $2 million and $5 million, respectively, and the increase in fair value due to immediate 10% and 20% favorable changes in the assumed loan closing rates would be approximately $2 million and $5 million, respectively. These sensitivities are hypothetical and should be used with caution, as changes in fair value based on a variation in assumptions typically cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear.

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The Secondary Marketing Department and the Consumer Line of Business Finance Department, which reports to the Bancorp s Chief Financial Officer, are responsible for determining the valuation methodology for IRLCs. Secondary Marketing, in conjunction with a third party valuation provider, periodically review loan closing rate assumptions and recent loan sales to determine if adjustments are needed for current market conditions not reflected in historical data.

The following tables are a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

For the three months ended September 30, 2013	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
($ in millions)	Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[(a)]	Equity Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$ 1	83	(30)	250	304
Total gains or losses (realized/unrealized):					
Included in earnings			**43**	**5**	**48**
Purchases			**(1)**		**(1)**
Settlements		**(5)**	**9**	**3**	**7**
Transfers into Level 3[(b)]		**11**			**11**
Ending balance	**$ 1**	**89**	**21**	**258**	**369**
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2013[(c)]	**$**		**22**	**5**	**27**

For the three months ended September 30, 2012	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
($ in millions)	Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[(a)]	Equity Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$ 1	76	54	184	315
Total gains or losses (realized/unrealized):					
Included in earnings		1	163	(17)	147
Settlements		(5)	(118)	9	(114)
Transfers into Level 3[(b)]		4			4
Ending balance	$ 1	76	99	176	352
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2012[(c)]	$	1	101	(17)	85

For the nine months ended September 30, 2013 ($ in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[(a)]	Equity Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$ 1	76	57	144	278
Total gains or losses (realized/unrealized):					
Included in earnings		**(1)**	**42**	**102**	**143**
Purchases			**(1)**		**(1)**
Settlements		**(12)**	**(77)**	**12**	**(77)**
Transfers into Level 3[(b)]		**26**			**26**
Ending balance	**$ 1**	**89**	**21**	**258**	**369**
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2013[(c)]	**$**	**(1)**	**45**	**102**	**146**

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For the nine months ended September 30, 2012 ($ in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[(a)]	Equity Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$ 1	65	32	32	$ 130
Total gains or losses (realized/unrealized):					
Included in earnings			338	57	395
Settlements		(10)	(271)	87	(194)
Transfers into Level 3[(b)]		21			21
Ending balance	$ 1	76	99	176	$ 352
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2012[(c)]	$		173	57	$ 230

*(a) Net interest rate derivatives include derivative assets and liabilities of **$25** and **$4**, respectively, as of **September 30, 2013** and $102 and $3, respectively, as of September 30, 2012. Net equity derivatives include derivative assets and liabilities of **$293** and **$35**, respectively, as of **September 30, 2013**, and $198 and $22, respectively, as of September 30, 2012.*

(b) Includes residential mortgage loans held for sale that were transferred to held for investment.

(c) Includes interest income and expense.

The total gains and losses included in earnings for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were recorded in the Condensed Consolidated Statements of Income as follows:

($ in millions)	For the three months ended September 30, **2013**	2012	For the nine months ended September 30, **2013**	2012
Mortgage banking net revenue	**$ 43**	165	**40**	339
Corporate banking revenue			**1**	
Other noninterest income	**5**	(18)	**102**	56
Total gains	**$ 48**	147	**143**	395

The total gains and losses included in earnings attributable to changes in unrealized gains and losses related to Level 3 assets and liabilities still held at September 30, 2013 and 2012 were recorded in the Condensed Consolidated Statements of Income as follows:

($ in millions)	For the three months ended September 30, **2013**	2012	For the nine months ended September 30, **2013**	2012
Mortgage banking net revenue	**$ 22**	103	**43**	174

Corporate banking revenue			**1**	
Other noninterest income	**5**	(18)	**102**	56
Total gains	**$ 27**	85	**146**	230

The following tables present information as of September 30, 2013 and 2012 about significant unobservable inputs related to the Bancorp s material categories of Level 3 financial assets and liabilities measured on a recurring basis:

As of September 30, 2013 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Residential mortgage loans			Interest rate risk factor	**(19.9) - 12.2%**	**3.5%**
	$ 89	Loss rate model	Credit risk factor	**0 - 56.4%**	**3.3%**
IRLCs, net	**24**	Discounted cash flow	Loan closing rates	**3.1 - 97.2%**	**66.4%**
Stock warrants associated with Vantiv Holding, LLC			Expected term (years)	**2.00 - 15.8**	**5.1**
		Black-Scholes option valuation model	Expected volatility[(a)]	**21.0 - 33.4%**	**27.8%**
	293		Expected dividend rate		
Swap associated with the sale of Visa, Inc. Class B shares	**(35)**	Discounted cash flow	Timing of the resolution of the Covered Litigation	**3/31/2014 - 3/31/2017**	**NM**

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As of September 30, 2012 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Residential mortgage loans	$ 76	Loss rate model	Interest rate risk factor Credit risk factor	(91.0) - 16.6% 2.3 - 68.4%	6.5% 4.6%
IRLCs, net	102	Discounted cash flow	Loan closing rates	9.8 - 95.0%	60.1%
Stock warrants associated with Vantiv Holding, LLC	197	Black-Scholes option valuation model	Expected term (years) Expected volatility[(a)] Expected dividend rate	2.00 - 16.75 27.7 - 40.6%	6.2 34.2%
Swap associated with the sale of Visa, Inc. Class B shares	(21)	Discounted cash flow	Timing of the resolution of the Covered Litigation	6/30/13 - 6/30/15	NM

(a) Based on historical and implied volatilities of comparable companies assuming similar expected terms.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The following tables represent those assets that were subject to fair value adjustments during the three and nine months ended September 30, 2013 and 2012 and still held as of the end of the period, and the related losses from fair value adjustments on assets sold during the period as well as assets still held as of the end of the period.

	Fair Value Measurements Using				Total Losses	Total Losses
As of September 30, 2013 ($ in millions)	Level 1	Level 2	Level 3	Total	**For the three months ended September 30, 2013**	**For the nine months ended September 30, 2013**
Commercial loans held for sale[(a)]	**$**					**(5)**
Commercial and industrial loans			**431**	**431**	**(103)**	**(134)**
Commercial mortgage loans			**63**	**63**	**(9)**	**(34)**
Commercial construction loans			**3**	**3**	**(4)**	**(6)**
Commercial leases			**1**	**1**		
MSRs			**915**	**915**	**(1)**	**150**
OREO			**109**	**109**	**(8)**	**(37)**
Total	**$**		**1,522**	**1,522**	**(125)**	**(66)**

	Fair Value Measurements Using			Total Losses	Total Losses
As of September 30, 2012 ($ in millions)	Level 1	Level 3	Total		

		Level 2		For the three months ended September 30, 2012	For the nine months ended September 30, 2012
Commercial loans held for sale[(a)]	$	13	13	(4)	(10)
Commercial and industrial loans		79	79	(31)	(86)
Commercial mortgage loans		59	59	(11)	(40)
Commercial construction loans		8	8	(5)	(21)
MSRs		679	679	(72)	(122)
OREO		114	114	(16)	(60)
Total	$	952	952	(139)	(339)

(a) Includes commercial nonaccrual loans held for sale.

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The following tables present information as of September 30, 2013 and 2012 about significant unobservable inputs related to the Bancorp s material categories of Level 3 financial assets and liabilities measured on a nonrecurring basis:

As of September 30, 2013 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans held for sale	**$**	Appraised value	Appraised value Cost to sell	**NM** **NM**	**NM** **10.0%**
Commercial and industrial loans	**431**	Appraised value	Collateral value	**NM**	**NM**
Commercial mortgage loans	**63**	Appraised value	Collateral value	**NM**	**NM**
Commercial construction loans	**3**	Appraised value	Collateral value	**NM**	**NM**
Commercial leases	**1**	Appraised value	Collateral value	**NM**	**NM**
MSRs	**915**	Discounted cash flow	Prepayment speed	**0 - 100%**	**(Fixed) 11.4%** **(Adjustable) 25.7%**
			Discount rates	**9.4 - 18.0%**	**(Fixed) 10.4%** **(Adjustable) 11.6%**
OREO	**109**	Appraised value	Appraised value	**NM**	**NM**

As of September 30, 2012 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans held for sale	$ 13	Appraised value	Appraised value Cost to sell	NM NM	NM 10.0%
Commercial and industrial loans	79	Appraised value	Default rates Collateral value	100% NM	NM NM
Commercial mortgage loans	59	Appraised value	Default rates Collateral value	100% NM	NM NM
Commercial construction loans	8	Appraised value		100% NM	NM NM

			Default rates Collateral value		
MSRs	679	Discounted cash flow	Prepayment speed	0 - 100%	(Fixed) 16.9% (Adjustable) 27.1%
			Discount rates	9.4 - 18.0%	(Fixed) 10.6% (Adjustable) 11.7%
OREO	114	Appraised value	Appraised value	NM	NM

Commercial loans held for sale

The Bancorp transferred $5 million of commercial loans from the portfolio to loans held for sale that upon transfer were measured at fair value during the nine months ended September 30, 2013 and no loans were transferred from the portfolio to loans held for sale during the three months ended September 30, 2013. These loans had no fair value adjustments during the three months ended September 30, 2013 and $4 million during the nine months ended September 30, 2013 and were generally based on appraisals of the underlying collateral. Additionally, fair value adjustments on existing loans held for sale were immaterial for the three months ended September 30, 2013 and $1 million for the nine months ended September 30, 2013. The fair value adjustments were also based on appraisals of the underlying collateral and were therefore classified within Level 3 of the valuation hierarchy. An adverse change in the fair value of the underlying collateral would result in a decrease in the fair value measurement. The Accounting Department determines the procedures for valuation of commercial HFS loans which may include a comparison to recently executed transactions of similar type loans. A monthly review of the portfolio is performed for reasonableness. Quarterly, appraisals approaching a year-old are updated and the Real Estate Valuation group, which reports to the Chief Risk and Credit Officer, in conjunction with the Commercial Line of Business review the third party appraisals for reasonableness. Additionally, the Commercial Line of Business Finance Department, which reports to the Bancorp Chief Financial Officer, in conjunction with Accounting review all loan appraisal values, carry values and vintages.

Commercial loans held for investment

During the three and nine months ended September 30, 2013 and 2012, the Bancorp recorded nonrecurring impairment adjustments to certain commercial and industrial, commercial mortgage, commercial construction loans and commercial leases held for investment. Larger commercial loans included within aggregate borrower relationship balances exceeding $1 million that exhibit probable or observed credit weaknesses are subject to individual review for impairment. The Bancorp considers the current value of collateral, credit quality of any guarantees, the guarantor s liquidity and willingness to cooperate, the loan structure and other factors when evaluating whether an individual loan is impaired. When the loan is collateral dependent, the fair value of the loan is generally based on the fair value of the underlying collateral supporting the loan and therefore these loans were classified within Level 3 of the valuation hierarchy. An adverse change in the fair value of the underlying collateral would result in a decrease in the fair value measurement. In cases where the carrying value exceeds the fair value, an impairment loss is recognized. The fair values and recognized impairment losses are reflected in the previous table. Commercial Credit Risk, which reports to the Chief Risk and Credit Officer, is responsible for preparing and reviewing the fair value estimates for commercial loans held for investment.

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MSRs

MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Bancorp estimates the fair value of MSRs using internal discounted cash flow models with certain unobservable inputs, primarily prepayment speed assumptions, discount rates and weighted average lives, resulting in a classification within Level 3 of the valuation hierarchy. Refer to Note 10 for further information on the assumptions used in the valuation of the Bancorp s MSRs. The Secondary Marketing Department and Treasury Department are responsible for determining the valuation methodology for MSRs. Representatives from Secondary Marketing, Treasury, Accounting and Risk Management are responsible for reviewing key assumptions used in the internal discounted cash flow model. Two external valuations of the MSR portfolio are obtained from third parties that use valuation models in order to assess the reasonableness of the internal discounted cash flow model. Additionally, the Bancorp participates in peer surveys that provide additional confirmation of the reasonableness of key assumptions utilized in the MSR valuation process and the resulting MSR prices.

OREO

During the three and nine months ended September 30, 2013 and 2012, the Bancorp recorded nonrecurring adjustments to certain commercial and residential real estate properties classified as OREO and measured at the lower of carrying amount or fair value. These nonrecurring losses are primarily due to declines in real estate values of the properties recorded in OREO. These losses include $3 million and $17 million in losses, recorded as charge-offs, on new OREO properties transferred from loans during the three and nine months ended September 30, 2013, respectively, and $4 million and $13 million for the three and nine months ended September 30, 2012, respectively. These losses also include $5 million and $20 million in losses for the three and nine months ended September 30, 2013, respectively, and $12 million and $47 million in losses for the three and nine months ended September 30, 2012, respectively, recorded in other noninterest income, attributable to fair value adjustments on OREO properties subsequent to their transfer from loans. As discussed in the following paragraphs, the fair value amounts are generally based on appraisals of the property values, resulting in a classification within Level 3 of the valuation hierarchy. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. The previous tables reflect the fair value measurements of the properties before deducting the estimated costs to sell.

The Real Estate Valuation department, which reports to the Chief Risk and Credit Officer, is solely responsible for managing the appraisal process and evaluating the appraisal for all for commercial properties transferred to OREO. All appraisals on commercial OREO properties are updated on at least an annual basis.

The Real Estate Valuation department reviews the BPO data and internal market information to determine the initial charge-off on residential real estate loans transferred to OREO. Once the foreclosure process is completed, the Bancorp performs an interior inspection to update the initial fair value of the property. These properties are reviewed at least every 30 days after the initial interior inspections are completed. The Asset Manager receives a monthly status report for each property which includes the number of showings, recently sold properties, current comparable listings and overall market conditions.

Fair Value Option

The Bancorp elected to measure certain residential mortgage loans held for sale under the fair value option as allowed under U.S. GAAP. Electing to measure residential mortgage loans held for sale at fair value reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. Management s intent to sell residential mortgage loans classified as held for sale may change over time due to such factors as changes in the overall liquidity in markets or changes in characteristics specific to certain loans held for sale. Consequently, these loans may be reclassified to loans held for investment and maintained in the Bancorp s loan portfolio. In such cases, the loans will continue to be measured at fair value.

Fair value changes recognized in earnings for the three and nine months ended September 30, 2013 for instruments held at September 30, 2013 for which the fair value option was elected as well as the changes in fair value of the underlying IRLCs, included gains of $56 million. Additionally, fair value changes recognized in earnings for the three and nine months ended September 30, 2013 for instruments for which the fair value option was elected but are no longer held by the Bancorp at September 30, 2013 included gains of $110 million and $406 million, respectively. Fair value changes recognized in earnings for the three and nine months ended September 30, 2012 for instruments held at September 30, 2012 for which the fair value option was elected as well as the changes in fair value of the underlying IRLCs included gains of $122 million. Additionally, fair value changes recognized in earnings for the three and nine months ended September 30, 2012 for instruments for which the fair value option was elected but are no longer held by the Bancorp at September 30, 2012 included gains of $138 million and $556 million, respectively. These gains are reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

Valuation adjustments related to instrument-specific credit risk for residential mortgage loans measured at fair value negatively impacted the fair value of those loans by $3 million at September 30, 2013 and December 31, 2012. Interest on residential mortgage loans measured at fair value is accrued as it is earned using the effective interest method and is reported as interest income in the Condensed Consolidated Statements of Income.

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The following table summarizes the difference between the fair value and the principal balance for residential mortgage loans measured at fair value as of:

($ in millions)	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
September 30, 2013			
Residential mortgage loans measured at fair value	**$ 1,387**	**1,331**	**56**
Past due loans of 90 days or more	**2**	**3**	**(1)**
Nonaccrual loans	**1**	**1**	
December 31, 2012			
Residential mortgage loans measured at fair value	2,932	2,775	157
Past due loans of 90 days or more	3	4	(1)
Nonaccrual loans		1	(1)

Fair Value of Certain Financial Instruments

The following tables summarize the carrying amounts and estimated fair values for certain financial instruments, excluding financial instruments measured at fair value on a recurring basis:

	Net Carrying	Fair Value Measurements Using			Total
As of September 30, 2013 ($ in millions)	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and due from banks	**$ 2,887**	**2,887**			**2,887**
Other securities	**846**		**846**		**846**
Held-to-maturity securities	**265**			**265**	**265**
Other short-term investments	**2,622**	**2,622**			**2,622**
Loans held for sale	**32**			**32**	**32**
Portfolio loans and leases:					
Commercial and industrial loans	**37,440**			**38,987**	**38,987**
Commercial mortgage loans	**7,813**			**7,309**	**7,309**
Commercial construction loans	**843**			**699**	**699**
Commercial leases	**3,509**			**3,248**	**3,248**
Residential mortgage loans[(a)]	**12,251**			**11,635**	**11,635**
Home equity	**9,251**			**9,179**	**9,179**
Automobile loans	**12,046**			**11,879**	**11,879**
Credit card	**2,070**			**2,230**	**2,230**
Other consumer loans and leases	**343**			**357**	**357**
Unallocated allowance for loan and lease losses	**(101)**				
Total portfolio loans and leases, net[(a)]	**$ 85,465**			**85,523**	**85,523**
Financial liabilities:					

Deposits	**94,126**		**94,157**		**94,157**
Federal funds purchased	**225**	**225**			**225**
Other short-term borrowings	**3,487**		**3,487**		**3,487**
Long-term debt	**8,098**	**7,943**	**635**		**8,578**

*(a) Excludes **$89** of residential mortgage loans measured at fair value on a recurring basis.*

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As of December 31, 2012 ($ in millions)	Net Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and due from banks	$ 2,441	2,441			2,441
Other securities	844		844		844
Held-to-maturity securities	284			284	284
Other short-term investments	2,421	2,421			2,421
Loans held for sale	83			83	83
Portfolio loans and leases:					
Commercial and industrial loans	35,236			36,496	36,496
Commercial mortgage loans	8,770			8,020	8,020
Commercial construction loans	665			505	505
Commercial leases	3,481			3,310	3,310
Residential mortgage loans[(a)]	11,712			11,532	11,532
Home equity	9,875			9,798	9,798
Automobile loans	11,944			12,076	12,076
Credit card	2,010			2,139	2,139
Other consumer loans and leases	270			288	288
Unallocated allowance for loan and lease losses	(111)				
Total portfolio loans and leases, net[(a)]	$ 83,852			84,164	84,164
Financial liabilities:					
Deposits	89,517		89,592		89,592
Federal funds purchased	901	901			901
Other short-term borrowings	6,280		6,280		6,280
Long-term debt	7,085	6,925	884		7,809

(a) Excludes $76 of residential mortgage loans measured at fair value on a recurring basis.

Cash and due from banks, other securities, other short-term investments, deposits, federal funds purchased and other short-term borrowings

For financial instruments with a short-term or no stated maturity, prevailing market rates and limited credit risk, carrying amounts approximate fair value. Those financial instruments include cash and due from banks, FHLB and FRB restricted stock, other short-term investments, certain deposits (demand, interest checking, savings, money market and foreign office deposits), and federal funds purchased. Fair values for other time deposits, certificates of deposit $100,000 and over and other short-term borrowings were estimated using a discounted cash flow calculation that applied prevailing LIBOR/swap interest rates for the same maturities.

Held-to-maturity securities

The Bancorp s held-to-maturity securities are primarily composed of instruments that provide income tax credits as the economic return on the investment. The fair value of these instruments is estimated based on current U.S. Treasury tax credit rates.

Loans held for sale

Fair values for commercial loans held for sale were valued based on executable bids when available, or on discounted cash flow models incorporating appraisals of the underlying collateral, as well as assumptions about investor return requirements and amounts and timing of expected cash flows. Fair values for other consumer loans held for sale are based on contractual values upon which the loans may be sold to a third party, and approximate their carrying value.

Portfolio loans and leases, net

Fair values were estimated by discounting future cash flows using the current market rates of loans to borrowers with similar credit characteristics and similar remaining maturities.

Long-term debt

Fair value of long-term debt was based on quoted market prices, when available, or a discounted cash flow calculation using LIBOR/swap interest rates and, in some cases, a spread for new issuances with similar terms.

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22. Business Segments

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. Results of the Bancorp s business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp s business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management s accounting practices are improved and businesses change.

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

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

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

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Results of operations and assets by segment for the three and nine months ended September 30, 2013 and 2012 are:

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate and Other	Eliminations	Total
Three months ended September 30, 2013							
Net interest income	$ **374**	**374**	**76**	**38**	**31**		**893**
Provision for loan and lease losses	**37**	**52**	**20**		**(58)**		**51**
Net interest income after provision for loan and lease losses	**337**	**322**	**56**	**38**	**89**		**842**
Noninterest income:							
Mortgage banking net revenue		**3**	**118**				**121**
Service charges on deposits	**61**	**78**		**1**			**140**
Corporate banking revenue	**98**	**4**		**1**	**(1)**		**102**
Investment advisory revenue	**1**	**36**		**95**		**(35)**[(a)]	**97**
Card and processing revenue	**13**	**74**		**1**	**(19)**		**69**
Other noninterest income	**32**	**22**	**11**	**1**	**119**		**185**
Securities gains, net			**2**				**2**
Securities gains, net - non-qualifying hedges on mortgage servicing rights			**5**				**5**
Total noninterest income	**205**	**217**	**136**	**99**	**99**	**(35)**	**721**
Noninterest expense:							
Salaries, wages and incentives	**55**	**114**	**40**	**33**	**147**		**389**
Employee benefits	**8**	**32**	**9**	**6**	**28**		**83**
Net occupancy expense	**6**	**46**	**2**	**2**	**19**		**75**
Technology and communications	**3**	**1**			**48**		**52**
Card and processing expense	**2**	**31**					**33**
Equipment expense	**1**	**15**			**13**		**29**
Other noninterest expense	**212**	**191**	**117**	**66**	**(253)**	**(35)**	**298**
Total noninterest expense	**287**	**430**	**168**	**107**	**2**	**(35)**	**959**
Income before income taxes	**255**	**109**	**24**	**30**	**186**		**604**
Applicable income tax expense	**49**	**38**	**9**	**10**	**77**		**183**
Net income	**206**	**71**	**15**	**20**	**109**		**421**
Less: Net income attributable to noncontrolling interests							
Net income attributable to Bancorp	**206**	**71**	**15**	**20**	**109**		**421**
Dividends on preferred stock							

Net income available to common shareholders	$	**206**	**71**	**15**	**20**	**109**	**421**
Total goodwill	$	**613**	**1,655**		**148**		**2,416**
Total assets	$	**50,438**	**49,282**	**23,015**	**9,182**	**(6,244)**	**125,673**

(a) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate and Other	Eliminations	Total
Three months ended September 30, 2012							
Net interest income	$ 354	344	77	30	98		903
Provision for loan and lease losses	45	71	38	3	(92)		65
Net interest income after provision for loan and lease losses	309	273	39	27	190		838
Noninterest income:							
Mortgage banking net revenue		3	197				200
Service charges on deposits	57	70		1			128
Corporate banking revenue	96	4		1			101
Investment advisory revenue	1	33		90		(32)[(a)]	92
Card and processing revenue	11	72		1	(19)		65
Other noninterest income	18	21	10	14	15		78
Securities gains, net					2		2
Securities gains, net - non-qualifying hedges on mortgage servicing rights			5				5
Total noninterest income	183	203	212	107	(2)	(32)	671
Noninterest expense:							
Salaries, wages and incentives	53	111	49	33	153		399
Employee benefits	7	31	9	6	26		79
Net occupancy expense	5	47	2	3	19		76
Technology and communications	3	1			45		49
Card and processing expense	1	29					30
Equipment expense	1	14			13		28
Other noninterest expense	201	172	107	67	(170)	(32)	345
Total noninterest expense	271	405	167	109	86	(32)	1,006
Income before income taxes	221	71	84	25	102		503
Applicable income tax expense	39	25	30	9	36		139
Net income	182	46	54	16	66		364
Less: Net income attributable to noncontrolling interests					1		1
Net income attributable to Bancorp	182	46	54	16	65		363
Dividends on preferred stock					9		9
Net income available to common shareholders	$ 182	46	54	16	56		354
Total goodwill	$ 613	1,656		148			2,417
Total assets	$ 47,495	48,003	23,640	8,024	(9,679)		117,483

(a) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate and Other	Eliminations	Total
Nine months ended September 30, 2013							
Net interest income	$ 1,095	1,079	246	109	132		2,661
Provision for loan and lease losses	116	162	71	1	(174)		176
Net interest income after provision for loan and lease losses	979	917	175	108	306		2,485
Noninterest income:							
Mortgage banking net revenue		10	563	1			574
Service charges on deposits	179	226		2			407
Corporate banking revenue	295	10		2			307
Investment advisory revenue	4	110		289		(108)[(a)]	295
Card and processing revenue	39	215		3	(56)		201
Other noninterest income	72	65	37	8	526		708
Securities gains, net			2		17		19
Securities gains, net - non-qualifying hedges on mortgage servicing rights			13				13
Total noninterest income	589	636	615	305	487	(108)	2,524
Noninterest expense:							
Salaries, wages and incentives	174	342	148	100	429		1,193
Employee benefits	33	100	34	20	93		280
Net occupancy expense	17	139	6	7	61		230
Technology and communications	8	3	1		139		151
Card and processing expense	6	91					97
Equipment expense	3	43	1		38		85
Other noninterest expense	603	557	366	217	(699)	(108)	936
Total noninterest expense	844	1,275	556	344	61	(108)	2,972
Income before income taxes	724	278	234	69	732		2,037
Applicable income tax expense	133	98	83	24	275		613
Net income	591	180	151	45	457		1,424
Less: Net income attributable to noncontrolling interests					(9)		(9)
Net income attributable to Bancorp	591	180	151	45	466		1,433
Dividends on preferred stock					18		18
Net income available to common shareholders	$ 591	180	151	45	448		1,415
Total goodwill	$ 613	1,655		148			2,416

Total assets	**$ 50,438**	**49,282**	**23,015**	**9,182**	**(6,244)**	**125,673**

(a) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate and Other	Eliminations	Total
Nine months ended September 30, 2012							
Net interest income	$ 1,049	1,021	234	87	305		2,696
Provision for loan and lease losses	181	226	140	9	(329)		227
Net interest income after provision for loan and lease losses	868	795	94	78	634		2,469
Noninterest income:							
Mortgage banking net revenue		10	577	1			588
Service charges on deposits	166	219		2			387
Corporate banking revenue	286	11		2			299
Investment advisory revenue	5	96		275		(95)[(a)]	281
Card and processing revenue	35	202		3	(53)		187
Other noninterest income	45	60	30	19	205		359
Securities gains, net					13		13
Securities gains, net - non-qualifying hedges on mortgage servicing rights			5				5
Total noninterest income	537	598	612	302	165	(95)	2,119
Noninterest expense:							
Salaries, wages and incentives	166	337	139	103	446		1,191
Employee benefits	32	98	30	20	94		274
Net occupancy expense	16	140	6	8	57		227
Technology and communications	7	3	1		133		144
Card and processing expense	3	86			1		90
Equipment expense	2	40	1	1	38		82
Other noninterest expense	603	496	319	199	(612)	(95)	910
Total noninterest expense	829	1,200	496	331	157	(95)	2,918
Income before income taxes	576	193	210	49	642		1,670
Applicable income tax expense	90	68	74	17	242		491
Net income	486	125	136	32	400		1,179
Less: Net income attributable to noncontrolling interests					1		1
Net income attributable to Bancorp	486	125	136	32	399		1,178
Dividends on preferred stock					26		26
Net income available to common shareholders	$ 486	125	136	32	373		1,152
Total goodwill	$ 613	1,656		148			2,417
Total assets	$ 47,495	48,003	23,640	8,024	(9,679)		117,483

(a) *Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.*

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PART II. OTHER INFORMATION

Legal Proceedings (Item 1)

Refer to Note 16 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for information regarding legal proceedings.

Risk Factors (Item 1A)

There have been no material changes made during the third quarter of 2013 to any of the risk factors as previously disclosed in the Registrant s periodic securities filings.

Unregistered Sales of Equity Securities and Use of Proceeds (Item 2)

Refer to the Capital Management section within Management s Discussion and Analysis in Part I, Item 2 for information regarding purchases and sales of equity securities by the Bancorp during the third quarter of 2013.

Defaults Upon Senior Securities (Item 3)

None.

Mine Safety Disclosures (Item 4)

Not applicable.

Other Information (Item 5)

None.

Exhibits (Item 6)

3.1 Amended Articles of Incorporation of Fifth Third Bancorp, as amended. Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

3.2 Code of Regulations of Fifth Third Bancorp as Amended as of September 18, 2012. Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on September 21, 2012.

12.1 Computations of Consolidated Ratios of Earnings to Fixed Charges.

12.2 Computations of Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.

31(i) Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.

31(ii) Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.

32(i)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
32(ii)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Changes in Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements tagged as blocks of text and in detail*.

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fifth Third Bancorp
Registrant

Date: November 6, 2013

/s/ Tayfun Tuzun
Tayfun Tuzun
Executive Vice President and
Chief Financial Officer