FIFTH THIRD BANCORP
Form 10-Q
August 08, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2018

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

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

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

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

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

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

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

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

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 668,092,149 shares of the Registrant s common stock, without par value, outstanding as of July 31, 2018.

Table of Contents

FINANCIAL CONTENTS

FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, potential, e forecast, projected, intends to, or may include other similar words or phrases such as believes, plans, trend, continue, remain, or similar expressions, or future or conditional verbs such as will, would, should, could, or similar verbs. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including but not limited to the risk factors set forth in the Risk Factors section in Item 1A in our most recent Annual Report on Form 10-K as updated by our Quarterly Reports on Form 10-Q . When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) deteriorating credit quality; (2) loan concentration by location or industry of borrowers or collateral; (3) problems encountered by other financial institutions; (4) inadequate sources of funding or liquidity; (5) unfavorable actions of rating agencies; (6) inability to maintain or grow deposits; (7) limitations on the ability to receive dividends from subsidiaries; (8) cyber-security risks; (9) Fifth Third s ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; (10) failures by third-party service providers; (11) inability to manage strategic initiatives and/or organizational changes; (12) inability to implement technology system enhancements; (13) failure of internal controls and other risk management systems; (14) losses related to fraud, theft or violence; (15) inability to attract and retain skilled personnel; (16) adverse impacts of government regulation; (17) governmental or regulatory changes or other actions; (18) failures to meet applicable capital requirements; (19) regulatory objections to Fifth Third s capital plan; (20) regulation of Fifth Third s derivatives activities; (21) regulatory objections to Fifth Third s resolution plan; (22) deposit insurance premiums; (23) assessments for the orderly liquidation fund; (24) changes in LIBOR; (25) weakness in the national or local economies; (26) global political and economic uncertainty or negative actions; (27) changes in interest rates; (28) changes and trends in capital markets; (29) fluctuation of Fifth Third s stock price; (30) volatility in mortgage banking revenue; (31) litigation, investigations, and enforcement proceedings by governmental authorities; (32) breaches of contractual covenants, representations and warranties; (33) competition and changes in the financial services industry; (34) changing retail distribution strategies, customer preferences and behavior; (35) risks relating to the potential merger with MB Financial, Inc. and Fifth Third s ability to realize the anticipated benefits of the merger; (36) difficulties in identifying, acquiring or integrating suitable strategic partnerships, investments or acquisitions; (37) potential dilution from future acquisitions; (38) loss of income and/or difficulties encountered in the sale and separation of businesses, investments or other assets; (39) results of Vantiv Holding, LLC, a subsidiary of Worldpay, Inc. or other investments or acquired entities; (40) difficulties from or changes in Fifth Third s investment in, relationship with, and nature of the operations of Vantiv Holding, LLC, a subsidiary of Worldpay, Inc.; (41) changes in accounting standards or interpretation or declines in the value of Fifth Third s goodwill or other intangible assets; (42) inaccuracies or other failures from the use of models; (43) effects of critical accounting policies and judgments or the use of inaccurate estimates; (44) weather related events or other natural disasters; and (45) the impact of reputational risk created by these or other developments on such matters as business generation and retention, funding and liquidity.

Table of Contents

Glossary of Abbreviations and Acronyms

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income (Loss)

APR: Annual Percentage Rate

ARM: Adjustable Rate Mortgage

ASF: Available Stable Funding

ASU: Accounting Standards Update

ATM: Automated Teller Machine

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion

bps: Basis Points

CCAR: Comprehensive Capital Analysis and Review

CDC: Fifth Third Community Development Corporation

CET1: Common Equity Tier 1

CFPB: Consumer Financial Protection Bureau

C&I: Commercial and Industrial

HQLA: High Quality Liquid Assets

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London Interbank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

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

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

NM: Not Meaningful

NSFR: Net Stable Funding Ratio

OAS: Option-Adjusted Spread

OCI: Other Comprehensive Income (Loss)

DCF: Discounted Cash Flow

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

DTCC: Depository Trust & Clearing Corporation

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FHA: Federal Housing Administration

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FINRA: Financial Industry Regulatory Authority

FNMA: Federal National Mortgage Association

FOMC: Federal Open Market Committee

FRB: Federal Reserve Bank

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GDP: Gross Domestic Product

GNMA: Government National Mortgage Association

GSE: United States Government Sponsored Enterprise

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PCA: Prompt Corrective Action

RCC: Risk Compliance Committee

RSF: Required Stable Funding

SAR: Stock Appreciation Right

SBA: Small Business Administration

SCB: Stress Capital Buffer

SEC: United States Securities and Exchange Commission

SLB: Stress Leverage Buffer

TBA: To Be Announced

TCJA: Tax Cuts and Jobs Act

TDR: Troubled Debt Restructuring

TILA: Truth in Lending Act

TRA: Tax Receivable Agreement

U.S.: United States of America

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

VA: United States Department of Veteran Affairs

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

Table of Contents

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

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

TABLE 1: Selected Financial Data

($ in millions, except for per share data)	For the three months ended June 30, 2018	2017	% Change	For the six months ended June 30, 2018	2017	% Change
Income Statement Data						
Net interest income (U.S. GAAP)	$ **1,020**	939	9	$ **2,016**	1,872	8
Net interest income (FTE)[(a)(b)]	**1,024**	945	8	**2,023**	1,884	7
Noninterest income	**743**	564	32	**1,652**	1,087	52
Total revenue[(a)]	**1,767**	1,509	17	**3,675**	2,971	24
Provision for loan and lease losses	**33**	52	(37)	**56**	126	(56)
Noninterest expense	**1,037**	957	8	**2,083**	1,943	7
Net income attributable to Bancorp	**586**	367	60	**1,290**	672	92
Net income available to common shareholders	**563**	344	64	**1,252**	634	97
Common Share Data						
Earnings per share - basic	$ **0.81**	0.46	76	$ **1.80**	0.84	115
Earnings per share - diluted	**0.80**	0.45	78	**1.77**	0.83	113
Cash dividends declared per common share	**0.18**	0.14	29	**0.34**	0.28	21
Book value per share	**21.97**	20.42	8	**21.97**	20.42	8
Market value per share	**28.70**	25.96	11	**28.70**	25.96	11
Financial Ratios						
Return on average assets	**1.66** %	1.05	58	**1.84** %	0.97	90
Return on average common equity	**15.3**	9.0	70	**17.0**	8.4	102
Return on average tangible common equity[(b)]	**18.4**	10.7	72	**20.4**	10.0	104
Dividend payout ratio	**22.2**	30.4	(27)	**18.9**	33.3	(43)
Average total Bancorp shareholders equity as a percent of average assets	**11.38**	11.84	(4)	**11.45**	11.78	(3)
Tangible common equity as a percent of tangible assets[(b)(h)]	**9.33**	9.02	3	**9.33**	9.02	3
Net interest margin[(a)(b)]	**3.21**	3.01	7	**3.19**	3.01	6
Net interest rate spread [(a)(b)]	**2.86**	2.75	4	**2.86**	2.77	3

Efficiency[a][b]	**58.7**	63.4	(7)	**56.7**	65.4	(13)
Credit Quality						
Net losses charged-off	$ **94**	64	47	$ **175**	153	14
Net losses charged-off as a percent of average portfolio loans and leases	**0.41** %	0.28	46	**0.38** %	0.34	12
ALLL as a percent of portfolio loans and leases	**1.17**	1.34	(13)	**1.17**	1.34	(13)
Allowance for credit losses as a percent of portfolio loans and leases[c]	**1.31**	1.52	(14)	**1.31**	1.52	(14)
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO	**0.52**	0.72	(28)	**0.52**	0.72	(28)
Average Balances						
Loans and leases, including held for sale	$ **93,232**	92,653	1	$ **93,051**	92,721	-
Total securities and other short-term investments	**34,935**	33,481	4	**34,806**	33,329	4
Total assets	**141,529**	140,344	1	**141,547**	140,243	1
Transaction deposits[d]	**97,574**	95,825	2	**97,298**	96,419	1
Core deposits[e]	**101,592**	99,570	2	**101,235**	100,205	1
Wholesale funding[f]	**20,464**	20,665	(1)	**20,511**	19,900	3
Bancorp shareholders equity	**16,108**	16,615	(3)	**16,209**	16,522	(2)
Regulatory Capital and Liquidity Ratios						
CET1 capital[g]	**10.91** %	10.63	3	**10.91** %	10.63	3
Tier I risk-based capital[g]	**12.02**	11.76	2	**12.02**	11.76	2
Total risk-based capital[g]	**15.21**	15.22	-	**15.21**	15.22	-
Tier I leverage	**10.24**	10.07	2	**10.24**	10.07	2
Modified LCR	**116**	115	1	**116**	115	1

*(a) Amounts presented on an FTE basis. The FTE adjustment for the three months ended **June 30, 2018** and 2017 was **$4** and $6, respectively, and for the six months ended **June 30, 2018** and 2017 was **$7** and $12, respectively.*

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

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

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

(e) Includes transaction deposits and other time deposits.

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

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

(h) Excludes unrealized gains and losses.

3

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At June 30, 2018, the Bancorp had $140.7 billion in assets and operated 1,158 full-service banking centers and 2,458 Fifth Third branded ATMs in ten states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management. The Bancorp also has an approximate 3.3% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $426 million at June 30, 2018.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2017. Each of these items could have an impact on the Bancorp s financial condition, results of operations and cash flows. In addition, refer to the Glossary of Abbreviations and Acronyms in this report for a list of terms included as a tool for the reader of this quarterly report on Form 10-Q. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements.

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

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the three months ended June 30, 2018, net interest income on an FTE basis and noninterest income provided 58% and 42% of total revenue, respectively. For the six months ended June 30, 2018, net interest income on an FTE basis and noninterest income provided 55% and 45% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Condensed Consolidated Financial Statements for both the three and six months ended June 30, 2018. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section of MD&A, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

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

Vantiv, Inc. and Vantiv Holding, LLC Transactions

On January 16, 2018, Vantiv, Inc. completed its previously announced acquisition of Worldpay Group plc. with the resulting combined company named Worldpay, Inc. As a result of this transaction, the Bancorp recognized a gain of $414 million in other noninterest income during the first quarter of 2018 associated with the dilution in its ownership interest in Vantiv Holding, LLC from approximately 8.6% to approximately 4.9%.

On June 27, 2018, the Bancorp completed the sale of 5 million shares of Class A common stock of Worldpay, Inc., formerly Vantiv, Inc. The Bancorp had previously received these Class A shares in exchange for Class B Units of Vantiv Holding, LLC. The Bancorp recognized a gain of $205 million related to the sale. As a result of the sale, the Bancorp beneficially owns approximately 3.3% of Worldpay s equity through its ownership of approximately 10.3 million Class B Units. The Bancorp s remaining interest in Vantiv Holding, LLC of $426 million continues to be accounted for as an equity method investment given the nature of Vantiv Holding, LLC s structure as a limited liability company and contractual arrangements between Vantiv Holding, LLC and the Bancorp.

GS Holdings Transactions

In May 2018, GreenSky, Inc. launched an IPO and issued 38 million shares of Class A common stock for a valuation of $23 per share. In connection with this IPO, the Bancorp s investment in GreenSky, LLC, which was comprised of 252,550 membership units, was converted to 2,525,498 units of the newly formed GreenSky Holdings, LLC (GS Holdings), representing a 1.4% interest in GS Holdings. The Bancorp s units in GS Holdings are exchangeable on a one-to-one basis for Class A common stock or cash after the initial 180-day lock-up period expires.

Table of Contents

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

At the time of the IPO, the Bancorp recognized a $16 million gain on its investment in GreenSky, LLC, which was included in other noninterest income in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2018. At June 30, 2018, the investment in GS Holdings was $53 million, which was included in equity securities in the Condensed Consolidated Balance Sheets.

Accelerated Share Repurchase Transactions

During the six months ended June 30, 2018, the Bancorp entered into or settled accelerated share repurchase transactions. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted-average price of the Bancorp s common stock during the term of the repurchase agreements. For more information on the accelerated share repurchase program, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements. For a summary of the Bancorp s accelerated share repurchase transactions that were entered into or settled during the six months ended June 30, 2018, refer to Table 2.

TABLE 2: Summary of Accelerated Share Repurchase Transactions

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Settlement Date
December 19, 2017	$ 273	7,727,273	824,367	8,551,640	March 19, 2018
February 12, 2018	318	8,691,318	1,015,731	9,707,049	March 26, 2018
May 25, 2018	235	6,402,244	1,172,122	7,574,366	June 15, 2018

Senior Notes Offering

On March 14, 2018, the Bancorp issued and sold $650 million of 3.95% senior fixed-rate notes, with a maturity of ten years, due on March 14, 2028. These notes will be redeemable by the Bancorp, 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 of the notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

On June 5, 2018, the Bancorp issued and sold $250 million of senior floating-rate notes, with a maturity of three years, due on June 4, 2021. Interest on the floating-rate notes is 3-month LIBOR plus 47 bps. These notes will be redeemable, 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 of the notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

2018 Branch Optimization Plan

Customer interactions and service and sales activity in Branch Banking continue to evolve with changing demographics and technology applications. Customers are increasingly utilizing digital tools to interact with their financial institutions in conducting their transactions while still utilizing physical branches for consultations and new product and service initiation. During the past three years, these developments and other business strategies led to a net decrease of 141 in the number of retail branches, or 11% of the Bancorp s total branch count, through consolidations and sales.

The Bancorp continues to evaluate its retail network distribution in light of changes in customer behavior while developing new analytical tools that provide enhanced capabilities to optimize the profitability and growth potential of branches. In slower growth mature markets these developments enable the Bancorp to achieve efficiencies through well-executed branch consolidations without materially impacting deposit flows and/or revenue growth while maintaining the service quality standards. While continuing to evaluate such actions, the Bancorp is also focused on achieving higher retail household and deposit growth in other parts of its footprint mainly in markets that exhibit faster economic growth and where the Bancorp has significant opportunities to capture higher market share. To that extent, based on the strategic business evaluation that was performed during the second quarter of 2018, over the next 2-3 years, as part of the 2018 Branch Optimization Plan, the Bancorp plans to close between 100-125 branches in more mature markets and open between 100-125 new branches in higher growth markets where the Bancorp already has a strong and high performing retail branch presence. With the existing local presence and familiarity with the customer demographics, and with newly developed analytical tools, the Bancorp expects to achieve higher growth rates as a result of these actions.

As of June 30, 2018, the Bancorp had identified 29 specific branches for closure under the 2018 Branch Optimization Plan with these closures expected to be completed prior to December 31, 2018. The Bancorp expects to identify the remaining branches to be closed under the 2018 Branch Optimization Plan over the next 12 to 18 months. Additionally, the Bancorp has elected to sell 21 parcels of land which had previously been held for future branch expansion.

The adoption of the 2018 Branch Optimization Plan during the second quarter of 2018 required the Bancorp to perform assessments of the recoverability of the long-lived assets for which the Bancorp believes that it is more likely than not that the assets will be disposed of significantly before the end of their previously estimated useful lives. As a result, during the second quarter of 2018 the Bancorp recognized impairment losses of $33 million associated with these lower of cost or market adjustments in other noninterest income in the Condensed Consolidated Statements of Income. For further information about the 2018 Branch Optimization plan, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements.

Earnings Summary

The Bancorp s net income available to common shareholders for the second quarter of 2018 was $563 million, or $0.80 per diluted share, which was net of $23 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the second quarter of 2017 was $344 million, or $0.45 per diluted share, which was net of $23 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the six months ended June 30, 2018 was $1.3 billion, or $1.77 per diluted share, which was net of $38 million in preferred stock dividends. For the six months ended June 30, 2017, the Bancorp s net income available to common shareholders was $634 million, or $0.83 per diluted share, which was net of $38 million in preferred stock dividends.

Table of Contents

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

Net interest income on an FTE basis (non-GAAP) was $1.0 billion and $2.0 billion for the three and six months ended June 30, 2018, respectively, an increase of $79 million and $139 million compared to the same periods in the prior year. Net interest income was positively impacted by increases in yields on average loans and leases and increases in average taxable securities for the three and six months ended June 30, 2018 compared to the same periods in the prior year. Additionally, net interest income was positively impacted by the decisions of the FOMC to raise the target range of the federal funds rate 25 bps in December 2017, March 2018 and June 2018. These positive impacts were partially offset by increases in the rates paid on average interest-bearing core deposits and average long-term debt for both the three and six months ended June 30, 2018 compared to the same periods in the prior year. Net interest margin on an FTE basis (non-GAAP) was 3.21% and 3.19% for the three and six months ended June 30, 2018, respectively compared to 3.01% for both periods in the prior year.

Noninterest income increased $179 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in other noninterest income and corporate banking revenue. Other noninterest income increased $165 million during the three months ended June 30, 2018 compared to the three months ended June 30, 2017 primarily due to the gain on sale of Worldpay, Inc. shares, partially offset by an increase in the net losses on disposition and impairment of bank premises and equipment and a reduction in the equity method income from the Bancorp s interest in Vantiv Holding, LLC. Corporate banking revenue increased $19 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in institutional sales revenue, contract revenue from commercial customer derivatives and foreign exchange fees, partially offset by a decrease in letter of credit fees.

Noninterest income increased $565 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily due to increases in other noninterest income and corporate banking revenue. Other noninterest income increased $548 million during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to the gain related to Vantiv, Inc s acquisition of Worldpay Group plc. that was recognized in the first quarter of 2018 and the aforementioned gain on sale of Worldpay, Inc. shares, partially offset by an increase in the net losses on disposition and impairment of bank premises and equipment, an increase in the loss on the swap associated with the sale of Visa, Inc. Class B Shares and reduction in the equity method income from the Bancorp s interest in Vantiv Holding, LLC. Corporate banking revenue increased $33 million during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in lease remarketing fees, institutional sales revenue, contract revenue from commercial customer derivatives and foreign exchange fees, partially offset by decreases in business lending fees and letter of credit fees.

Noninterest expense increased $80 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in personnel costs and technology and communications expense. Personnel costs increased $66 million for the three months ended June 30, 2018 compared to the same period in the prior year driven by an increase in base compensation, variable compensation, long-term incentive compensation and severance costs. Technology and communications expense increased $10 million for the three months ended June 30, 2018 compared to the same period in the prior year driven primarily by increased investment in regulatory, compliance and growth initiatives.

Noninterest expense increased $140 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily due to increases personnel costs, technology and communications expense and other noninterest expense. Personnel costs increased $102 million for the six months ended June 30, 2018 compared to the same period in the prior year driven by an increase in base compensation, variable compensation, long-term incentive compensation and severance costs. Technology and communications expense increased $19 million for the six months ended June 30, 2018 compared to the same period in the prior year driven primarily by increased investment in regulatory, compliance and growth initiatives. Other noninterest expense increased $17 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in the impairment on affordable housing investments, marketing expense and donations expense, partially offset by an increase in the benefit for the reserve for unfunded commitments.

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

Credit Summary

The provision for loan and lease losses was $33 million and $56 million for the three and six months ended June 30, 2018, respectively, compared to $52 million and $126 million for the comparable periods in 2017. Net losses charged-off as a percent of average portfolio loans and leases increased to 0.41% during the three months ended June 30, 2018 compared to 0.28% during the same period in the prior year and increased to 0.38% for the six months ended June 30, 2018 compared to 0.34% for the same period in the prior year. At June 30, 2018, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO decreased to 0.52% compared to 0.53% at December 31, 2017. For further discussion on credit quality refer to the Credit Risk Management subsection of the Risk Management section of MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the PCA requirements of the U.S. banking agencies. As of June 30, 2018, as calculated under the Basel III standardized approach, the CET1 capital ratio was 10.91%, the Tier I risk-based capital ratio was 12.02%, the Total risk-based capital ratio was 15.21% and the Tier I leverage ratio was 10.24%.

Table of Contents

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

NON-GAAP FINANCIAL MEASURES

The following are non-GAAP measures which provide useful insight to the reader of the Condensed Consolidated Financial Statements but should be supplemental to primary U.S. GAAP measures and should not be read in isolation or relied upon as a substitute for the primary U.S. GAAP measures.

The FTE basis adjusts for the tax-favored status of income from certain loans and securities held by the Bancorp that are not taxable for federal income tax purposes. The Bancorp believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison between taxable and non-taxable amounts.

The following table reconciles the non-GAAP financial measures of net interest income on an FTE basis, interest income on an FTE basis, net interest margin, net interest rate spread and the efficiency ratio to U.S. GAAP:

TABLE 3: Non-GAAP Financial Measures - Financial Measures and Ratios on an FTE basis

($ in millions)		For the three months ended June 30, 2018	2017	For the six months ended June 30, 2018	2017
Net interest income (U.S. GAAP)	$	**1,020**	939	**2,016**	1,872
Add: FTE adjustment		**4**	6	**7**	12
Net interest income on an FTE basis (1)	$	**1,024**	945	**2,023**	1,884
Net interest income on an FTE basis (annualized) (2)		**4,107**	3,790	**4,080**	3,768
Interest income (U.S. GAAP)	$	**1,269**	1,106	**2,474**	2,192
Add: FTE adjustment		**4**	6	**7**	12
Interest income on an FTE basis	$	**1,273**	1,112	**2,481**	2,204
Interest income on an FTE basis (annualized) (3)		**5,106**	4,460	**5,003**	4,445
Interest expense (annualized) (4)	$	**999**	670	**924**	645
Noninterest income (5)		**743**	564	**1,652**	1,087
Noninterest expense (6)		**1,037**	957	**2,083**	1,943
Average interest-earning assets (7)		**128,167**	126,134	**127,857**	126,050
Average interest-bearing liabilities (8)		**89,222**	85,320	**88,419**	85,106
Ratios:					
Net interest margin on an FTE basis (2) / (7)		**3.21** %	3.01	**3.19**	3.01
Net interest spread on an FTE basis (3) / (7) - (4) /		**2.86**	2.75	**2.86**	2.77

(8) Efficiency ratio on an FTE basis (6) / (1) + (5)	**58.7**	63.4	**56.7**	65.4

The Bancorp believes return on average tangible common equity is an important measure for comparative purposes with other financial institutions, but is not defined under U.S. GAAP, and therefore is considered a non-GAAP financial measure. This measure is useful for evaluating the performance of a business as it calculates the return available to common shareholders without the impact of intangible assets and their related amortization.

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

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

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2018**	2017	**2018**	2017
Net income available to common shareholders (U.S. GAAP)	$	**563**	344	**1,252**	634
Add: Intangible amortization, net of tax		**1**	-	**2**	1
Tangible net income available to common shareholders	$	**564**	344	**1,254**	635
Tangible net income available to common shareholders (annualized) (1)		**2,262**	1,380	**2,529**	1,270
Average Bancorp shareholders equity (U.S. GAAP)	$	**16,108**	16,615	**16,209**	16,522
Less: Average preferred stock		**(1,331)**	(1,331)	**(1,331)**	(1,331)
Average goodwill		**(2,462)**	(2,424)	**(2,458)**	(2,420)
Average intangible assets		**(30)**	(18)	**(28)**	(14)
Average tangible common equity (2)	$	**12,285**	12,842	**12,392**	12,757
Return on average tangible common equity (1) / (2)		**18.4 %**	10.7	**20.4**	10.0

The Bancorp considers various measures when evaluating capital utilization and adequacy, including the tangible equity ratio and tangible common equity ratio, in addition to capital ratios defined by the U.S. banking agencies. These calculations are intended to complement the capital ratios defined by the U.S. banking agencies for both absolute and comparative purposes. Because U.S. GAAP does not include capital ratio measures, the Bancorp believes there are no comparable U.S. GAAP financial measures to these ratios. These ratios are not formally defined by U.S. GAAP or codified in the federal banking regulations and, therefore, are considered to be non-GAAP financial measures. The Bancorp encourages readers to consider its Condensed Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

Table of Contents

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

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

TABLE 5: Non-GAAP Financial Measures - Capital Ratios

As of ($ in millions)		**June 30, 2018**	December 31, 2017
Total Bancorp Shareholders Equity (U.S. GAAP)	**$**	**16,232**	16,365
Less: Preferred stock		**(1,331)**	(1,331)
Goodwill		**(2,462)**	(2,445)
Intangible assets		**(30)**	(27)
AOCI		**552**	(73)
Tangible common equity, excluding unrealized gains / losses (1)		**12,961**	12,489
Add: Preferred stock		**1,331**	1,331
Tangible equity (2)	**$**	**14,292**	13,820
Total Assets (U.S. GAAP)	**$**	**140,695**	142,193
Less: Goodwill		**(2,462)**	(2,445)
Intangible assets		**(30)**	(27)
AOCI, before tax		**699**	(92)
Tangible assets, excluding unrealized gains / losses (3)	**$**	**138,902**	139,629
Ratios:			
Tangible equity as a percentage of tangible assets (2) / (3)		**10.29 %**	9.90
Tangible common equity as a percentage of tangible assets (1) / (3)		**9.33**	8.94

Table of Contents

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

RECENT ACCOUNTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES

The Bancorp s Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements, goodwill and legal contingencies. These accounting policies are discussed in detail in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes to the valuation techniques or models during the six months ended June 30, 2018.

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

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

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

Tables 6 and 7 present the components of net interest income, net interest margin and net interest rate spread for the three and six months ended June 30, 2018 and 2017, as well as the relative impact of changes in the balance sheet and changes in interest rates on net interest income. Nonaccrual loans and leases and loans and leases held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses included in other assets.

Net interest income on an FTE basis (non-GAAP) was $1.0 billion and $2.0 billion for the three and six months ended June 30, 2018, respectively, an increase of $79 million and $139 million compared to the same periods in the prior year. Net interest income was positively impacted by an increase in yields on average loans and leases of 56 bps and 49 bps for the three and six months ended June 30, 2018, respectively and increases in average taxable securities of $1.3 billion for both the three and six months ended June 30, 2018 compared to the same periods in the prior year. Additionally, net interest income was positively impacted by the decisions of the FOMC to raise the target range of the federal funds rate 25 bps in December 2017, March 2018 and June 2018. These positive impacts were partially offset by increases in the rates paid on average interest-bearing core deposits and average long-term debt for both the three and six months ended June 30, 2018 compared to the same periods in the prior year. The rates paid on average interest-bearing core deposits increased 31 bps and 25 bps, respectively, for the three and six months ended June 30, 2018 compared to the same periods in the prior year. The rates paid on average long-term debt increased 35 bps and 27 bps for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year.

Net interest rate spread on an FTE basis (non-GAAP) was 2.86% during both the three and six months ended June 30, 2018 compared to 2.75% and 2.77% in the same periods in the prior year. Yields on average interest-earning assets increased 44 bps and 38 bps for the three and six months ended June 30, 2018, respectively, partially offset by a 33 bps and 29 bps increase in rates paid on average interest-bearing liabilities for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year.

Net interest margin on an FTE basis (non-GAAP) was 3.21% and 3.19% for the three and six months ended June 30, 2018, respectively, compared to 3.01% for both the three and six months ended June 30, 2017. The increase for both periods was driven primarily by the previously mentioned increases in the net interest rate spread partially offset by decreases in average free funding balances. The decreases in average free funding balances for both periods were driven by a decrease in average demand deposits of $2.1 billion and $1.7 billion for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year.

Interest income on an FTE basis from loans and leases (non-GAAP) increased $136 million and $232 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The increases were primarily due to the aforementioned increases in yields on average loans and leases, as well as increases in the volume of average other consumer loans. For more information on the Bancorp s loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A. Interest income from investment securities and other short-term investments increased $25 million and $45 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily as a result of the aforementioned increases in average taxable securities.

Interest expense on core deposits increased $56 million and $91 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The increases were primarily due to increases in the cost of average interest-bearing core deposits to 65 bps and 58 bps for the three and six months ended June 30, 2018, respectively, from 34 bps and 33 bps for the three and six months ended June 30, 2017, respectively. The increases in the cost of average interest-bearing core deposits for both periods were primarily due to increases in the rates paid on average interest checking deposits and average money market deposits. Refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s deposits.

Interest expense on average wholesale funding increased $26 million and $47 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to the aforementioned increases in the rates paid on average long-term debt coupled with increases in average long-term debt. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During both the three and six months ended June 30, 2018, average wholesale funding represented 23% of average interest-bearing liabilities compared to 24% and 23% during the three and six months ended June 30, 2017, respectively. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management subsection of the Risk Management section of MD&A.

Table of Contents

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

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

For the three months ended	**June 30, 2018**			June 30, 2017			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	**$ 42,327**	**449**	**4.26%**	$ 41,656	374	3.60%	$ 6	69	75
Commercial mortgage loans	**6,521**	**72**	**4.43**	6,861	63	3.65	(4)	13	9
Commercial construction loans	**4,743**	**59**	**4.94**	4,306	43	4.01	5	11	16
Commercial leases	**3,847**	**27**	**2.82**	4,039	27	2.73	(1)	1	-
Total commercial loans and leases	**57,438**	**607**	**4.24**	56,862	507	3.57	6	94	100
Residential mortgage loans	**16,213**	**144**	**3.56**	16,024	141	3.54	2	1	3
Home equity	**6,672**	**81**	**4.85**	7,385	77	4.20	(7)	11	4
Automobile loans	**8,968**	**73**	**3.26**	9,410	67	2.87	(3)	9	6
Credit card	**2,221**	**66**	**11.96**	2,080	57	10.95	4	5	9
Other consumer loans	**1,720**	**29**	**6.75**	892	15	6.63	14	-	14
Total consumer loans	**35,794**	**393**	**4.40**	35,791	357	4.01	10	26	36
Total loans and leases	**$ 93,232**	**1,000**	**4.30%**	$ 92,653	864	3.74%	$ 16	120	136
Securities:									
Taxable	**33,380**	**266**	**3.20**	32,092	244	3.05	10	12	22
Exempt from income taxes[(b)]	**81**	**1**	**4.03**	68	1	5.10	-	-	-
Other short-term investments	**1,474**	**6**	**1.62**	1,321	3	0.99	1	2	3
Total interest-earning	**$ 128,167**	**1,273**	**3.98%**	$ 126,134	1,112	3.54%	$ 27	134	161

assets									
Cash and due from banks	**2,179**			2,175					
Other assets	**12,320**			13,272					
Allowance for loan and lease losses	**(1,137)**			(1,237)					
Total assets	**$ 141,529**			$ 140,344					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 28,715**	**55**	**0.76%**	$ 26,014	25	0.38%	$ 3	27	30
Savings deposits	**13,618**	**3**	**0.10**	14,238	2	0.06	-	1	1
Money market deposits	**22,036**	**39**	**0.71**	20,278	17	0.34	2	20	22
Foreign office deposits	**371**	**1**	**0.45**	380	-	0.18	1	-	1
Other time deposits	**4,018**	**13**	**1.34**	3,745	11	1.23	1	1	2
Total interest-bearing core deposits	**68,758**	**111**	**0.65**	64,655	55	0.34	7	49	56
Certificates $100,000 and over	**2,155**	**7**	**1.35**	2,623	9	1.36	(2)	-	(2)
Other deposits	**198**	**1**	**1.80**	264	1	0.98	(1)	1	-
Federal funds purchased	**1,080**	**5**	**1.76**	311	1	0.94	3	1	4
Other short-term borrowings	**2,452**	**11**	**1.84**	4,194	10	0.93	(6)	7	1
Long-term debt	**14,579**	**114**	**3.11**	13,273	91	2.76	11	12	23
Total interest-bearing liabilities	**$ 89,222**	**249**	**1.12%**	$ 85,320	167	0.79%	$ 12	70	82
Demand deposits	**32,834**			34,915					
Other liabilities	**3,345**			3,467					
Total liabilities	**$ 125,401**			$ 123,702					
Total equity	**$ 16,128**			$ 16,642					
Total liabilities and equity	**$ 141,529**			$ 140,344					
Net interest income (FTE)[(c)]		**$ 1,024**			$ 945		$ 15	64	79
Net interest margin (FTE)[(c)]			**3.21%**			3.01%			
Net interest rate spread (FTE)[(c)]			**2.86**			2.75			
			69.61			67.64			

Interest-bearing liabilities to interest-earning assets	

(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 ***$4*** *and $6 for the three months ended* ***June 30, 2018*** *and 2017, respectively.*

(c) Net interest income (FTE), net interest margin (FTE) and net interest rate spread (FTE) are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.

Table of Contents

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

TABLE 7: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE Basis

For the six months ended	**June 30, 2018**			June 30, 2017			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	**$ 42,064**	**858**	**4.11%**	$ 41,773	732	3.53%	$ 5	121	126
Commercial mortgage loans	**6,555**	**140**	**4.32**	6,903	123	3.60	(7)	24	17
Commercial construction loans	**4,707**	**111**	**4.77**	4,147	80	3.89	12	19	31
Commercial leases	**3,903**	**54**	**2.80**	3,972	54	2.71	(2)	2	-
Total commercial loans and leases	**57,229**	**1,163**	**4.10**	56,795	989	3.51	8	166	174
Residential mortgage loans	**16,150**	**287**	**3.58**	15,912	280	3.55	5	2	7
Home equity	**6,780**	**159**	**4.74**	7,482	152	4.09	(16)	23	7
Automobile loans	**9,016**	**143**	**3.19**	9,597	135	2.84	(8)	16	8
Credit card	**2,223**	**134**	**12.16**	2,111	125	11.95	7	2	9
Other consumer loans	**1,653**	**54**	**6.67**	824	27	6.57	27	-	27
Total consumer loans	**35,822**	**777**	**4.38**	35,926	719	4.04	15	43	58
Total loans and leases	**$ 93,051**	**1,940**	**4.21%**	$ 92,721	1,708	3.72%	$ 23	209	232
Securities:									
Taxable	**33,257**	**529**	**3.21**	31,954	488	3.08	21	20	41
Exempt from income taxes[b]	**77**	**1**	**2.79**	61	2	5.41	-	(1)	(1)
Other short-term investments	**1,472**	**11**	**1.50**	1,314	6	0.86	-	5	5
Total interest-earning assets	**$ 127,857**	**2,481**	**3.91%**	$ 126,050	2,204	3.53%	$ 44	233	277
Cash and due from banks	**2,177**			2,190					
Other assets	**12,679**			13,248					
Allowance for loan and lease losses	**(1,166)**			(1,245)					
Total assets	**$ 141,547**			$ 140,243					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 28,560**	**99**	**0.70%**	$ 26,385	45	0.34%	$ 4	50	54
Savings deposits	**13,582**	**6**	**0.08**	14,178	4	0.05	-	2	2
Money market deposits	**21,397**	**66**	**0.62**	20,440	34	0.33	1	31	32
Foreign office deposits	**432**	**1**	**0.27**	417	-	0.15	1	-	1
Other time deposits	**3,937**	**25**	**1.30**	3,786	23	1.23	1	1	2
Total interest-bearing core deposits	**67,908**	**197**	**0.58**	65,206	106	0.33	7	84	91

Certificates $100,000 and over	**2,220**	**16**	**1.42**	2,601	17	1.36	(2)	1	(1)
Other deposits	**288**	**2**	**1.57**	213	1	0.85	-	1	1
Federal funds purchased	**887**	**7**	**1.63**	474	2	0.78	2	3	5
Other short-term borrowings	**2,438**	**19**	**1.60**	3,050	12	0.81	(3)	10	7
Long-term debt	**14,678**	**217**	**2.98**	13,562	182	2.71	16	19	35
Total interest-bearing liabilities	**$ 88,419**	**458**	**1.05%**	$ 85,106	320	0.76%	$ 20	118	138
Demand deposits	**33,327**			34,999					
Other liabilities	**3,571**			3,589					
Total liabilities	**$ 125,317**			$ 123,694					
Total equity	**$ 16,230**			$ 16,549					
Total liabilities and equity	**$ 141,547**			$ 140,243					
Net interest income (FTE)[(c)]		**$ 2,023**			$ 1,884		$ 24	115	139
Net interest margin (FTE)[(c)]			**3.19%**			3.01%			
Net interest rate spread (FTE)[(c)]			**2.86**			2.77			
Interest-bearing liabilities to interest-earning assets			**69.15**			67.52			

(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 **$7** and $12 for the six months ended **June 30, 2018** and 2017, respectively.*

(c) Net interest income (FTE), net interest margin (FTE) and net interest rate spread (FTE) are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.

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, 2017. The provision is recorded to bring the ALLL to a level deemed appropriate by the Bancorp to cover losses inherent in the portfolio. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans and leases actually removed from the Condensed Consolidated Balance Sheets is referred to as a charge-off. 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 $33 million and $56 million for the three and six months ended June 30, 2018, respectively, compared to $52 million and $126 million during the same periods in the prior year. The decrease in provision expense for both the three and six months ended June 30, 2018 was primarily due to a decrease in the level of commercial criticized assets combined with overall improved credit quality. The ALLL decreased $119 million from December 31, 2017 to $1.1 billion at June 30, 2018. At June 30, 2018, the ALLL as a percent of portfolio loans and leases decreased to 1.17% compared to 1.30% at December 31, 2017.

Table of Contents

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

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

Noninterest Income

Noninterest income increased $179 million and $565 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year.

The following table presents the components of noninterest income:

TABLE 8: Components of Noninterest Income

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2018**	2017	% Change	**2018**	2017	% Change
Service charges on deposits	$ **137**	139	(1)	$ **275**	277	(1)
Wealth and asset management revenue	**108**	103	5	**221**	211	5
Corporate banking revenue	**120**	101	19	**208**	175	19
Card and processing revenue	**84**	79	6	**163**	153	7
Mortgage banking net revenue	**53**	55	(4)	**109**	108	1
Other noninterest income	**250**	85	194	**708**	160	343
Securities (losses) gains, net	**(5)**	-	NM	**(15)**	1	NM
Securities (losses) gains, net - non-qualifying hedges on MSRs	**(4)**	2	NM	**(17)**	2	NM
Total noninterest income	$ **743**	564	32	$ **1,652**	1,087	52

Wealth and asset management revenue

Wealth and asset management revenue increased $5 million and $10 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The increase for both the three and six months ended June 30, 2018 compared to the same periods in the prior year was primarily due to increases of $3 million and $8 million, respectively, in private client service fees driven by an increase in assets under management as a result of strong market performance and increased asset production. The Bancorp s trust and registered investment advisory businesses had approximately $368 billion and $330 billion in total assets under care at June 30, 2018 and 2017, respectively, and managed $37 billion and $34 billion in assets for individuals, corporations and not-for-profit organizations at June 30, 2018 and 2017, respectively.

Corporate banking revenue

Corporate banking revenue increased $19 million and $33 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2018 compared to the same period in the prior year was primarily driven by increases in institutional sales revenue, contract revenue from commercial customer derivatives and foreign exchange fees of $11 million, $5 million and $4 million, respectively. These benefits were partially offset by a decrease in letter of credit fees of $2 million. The increase for the six months ended June 30, 2018 compared to the same period in the prior year was primarily driven by increases in lease remarketing fees, institutional sales revenue, contract revenue from commercial customer derivatives and foreign exchange fees of $26 million, $7 million, $6 million and $5 million, respectively. The increase in lease remarketing fees for the six months ended June 30, 2018 included the impact of a $31 million impairment charge related to certain operating lease assets that was recognized during the first quarter of 2017. These benefits were partially offset by decreases in business lending fees and letter of credit fees of $6 million and $4 million, respectively.

Card and processing revenue

Card and processing revenue increased $5 million and $10 million for the three and six months ended June 30, 2018 compared to the same periods in the prior year. The increases for both the three and six months ended June 30, 2018 compared to the same periods in the prior year were primarily driven by an increase in the number of actively used cards and customer spend volume.

Mortgage banking net revenue

Mortgage banking net revenue decreased $2 million for the three months ended June 30, 2018 and increased $1 million for the six months ended June 30, 2018 compared to the same periods in the prior year.

Table of Contents

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

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

TABLE 9: Components of Mortgage Banking Net Revenue

($ in millions)		For the three months ended June 30, **2018**	2017	For the six months ended June 30, **2018**	2017
Origination fees and gains on loan sales	$	**28**	37	**52**	66
Net mortgage servicing revenue:					
Gross mortgage servicing fees		**54**	49	**106**	97
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs		**(29)**	(31)	**(49)**	(55)
Net mortgage servicing revenue		**25**	18	**57**	42
Mortgage banking net revenue	$	**53**	55	**109**	108

Origination fees and gains on loan sales decreased $9 million and $14 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year driven by a decrease in originations and lower margins due to the interest rate environment. Residential mortgage loan originations decreased to $2.1 billion and $3.6 billion during the three and six months ended June 30, 2018, respectively, compared to $2.3 billion and $4.2 billion during the same periods in the prior year.

Net mortgage servicing revenue increased $7 million and $15 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The increases for the three and six months ended June 30, 2018 compared to the same periods in the prior year included increases in gross mortgage servicing fees of $5 million and $9 million, respectively, and decreases in net negative valuation adjustments of $2 million and $6 million, respectively. Refer to Table 10 for the components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy:

TABLE 10: Components of Net Valuation Adjustments on MSRs

($ in millions)		For the three months ended June 30, **2018**	2017	For the six months ended June 30, **2018**	2017
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	$	**(16)**	16	**(65)**	15
Changes in fair value:					
Due to changes in inputs or assumptions		**21**	(17)	**78**	(13)
Other changes in fair value		**(34)**	(30)	**(62)**	(57)
Net valuation adjustments on MSR and free-standing derivatives purchased to economically hedge MSRs	$	**(29)**	(31)	**(49)**	(55)

Mortgage rates increased during both the three and six months ended June 30, 2018 which caused modeled prepayment speeds to slow. The fair value of the MSR increased $21 million and $78 million, respectively, due to changes to inputs to the valuation model including prepayment speeds and OAS spread assumptions and decreased $34 million and $62 million, respectively, due to the passage of time, including the impact of regularly scheduled repayments, paydowns and payoffs for the three and six months ended June 30, 2018.

Mortgage rates decreased during both the three and six months ended June 30, 2017 which caused modeled prepayments speeds to increase, which led to fair value adjustments on servicing rights. The fair value of the MSR decreased $17 million and $13 million, respectively, due to changes to inputs to the valuation model including prepayment speeds and OAS spread assumptions and decreased $30 million and $57 million, respectively, due to the passage of time, including the impact of regularly scheduled repayments, paydowns and payoffs for the three and six months ended June 30, 2017.

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 of the MSR portfolio. Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

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 recognized net losses of $4 million and $17 million during the three and six months ended June 30, 2018, respectively, and net gains of $2 million during both the three and six months ended June 30, 2017, recorded in securities (losses) gains, net - non-qualifying hedges on MSRs in the Bancorp s Condensed Consolidated Statements of Income.

The Bancorp s total residential mortgage loans serviced at June 30, 2018 and 2017 were $78.5 billion and $78.0 billion, respectively, with $62.2 billion and $61.8 billion, respectively, of residential mortgage loans serviced for others.

Table of Contents

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

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 11: Components of Other Noninterest Income

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2018**	2017	**2018**	2017
Gain related to Vantiv, Inc. s acquisition of Worldpay Group plc.	**$ -**	-	**414**	-
Gain on sale of Worldpay, Inc. shares	**205**	-	**205**	-
Operating lease income	**22**	24	**45**	49
Private equity investment income	**16**	12	**35**	26
Cardholder fees	**14**	13	**27**	27
BOLI income	**14**	13	**27**	25
Insurance income	**5**	2	**11**	3
Consumer loan and lease fees	**6**	6	**11**	11
Banking center income	**6**	5	**11**	10
Loss on swap associated with the sale of Visa, Inc. Class B Shares	**(10)**	(9)	**(49)**	(22)
Net losses on disposition and impairment of bank premises and equipment	**(33)**	(1)	**(41)**	(2)
Net losses on loan sales	**-**	-	**(1)**	(2)
Equity method (loss) income from interest in Vantiv Holding, LLC	**-**	12	**(1)**	24
Other, net	**5**	8	**14**	11
Total other noninterest income	**$ 250**	85	**708**	160

Other noninterest income increased $165 million during the three months ended June 30, 2018 compared to the same period in the prior year primarily due to the gain on sale of Worldpay, Inc. shares, partially offset by an increase in the net losses on disposition and impairment of bank premises and equipment and a reduction in the equity method income from the Bancorp s interest in Vantiv Holding, LLC.

The Bancorp recognized a $205 million gain on the sale of Worldpay, Inc. shares during the three months ended June 30, 2018. For more information, refer to Note 17 of the Notes to Condensed Consolidated Financial Statements. Net losses on disposition and impairment of bank premises and equipment for the three months ended June 30, 2018 included the impact of branch impairment charges of $33 million. For more information, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements. Equity method income from the Bancorp s interest in Vantiv Holding, LLC decreased $12 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to a decrease in the Bancorp s ownership percentage in Vantiv Holding, LLC from approximately 17.7% as of June 30, 2017 to approximately 3.3% as of June 30, 2018 and the impact of a reduction in Vantiv Holding, LLC net income for the three months ended June 30, 2018 compared to the same period in the prior year.

Other noninterest income increased $548 million during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to the gain related to Vantiv, Inc s acquisition of Worldpay Group plc. and the gain on sale of Worldpay, Inc. shares, partially offset by an increase in the net losses on disposition and impairment of bank premises and equipment, an increase in the loss on the swap associated with the sale of Visa, Inc. Class B Shares and a reduction in the equity method income from the Bancorp s interest in Vantiv Holding, LLC.

The Bancorp recognized a $414 million gain related to Vantiv, Inc. s acquisition of Worldpay Group plc. during the six months ended June 30, 2018. For more information, refer to Note 17 of the Notes to Condensed Consolidated Financial Statements. The increase for the six months ended June 30, 2018 also included the impact of the previously mentioned $205 million gain on the sale of Worldpay, Inc. shares. Net losses on disposition and impairment of bank premises and equipment for the six months ended June 30, 2018 included the impact of the previously mentioned branch impairment charges of $33 million. During the six months ended June 30, 2018, the Bancorp recognized negative valuation adjustments of $49 million related to the Visa total return swap compared to negative valuation adjustments of $22 million during the six months ended June 30, 2017. The increase from the prior period was attributable to litigation developments and an increase in Visa, Inc. s share price during the six months ended June 30, 2018. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B Shares and the related litigation matters, refer to Note 15, Note 16 and Note 21 of the Notes to Condensed Consolidated Financial Statements. Equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $25 million compared to the six months ended June 30, 2017 primarily due to a decrease in the Bancorp s ownership percentage in Vantiv Holding, LLC and the impact of Worldpay, Inc. s acquisition and integration costs.

Noninterest Expense

Noninterest expense increased $80 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in personnel costs (salaries, wages and incentives plus employee benefits) and technology and communications expense. Noninterest expense increased $140 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily due to increases personnel costs, technology and communications expense and other noninterest expense.

Table of Contents

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

The following table presents the components of noninterest expense:

TABLE 12: Components of Noninterest Expense

($ in millions)	For the three months ended June 30, 2018	2017	% Change	For the six months ended June 30, 2018	2017	% Change
Salaries, wages and incentives	$ **471**	397	19	$ **918**	808	14
Employee benefits	**78**	86	(9)	**188**	196	(4)
Net occupancy expense	**74**	70	6	**149**	148	1
Technology and communications	**67**	57	18	**135**	116	16
Equipment expense	**30**	29	3	**61**	57	7
Card and processing expense	**30**	33	(9)	**60**	63	(5)
Other noninterest expense	**287**	285	1	**572**	555	3
Total noninterest expense	$ **1,037**	957	8	$ **2,083**	1,943	7
Efficiency ratio on an FTE basis(a)	**58.7%**	63.4		**56.7%**	65.4	

(a) This is a non-GAAP measure. For further information, refer to the Non-GAAP Financial Measures section of MD&A.

Personnel costs increased $66 million and $102 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year driven by an increase in base compensation, variable compensation, long-term incentive compensation and severance costs. The increase in base compensation was primarily due to personnel additions in information technology as well as an increase in the Bancorp s minimum wage as a result of benefits received from the TCJA. Full-time equivalent employees totaled 18,163 at June 30, 2018 compared to 17,744 at June 30, 2017.

Technology and communications expense increased $10 million and $19 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year driven primarily by increased investment in regulatory, compliance and growth initiatives.

The following table presents the components of other noninterest expense:

TABLE 13: Components of Other Noninterest Expense

($ in millions)	For the three months ended June 30, 2018	2017	For the six months ended June 30, 2018	2017
Impairment on affordable housing investments	$ **47**	38	**95**	77
FDIC insurance and other taxes	**34**	32	**66**	65
Marketing	**30**	30	**62**	49
Loan and lease	**29**	24	**55**	46
Operating lease	**20**	21	**40**	46

Losses and adjustments		**16**	11	**33**	26
Professional service fees		**16**	22	**30**	44
Data processing		**15**	15	**28**	28
Travel		**13**	12	**26**	23
Postal and courier		**8**	11	**18**	23
Donations		**13**	3	**16**	6
Recruitment and education		**8**	9	**16**	17
Supplies		**4**	4	**7**	7
Insurance		**3**	3	**6**	6
(Benefit from) provision for the reserve for unfunded commitments		**(20)**	3	**(30)**	1
Other, net		**51**	47	**104**	91
Total other noninterest expense	**$**	**287**	285	**572**	555

Other noninterest expense increased $2 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in donations expense and impairment on affordable housing investments, partially offset by an increase in the benefit from the reserve for unfunded commitments. Donations expense increased $10 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to a contribution to the Fifth Third Foundation. Impairment on affordable housing investments increased $9 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily driven by the change in the federal statutory corporate tax rate pursuant to the TCJA. The benefit from the reserve for unfunded commitments was $20 million for the three months ended June 30, 2018 compared to a provision for the reserve for unfunded commitments of $3 million for the same period in the prior year as a result of overall improved credit quality.

Other noninterest expense increased $17 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily due to increases in the impairment on affordable housing investments, marketing expense and donations expense, partially offset by an increase in the benefit for the reserve for unfunded commitments. Impairment on affordable housing investments increased $18 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily driven by the change in the federal statutory corporate tax rate pursuant to the TCJA. Marketing expense increased $13 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily due to promotional offers during the six months ended June 30, 2018. Donations expense increased $10 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily due to a contribution to the Fifth Third Foundation. The benefit from the reserve for unfunded commitments was $30 million for the six months ended June 30, 2018 compared to a provision for the reserve for unfunded commitments of $1 million for the same period in the prior year as a result of overall improved credit quality.

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

Applicable Income Taxes

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

TABLE 14: Applicable Income Taxes

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2018**	2017	**2018**	2017
Income before income taxes	$ **693**	494	**1,529**	890
Applicable income tax expense	**107**	127	**239**	218
Effective tax rate	**15.5%**	25.9	**15.7**	24.5

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

The decreases in the effective tax rates for the three and six months ended June 30, 2018 compared to the same periods in the prior year were primarily related to the reduction in the federal statutory corporate tax rate partially offset by changes to previously deductible items associated with the enactment of the TCJA.

For stock-based awards, U.S. GAAP requires that the tax consequences for the difference between the expense recognized for financial reporting and the Bancorp s actual tax deduction for the stock-based awards be recognized through income tax expense in the interim periods in which they occur. The Bancorp cannot predict its stock price or whether and when its employees will exercise stock-based awards in the future. Based on its stock price at June 30, 2018, the Bancorp estimates that it may be necessary to recognize $15 million of additional income tax benefit over the next twelve months related to the settlement of stock-based awards primarily in the first half of 2019. However, the amount of income tax expense or benefit recognized upon settlement may vary significantly from expectations based on the Bancorp s stock price and the number of SARs exercised by employees.

Table of Contents

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

BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its commercial loans and leases based upon primary purpose and consumer loans based upon product or collateral. Table 15 summarizes end of period loans and leases, including loans and leases held for sale and Table 16 summarizes average total loans and leases, including loans and leases held for sale.

TABLE 15: Components of Total Loans and Leases (including loans and leases held for sale)

	June 30, 2018		December 31, 2017	
As of ($ in millions)	Carrying Value	% of Total	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 41,447**	**45**	$ 41,170	45
Commercial mortgage loans	**6,697**	**7**	6,610	7
Commercial construction loans	**4,687**	**5**	4,553	5
Commercial leases	**3,797**	**4**	4,068	4
Total commercial loans and leases	**56,628**	**61**	56,401	61
Consumer loans:				
Residential mortgage loans	**16,298**	**18**	16,077	17
Home equity	**6,599**	**7**	7,014	8
Automobile loans	**8,938**	**10**	9,112	10
Credit card	**2,270**	**2**	2,299	2
Other consumer loans	**1,982**	**2**	1,559	2
Total consumer loans	**36,087**	**39**	36,061	39
Total loans and leases	**$ 92,715**	**100**	$ 92,462	100
Total portfolio loans and leases (excluding loans and leases held for sale)	**$ 91,932**		$ 91,970	

Loans and leases, including loans and leases held for sale, increased $253 million from December 31, 2017. The increase from December 31, 2017 was the result of a $227 million increase in commercial loans and leases as well as a $26 million increase in consumer loans.

Commercial loans and leases increased from December 31, 2017 due to increases in commercial and industrial loans, commercial construction loans and commercial mortgage loans, partially offset by a decrease in commercial leases. Commercial and industrial loans increased $277 million, or 1%, from December 31, 2017 primarily as a result of an increase in new loan originations as well as a decrease in payoffs during the six months ended June 30, 2018. Commercial construction loans increased $134 million, or 3%, from December 31, 2017 primarily due to increases in demand and draw levels on existing commitments. Commercial mortgage loans increased $87 million, or 1%, from December 31, 2017 primarily due to an increase in permanent financing from the Bancorp s commercial construction loan portfolio. Commercial leases decreased $271 million, or 7%, from December 31, 2017 primarily as a result of a planned reduction in indirect non-relationship based lease originations.

Consumer loans increased from December 31, 2017 due to increases in other consumer loans and residential mortgage loans, partially offset by decreases in home equity, automobile loans and credit card. Other consumer loans increased $423 million, or 27%, from December 31, 2017 primarily due to growth in point-of-sale loan originations. Residential mortgage loans increased $221 million, or 1%, from December 31, 2017 primarily due to the continued retention of certain agency conforming ARMs and certain other fixed-rate loans originated during the six months ended June 30, 2018. Home equity decreased $415 million, or 6%, from December 31, 2017 as payoffs exceeded new loan production. Automobile loans decreased $174 million, or 2%, from December 31, 2017 as payoffs exceeded new loan production due to a strategic shift focusing on improving risk-adjusted returns. Credit card decreased $29 million, or 1%, from December 31, 2017 primarily due to seasonal trends from the paydown of year-end balances which were higher due to holiday spending.

TABLE 16: Components of Average Loans and Leases (including loans and leases held for sale)

	June 30, 2018		June 30, 2017	
For the three months ended ($ in millions)	Carrying Value	% of Total	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 42,327**	**45**	$ 41,656	45
Commercial mortgage loans	**6,521**	**7**	6,861	7
Commercial construction loans	**4,743**	**5**	4,306	5
Commercial leases	**3,847**	**4**	4,039	4
Total commercial loans and leases	**57,438**	**61**	56,862	61
Consumer loans:				
Residential mortgage loans	**16,213**	**18**	16,024	18
Home equity	**6,672**	**7**	7,385	8
Automobile loans	**8,968**	**10**	9,410	10
Credit card	**2,221**	**2**	2,080	2
Other consumer loans	**1,720**	**2**	892	1
Total consumer loans	**35,794**	**39**	35,791	39
Total average loans and leases	**$ 93,232**	**100**	$ 92,653	100
Total average portfolio loans and leases (excluding loans and leases held for sale)	**$ 92,557**		$ 91,972	

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

Average loans and leases, including loans and leases held for sale, increased $579 million from June 30, 2017. The increase from June 30, 2017 was the result of a $576 million, or 1%, increase in average commercial loans and leases as well as a $3 million increase in average consumer loans.

Average commercial loans and leases increased from June 30, 2017 due to an increase in average commercial and industrial and commercial construction loans, partially offset by a decrease in average commercial mortgage loans and commercial leases. Average commercial and industrial loans increased $671 million, or 2%, from June 30, 2017 primarily as a result of an increase in new loan origination as well as a decrease in payoffs. Average commercial construction loans increased $437 million, or 10%, from June 30, 2017 primarily due to increases in demand and draw levels on existing commitments. Average commercial mortgage loans decreased $340 million, or 5%, from June 30, 2017 primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns. Average commercial leases decreased $192 million, or 5%, from June 30, 2017 primarily as a result of a planned reduction in indirect non-relationship based lease originations.

Average consumer loans increased from June 30, 2017 primarily due to increases in average other consumer loans and average residential mortgage loans, partially offset by decreases in average home equity and average automobile loans. Average other consumer loans increased $828 million, or 93%, June 30, 2017 primarily due to growth in point-of-sale loan originations. Average residential mortgage loans increased $189 million, or 1%, from June 30, 2017 primarily driven by the continued retention of certain agency conforming ARMs and certain other fixed-rate loans. Average home equity decreased $713 million, or 10%, from June 30, 2017 as payoffs exceeded new loan production. Average automobile loans decreased $442 million, or 5%, from June 30, 2017 as payoffs exceeded new loan production due to a strategic shift focusing on improving risk-adjusted returns.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing both collateral for pledging purposes and liquidity for satisfying regulatory requirements. Total investment securities were $32.7 billion at both June 30, 2018 and December 31, 2017. The taxable investment securities portfolio had an effective duration of 5.2 years at June 30, 2018 compared to 4.7 years at December 31, 2017.

Debt 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. Debt securities are classified as trading when bought and held principally for the purpose of selling them in the near term. At June 30, 2018, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale debt securities. The Bancorp held $8 million in below investment grade securities at June 30, 2018 and an immaterial amount as of December 31, 2017. For the three and six months ended June 30, 2018 the Bancorp did not recognize OTTI on any of its available-for-sale debt and other securities. For the three and six months ended June 30, 2017 the Bancorp recognized $14 million and $24 million, respectively, of OTTI on its available-for-sale debt and other securities, included in securities (losses) gains, net, in the Condensed Consolidated Statements of Income.

The following table summarizes the end of period components of investment securities:

TABLE 17: Components of Investment Securities

As of ($ in millions)		**June 30, 2018**	December 31, 2017
Available-for-sale debt and other securities (amortized cost basis):			
U.S. Treasury and federal agencies securities	$	**98**	98
Obligations of states and political subdivisions securities		**34**	43
Mortgage-backed securities:			
Agency residential mortgage-backed securities*(a)*		**16,405**	15,281
Agency commercial mortgage-backed securities		**10,308**	10,113
Non-agency commercial mortgage-backed securities		**3,149**	3,247
Asset-backed securities and other debt securities		**1,981**	2,183
Other securities*(b)*		**614**	612
Total available-for-sale debt and other securities	$	**32,589**	31,577
Held-to-maturity securities (amortized cost basis):			
Obligations of states and political subdivisions securities	$	**17**	22
Asset-backed securities and other debt securities		**2**	2
Total held-to-maturity securities	$	**19**	24
Trading debt securities (fair value):			
U.S. Treasury and federal agencies securities	$	**19**	12
Obligations of states and political subdivisions securities		**58**	22
Agency residential mortgage-backed securities		**75**	395
Asset-backed securities and other debt securities		**128**	63
Total trading debt securities	$	**280**	492
Total equity securities	$	**475**	439

(a) Includes interest-only mortgage-backed securities of $34 as of December 31, 2017 recorded at fair value with fair value changes recorded in securities gains, net in the Condensed Consolidated Statements of Income.

*(b) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of **$248**, **$364** and **$2**, respectively, at **June 30, 2018** and $248, $362, and $2, respectively, at December 31, 2017, that are carried at cost.*

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

On an amortized cost basis, available-for-sale debt and other securities increased $1.0 billion from December 31, 2017 primarily due to increases in agency residential mortgage-backed securities and agency commercial mortgage-backed securities, partially offset by a decrease in asset-backed securities and other debt securities.

On an amortized cost basis, available-for-sale debt and other securities were 26% and 25% of total interest-earning assets at June 30, 2018 and December 31, 2017, respectively. The estimated weighted-average life of the debt securities in the available-for-sale debt and other securities portfolio was 6.7 years at June 30, 2018 compared to 6.5 years at December 31, 2017. In addition, at June 30, 2018, the debt securities in the available-for-sale debt and other securities portfolio had a weighted-average yield of 3.22%, compared to 3.18% at December 31, 2017.

Trading debt securities decreased $212 million from December 31, 2017 primarily due to a decrease in agency residential mortgage-backed securities.

Information presented in Table 18 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using amortized cost balances. Maturity and yield calculations for the total available-for-sale debt and other securities portfolio exclude other securities that have no stated yield or maturity. Total net unrealized losses on the available-for-sale debt and other securities portfolio were $628 million at June 30, 2018 compared to net unrealized gains of $174 million at December 31, 2017. 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 expand.

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

As of June 30, 2018 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:				
Average life of 1 year or less	$ -	-	-	3.65 %
Average life 1 5 years	98	96	4.6	2.16
Total	$ 98	96	4.6	2.16 %
Obligations of states and political subdivisions securities:[(a)]				
Average life of 1 year or less	27	28	0.8	3.91
Average life 1 5 years	5	5	1.0	3.77
Average life 5 10 years	2	2	6.2	-
Total	$ 34	35	1.1	3.69 %
Agency residential mortgage-backed securities:				
Average life of 1 year or less	1	1	0.2	4.43
Average life 1 5 years	5,869	5,799	4.3	3.43
Average life 5 10 years	9,490	9,290	7.3	3.18
Average life greater than 10 years	1,045	1,004	11.0	3.09

Total	$ 16,405	16,094	6.5	3.26 %
Agency commercial mortgage-backed securities:				
Average life of 1 year or less	197	189	0.9	2.56
Average life 1 5 years	2,443	2,395	3.4	3.12
Average life 5 10 years	5,299	5,177	7.8	3.06
Average life greater than 10 years	2,369	2,277	11.6	3.12
Total	$ 10,308	10,038	7.5	3.08 %
Non-agency commercial mortgage-backed securities:				
Average life of 1 year or less	-	-	0.4	4.53
Average life 1 5 years	338	334	4.5	3.25
Average life 5 10 years	2,811	2,752	6.7	3.26
Total	$ 3,149	3,086	6.5	3.26 %
Asset-backed securities and other debt securities:				
Average life of 1 year or less	31	31	0.5	3.38
Average life 1 5 years	839	838	3.6	3.93
Average life 5 10 years	914	930	6.6	3.46
Average life greater than 10 years	197	199	10.5	3.41
Total	$ 1,981	1,998	5.6	3.65 %
Other securities	614	614		
Total available-for-sale debt and other securities	$ 32,589	31,961	6.7	3.22 %

(a) Taxable-equivalent yield adjustments included in the above table are 1.04%, 0.98%, 0.00% and 0.98% for securities with an average life of 1 year or less, 1-5 years, 5-10 years and in total, respectively.

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

Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Average core deposits represented 72% and 71% of the Bancorp s average asset funding base at June 30, 2018 and December 31, 2017, respectively.

The following table presents the end of period components of deposits:

TABLE 19: Components of Deposits

	June 30, 2018		December 31, 2017	
As of ($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 32,680**	**32**	$ 35,276	34
Interest checking	**29,452**	**28**	27,703	27
Savings	**13,455**	**13**	13,425	13
Money market	**21,593**	**21**	20,097	19
Foreign office	**336**	**-**	484	1
Transaction deposits	**97,516**	**94**	96,985	94
Other time	**4,058**	**4**	3,775	4
Core deposits	**101,574**	**98**	100,760	98
Certificates $100,000 and over(a)	**2,557**	**2**	2,402	2
Total deposits	**$ 104,131**	**100**	$ 103,162	100

*(a) Includes **$1.4 billion** and $1.3 billion of institutional, retail and wholesale certificates $250,000 and over at **June 30, 2018** and December 31, 2017, respectively.*

Core deposits increased $814 million, or 1%, from December 31, 2017 primarily driven by an increase of $531 million in transaction deposits. Transaction deposits increased from December 31, 2017 primarily due to increases in interest checking deposits and money market deposits, partially offset by a decrease in demand deposits. Interest checking deposits increased $1.7 billion, or 6%, from December 31, 2017 driven primarily by balance migration from demand deposit accounts and higher balances per commercial customer account. Money market deposits increased $1.5 billion, or 7%, from December 31, 2017 primarily as a result of promotional rate offers facilitated by the rising-rate environment which drove consumer customer acquisition. Demand deposits decreased $2.6 billion, or 7%, from December 31, 2017 primarily as a result of the aforementioned commercial customer balance migration into interest checking deposits and lower balances per commercial customer account due to commercial customer seasonality.

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

TABLE 20: Components of Average Deposits

	June 30, 2018		June 30, 2017	
($ in millions)	Balance	% of Total	Balance	% of Total

Demand	$	**32,834**	**32**	$ 34,915	34
Interest checking		**28,715**	**28**	26,014	25
Savings		**13,618**	**13**	14,238	14
Money market		**22,036**	**21**	20,278	20
Foreign office		**371**	**-**	380	-
Transaction deposits		**97,574**	**94**	95,825	93
Other time		**4,018**	**4**	3,745	4
Core deposits		**101,592**	**98**	99,570	97
Certificates $100,000 and over(a)		**2,155**	**2**	2,623	3
Other		**198**	**-**	264	-
Total average deposits	$	**103,945**	**100**	$ 102,457	100

(a) Includes ***$1.1 billion*** *and $1.3 billion of average institutional, retail and wholesale certificates $250,000 and over for the three months ended* ***June 30, 2018*** *and 2017, respectively.*

On an average basis, core deposits increased $2.0 billion from June 30, 2017 primarily due to an increase of $1.7 billion in average transaction deposits. The increase in average transaction deposits was driven by increases in average interest checking deposits and average money market deposits, partially offset by decreases in average demand deposits and average savings deposits. Average interest checking deposits increased $2.7 billion, or 10%, from June 30, 2017, primarily due to balance migration from demand deposit accounts and an increase in average balances per commercial customer account. Average money market deposits increased $1.8 billion, or 9%, from June 30, 2017 primarily as a result of promotional rate offers facilitated by the rising-rate environment which drove consumer customer acquisition. Average demand deposits decreased $2.1 billion, or 6%, from June 30, 2017 primarily due to commercial customer balance migration into interest checking deposits and a decrease in average balances per commercial customer account.

Average certificates $100,000 and over decreased $468 million from June 30, 2017 primarily due to the maturity and run-off of commercial certificates of deposit since June 30, 2017.

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

Contractual maturities

The contractual maturities of certificates $100,000 and over as of June 30, 2018 are summarized in the following table:

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

($ in millions)		
Next 3 months	$	411
3-6 months		328
6-12 months		950
After 12 months		868
Total certificates $100,000 and over	$	2,557

The contractual maturities of other time deposits and certificates $100,000 and over as of June 30, 2018 are summarized in the following table:

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

($ in millions)		
Next 12 months	$	3,575
13-24 months		2,115
25-36 months		731
37-48 months		163
49-60 months		23
After 60 months		8
Total other time deposits and certificates $100,000 and over	$	6,615

Borrowings

The Bancorp accesses a variety of short-term and long-term funding sources. Borrowings with original maturities of one year or less are classified as short-term and include federal funds purchased and other short-term borrowings. As of June 30, 2018, average total borrowings as a percent of average interest-bearing liabilities were 20% compared to 21% at December 31, 2017.

The following table summarizes the end of period components of borrowings:

TABLE 23: Components of Borrowings

As of ($ in millions)	**June 30, 2018**	December 31, 2017

Federal funds purchased	$	**597**	174
Other short-term borrowings		**1,763**	4,012
Long-term debt		**14,321**	14,904
Total borrowings	$	**16,681**	19,090

Total borrowings decreased $2.4 billion, or 13%, from December 31, 2017 primarily due to a decrease in other short-term borrowings. Other short-term borrowings decreased $2.2 billion from December 31, 2017 driven by a decrease in FHLB advances. The level of other short-term borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. For further information on the components of other short-term borrowings, refer to Note 12 of the Notes to Condensed Consolidated Financial Statements. Long-term debt decreased $583 million from December 31, 2017 primarily driven by the maturity of $600 million of unsecured senior bank notes and $500 million of unsecured subordinated debt, $264 million of paydowns on long-term debt associated with automobile loan securitizations and $86 million of fair value adjustments associated with interest rate swaps hedging long-term debt during the six months ended June 30, 2018. These decreases were partially offset by the issuance of $650 million of unsecured fixed-rate senior notes and $250 million of unsecured floating-rate senior notes since December 31, 2017. For additional information regarding the long-term debt issuance, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements.

The following table summarizes components of average borrowings for the three months ended:

TABLE 24: Components of Average Borrowings

($ in millions)		**June 30, 2018**	June 30, 2017
Federal funds purchased	$	**1,080**	311
Other short-term borrowings		**2,452**	4,194
Long-term debt		**14,579**	13,273
Total average borrowings	$	**18,111**	17,778

Total average borrowings increased $333 million, or 2%, compared to June 30, 2017, due to increases in average long-term debt and average federal funds purchased partially offset by decreases in other short-term borrowings. Average long-term debt increased $1.3 billion compared to June 30, 2017. The increase was primarily driven by the issuance of $1.1 billion and $650 million of unsecured senior bank notes during the fourth quarter of 2017 and the first quarter of 2018, respectively, partially offset by the maturity of $500 million of unsecured subordinated debt during the second quarter of 2018. Average federal funds purchased increased $769 million due to additional borrowings. Average other short-term borrowings decreased $1.7 billion compared to June 30, 2017, primarily driven by the decrease in FHLB advances. Information on the average rates paid on borrowings is discussed in the Net Interest Income subsection of the Statements of Income Analysis section of MD&A. In addition, refer to the Liquidity Risk Management subsection of the Risk Management section of MD&A for a discussion on the role of borrowings in the Bancorp s liquidity management.

BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management. Additional 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 and businesses change.

The Bancorp manages interest rate risk centrally at the corporate level. By employing an FTP methodology, the business segments are insulated from most benchmark interest rate volatility, enabling them to focus on serving customers through the origination of loans and acceptance of deposits. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities, respectively, based on the estimated amount and timing of the cash flows for each transaction. Assigning the FTP rate based on matching the duration of cash flows allocates interest income and interest expense to each business segment so its resulting net interest income is insulated from future changes in benchmark interest rates. The Bancorp s FTP methodology also allocates the contribution to net interest income of the asset-generating and deposit-providing businesses on a duration-adjusted basis to better attribute the driver of the performance. As the asset and liability durations are not perfectly matched, the residual impact of the FTP methodology is captured in General Corporate and Other. The charge and credit rates are determined using the FTP rate curve, which is based on an estimate of Fifth Third s marginal borrowing cost in the wholesale funding markets. The FTP curve is constructed using the U.S. swap curve, brokered CD pricing and unsecured debt pricing.

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 behavioral assumptions, such as prepayment rates on interest-earning assets and the estimated durations for indeterminate-lived deposits. Key assumptions, including the credit rates provided for deposit accounts, are reviewed annually. Credit rates for deposit products and charge rates for loan products may be reset more frequently in response to changes in market conditions. The credit rates for several deposit products were reset January 1, 2018 to reflect the current market rates and updated market assumptions. These rates were generally higher than those in place during 2017, thus net interest income for deposit-providing business segments was positively impacted during 2018. FTP charge rates on assets were affected by the prevailing level of interest rates and by the duration and repricing characteristics of the portfolio. As overall market rates increased, the FTP charge increased for asset-generating business segments during 2018.

The Bancorp s methodology for allocating provision for loan and lease losses expense to the business segments includes charges or benefits associated with changes in criticized commercial loan levels in addition to actual net charge-offs experienced by the loans and leases owned by each business segment. Provision for loan and lease losses expense attributable to loan and lease growth and changes in ALLL factors is captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Additionally, the business segments form synergies by taking advantage of cross-sell opportunities and funding operations by accessing the capital markets as a collective unit.

The results of operations and financial position for the three and six months ended June 30, 2017 were adjusted to reflect changes in internal expense allocation methodologies.

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

TABLE 25: Net Income (Loss) by Business Segment

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2018**	2017	**2018**	2017
Income Statement Data					
Commercial Banking	$	**289**	237	**547**	453
Branch Banking		**147**	111	**282**	215
Consumer Lending		**(3)**	3	**(14)**	1
Wealth and Asset Management		**33**	17	**44**	33
General Corporate and Other		**120**	(1)	**431**	(30)
Net income	$	**586**	367	**1,290**	672

Table of Contents

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

Commercial Banking

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

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

TABLE 26: Commercial Banking

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2018**	2017	**2018**	2017
Income Statement Data					
Net interest income (FTE)[(a)]	$	**431**	421	**853**	851
(Benefit from) provision for loan and lease losses		**(10)**	22	**(29)**	29
Noninterest income:					
Corporate banking revenue		**119**	100	**205**	173
Service charges on deposits		**70**	73	**139**	146
Other noninterest income		**40**	55	**103**	110
Noninterest expense:					
Personnel costs		**80**	69	**168**	154
Other noninterest expense		**278**	261	**575**	535
Income before income taxes (FTE)		**312**	297	**586**	562
Applicable income tax expense[(a)(b)]		**23**	60	**39**	109
Net income	$	**289**	237	**547**	453
Average Balance Sheet Data					
Commercial loans and leases, including held for sale	$	**54,267**	53,747	**54,110**	53,703
Demand deposits		**16,593**	19,227	**17,358**	19,555
Interest checking deposits		**11,099**	8,821	**10,689**	9,030
Savings and money market deposits		**4,663**	5,533	**4,554**	5,942
Other time deposits and certificates $100,000 and over		**329**	927	**469**	947
Foreign office deposits		**370**	379	**431**	391

*(a) Includes FTE adjustments of **$4** and $6 for the three months ended **June 30, 2018** and 2017, respectively, and **$7** and $12 for the six months ended **June 30, 2018** and 2017, respectively. This is a non-GAAP measure.*

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

Net income was $289 million for the three months ended June 30, 2018 compared to net income of $237 million for the three months ended June 30, 2017. Net income was $547 million for the six months ended June 30, 2018 compared to net income of $453 million for the six months ended June 30, 2017. The increase for both periods was driven by decreases in the provision for loan and lease losses and increases in net interest income on an FTE basis and noninterest income partially offset by increases in noninterest expense.

Net interest income on an FTE basis increased $10 million and $2 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily driven by increases in yields on average commercial loans and leases and increases in FTP credits on interest checking deposits due to an increase in FTP credit rates. These increases were partially offset by increases in FTP charge rates on loans and leases and increases in the rates paid on core deposits.

Provision for loan and lease losses decreased $32 million and $58 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily driven by decreases in criticized asset levels partially offset by increases in net charge-offs. Net charge-offs as a percent of average portfolio loans and leases increased to 33 bps and 23 bps for the three and six months ended June 30, 2018 compared to 14 bps and 20 bps for the same periods in the prior year.

Noninterest income increased $1 million and $18 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in corporate banking revenue partially offset by decreases in other noninterest income and service charges on deposits. Corporate banking revenue increased $19 million for the three months ended June 30, 2018 compared to the same period in the prior year driven by increases in institutional sales revenue, contract revenue from commercial customer derivatives and foreign exchange fees partially offset by letter of credit fees. Corporate banking revenue increased $32 million for the six months ended June 30, 2018 compared to the same period in the prior year driven by increases in lease remarketing fees, institutional sales revenue, contract revenue from commercial customer derivatives and foreign exchange fees partially offset by decreases in business lending fees and letter of credit fees. The increase in lease remarketing fees for the six months ended June 30, 2018 included the impact of a $31 million impairment charge related to certain operating lease assets that was recognized during the first quarter of 2017. Other noninterest income decreased $15 million and $7 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year driven by decreases in private equity investment income. Additionally, service charges on deposits decreased $3 million and $7 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year.

Table of Contents

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

Noninterest expense increased $28 million and $54 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year as a result of increases in other noninterest expense and personnel costs. Other noninterest expense increased $17 million and $40 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in corporate overhead allocations and impairment on affordable housing investments. Personnel costs increased $11 million and $14 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year due to increased incentive compensation and base compensation.

Average commercial loans and leases increased $520 million and $407 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by decreases in average commercial mortgage loans. Average commercial and industrial loans increased $586 million and $210 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year as a result of an increase in new loan originations as well as a decrease in payoffs. Average commercial construction loans increased $421 million and $558 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to an increase in demand and draw levels on existing commitments. Average commercial mortgage loans decreased $288 million and $289 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Average core deposits decreased $1.2 billion and $1.9 billion for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The decrease for the three and six months ended June 30, 2018 was driven by decreases in average demand deposits of $2.6 billion and $2.2 billion, respectively, and average savings and money market deposits of $870 million and $1.4 billion, respectively, compared to the same periods in the prior year primarily due to lower average balances per account. These decreases were partially offset by increases in average interest checking deposits of $2.3 billion and $1.7 billion for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to balance migration from demand deposit accounts and increases in average balances per account.

Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,158 full-service banking centers. Branch Banking offers depository and loan products, such as checking and savings accounts, home equity loans and lines of credit, credit cards and loans for automobiles and other personal financing needs, as well as products designed to meet the specific needs of small businesses, including cash management services.

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

TABLE 27: Branch Banking

($ in millions)		For the three months ended June 30, 2018	2017	For the six months ended June 30, 2018	2017
Income Statement Data					
Net interest income	$	**499**	437	**965**	867
Provision for loan and lease losses		**47**	39	**90**	80
Noninterest income:					
Service charges on deposits		**67**	66	**134**	130
Card and processing revenue		**69**	64	**133**	122
Wealth and asset management revenue		**37**	35	**74**	71
Other noninterest income		**(6)**	24	**12**	51
Noninterest expense:					
Personnel costs		**137**	130	**273**	261
Net occupancy and equipment expense		**56**	56	**113**	116
Card and processing expense		**30**	33	**59**	62
Other noninterest expense		**209**	197	**426**	390
Income before income taxes		**187**	171	**357**	332
Applicable income tax expense		**40**	60	**75**	117
Net income	$	**147**	111	**282**	215
Average Balance Sheet Data					
Consumer loans	$	**12,873**	12,966	**12,953**	13,069
Commercial loans		**1,910**	1,942	**1,891**	1,934
Demand deposits		**14,467**	13,980	**14,262**	13,820
Interest checking deposits		**10,318**	10,304	**10,317**	10,233
Savings and money market deposits		**29,551**	27,778	**28,993**	27,472
Other time deposits and certificates $100,000 and over		**5,236**	4,945	**5,135**	4,992

Net income was $147 million for the three months ended June 30, 2018 compared to net income of $111 million for the three months ended June 30, 2017. Net income was $282 million for the six months ended June 30, 2018 compared to $215 million for the six months ended June 30, 2017. The increase for both periods was driven by increases in net interest income partially offset by decreases in noninterest income and increases in noninterest expense and provision for loan and lease losses.

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

Net interest income increased $62 million and $98 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The increase in net interest income for both periods was primarily due to increases in FTP credit rates on core deposits as well as increases in interest income on other consumer loans driven by higher average balances. These benefits were partially offset by increases in FTP charge rates on loans and leases and increases in the rates paid on money market deposits. Additionally, for the six months ended June 30, 2018, the increase in net income interest was partially offset by the impact of a $12 million benefit in the first quarter of 2017 related to a revised estimate of refunds to be offered to certain bankcard customers.

Provision for loan and lease losses increased $8 million and $10 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in net charge-offs on credit card as well as the negative impact from higher criticized asset levels. Net charge-offs as a percent of average portfolio loans and leases increased to 112 bps and 117 bps for the three and six months ended June 30, 2018, respectively, compared to 104 bps and 106 bps for the three and six months ended June 30, 2017, respectively.

Noninterest income decreased $22 million and $21 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to decreases in other noninterest income partially offset by increases in card and processing revenue. Other noninterest income decreased $30 million and $39 million for the three and six months ended June 30, 2018, respectively, compared to the same period in the prior year primarily due to the impact of impairment on bank premises and equipment. Card and processing revenue increased $5 million and $11 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily driven by an increase in the number of actively used cards and customer spend volume.

Noninterest expense increased $16 million and $42 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in other noninterest expense and personnel expense. Other noninterest expense increased $12 million and $36 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in corporate overhead allocations, marketing expense and loan and lease expense. Personnel expense increased $7 million and $12 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to higher base compensation.

Average consumer loans decreased $93 million and $116 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily driven by decreases in average home equity loans of $560 million and $546 million for the three and six months ended June 30, 2018, respectively, and decreases in average residential mortgage loans of $321 million and $320 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production. The decrease for both periods was partially offset by increases in average other consumer loans of $944 million and $918 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to growth in point-of-sale loan originations.

Average core deposits increased $2.6 billion and $2.2 billion for the three and six months ended June 30, 2018 compared to the same periods in the prior year. The increase for both periods was primarily driven by growth in average savings and money market deposits of $1.8 billion and $1.5 billion and growth in average demand deposits of $487 million and $442 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in average balances per customer account and the acquisition of new customers.

Consumer Lending

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

Table of Contents

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 28: Consumer Lending

		For the three months ended June 30,		For the six months ended June 30,	
($ in millions)		**2018**	2017	**2018**	2017
Income Statement Data					
Net interest income	$	**59**	59	**118**	120
Provision for loan and lease losses		**8**	7	**20**	22
Noninterest income:					
Mortgage banking net revenue		**52**	54	**106**	105
Other noninterest income		**-**	8	**(10)**	11
Noninterest expense:					
Personnel costs		**52**	50	**102**	97
Other noninterest expense		**55**	59	**109**	116
(Loss) income before income taxes		**(4)**	5	**(17)**	1
Applicable income tax (benefit) expense		**(1)**	2	**(3)**	-
Net (loss) income	$	**(3)**	3	**(14)**	1
Average Balance Sheet Data					
Residential mortgage loans, including held for sale	$	**11,838**	11,429	**11,758**	11,296
Home equity		**249**	301	**254**	307
Automobile loans		**8,638**	8,921	**8,670**	9,080

Consumer Lending incurred a net loss of $3 million for the three months ended June 30, 2018 compared to net income of $3 million for the three months ended June 30, 2017. Consumer Lending incurred a net loss of $14 million for the six months ended June 30, 2018 compared to net income of $1 million for the six months ended June 30, 2017. The decrease for both periods was driven by decreases in noninterest income partially offset by decreases in the noninterest expense.

Provision for loan and lease losses increased $1 million and decreased $2 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. Net charge-offs as a percent of average portfolio loans and leases increased to 16 bps for the three months ended June 30, 2018 compared to 14 bps for the same period in the prior year and decreased to 20 bps for the six months ended June 30, 2018 compared to 22 bps for the same period in the prior year.

Noninterest income decreased $10 million and $20 million for the three and six months ended June 30, 2018, respectively, compared to the same period in the prior year driven by decreases in other noninterest income. Other noninterest income decreased $8 million and $21 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in losses on securities related to non-qualifying hedges on MSRs resulting from increased interest rates.

Noninterest expense decreased $2 million for both the three and six months ended June 30, 2018 compared to the same periods in prior year driven by decreases in other noninterest expense partially offset by increases in personnel expense. Other noninterest expense decreased $4 million and $7 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in prior year primarily due to decreases in operational losses. Personnel expense increased $2 million and $5 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in prior year primarily due to increases in base compensation.

Average consumer loans increased $74 million and decreased $1 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. Average automobile loans decreased $283 million and $410 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production due to a strategic shift focusing on improving risk-adjusted returns. Average residential mortgage loans increased $409 million and $462 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily driven by the continued retention of certain agency conforming ARMs and certain other fixed-rate loans.

Wealth and Asset Management

Wealth and Asset Management provides a full range of investment alternatives for individuals, companies and not-for-profit organizations. Wealth and Asset Management is made up of five main businesses: FTS; ClearArc Capital, Inc.; Fifth Third Insurance Agency, Inc.; Fifth Third Private Bank; and Fifth Third Institutional Services. FTS offers full service retail brokerage services to individual clients and broker-dealer services to the institutional marketplace. ClearArc Capital, Inc. provides asset management services. Fifth Third Insurance Agency, Inc. assists clients with their financial and risk management needs. 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.

Table of Contents

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

The following table contains selected financial data for the Wealth and Asset Management segment:

TABLE 29: Wealth and Asset Management

($ in millions)		For the three months ended June 30, 2018	2017	For the six months ended June 30, 2018	2017
Income Statement Data					
Net interest income	$	**45**	37	**88**	75
Provision for (benefit from) loan and lease losses		**(11)**	(1)	**5**	3
Noninterest income:					
Wealth and asset management revenue		**104**	100	**214**	205
Other noninterest income		**5**	1	**13**	4
Noninterest expense:					
Personnel costs		**50**	44	**104**	92
Other noninterest expense		**73**	69	**150**	139
Income before income taxes		**42**	26	**56**	50
Applicable income tax expense		**9**	9	**12**	17
Net income	$	**33**	17	**44**	33
Average Balance Sheet Data					
Loans and leases, including held for sale	$	**3,446**	3,266	**3,391**	3,252
Core deposits		**9,124**	8,577	**9,386**	8,810

Net income was $33 million for the three months ended June 30, 2018 compared to net income of $17 million for the three months ended June 30, 2017. Net income was $44 million for the six months ended June 30, 2018 compared to $33 million for the six months ended June 30, 2017. The increases for both periods were driven primarily by increases in net interest income and noninterest income partially offset by increases in noninterest expense. Additionally, net income for the three months ended June 30, 2018 was positively impacted by the decrease in provision for loan and lease losses compared to the same period in the prior year.

Net interest income increased $8 million and $13 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in FTP credit rates on interest checking deposits and money market deposits as well as increases in yields on average loans and leases. These positive impacts were partially offset by increases in the rates paid on interest checking deposits as well as an increase in FTP charge rates on loans and leases.

Provision for loan and lease losses decreased $10 million for the three months ended June 30, 2018 compared to the same period in the prior year driven by the impact of the benefit of lower criticized assets. Provision for loan and lease losses increased $2 million for the six months ended June 30, 2018 compared to the same period in the prior year driven by an increase in net charge-offs partially offset by the impact of the benefit of lower criticized assets.

Noninterest income increased $8 million and $18 million for the three and six months ended June 30, 2018 compared to the same periods in the prior year driven by increases in wealth and asset management revenue and other noninterest income. Wealth and asset management revenue increased $4 million and $9 million for the three and six months ended June 30, 2018 compared to the same periods in the prior year primarily due to increases in private client service fees driven by an increase in assets under management as a result of strong market performance and increased asset production. Other noninterest income increased $4 million and $9 million for the three and six months ended June 30, 2018 compared to the same periods in the prior year due to increases in insurance income as a result of acquisitions in 2017.

Noninterest expense increased $10 million and $23 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. Personnel costs increased $6 million and $12 million for the three and six months ended June 30, 2018 compared to the same periods in the prior year driven by an increase in base compensation and incentive compensation as a result of the aforementioned acquisitions in 2017. Other noninterest expense increased $4 million and $11 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily driven by increases in corporate overhead allocations.

Average loans and leases increased $180 million and $139 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year driven by increases in average residential mortgage loans due to increases in new loan origination activity. These increases were partially offset by a decline in average home equity balances.

Average core deposits increased $547 million and $576 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily due to increases in average interest checking deposits.

General Corporate and Other

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

Net interest income decreased $1 million for the three months ended June 30, 2018 compared to the same period in the prior year driven by increases in FTP credit rates on deposits allocated to the business segments and increases in interest expense for long-term debt and federal funds purchased. The decrease for the three months ended June 30, 2018 was partially offset by an increase in the benefit related to the FTP charges on loans and leases as well as an increase in interest income on taxable securities.

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

Net interest income increased $28 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily driven by an increase in the benefit related to the FTP charges on loans and leases as well as an increase in interest income on taxable securities. The increase for the six months ended June 30, 2018 was partially offset by increases in FTP credit rates on deposits allocated to the business segments and an increase in interest expense on long-term debt and federal funds purchased.

The provision for loan and lease losses increased $14 million for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to the decrease in the allocation of provision expense to the business segments driven by a decrease in commercial criticized assets. The provision for loan and lease losses decreased $22 million for the six months ended June 30, 2018 compared to the same period in the prior year primarily due to the benefit from the reduction of the ALLL.

Noninterest income increased $203 million and $572 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year primarily driven by the recognition of a $205 million gain on the sale of Worldpay, Inc. shares during the second quarter of 2018. The increase during the six months ended June 30, 2018 also included a $414 million gain related to Vantiv, Inc. s acquisition of Worldpay Group plc. during the first quarter of 2018. Both periods were negatively impacted by an increase in the negative valuation adjustments related to the Visa total return swap which were $10 million and $49 million for the three and six months ended June 30, 2018, respectively, compared with $9 million and $22 million for the same periods in the prior year. Additionally, equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $12 million and $25 million compared to the three and six months ended June 30, 2017, respectively, primarily due to a decrease in the Bancorp s ownership percentage in Vantiv Holding, LLC and the impact of Worldpay, Inc. s acquisition and integration costs.

Noninterest expense increased $29 million and $25 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year. The increase for both periods was primarily due to increases in personnel costs and technology and communications expense partially offset by increases in corporate overhead allocations from General Corporate and Other to the other business segments and decreases in the provision for the reserve for unfunded commitments. Additionally, both periods included an increase of $10 million in donations expense compared to the same period in the prior year as a result of a contribution to the Fifth Third Foundation in the second quarter of 2018.

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

RISK MANAGEMENT   OVERVIEW

Risk management is critical for effectively serving customers   financial needs while protecting the Bancorp and achieving strategic goals. It is also essential to reducing the volatility of earnings and safeguarding our brand and reputation. Further, risk management is integral to the Bancorp s strategic and capital planning processes. It is essential that the Bancorp s business strategies consistently align to its overall risk appetite and capital considerations. Maintaining risks within the Bancorp s risk appetite requires that risks are understood by all employees across the enterprise, and appropriate risk mitigants and controls are in place to limit risk to within the risk appetite. To achieve this, the Bancorp implements a framework for managing risk that encompasses business as usual activities and the utilization of a risk process for identifying, assessing, managing, monitoring and reporting risks.

Fifth Third uses a structure consisting of three lines of defense in order to clarify the roles and responsibilities for effective risk management.

The risk taking functions within the lines of business comprise the first line of defense. The first line of defense originates risk through normal business as usual activities; therefore, it is essential that they monitor, assess and manage the risks being taken, implement controls necessary to mitigate those risks and take responsibility for managing their business within the Bancorp s risk appetite.

Control functions, such as the Risk Management organization, are the second line of defense and are responsible for providing challenge, oversight and governance of activities performed by the first line.

The Audit division is the third line of defense and provides an independent assessment of the Bancorp s internal control structure and related systems and processes. The Credit Risk Review division provides an independent assessment of credit risk, which includes evaluating the sufficiency of underwriting, documentation and approval processes for consumer and commercial credits, the accuracy of risk grades assigned to commercial credit exposure, nonaccrual status, specific reserves and monitoring for charge-offs.

Fifth Third s core values and culture provide a foundation for supporting sound risk management practices by setting expectations for appropriate conduct and accountability across the organization.

All employees are expected to conduct themselves in alignment with Fifth Third s core values and Code of Business Conduct & Ethics, which may be found on www.53.com, while carrying out their responsibilities. Fifth Third s Corporate Responsibility and Reputation Committee provides oversight of business conduct policies, programs and strategies and monitors reporting of potential misconduct, trends or themes across the enterprise. Prudent risk management is a responsibility that is expected from all employees across the first, second and third lines of defense and is a foundational element of Fifth Third s culture.

Below are the Bancorp s core principles of risk management that are used to ensure the Bancorp is operating in a safe and sound manner:

- Understand the risks taken as a necessary part of business; however, the Bancorp ensures risks taken are in alignment with its strategy and risk appetite.
- Provide transparency and escalate risks and issues as necessary.
- Ensure Fifth Third s products and services are designed, delivered and maintained to provide value and benefit to its customers and to Fifth Third, and that potential opportunities remain aligned to the core customer base.
- Avoid risks that cannot be understood, managed and monitored.
- Act with integrity in all activities.
- Focus on providing operational excellence by providing reliable, accurate and efficient services to meet customer s needs.
- Maintain a strong financial position to ensure that the Bancorp meets its strategic objectives through all economic cycles and is able to access the capital markets at all times, even under stressed conditions.
- Protect the Bancorp s reputation by thoroughly understanding the consequences of business strategies, products and processes.
- Conduct business in compliance with all applicable laws, rules and regulations and in alignment with internal policies and procedures.

Fifth Third s success is dependent on effective risk management and understanding and controlling the risks taken in order to deliver sustainable returns for employees and shareholders. The Bancorp s goal is to ensure that aggregate risks do not exceed its risk capacity, and that risks taken are supportive of the Bancorp s portfolio diversification and profitability objectives.

Fifth Third s Risk Management Framework states its risk appetite and the linkage to strategic and capital planning, defines and sets the tolerance for each of the eight risk types, explains the process used to manage risk across the enterprise and sets forth its risk governance structure.

- The Board of Directors (the Board) and executive management define the risk appetite, which is considered in the development of business strategies, and forms the basis for enterprise risk management. The Bancorp s risk appetite is set annually in alignment with the strategic, capital and financial plans, and is reviewed by the Board on an annual basis.
- The Risk Management Process provides a consistent and integrated approach for managing risks and ensuring appropriate risk mitigants and controls are in place, and risks and issues are appropriately escalated. Five components are utilized for effective risk management; identifying, assessing, managing, monitoring and reporting risks.
- The Board and executive management have identified eight risk types for monitoring the overall risk of the Bancorp; Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Regulatory Compliance Risk, Legal Risk, Reputation Risk and Strategic Risk, and have also qualitatively established a risk tolerance, which is defined as the maximum amount of risk the Bancorp is willing to take for each of the eight risk types. These risk types are assessed on an ongoing basis and reported to the board each quarter, or more frequently, if necessary. In addition, each business and operational function (first line of defense) is accountable for proactively identifying and managing risk using its risk management process. Risk tolerances and risk limits are also established, where appropriate, in order to ensure that businesses and operational functions across the enterprise are able to monitor and manage risks at a more granular level, while ensuring that aggregate risks across the enterprise do not exceed the overall risk appetite.

Table of Contents

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

The Bancorp s risk governance structure includes management committees operating under delegation from, and providing information directly or indirectly to, the Board. The Bancorp Board delegates certain responsibilities to Board sub-committees, including the RCC as outlined in each respective Committee Charter, which may be found on www.53.com. The ERMC, which reports to the RCC, comprises senior management from across the Bancorp and reviews and approves risk management frameworks and policies, oversees the management of all risk types to ensure that aggregated risks remain within the Bancorp s risk appetite and fosters a risk culture to ensure appropriate escalation and transparency of risks.

CREDIT RISK MANAGEMENT

The objective of the Bancorp s credit risk management strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bancorp. The Bancorp s credit risk management strategy is based on three core principles: conservatism, diversification and monitoring. The Bancorp believes that effective credit risk management begins with conservative lending practices which are described below. These practices include the use of intentional risk-based limits for single name exposures and counterparty selection criteria designed to reduce or eliminate exposure to borrowers who have higher than average default risk and defined weaknesses in financial performance. The Bancorp carefully designed and monitors underwriting, documentation and collection standards. The Bancorp s credit risk management strategy also emphasizes diversification on a geographic, industry and customer level as well as ongoing portfolio monitoring and timely management reviews of large credit exposures and credits experiencing deterioration of credit quality. Credit officers with the authority to extend credit are delegated specific authority amounts, the utilization of which is closely monitored. Underwriting activities are centrally managed, and ERM manages the policy and the authority delegation process directly. The Credit Risk Review function provides independent and objective assessments of the quality of underwriting and documentation, the accuracy of risk grades and the charge-off, nonaccrual and reserve analysis process. The Bancorp s credit review process and overall assessment of the adequacy of the allowance for credit losses is based on quarterly assessments of the probable estimated losses inherent in the loan and lease portfolio. The Bancorp uses these assessments to promptly identify potential problem loans or leases within the portfolio, maintain an adequate allowance for credit losses and take any necessary charge-offs. The Bancorp defines potential problem loans and leases as those rated substandard that do not meet the definition of a nonaccrual loan or a restructured loan. Refer to Note 6 of the Notes to Condensed Consolidated Financial Statements for further information on the Bancorp s credit grade categories, which are derived from standard regulatory rating definitions. In addition, stress testing is performed on various commercial and consumer portfolios using the CCAR model and for certain portfolios, such as real estate and leveraged lending, the stress testing is performed by Credit department personnel at the individual loan level during credit underwriting.

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

TABLE 30: Potential Problem Portfolio Loans and Leases

As of June 30, 2018 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure

Commercial and industrial loans	**$**	**590**	**591**	**845**
Commercial mortgage loans		**129**	**129**	**130**
Commercial leases		**57**	**57**	**57**
Total potential problem portfolio loans and leases	**$**	**776**	**777**	**1,032**

TABLE 31: Potential Problem Portfolio Loans and Leases

As of December 31, 2017 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	$	911	912	1,370
Commercial mortgage loans		138	138	138
Commercial leases		70	70	70
Total potential problem portfolio loans and leases	$	1,119	1,120	1,578

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 allowance for credit loss analysis purposes encompasses ten categories. The Bancorp also maintains a dual risk rating system for credit approval and pricing, portfolio monitoring and capital allocation that includes a through-the-cycle rating philosophy for assessing a borrower s creditworthiness. A through-the-cycle rating philosophy uses a grading scale that assigns ratings based on average default rates through an entire business cycle for borrowers with similar financial performance. The dual risk rating system includes thirteen probabilities of default grade categories and an additional eleven grade categories for estimating losses given an event of default. The probability of default and loss given default evaluations are not separated in the ten-category risk rating system. The Bancorp has completed significant validation and testing of the dual risk rating system as a commercial credit risk management tool. The Bancorp is assessing the necessary modifications to the dual risk rating system outputs to develop a U.S. GAAP compliant ALLL model and will evaluate the use of modified dual risk ratings for purposes of determining the Bancorp s ALLL as part of the Bancorp s adoption of ASU 2016-13 *Measurement of Credit Losses on Financial Instruments*, which will be effective for the Bancorp on January 1, 2020. Scoring systems, various analytical tools and portfolio performance monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

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

Overview

Inflationary expectations by market professionals continue with increasing focus on wages, interest rates, input costs, tariffs, trade negotiations and foreign exchange. In light of higher inflationary expectations and a strong employment outlook, the FOMC enacted a 25 bp increase in the target rate for Federal Funds target rate in June 2018 and indicated a positive outlook on the economy. The Federal Reserve median forecast for change in 2018 real GDP was raised to 2.8%.

The TCJA was enacted at a point in the cycle where the economy appeared to be growing, the unemployment rate was low and market professionals believed that it was likely to continue falling and there was increasing confidence in the market that inflation may move to 2% over the medium term.

The Bancorp maintains a focus on commercial real estate exposure. Market data and vacancies remain positive; however credit markets in commercial real estate are becoming more selective around certain asset types and geographies. The Bancorp is also monitoring potential increased risks in the Retail sector as a result of changes in distribution models with increasing levels of online purchasing and recent weakness in certain specialty retailers.

Commercial Portfolio

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

The Bancorp provides loans to a variety of customers ranging from large multi-national firms to middle market businesses, sole proprietors and high net worth individuals. The origination policies for commercial and industrial loans outline the risks and underwriting requirements for loans to businesses in various industries. Included in the policies are maturity and amortization terms, collateral and leverage requirements, cash flow coverage measures and hold limits. The Bancorp aligns credit and sales teams with specific industry expertise to better monitor and manage different industry segments of the portfolio.

The origination policies for commercial real estate outline the risks and underwriting requirements for owner and nonowner-occupied and construction lending. Included in the policies are maturity and amortization terms, maximum LTVs, minimum debt service coverage ratios, construction loan monitoring procedures, appraisal requirements, pre-leasing requirements (as applicable), sensitivity and pro-forma analysis requirements and interest rate sensitivity. The Bancorp requires a valuation of real estate collateral, which may include third-party appraisals, be performed at the time of origination and renewal in accordance with regulatory requirements and on an as-needed basis when market conditions justify. Although the Bancorp does not back test these collateral value assumptions, the Bancorp maintains an appraisal review department to order and review third-party appraisals in accordance with regulatory requirements. Collateral values on criticized assets with relationships exceeding $1 million are reviewed quarterly to assess the appropriateness of the value ascribed in the assessment of charge-offs and specific reserves.

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

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

As of June 30, 2018 ($ in millions)		LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$**	**111**	**177**	**2,213**
Commercial mortgage nonowner-occupied loans		**15**	**176**	**2,180**
Total	**$**	**126**	**353**	**4,393**

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

As of December 31, 2017 ($ in millions)		LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	$	79	110	2,222
Commercial mortgage nonowner-occupied loans		14	169	2,208
Total	$	93	279	4,430

Table of Contents

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

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

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

	June 30, 2018			December 31, 2017		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Manufacturing	$ **10,155**	**19,284**	**47**	10,044	18,948	74
Real estate	**7,692**	**12,540**	**31**	7,713	12,493	25
Financial services and insurance	**5,895**	**12,309**	**2**	5,792	11,933	1
Healthcare	**4,449**	**6,416**	**34**	4,712	6,486	35
Business services	**4,132**	**6,739**	**31**	4,147	6,512	42
Retail trade	**3,407**	**7,242**	**3**	3,617	7,950	3
Accommodation and food	**3,388**	**5,560**	**33**	3,268	5,321	4
Wholesale trade	**3,276**	**5,387**	**4**	3,017	5,363	6
Communication and information	**2,960**	**5,240**	**6**	3,322	5,308	-
Transportation and warehousing	**2,935**	**4,857**	**49**	3,012	4,621	29
Construction	**2,422**	**4,508**	**2**	2,374	4,449	2
Mining	**1,964**	**3,642**	**50**	1,454	3,001	56
Entertainment and recreation	**1,581**	**3,178**	**1**	1,624	2,911	7
Utilities	**756**	**2,141**	**-**	869	2,333	-
Other services	**750**	**1,010**	**10**	714	1,017	16
Public administration	**443**	**663**	**-**	370	474	-
Agribusiness	**267**	**441**	**2**	304	478	2
Individuals	**29**	**67**	**-**	27	57	-
Other	**2**	**2**	**-**	15	15	4
Total	$ **56,503**	**101,226**	**305**	56,395	99,670	306
By Size:						
Less than $200,000	**1 %**	**1**	**5**	1	1	5
$200,000 - $1 million	**3**	**2**	**6**	3	2	8
$1 million - $5 million	**7**	**6**	**14**	7	6	15
$5 million - $10 million	**6**	**5**	**12**	6	5	10
$10 million - $25 million	**20**	**17**	**54**	21	18	57
Greater than $25 million	**63**	**69**	**9**	62	68	5
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Ohio	**14 %**	**15**	**6**	14	15	7
Florida	**8**	**8**	**12**	8	8	6
Michigan	**7**	**7**	**9**	7	7	13

Illinois	**7**	**6**	**8**	7	6	9
Indiana	**4**	**4**	**9**	4	4	3
Georgia	**4**	**5**	**-**	4	5	2
North Carolina	**3**	**3**	**1**	3	3	1
Tennessee	**3**	**3**	**-**	3	3	8
Kentucky	**2**	**2**	**1**	3	3	1
Other	**48**	**47**	**54**	47	46	50
Total	**100 %**	**100**	**100**	100	100	100

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

33

Table of Contents

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

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

TABLE 35: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)*(a)*

As of June 30, 2018 ($ in millions)						**Net Charge-offs for June 30, 2018**	
		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:							
Ohio	$	**1,604**	**2,013**	**-**	**1**	**-**	**-**
Florida		**1,024**	**1,651**	**-**	**-**	**-**	**-**
Illinois		**693**	**903**	**-**	**-**	**-**	**-**
North Carolina		**683**	**892**	**-**	**-**	**-**	**-**
Michigan		**576**	**738**	**-**	**-**	**1**	**1**
Indiana		**501**	**763**	**-**	**-**	**-**	**-**
All other states		**2,652**	**4,649**	**-**	**2**	**-**	**1**
Total	$	**7,733**	**11,609**	**-**	**3**	**1**	**2**

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

TABLE 36: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)*(a)*

As of June 30, 2017 ($ in millions)						Net Charge-offs for June 30, 2017	
		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:							
Ohio	$	1,562	1,974	-	3	5	8
Florida		949	1,501	-	1	-	-
Illinois		755	1,179	-	-	-	-
North Carolina		581	815	-	-	-	-
Michigan		570	741	-	1	-	-
Indiana		550	955	-	-	-	-
All other states		2,690	4,567	-	4	-	-
Total	$	7,657	11,732	-	9	5	8

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

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

Consumer Portfolio

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

The Bancorp s consumer portfolio is materially comprised of five categories of loans: residential mortgage loans, home equity, automobile loans, credit card and other consumer loans. The Bancorp has identified certain credit characteristics within these five categories of loans which it believes represent a higher level of risk compared to the rest of the consumer loan portfolio. The Bancorp does not update LTV ratios for the consumer portfolio subsequent to origination except as part of the charge-off process for real estate secured loans. Among consumer portfolios, legacy underwritten residential mortgage and brokered home equity portfolios exhibited the most stress during the past credit crisis. As of June 30, 2018, consumer real estate loans, consisting of residential mortgage loans and home equity loans, originated from 2005 through 2008 represent approximately 14% of the consumer real estate portfolio. These loans accounted for 52% of total consumer real estate secured losses for the six months ended June 30, 2018. Current loss rates in the residential mortgage and home equity portfolios are below pre-crisis levels. In addition to the consumer real estate portfolio, credit risk management continues to closely monitor the automobile portfolio performance. The automobile market has exhibited industry-wide gradual loosening of credit standards such as lower FICOs, longer terms and higher LTVs. The Bancorp has adjusted credit standards focused on improving risk-adjusted returns while maintaining credit risk tolerance. The Bancorp actively manages the automobile portfolio through concentration limits, which mitigates credit risk through limiting the exposure to lower FICO scores, higher advance rates and extended term originations.

Residential mortgage portfolio

The Bancorp manages credit risk in the residential mortgage portfolio through underwriting guidelines that limit exposure to higher LTV ratios and lower FICO scores. Additionally, the portfolio is governed by concentration limits that ensure geographic, product and channel diversification. The Bancorp may also package and sell loans in the portfolio.

The Bancorp does not originate mortgage loans that permit customers to defer principal payments or make payments that are less than the accruing interest. The Bancorp originates both fixed-rate and ARM loans. Within the ARM portfolio, approximately $621 million of ARM loans will have rate resets during the next twelve months. Of these resets, 91% are expected to experience an increase in rate, with an average increase of approximately one percent.

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

Portfolio residential mortgage loans from 2010 and later vintages represented 91% of the portfolio as of June 30, 2018 and had a weighted-average LTV of 73% and a weighted-average origination FICO of 760.

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

TABLE 37: Residential Mortgage Portfolio Loans by LTV at Origination

	June 30, 2018		December 31, 2017	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV £ 80%	**$ 11,692**	**66.6 %**	$ 11,767	66.4%
LTV > 80%, with mortgage insurance[(a)]	**1,897**	**94.8**	1,890	94.8
LTV > 80%, no mortgage insurance	**2,051**	**94.7**	1,934	94.7
Total	**$ 15,640**	**74.1 %**	$ 15,591	73.7%

(a) Includes loans with both borrower and lender paid mortgage insurance.

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

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

As of June 30, 2018 ($ in millions)				**Net Charge-offs for June 30, 2018**	
	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:					
Ohio	**$ 456**	**3**	**3**	**-**	**-**
Illinois	**408**	**-**	**2**	**-**	**-**
Florida	**297**	**2**	**3**	**-**	**-**
Michigan	**228**	**1**	**1**	**-**	**-**
Indiana	**154**	**-**	**1**	**-**	**-**
North Carolina	**99**	**-**	**1**	**-**	**-**
Kentucky	**90**	**1**	**-**	**-**	**-**
All other states	**319**	**2**	**1**	**1**	**1**
Total	**$ 2,051**	**9**	**12**	**1**	**1**

Table of Contents

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

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

As of June 30, 2017 ($ in millions)					Net Charge-offs for June 30, 2017	
		Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:						
Ohio	$	561	2	5	1	1
Illinois		511	-	-	-	-
Florida		349	1	2	-	1
Michigan		278	1	1	-	-
Indiana		165	1	1	-	-
North Carolina		117	-	1	-	-
Kentucky		98	1	-	-	-
All other states		398	-	-	-	-
Total	$	2,477	6	10	1	2

Home equity portfolio

The Bancorp s home equity portfolio is primarily comprised of home equity lines of credit. Beginning in the first quarter of 2013, the Bancorp s newly originated home equity lines of credit have a 10-year interest-only draw period followed by a 20-year amortization period. The home equity line of credit previously offered by the Bancorp was a revolving facility with a 20-year term, minimum payments of interest-only and a balloon payment of principal at maturity. Peak maturity years for the balloon home equity lines of credit are 2025 to 2028 and approximately 26% of the balances mature before 2025.

The ALLL provides coverage for probable and estimable losses in the home equity portfolio. The allowance attributable to the portion of the home equity portfolio that has not been restructured in a TDR is calculated on a pooled basis with senior lien and junior lien categories segmented in the determination of the probable credit losses in the home equity portfolio. The modeled loss factor for the home equity portfolio is based on the trailing twelve month historical loss rate for each category, as adjusted for certain prescriptive loss rate factors and certain qualitative adjustment factors to reflect risks associated with current conditions and trends. The prescriptive loss rate factors include adjustments for delinquency trends, LTV trends and refreshed FICO score trends. The qualitative factors include adjustments for changes in policies or procedures in underwriting, monitoring or collections, economic conditions, portfolio mix, lending and risk management personnel, results of internal audit and quality control reviews, collateral values and geographic concentrations. The Bancorp considers home price index trends when determining the collateral value qualitative factor.

The home equity portfolio is managed in two primary groups: loans outstanding with a combined LTV greater than 80% and those loans with a LTV of 80% or less based upon appraisals at origination. For additional information on these loans, refer to Table 41 and Table 42. Of the total $6.6 billion of outstanding home equity loans:

88% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois as of June 30, 2018;

37% are in senior lien positions and 63% are in junior lien positions at June 30, 2018;

81% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended June 30, 2018; and

The portfolio had an average refreshed FICO score of 745 at June 30, 2018.

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

Table of Contents

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

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

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

	June 30, 2018		December 31, 2017	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO £ 659	**$ 231**	**4 %**	$ 246	4 %
FICO 660-719	**330**	**5**	358	5
FICO ³ 720	**1,851**	**28**	1,976	28
Total senior liens	**2,412**	**37**	2,580	37
Junior Liens:				
FICO £ 659	**500**	**7**	541	8
FICO 660-719	**785**	**12**	853	12
FICO ³ 720	**2,902**	**44**	3,040	43
Total junior liens	**4,187**	**63**	4,434	63
Total	**$ 6,599**	**100 %**	$ 7,014	100 %

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

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

	June 30, 2018		December 31, 2017	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
Senior Liens:				
LTV £ 80%	**$ 2,109**	**54.8 %**	$ 2,266	54.9 %
LTV > 80%	**303**	**88.9**	314	88.9
Total senior liens	**2,412**	**59.3**	2,580	59.3
Junior Liens:				
LTV £ 80%	**2,441**	**67.4**	2,603	67.5
LTV > 80%	**1,746**	**90.3**	1,831	90.4
Total junior liens	**4,187**	**78.2**	4,434	78.3
Total	**$ 6,599**	**70.9 %**	$ 7,014	70.9 %

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

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

As of June 30, 2018 ($ in millions)					**Net Charge-offs for June 30, 2018**	
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:						
Ohio	**$ 1,037**	**1,994**	**-**	**8**	**1**	**2**
Michigan	**325**	**531**	**-**	**4**	**-**	**1**
Illinois	**214**	**339**	**-**	**3**	**-**	**1**
Indiana	**143**	**247**	**-**	**3**	**-**	**-**
Kentucky	**130**	**243**	**-**	**2**	**-**	**-**
Florida	**65**	**93**	**-**	**2**	**-**	**-**
All other states	**135**	**202**	**-**	**3**	**-**	**-**
Total	**$ 2,049**	**3,649**	**-**	**25**	**1**	**4**

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

As of June 30, 2017 ($ in millions)					Net Charge-offs for June 30, 2017	
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
By State:						
Ohio	$ 1,031	1,870	-	7	1	2
Michigan	393					