FIFTH THIRD BANCORP
Form 10-Q
August 05, 2015
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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, 2015

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 x No ¨

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

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

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

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

There were 809,289,762 shares of the Registrant s common stock, without par value, outstanding as of July 31, 2015.

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FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, fo projected, intends to, or may include other similar words or phrases such as believes, plans, trend, objective,

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

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Glossary of Abbreviations and Acronyms

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

ARM: Adjustable Rate Mortgage

ASU: Accounting Standards Update

ATM: Automated Teller Machine

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion

bps: Basis Points

CCAR: Comprehensive Capital Analysis and Review

CDC: Fifth Third Community Development Corporation

CET1: Common Equity Tier 1

CFE: Collateralized Financing Entity

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

DCF: Discounted Cash Flow

DFA: Dodd-Frank Act

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

HFS: Held for Sale

HQLA: High Quality Liquid Assets

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London Interbank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

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

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

NM: Not Meaningful

NSFR: Net Stable Funding Ratio

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FHA: Federal Housing Administration

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GNMA: Government National Mortgage Association

GSE: Government Sponsored Enterprise

OAS: Option-Adjusted Spread

OCC: Office of the Comptroller of the Currency

OCI: Other Comprehensive Income

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

SBA: Small Business Administration

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

U.S.: United States of America

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

VA: Department of Veteran Affairs

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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

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

TABLE 1: Selected Financial Data

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions, except for per share data)	**2015**	2014	% Change	**2015**	2014	% Change
Income Statement Data						
Net interest income[(a)]	**$ 892**	905	(1)	**$ 1,744**	1,803	(3)
Noninterest income	**556**	736	(24)	**1,187**	1,300	(9)
Total revenue[(a)]	**1,448**	1,641	(12)	**2,931**	3,103	(6)
Provision for loan and lease losses	**79**	76	4	**148**	146	1
Noninterest expense	**947**	954	(1)	**1,871**	1,903	(2)
Net income attributable to Bancorp	**315**	439	(28)	**676**	756	(11)
Net income available to common shareholders	**292**	416	(30)	**638**	724	(12)
Common Share Data						
Earnings per share, basic	**$ 0.36**	0.49	(27)	**$ 0.78**	0.85	(8)
Earnings per share, diluted	**0.36**	0.49	(27)	**0.77**	0.84	(8)
Cash dividends declared per common share	**0.13**	0.13		**0.26**	0.25	4
Book value per share	**17.62**	16.74	5	**17.62**	16.74	5
Market value per share	**20.82**	21.35	(2)	**20.82**	21.35	(2)
Financial Ratios						
Return on average assets	**0.90 %**	1.34	(33)	**0.98 %**	1.17	(16)
Return on average common equity	**8.1**	11.9	(32)	**8.9**	10.5	(15)
Return on average tangible common equity[(b)]	**9.7**	14.4	(33)	**10.7**	12.7	(16)
Dividend payout ratio	**36.1**	26.5	36	**33.3**	29.4	13
Average total Bancorp shareholders equity as a percent of average assets	**11.32**	11.57	(2)	**11.40**	11.55	(1)
Tangible common equity[(b)]	**8.33**	8.74	(5)	**8.33**	8.74	(5)
Net interest margin[(a)]	**2.90**	3.15	(8)	**2.88**	3.18	(9)
Efficiency[(a)]	**65.4**	58.2	12	**63.8**	61.4	4
Credit Quality						
Net losses charged-off	**$ 86**	101	(15)	**$ 177**	270	(34)
	0.37 %	0.45	(18)	**0.39 %**	0.60	(35)

Net losses charged-off as a percent of average portfolio loans and leases						
ALLL as a percent of portfolio loans and leases	**1.39**	1.61	(14)	**1.39**	1.61	(14)
Allowance for credit losses as a percent of portfolio loans and leases[c]	**1.54**	1.77	(13)	**1.54**	1.77	(13)
Nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO[d]	**0.67**	0.92	(27)	**0.67**	0.92	(27)
Average Balances						
Loans and leases, including held for sale	**$ 92,739**	91,241	2	**$ 92,202**	90,742	2
Total securities and other short-term investments	**30,563**	23,940	28	**29,805**	23,443	27
Total assets	**139,992**	130,965	7	**138,828**	129,953	7
Transaction deposits[e]	**96,460**	89,148	8	**95,322**	88,526	8
Core deposits[f]	**100,534**	92,841	8	**99,370**	92,181	8
Wholesale funding[g]	**18,362**	19,204	(4)	**18,632**	18,726	(1)
Bancorp shareholders equity	**15,841**	15,157	5	**15,831**	15,011	5

	Basel III Transitional[h]	**Basel I[i]**		**Basel III Transitional[h]**	**Basel I[i]**	
Regulatory Capital Ratios						
CET1 capital	**9.42 %**	N/A	NM	**9.42 %**	N/A	NM
Tier I risk-based capital	**10.51**	10.80	NM	**10.51**	10.80	NM
Total risk-based capital	**13.69**	14.30	NM	**13.69**	14.30	NM
Tier I leverage	**9.44**	9.86	NM	**9.44**	9.86	NM

	Basel III Fully Phased-In			**Basel III Fully Phased-In**		
CET1 capital[b]	**9.31**	N/A	NM	**9.31**	N/A	NM

*(a) Amounts presented on an FTE basis. The FTE adjustment for the three months ended **June 30, 2015** and 2014 was **$5** and for the six months ended **June 30, 2015** and 2014 was **$10.***

(b) The return on average tangible common equity, tangible common equity and CET1 capital (fully phased-in) ratios are non-GAAP measures. For further information, see 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) Excludes nonaccrual loans held for sale.

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

(f) Includes transaction deposits plus other time deposits.

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

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

(i) These capital ratios were calculated under the Supervisory Agencies general risk-based capital rules (Basel I) which were in effect prior to January 1, 2015.

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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, 2015, the Bancorp had $141.7 billion in assets, with 1,299 full-service Banking Centers, including 101 Bank Mart® locations open seven days a week inside select grocery stores, and 2,630 ATMs in 12 states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has an approximate 23% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $415 million as of June 30, 2015.

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, 2014. 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 and the efficiency ratio are presented in MD&A on an FTE basis. The FTE basis adjusts for the tax-favored status of income from certain loans and securities held by the Bancorp that are not taxable for federal income tax purposes. The Bancorp believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison between taxable and non-taxable amounts.

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the three months ended June 30, 2015, net interest income on an FTE basis and noninterest income provided 62% and 38% of total revenue, respectively. For the six months ended June 30, 2015, net interest income on an FTE basis and noninterest income provided 60% and 40% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Condensed Consolidated Financial Statements. 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 losses on its loan and lease portfolio, as a result of changing expected cash flows caused by borrower credit events, such as, loan defaults and inadequate collateral due to a weakened economy within the Bancorp s footprint.

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

Branch Consolidation and Sales Plan

The Bancorp monitors changing customer preferences associated with the channels it uses for banking transactions to evaluate the efficiency, competitiveness and quality of the customer service experience in its consumer distribution network. As part of this ongoing assessment, the Bancorp may determine that it is no longer fully committed to maintaining full-service branches at certain of its existing banking center locations. Similarly, the Bancorp may also determine that it is no longer fully committed to building banking centers on certain parcels of land which had previously been held for future branch expansion. On June 16, 2015, the Bancorp s Board of Directors authorized management to pursue a plan to further develop its distribution strategy, including a plan to consolidate and/or sell 105 operating branch locations and to sell an additional 31 parcels of undeveloped land that had been acquired by the Bancorp for future branch expansion.

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. Impairment losses associated with such assessments and lower of cost or market adjustments were $98 million and $102 million for the three and six months ended June 30, 2015, respectively, and $18 million for both the three and six months ended June 30, 2014. The impairment losses were recorded in other noninterest income in the Condensed Consolidated Statements of Income. For more information on the branch consolidation and sales plan, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements.

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

Accelerated Share Repurchase Transactions

During the six months ended June 30, 2015, the Bancorp entered into or settled a number of 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, 2015, 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
October 23, 2014	$ 180	8,337,875	794,245	9,132,120	January 8, 2015
January 27, 2015	180	8,542,713	1,103,744	9,646,457	April 28, 2015
April 30, 2015	155	6,704,835	842,655	7,547,490	July 31, 2015

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

Legislative and Regulatory Developments

On July 21, 2010, the DFA was signed into federal law. This act implements changes to the financial services industry and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The legislation established the CFPB responsible for implementing and enforcing compliance with consumer financial laws, changes the methodology for determining deposit insurance assessments, gives the FRB the ability to regulate and limit interchange rates charged to merchants for the use of debit cards, enacts new limitations on proprietary trading, broadens the scope of derivative instruments subject to regulation, requires on-going stress tests and the submission of annual capital plans for certain organizations, requires changes to rules governing regulatory capital ratios and requires enhanced liquidity standards.

The FRB launched the 2015 capital planning and stress testing program, CCAR, on October 23, 2014. The CCAR program requires BHCs with $50 billion or more of total consolidated assets to submit annual capital plans to the FRB for review and to conduct stress tests under a number of economic scenarios. The capital plan and stress testing results were submitted by the Bancorp to the FRB on January 5, 2015.

In March of 2015, the FRB disclosed its estimates of participating institutions results under the FRB supervisory stress scenario, including capital results, which assume all banks take certain consistently applied future capital actions. In addition, the FRB disclosed its estimates of participating institutions results under the FRB supervisory severe stress

scenarios including capital results based on each company s own base scenario capital actions.

On March 11, 2015, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2015 CCAR. The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning April 1, 2015 and ending June 30, 2016:

- The potential increase in the quarterly common stock dividend to $0.14 per share in 2016;
- The potential repurchase of common shares in an amount up to $765 million;
- The additional ability to repurchase shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock.

For more information on the 2015 CCAR results, refer to the Capital Management section of MD&A.

The BHCs that participated in the 2015 CCAR, including the Bancorp, are required to conduct mid-cycle company-run stress tests using data as of March 31, 2015. The stress tests must be based on three BHC defined scenarios baseline, adverse and severely adverse. The Bancorp submitted the results of its mid-cycle stress test to the FRB by the required July 6, 2015 submission date. For further information on the 2015 mid-cycle stress test, see the Capital Management section of MD&A.

Fifth Third offers qualified deposit customers a deposit advance product if they choose to avail themselves of this product to meet short-term, small-dollar financial needs. In April of 2013, the CFPB issued a White Paper which studied financial services industry offerings and customer use of deposit advance products as well as payday loans and is considering whether rules governing these products are warranted. At the same time, the OCC and FDIC each issued proposed supervisory guidance for public comment to institutions they supervise which supplements existing OCC and FDIC guidance, detailing the principles they expect financial institutions to follow in connection with deposit advance products and supervisory expectations for the use of deposit advance products. The Federal Reserve also issued a statement in April of 2013 to state member banks like Fifth Third for whom the Federal Reserve is the primary regulator. This statement encouraged state member banks to respond to customers small-dollar credit needs in a responsible manner; emphasized that they should take into consideration the risks associated with deposit advance products, including potential consumer harm and potential elevated compliance risk; and reminded them that these product offerings must comply with applicable laws and regulations.

Fifth Third s deposit advance product was designed to fully comply with the applicable federal and state laws and use of this product is subject to strict eligibility requirements and advance restriction guidelines to limit dependency on this product as a borrowing source. The Bancorp s deposit advance balances are included in other consumer loans and leases in the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A and represent substantially all of the revenue reported in interest and fees on other consumer loans and leases in the Bancorp s Condensed Consolidated Statements of Income and in Tables 7 and 8 in the Statements of Income Analysis section of MD&A.

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

On January 17, 2014, given developments in industry practice, Fifth Third announced that it would no longer enroll new customers in its deposit advance product and expected to phase out the service to existing customers by the end of 2014. To avoid a disruption to its existing customers during the extension period while the banking industry awaits further regulatory guidance on the deposit advance product, on November 3, 2014, Fifth Third announced changes to its current deposit advance product for existing customers beginning January 1, 2015, including a lower transaction fee, an extended repayment period and a reduced maximum advance period. The Bancorp is continuing to offer the service to existing deposit advance customers until further regulatory guidance is finalized. The Bancorp currently expects these changes to the deposit advance product to negatively impact net interest income by approximately $95 million in 2015.

In December of 2010 and revised in June of 2011, the BCBS issued Basel III, a global regulatory framework, to enhance international capital standards. In June of 2012, U.S. banking regulators proposed enhancements to the regulatory capital requirements for U.S. banks, which implement aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new CET1 capital ratio. In July of 2013, U.S. banking regulators approved final enhanced regulatory capital requirements (Basel III Final Rule), which included modifications to the proposed rules. The Basel III Final Rule provided for certain banks, including the Bancorp, to opt out of including AOCI in Tier I capital and also retained the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The Basel III Final Rule phases out the inclusion of certain TruPS as a component of Tier I capital. The Bancorp became subject to the Basel III Final Rule on January 1, 2015. The Bancorp made a one-time permanent election not to include AOCI in CET1 capital in the March 31, 2015 FFIEC 031 and FR Y-9C filings. For more information on the impact of the regulatory capital enhancements refer to the Capital Management section of MD&A.

On December 10, 2013, the banking agencies finalized section 619 of the DFA, known as the Volcker Rule, which became effective April 1, 2014. Though the final rule was effective April 1, 2014, the FRB granted the industry an extension of time until July 21, 2015 to conform certain of its activities related to proprietary trading to comply with the Volcker Rule. In addition, the FRB has granted the industry an extension of time until July 21, 2016, and announced its intention to grant a one year extension of the conformance period until July 21, 2017, to conform certain ownership interests in, sponsorship activities of and relationships with private equity or hedge funds as well as holding certain collateralized loan obligations that were in place as of December 31, 2013. It is possible that additional conformance period extensions could be granted either to the entire industry, or, upon request, to requesting banking organizations on a case-by-case basis. The final rule prohibits banks and bank holding companies from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options on these instruments for their own account. The Volcker Rule also restricts banks and their affiliated entities from owning, sponsoring or having certain relationships with private equity and hedge funds, as well as holding certain collateralized loan obligations that are deemed to contain ownership interests. Exemptions are provided for certain activities such as underwriting, market making, hedging, trading in certain government obligations and organizing and offering a hedge fund or private equity fund. Fifth Third does not sponsor any private equity or hedge funds that, under the final rule, it is prohibited from sponsoring. As of June 30, 2015, the Bancorp held no collateralized loan obligations. As of June 30, 2015, the Bancorp had approximately $181 million in interests and approximately $38 million in binding commitments to invest in private equity funds that are affected by the Volcker Rule. It is expected that over time the

Bancorp may need to sell or redeem these investments, however no formal plan to sell has been approved as of June 30, 2015. As a result of the announced conformance period extension, the Bancorp believes it is likely that these investments will be reduced over time in the ordinary course of events before compliance is required.

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

On July 31, 2013, the U.S. District Court for the District of Columbia issued an order granting summary judgment to the plaintiffs in a case challenging certain provisions of the FRB s rule concerning electronic debit card transaction fees and network exclusivity arrangements (the Current Rule) that were adopted to implement Section 1075 of the DFA, known as the Durbin Amendment. The Court held that, in adopting the Current Rule, the FRB violated the Durbin Amendment s provisions concerning which costs are allowed to be taken into account for purposes of setting fees that are reasonable and proportional to the costs incurred by the issuer and therefore the Current Rule s maximum permissible fees were too high. In addition, the Court held that the Current Rule s network non-exclusivity provisions concerning unaffiliated payment networks for debit cards also violated the Durbin Amendment. The Court vacated the Current Rule, but stayed its ruling to provide the FRB an opportunity to replace the invalidated portions. The FRB appealed this decision and on March 21, 2014, the District of Columbia Circuit Court of Appeals reversed the District Court s grant of summary judgment and remanded the case for further proceedings in accordance with its opinion. The merchants have filed a petition for writ of certiorari to the U.S. Supreme Court. However, on January 20, 2015, the U.S. Supreme Court declined to hear an appeal of the Circuit Court reversal, thereby largely upholding the Current Rule and substantially reducing uncertainty surrounding debit card interchange fees the Bancorp is permitted to charge. Refer to the Noninterest Income subsection of the Statements of Income Analysis section of MD&A for further information regarding the Bancorp s debit card interchange revenue.

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

Earnings Summary

The Bancorp s net income available to common shareholders for the second quarter of 2015 was $292 million, or $0.36 per diluted share, which was net of $23 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the second quarter of 2014 was $416 million, or $0.49 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, 2015 was $638 million, or $0.77 per diluted share, which was net of $38 million in preferred stock dividends. For the six months ended June 30, 2014, the Bancorp s net income available to common shareholders was $724 million, or $0.84 per diluted share, which was net of $32 million in preferred stock dividends. Pre-provision net revenue was $496 million and $1.1 billion for the three and six months ended June 30, 2015, respectively, compared to $682 million and $1.2 billion for the same periods in 2014. Pre-provision net revenue is a non-GAAP measure. For further information, see the Non-GAAP Financial Measures section of MD&A.

Net interest income on an FTE basis was $892 million and $1.7 billion for the three and six months ended June 30, 2015, respectively, a decrease of $13 million and $59 million compared to the same periods in the prior year. Net interest income was negatively impacted by lower yields on the Bancorp s interest-earning assets, changes made to the Bancorp s deposit advance product beginning January 1, 2015, and increases in average long-term debt of $1.2 billion and $2.7 billion for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. These negative impacts were partially offset by increases in average taxable securities of $5.6 billion and $4.2 billion for the three and six months ended June 30, 2015, respectively, and increases in average loans and leases of $1.5 billion for both the three and six months ended June 30, 2015 compared to the same periods in the prior year. Net interest margin on an FTE basis was 2.90% and 2.88% for the three and six months ended June 30, 2015, respectively, compared to 3.15% and 3.18% for the three and six months ended June 30, 2014, respectively.

Noninterest income decreased $180 million for the three months ended June 30, 2015 compared to the same period in the prior year primarily due to a decrease in other noninterest income, partially offset by an increase in mortgage banking net revenue. Noninterest income decreased $113 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to decreases in other noninterest income and corporate banking revenue, partially offset by an increase in mortgage banking net revenue. Other noninterest income decreased $225 million and $103 million for the three and six months ended June 30, 2015, respectively compared to the same period in the prior year. The decrease in other noninterest income for both periods was driven by a gain of $125 million on the sale of Vantiv, Inc. shares in the second quarter of 2014. In addition, the three and six months ended June 30, 2015 included impairment losses associated with lower of cost or market adjustments on long-lived assets of $98 million and $102 million, respectively, compared to $18 million for both the three and six months ended June 30, 2014. Mortgage banking net revenue increased $39 million and $16 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to increases in net mortgage servicing revenue. Corporate banking revenue decreased $35 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily driven by impairment charges of $34 million related to certain operating lease equipment that was recognized during the six months ended June 30, 2015.

Noninterest expense decreased $7 million and $32 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to a decrease in other noninterest expense,

partially offset by increases in personnel costs (salaries, wages and incentives plus employee benefits). Total other noninterest expense decreased $29 million for the three months ended June 30, 2015 compared to the same period in the prior year primarily due to decreases in losses and adjustments, partially offset by increases in the provision for the reserve for unfunded commitments and impairment on affordable housing investments. Total other noninterest expense decreased $68 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to decreases in losses and adjustments and FDIC insurance and other taxes, partially offset by a decrease in the benefit from the reserve for unfunded commitments and increases in impairment on affordable housing investments and marketing expense. Total personnel costs increased $14 million and $21 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for both periods was driven by increases in incentive compensation primarily in the mortgage business and base compensation.

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 $79 million and $148 million for the three and six months ended June 30, 2015, respectively, compared to $76 million and $146 million during the same periods in 2014. Net charge-offs as a percent of average portfolio loans and leases decreased to 0.37% during the three months ended June 30, 2015 compared to 0.45% during the same period in the prior year and decreased to 0.39% for the six months ended June 30, 2015 compared to 0.60% for the six months ended June 30, 2014. At June 30, 2015, nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 0.67%, compared to 0.82% at December 31, 2014. For further discussion on credit quality, see the Credit Risk Management section of MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the FRB. As of June 30, 2015, the transitional CET1 capital ratio was 9.42%, the transitional Tier I risk-based capital ratio was 10.51%, the transitional Total risk-based capital ratio was 13.69% and the transitional Tier I leverage ratio was 9.44%.

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

NON-GAAP FINANCIAL MEASURES

The following are non-GAAP measures which are important to the reader of the Condensed Consolidated Financial Statements but should be supplemental to primary GAAP measures. The Bancorp considers many factors when determining the adequacy of its liquidity profile, including its LCR as defined by the U.S. Banking Agencies Basel III LCR final rule. Generally, the LCR is designed to ensure banks maintain an adequate level of unencumbered HQLA to satisfy the estimated net cash outflows under a 30-day stress scenario. The Bancorp will be subject to the Modified LCR whereby the net cash outflow under the 30-day stress scenario is multiplied by a factor of 0.7. The final rule is not effective for the Bancorp until January 1, 2016. The Bancorp believes there is no comparable U.S. GAAP financial measure to LCR. The Bancorp believes providing an estimated Modified LCR is important for comparability to other financial institutions. For a further discussion on liquidity management and the LCR, refer to the Liquidity Risk Management section of MD&A.

TABLE 3: Non-GAAP Financial Measures Liquidity Coverage Ratio

As of ($ in millions)	June 30, 2015
Estimated HQLA	$ 21,715
Estimated net cash outflow	20,089
Estimated Modified LCR	108%

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

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

TABLE 4: Non-GAAP Financial Measures Pre-Provision Net Revenue

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Net interest income (U.S. GAAP)	**$ 887**	900	**1,734**	1,793
Add: Noninterest income	**556**	736	**1,187**	1,300
Less: Noninterest expense	**(947)**	(954)	**(1,871)**	(1,903)
Pre-provision net revenue	**$ 496**	682	**1,050**	1,190

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

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

TABLE 5: 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)	**2015**	2014	**2015**	2014
Net income available to common shareholders (U.S. GAAP)	**$ 292**	416	**638**	724
Add: Intangible amortization, net of tax		1	**1**	1
Tangible net income available to common shareholders	**$ 292**	417	**639**	725
Tangible net income available to common shareholders (annualized) (1)	**1,171**	1,673	**1,278**	1,451
Average Bancorp shareholders equity (U.S. GAAP)	**$ 15,841**	15,157	**15,831**	15,011
Less: Average preferred stock	**(1,331)**	(1,119)	**(1,331)**	(1,077)
Average goodwill	**(2,416)**	(2,416)	**(2,416)**	(2,416)
Average intangible assets and other servicing rights	**(15)**	(17)	**(15)**	(18)
Average tangible common equity (2)	**$ 12,079**	11,605	**12,069**	11,500
Return on average tangible common equity (1) / (2)	**9.7 %**	14.4	**10.6**	12.6

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

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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 6: Non-GAAP Financial Measures Capital Ratios

As of ($ in millions)		**June 30, 2015**	December 31, 2014
Total Bancorp shareholders equity (U.S. GAAP)	**$**	**15,605**	15,626
Less: Preferred stock		**(1,331)**	(1,331)
Goodwill		**(2,416)**	(2,416)
Intangible assets and other servicing rights		**(14)**	(16)
Tangible common equity, including unrealized gains / losses		**11,844**	11,863
Less: AOCI		**(291)**	(429)
Tangible common equity, excluding unrealized gains / losses (1)		**11,553**	11,434
Add: Preferred stock		**1,331**	1,331
Tangible equity (2)	**$**	**12,884**	12,765
Total assets (U.S. GAAP)	**$**	**141,658**	138,706
Less: Goodwill		**(2,416)**	(2,416)
Intangible assets and other servicing rights		**(14)**	(16)
AOCI, before tax		**(448)**	(660)
Tangible assets, excluding unrealized gains / losses (3)	**$**	**138,780**	135,614
Total Bancorp shareholders equity (U.S. GAAP)	**$**	**N/A**	15,626
Less: Goodwill and certain other intangibles		**N/A**	(2,476)
Unrealized gains		**N/A**	(429)
Add: Qualifying TruPS		**N/A**	60
Other		**N/A**	(17)
Tier I risk-based capital		**N/A**	12,764
Less: Preferred stock		**N/A**	(1,331)
Qualifying TruPS		**N/A**	(60)
Qualified noncontrolling interests in consolidated subsidiaries		**N/A**	(1)
Tier I common equity (4)	**$**	**N/A**	11,372

	Basel III Transitional	Basel I
Risk-weighted assets (5)[(a)]	**$ 122,986**	117,878
Ratios:		
Tangible equity as a percent of tangible assets (2) / (3)	**9.28 %**	9.41
Tangible common equity as a percent of tangible assets (excluding unrealized gains/losses) (1) / (3)	**8.33 %**	8.43
Tier I common equity (4) / (5)[(b)]	**N/A %**	9.65
Basel III Final Rule Transition to fully phased-in		
CET1 capital (transitional)	**$ 11,582**	N/A
Less: Adjustments to CET1 capital from transitional to fully phased-in[(c)]	**(12)**	N/A
CET1 capital (fully phased-in) (6)	**11,570**	N/A
Risk-weighted assets (transitional)	**122,986**	N/A
Add: Adjustments to risk-weighted assets from transitional to fully phased-in[(d)]	**1,280**	N/A
Risk-weighted assets (fully phased-in) (7)	**$ 124,266**	N/A
Estimated CET1 capital ratio under Basel III Final Rule (fully phased-in) (6) / (7)	**9.31 %**	N/A

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

(b) The Bancorp became subject to the Basel III Final Rule on January 1, 2015. This codified in the federal banking regulations the risk-based capital ratios the Bancorp is now subject to, as such these ratios are no longer considered non-GAAP measures.

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

(d) Primarily relates to higher risk weighting for MSRs.

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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 Management s Discussion and Analysis Critical Accounting Policies in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014. No material changes were made to the valuation techniques or models during the six months ended June 30, 2015.

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STATEMENTS OF INCOME ANALYSIS

Net Interest Income

Net interest income is the interest earned on securities, loans and leases (including yield-related fees) and other interest-earning assets less the interest paid for core deposits (includes transaction deposits and other time deposits) and wholesale funding (includes certificates $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 7 and 8 present the components of net interest income, net interest margin and net interest rate spread for the three and six months ended June 30, 2015 and 2014, as well as the relative impact of changes in the balance sheet and changes in interest rates on net interest income. Nonaccrual loans and leases and loans held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses on available-for-sale securities included in other assets.

Net interest income on an FTE basis was $892 million and $1.7 billion for the three and six months ended June 30, 2015, respectively, a decrease of $13 million and $59 million compared to the same periods in the prior year. Net interest income was negatively impacted by lower yields on the Bancorp s interest-earning assets, changes made to the Bancorp s deposit advance product beginning January 1, 2015, and increases in average long-term debt of $1.2 billion and $2.7 billion for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. These negative impacts were partially offset by increases in average taxable securities of $5.6 billion and $4.2 billion for the three and six months ended June 30, 2015, respectively, and increases in average loans and leases of $1.5 billion for both the three and six months ended June 30, 2015 compared to the same periods in the prior year. The net interest rate spread decreased to 2.72% and 2.70% during the three and six months ended June 30, 2015, respectively, from 2.99% and 3.03% in the same periods in the prior year due to a 25 bps and 27 bps decrease in yields on average interest-earning assets for the three and six months ended June 30, 2015, respectively, and a 2 bps and 6 bps increase in the rates paid on average interest-bearing liabilities for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year.

Net interest margin on an FTE basis was 2.90% and 2.88% for the three and six months ended June 30, 2015, respectively, compared to 3.15% and 3.18% for the three and six months ended June 30, 2014, respectively. The decrease from both periods in 2014 was driven primarily by the previously mentioned decrease in net interest rate spread coupled with an $8.1 billion and $7.8 billion increase in average interest-earning assets for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year partially offset by increases in average free funding balances.

Interest income on an FTE basis from loans and leases decreased $43 million compared to the three months ended June 30, 2014 and decreased $88 million compared to the six months ended June 30, 2014. The decrease for the three

and six months ended June 30, 2015 was primarily the result of a decrease of 24 bps and 26 bps, respectively, in yields on average loans and leases partially offset by an increase of two percent in average loans and leases for both the three and six months ended June 30, 2015 compared to the same periods in the prior year. The decrease in yields for the three and six months ended June 30, 2015 was primarily due to a $25 million and $47 million, respectively, decline in interest income on other consumer loans and leases due to changes made to the Bancorp s deposit advance product beginning January 1, 2015 coupled with a 13 bps and 16 bps, respectively, decrease in yields on average commercial and industrial loans compared to the same periods in the prior year. The increase in average loans and leases was driven primarily by increases in average commercial loans and leases. 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 $38 million and $60 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily as a result of the aforementioned increases in average taxable securities.

Average core deposits increased $7.7 billion compared to the three months ended June 30, 2014 and increased $7.2 billion compared to the six months ended June 30, 2014. The increase from both the three and six months ended June 30, 2014 was primarily due to increases in average money market deposits, average interest checking deposits and average demand deposits partially offset by decreases in average savings deposits and average foreign office deposits. The cost of average interest-bearing core deposits decreased to 23 bps and 25 bps for the three and six months ended June 30, 2015, respectively, from 26 bps for both the three and six months ended June 30, 2014. Interest expense on deposits decreased during the three months ended June 30, 2015 primarily due to a 10 bps and 6 bps decrease in the rates paid on average money market deposits and average savings deposits, respectively, partially offset by a 41 bps increase in the rates paid on average certificates $100,000 and over. Interest expense on deposits was flat during the six months ended June 30, 2015 compared to the same period in the prior year primarily due to a 45 bps and 19 bps increase in the rates paid on average certificates $100,000 and over and average other time deposits offset by a $2.1 billion decrease in average certificates $100,000 and over. Refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s deposits.

For the three and six months ended June 30, 2015, interest expense on average wholesale funding increased $11 million and $29 million, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2015 was the result of an increase in interest expense related to long-term debt. Interest expense on long-term debt increased due to a $1.2 billion increase in average long-term debt for the three months ended June 30, 2015 compared to the same period in the prior year coupled with a 15 bps increase in the rates paid on average long-term debt. The increase for the six months ended June 30, 2015 was primarily the result of an increase in interest expense related to long-term debt partially offset by a decrease in interest expense on average certificates $100,000 and over. Interest expense on long-term debt increased due to a $2.7 billion increase in average long-term debt for the six months ended June 30, 2015 compared to the same period in the prior year coupled with a 8 bps increase in the rates paid on average long-term debt.

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

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, 2015, average wholesale funding represented 22% of average interest-bearing liabilities compared to 24% and 23% during the three and six months ended June 30, 2014, 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 section of MD&A.

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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 three months ended	**June 30, 2015**			June 30, 2014			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	**$ 42,554**	**$ 334**	**3.14 %**	$ 41,451	$ 338	3.27 %	$ 9	(13)	(4)
Commercial mortgage	**7,149**	**57**	**3.22**	7,886	67	3.39	(7)	(3)	(10)
Commercial construction	**2,549**	**20**	**3.17**	1,364	12	3.54	9	(1)	8
Commercial leases	**3,776**	**27**	**2.83**	3,556	27	3.04	2	(2)	
Subtotal commercial	**56,028**	**438**	**3.13**	54,257	444	3.28	13	(19)	(6)
Residential mortgage loans	**13,375**	**123**	**3.69**	13,202	129	3.93	2	(8)	(6)
Home equity	**8,655**	**79**	**3.66**	9,101	84	3.71	(4)	(1)	(5)
Automobile loans	**11,902**	**79**	**2.65**	12,070	83	2.77		(4)	(4)
Credit card	**2,296**	**59**	**10.33**	2,232	56	10.06	1	2	3
Other consumer loans and leases	**483**	**9**	**8.49**	379	34	35.63	6	(31)	(25)
Subtotal consumer	**36,711**	**349**	**3.82**	36,984	386	4.19	5	(42)	(37)
Total loans and leases	**92,739**	**787**	**3.41**	91,241	830	3.65	18	(61)	(43)
Securities:									
Taxable	**27,344**	**218**	**3.20**	21,706	181	3.34	45	(8)	37
Exempt from income taxes[b]	**59**	**1**	**4.82**	52	1	4.69			
Other short-term investments	**3,160**	**2**	**0.25**	2,182	1	0.28	1		1
Total interest-earning assets	**123,302**	**1,008**	**3.28**	115,181	1,013	3.53	64	(69)	(5)
Cash and due from banks	**2,636**			2,847					
Other assets	**15,354**			14,417					
Allowance for loan and lease losses	**(1,300)**			(1,480)					

Total assets	**$ 139,992**			$ 130,965					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 26,894**	**$ 12**	**0.19 %**	$ 25,222	$ 14	0.22 %	$ (1)	(1)	(2)
Savings	**15,156**	**3**	**0.05**	16,509	4	0.11	1	(2)	(1)
Money market	**18,071**	**10**	**0.23**	13,942	12	0.33	2	(4)	(2)
Foreign office deposits	**955**		**0.14**	2,200	2	0.29	(1)	(1)	(2)
Other time deposits	**4,074**	**13**	**1.24**	3,693	9	1.03	2	2	4
Certificates - $100,000 and over	**2,558**	**8**	**1.24**	3,840	8	0.83	(3)	3	
Federal funds purchased	**326**		**0.12**	606		0.10			
Other short-term borrowings	**1,705**	**1**	**0.12**	2,234	1	0.10			
Long-term debt	**13,773**	**69**	**2.04**	12,524	58	1.89	6	5	11
Total interest-bearing liabilities	**83,512**	**116**	**0.56**	80,770	108	0.54	6	2	8
Demand deposits	**35,384**			31,275					
Other liabilities	**5,215**			3,724					
Total liabilities	**124,111**			115,769					
Total equity	**15,881**			15,196					
Total liabilities and equity	**$ 139,992**			$ 130,965					
Net interest income (FTE)		**$ 892**			$ 905		$ 58	(71)	(13)
Net interest margin (FTE)			**2.90 %**			3.15 %			
Net interest rate spread (FTE)			**2.72**			2.99			
Interest-bearing liabilities to interest-earning assets			**67.73**			70.12			

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

*(b) The FTE adjustments included in the above table were **$5** for both the three months ended **June 30, 2015** and 2014.*

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

For the six months ended	June 30, 2015			June 30, 2014			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	**$ 42,011**	**$ 656**	**3.15 %**	$ 40,933	$ 672	3.31 %	$ 17	(33)	(16)
Commercial mortgage	**7,198**	**116**	**3.25**	7,934	134	3.41	(12)	(6)	(18)
Commercial construction	**2,375**	**38**	**3.20**	1,242	22	3.51	18	(2)	16
Commercial leases	**3,746**	**53**	**2.87**	3,582	54	3.06	3	(4)	(1)
Subtotal commercial	**55,330**	**863**	**3.15**	53,691	882	3.31	26	(45)	(19)
Residential mortgage loans	**13,444**	**250**	**3.76**	13,252	259	3.94	3	(12)	(9)
Home equity	**8,728**	**158**	**3.66**	9,147	169	3.72	(8)	(3)	(11)
Automobile loans	**11,918**	**158**	**2.67**	12,047	168	2.82	(1)	(9)	(10)
Credit card	**2,308**	**118**	**10.28**	2,231	110	9.98	5	3	8
Other consumer loans/leases	**474**	**23**	**9.61**	374	70	37.74	15	(62)	(47)
Subtotal consumer	**36,872**	**707**	**3.86**	37,051	776	4.23	14	(83)	(69)
Total loans and leases	**92,202**	**1,570**	**3.43**	90,742	1,658	3.69	40	(128)	(88)
Securities:									
Taxable	**25,235**	**406**	**3.25**	21,049	349	3.34	67	(10)	57
Exempt from income taxes[b]	**59**	**1**	**5.03**	49	1	5.07			
Other short-term investments	**4,511**	**6**	**0.25**	2,345	3	0.27	3		3
Total interest-earning assets	**122,007**	**1,983**	**3.28**	114,185	2,011	3.55	110	(138)	(28)
Cash and due from banks	**2,733**			2,848					
Other assets	**15,399**			14,448					

Allowance for loan and lease losses	**(1,311)**			(1,528)					
Total assets	**$ 138,828**			$ 129,953					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 26,889**	**$ 26**	**0.20 %**	$ 25,565	$ 28	0.22 %	$	(2)	(2)
Savings	**15,165**	**5**	**0.06**	16,705	9	0.11	(1)	(3)	(4)
Money market	**17,784**	**24**	**0.28**	13,195	20	0.31	6	(2)	4
Foreign office deposits	**908**	**1**	**0.17**	2,109	3	0.29	(1)	(1)	(2)
Other time deposits	**4,048**	**24**	**1.20**	3,655	18	1.01	2	4	6
Certificates - $100,000 and over	**2,620**	**16**	**1.20**	4,703	18	0.75	(10)	8	(2)
Other deposits						0.05			
Federal funds purchased	**249**		**0.11**	577		0.10			
Other short-term borrowings	**1,654**	**1**	**0.11**	2,022	1	0.10			
Long-term debt	**14,109**	**142**	**2.03**	11,424	111	1.95	26	5	31
Total interest-bearing liabilities	**83,426**	**239**	**0.58**	79,955	208	0.52	22	9	31
Demand deposits	**34,576**			30,952					
Other liabilities	**4,956**			3,997					
Total liabilities	**122,958**			114,904					
Total equity	**15,870**			15,049					
Total liabilities and equity	**$ 138,828**			$ 129,953					
Net interest income (FTE)		**$ 1,744**			$ 1,803		$ 88	(147)	(59)
Net interest margin (FTE)			**2.88 %**			3.18 %			
Net interest rate spread (FTE)			**2.70**			3.03			
Interest-bearing liabilities to interest-earning assets			**68.38**			70.02			

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

*(b) The FTE adjustments included in the above table were **$10** for both the six months ended **June 30, 2015** and 2014.*

Provision for Loan and Lease Losses

The Bancorp provides as an expense an amount for probable 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, 2014. 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 charge-offs. Net charge-offs include current period charge-offs less recoveries on previously charged-off loans and leases.

The provision for loan and lease losses was $79 million and $148 million for the three and six months ended June 30, 2015, respectively, compared to $76 million and $146 million during the three and six months ended June 30, 2014, respectively. The ALLL declined $29 million from December 31, 2014 to $1.3 billion at June 30, 2015. As of June 30, 2015, the ALLL as a percent of portfolio loans and leases decreased to 1.39%, compared to 1.47% at December 31, 2014.

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

Noninterest Income

Noninterest income decreased $180 million, or 24%, for the three months ended June 30, 2015 compared to the same period in the prior year and decreased $113 million, or nine percent, for the six months ended June 30, 2015 compared to the same period in the prior year.

The components of noninterest income for the three and six months ended June 30, 2015 and 2014 are as follows:

TABLE 9: Noninterest Income

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2015**	2014	% Change	**2015**	2014	% Change
Service charges on deposits	**$ 139**	139		**$ 274**	272	1
Investment advisory revenue	**105**	102	3	**212**	204	4
Mortgage banking net revenue	**117**	78	50	**203**	187	9
Corporate banking revenue	**113**	107	6	**176**	211	(17)
Card and processing revenue	**77**	76	1	**148**	144	3
Other noninterest income	**1**	226	(100)	**165**	268	(38)
Securities gains, net	**4**	8	(50)	**9**	14	(36)
Total noninterest income	**$ 556**	736	(24)	**$ 1,187**	1,300	(9)

Service charges on deposits

Service charges on deposits were flat for the three months ended June 30, 2015 and increased $2 million for the six months ended June 30, 2015, compared to the same period in the prior year, primarily due to a $2 million increase in consumer overdraft fees.

Investment advisory revenue

Investment advisory revenue increased $3 million and $8 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in 2014. The increase for both periods was primarily driven by increases of $3 million and $5 million, respectively, in recurring securities brokerage fees driven by higher sales volume. The six months ended June 30, 2015 also included a $3 million increase in private client service fees due to an increase in

personal asset management fees compared to the same period in the prior year. The Bancorp had approximately $304 billion and $305 billion in total assets under care as of June 30, 2015 and 2014, respectively, and managed $27 billion in assets for individuals, corporations and not-for-profit organizations for both period-ends.

Mortgage banking net revenue

Mortgage banking net revenue increased $39 million and $16 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year.

The components of mortgage banking net revenue are as follows:

TABLE 10: Components of Mortgage Banking Net Revenue

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Origination fees and gains on loan sales	**$ 43**	42	**87**	84
Net mortgage servicing revenue:				
Gross mortgage servicing fees	**56**	62	**115**	125
MSR amortization	**(39)**	(32)	**(73)**	(55)
Net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge MSRs	**57**	6	**74**	33
Net mortgage servicing revenue	**74**	36	**116**	103
Mortgage banking net revenue	**$ 117**	78	**203**	187

Origination fees and gains on loan sales increased $1 million and $3 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for the three and six months ended June 30, 2015 was primarily the result of a 25% and 16% increase in residential mortgage loan originations from the three and six months ended June 30, 2014, respectively. Residential mortgage loan originations increased to $2.5 billion and $4.3 billion during the three and six months ended June 30, 2015, respectively, compared to $2.0 billion and $3.7 billion during the same periods in the prior year due to strong refinancing activity that occurred during the first half of 2015.

Net mortgage servicing revenue is comprised of gross mortgage servicing fees and related mortgage servicing rights amortization as well as valuation adjustments on MSRs and mark-to-market adjustments on both settled and outstanding free-standing derivative financial instruments used to economically hedge the MSR portfolio. Net mortgage servicing revenue increased $38 million for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 driven primarily by an increase of $51 million in net valuation adjustments, partially offset by an increase in mortgage servicing rights amortization of $7 million.

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Net mortgage servicing revenue increased $13 million for the six months ended June 30, 2015 compared to the same period in the prior year driven primarily by an increase of $41 million in net valuation adjustments partially offset by an increase in mortgage servicing rights amortization of $18 million.

The components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy are as follows:

TABLE 11: Components of Net Valuation Adjustments on MSRs

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	**$ (30)**	38	**35**	61
Recovery of (provision for) MSR impairment	**87**	(32)	**39**	(28)
Net valuation adjustments on MSR and free-standing derivatives entered into to economically hedge MSRs	**$ 57**	6	**74**	33

Mortgage rates increased during the three and six months ended June 30, 2015 which caused modeled prepayment speeds to slow, which led to the recovery of temporary impairment on servicing rights during the respective periods. Mortgage rates decreased during the three and six months ended June 30, 2014 which caused modeled prepayment speeds to increase, which led to temporary impairment on servicing rights during the respective periods.

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

The Bancorp s total residential loans serviced as of June 30, 2015 and 2014 were $75.4 billion and $81.3 billion, respectively, with $61.7 billion and $68.1 billion, respectively, of residential mortgage loans serviced for others.

Corporate banking revenue

Corporate banking revenue increased $6 million for the three months ended June 30, 2015, compared to the same period in the prior year primarily due to increases in institutional sales revenue and business lending fees, partially offset by a decrease in syndication fees. Corporate banking revenue decreased $35 million for the six months ended

June 30, 2015 compared to the six months ended June 30, 2014. The decrease compared to the six months ended June 30, 2014 was primarily driven by impairment charges of $34 million related to certain operating lease equipment that was recognized during the six months ended June 30, 2015. Refer to Note 8 of the Notes to Condensed Consolidated Financial Statements for additional information. The six months ended June 30, 2015 also included a $19 million decrease in syndication fees as a result of decreased activity in the market. The decreases for the six months ended June 30, 2015 were partially offset by higher foreign exchange fees, institutional sales revenue and business lending fees compared to the same period in the prior year.

Card and processing revenue

Card and processing revenue increased $1 million and $4 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for the three and six months ended June 30, 2015 was primarily the result of an increase in the number of actively used cards and an increase in customer spend volume. Debit card interchange revenue, included in card and processing revenue, was $35 million and $67 million for the three and six months ended June 30, 2015, respectively, compared to $33 million and $63 million for the same periods in the prior year.

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Other noninterest income

The major components of other noninterest income are as follows:

TABLE 12: Components of Other Noninterest Income

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Valuation adjustments on the warrant associated with Vantiv Holding, LLC	**$ 14**	63	**85**	28
Operating lease income	**22**	21	**44**	42
Gain on loan sales			**41**	
Equity method income from interest in Vantiv Holding, LLC	**16**	4	**26**	19
BOLI income	**12**	11	**24**	21
Cardholder fees	**11**	11	**22**	23
Consumer loan and lease fees	**6**	6	**12**	12
Banking center income	**6**	8	**11**	16
Insurance income	**4**	3	**8**	6
Gain on sale of Vantiv, Inc. shares		125		125
Net losses on disposition and impairment of bank premises and equipment	**(98)**	(18)	**(101)**	(18)
Loss on swap associated with the sale of Visa, Inc. class B shares	**(2)**	(16)	**(19)**	(15)
Other, net	**10**	8	**12**	9
Total other noninterest income	**$ 1**	226	**165**	268

Other noninterest income decreased $225 million in the second quarter of 2015 compared to the second quarter of 2014 and decreased $103 million for the six months ended June 30, 2015 compared to the same period in the prior year. The decrease for both periods included the impact of a gain of $125 million on the sale of Vantiv, Inc. shares in the second quarter of 2014. The three and six months ended June 30, 2015 also included impairment losses associated with lower of cost or market adjustments on long-lived assets of $98 million and $102 million, respectively, compared to $18 million for the three and six months ended June 30, 2014. Refer to Note 7 of the Notes to Condensed Consolidated Financial Statements for additional information on bank premises and equipment.

In addition to the decreases above, the positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC was $14 million for the three months ended June 30, 2015 compared to the positive valuation adjustment of $63 million during the three months ended June 30, 2014. The positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC were $85 million for the six months ended June 30, 2015 compared to the positive valuation adjustments of $28 million during the six months ended June 30, 2014. The fair value of the stock warrant is calculated using the Black-Scholes valuation model, which utilizes several key inputs (Vantiv, Inc. stock price, strike price of the warrant and several unobservable inputs). The positive valuation

adjustments for the three and six months ended June 30, 2015, were primarily due to increases of one percent and 13%, respectively, in Vantiv, Inc. s share price from March 31, 2015 to June 30, 2015 and from December 31, 2014 to June 30, 2015, respectively. The positive valuation adjustments of $63 million and $28 million for the three and six months ended June 30, 2014, respectively, were primarily due to increases of 11% and three percent, respectively, in Vantiv, Inc. s share price from March 31, 2014 to June 30, 2014 and from December 31, 2013 to June 30, 2014. For additional information on the valuation of the warrant, refer to Note 20 of the Notes to Condensed Consolidated Financial Statements. Equity method earnings from the Bancorp s interest in Vantiv Holding, LLC increased $12 million and $7 million compared to the three and six months ended June 30, 2014, respectively, primarily due to charges taken by Vantiv Holding, LLC during the second quarter of 2014 related to an acquisition.

Other noninterest income also included a $14 million decrease in the negative valuation adjustment related to the Visa total return swap for the three months ended June 30, 2015 compared to the three months ended June 30, 2014. The six months ended June 30, 2015 included a $4 million increase in the negative valuation adjustments related to the Visa total return swap compared to the same period of the prior year. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B shares, refer to Note 20 of the Notes to Condensed Consolidated Financial Statements. Gain on loan sales increased $41 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to a $37 million gain on the sale of certain HFS residential mortgage loans classified as TDRs during the first quarter of 2015.

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Noninterest Expense

Total noninterest expense decreased $7 million, or one percent, for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to a decrease in other noninterest expense, partially offset by increases in personnel costs (salaries, wages and incentives plus employee benefits) and net occupancy expense. Total noninterest expense decreased $32 million, or two percent, for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, primarily due to a decrease in other noninterest expense, partially offset by increases in personnel costs and card and processing expense.

The major components of noninterest expense are as follows:

TABLE 13: Noninterest Expense

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2015**	2014	% Change	**2015**	2014	% Change
Salaries, wages and incentives	**$ 383**	368	4	**$ 752**	727	3
Employee benefits	**78**	79	(1)	**176**	180	(2)
Net occupancy expense	**83**	79	5	**162**	158	3
Technology and communications	**54**	52	4	**109**	105	4
Card and processing expense	**38**	37	3	**74**	68	9
Equipment expense	**31**	30	3	**61**	60	2
Other noninterest expense	**280**	309	(9)	**537**	605	(11)
Total noninterest expense	**$ 947**	954	(1)	**$ 1,871**	1,903	(2)
Efficiency ratio on an FTE basis	**65.4 %**	58.2		**63.8 %**	61.4	

Total personnel costs increased $14 million and $21 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for both periods was driven by increases in incentive compensation, primarily in the mortgage business, and base compensation. Full-time equivalent employees totaled 18,527 at June 30, 2015 compared to 18,732 at June 30, 2014.

The major components of other noninterest expense are as follows:

TABLE 14: Components of Other Noninterest Expense

($ in millions)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Impairment on affordable housing investments	**$ 38**	32	**75**	64
Loan and lease	**33**	29	**60**	58
Marketing	**27**	25	**54**	46
FDIC insurance and other taxes	**28**	26	**44**	54
Operating lease	**18**	16	**36**	33
Losses and adjustments	**15**	72	**29**	137
Professional service fees	**15**	18	**27**	36
Travel	**14**	14	**27**	26
Postal and courier	**11**	12	**23**	24
Data processing	**11**	10	**22**	20
Recruitment and education	**7**	7	**14**	13
Insurance	**4**	4	**9**	8
Intangible asset amortization	**1**	1	**1**	2
(Benefit from) provision for the reserve for unfunded commitments	**2**	(11)	**(3)**	(19)
Other, net	**56**	54	**119**	103
Total other noninterest expense	**$ 280**	309	**537**	605

Total other noninterest expense decreased $29 million for the three months ended June 30, 2015 compared to the same period in the prior year primarily due to a decrease in losses and adjustments, partially offset by increases in the provision for the reserve for unfunded commitments and impairment on affordable housing investments. Losses and adjustments decreased $57 million for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to a decrease in legal settlements and reserve expense. The provision for the reserve for unfunded commitments was $2 million for the three months ended June 30, 2015 compared to the benefit from the reserve for unfunded commitments of $11 million for the same period in the prior year. The increase in the provision primarily reflects an increase in unfunded commitments for which the Bancorp holds reserves. Impairment on affordable housing investments increased $6 million for the three months ended June 30, 2015 compared to the same period in the prior year, primarily due to incremental losses resulting from previous growth in the portfolio.

Total other noninterest expense decreased $68 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to decreases in losses and adjustments and FDIC insurance and other taxes, partially offset by a decrease in the benefit from the reserve for unfunded commitments and increases in impairment on affordable housing investments and marketing expense. Losses and adjustments decreased $108 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to a decrease in legal settlements and reserve expense. FDIC insurance and other taxes decreased $10 million compared to the same period in the prior year primarily due to a settlement of a tax liability related to prior years during the first quarter of 2015. The benefit from the reserve for unfunded commitments was $3 million for the six months ended June 30, 2015 compared to $19 million for the same period in the prior year.

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The decrease in the benefit recognized primarily reflects an increase in unfunded commitments for which the Bancorp holds reserves. Impairment on affordable housing investments increased $11 million for the six months ended June 30, 2015 compared to the same period in the prior year, primarily due to incremental losses resulting from previous growth in the portfolio. Marketing expense increased $8 million for the six months ended June 30, 2015 compared to the same period in the prior year primarily due to an increase in advertising expense.

The Bancorp continues to focus on efficiency initiatives as part of its core emphasis on operating leverage and expense control. The efficiency ratio (noninterest expense divided by the sum of net interest income (FTE) and noninterest income) was 65.4% and 63.8% for the three and six months ended June 30, 2015, respectively, compared to 58.2% and 61.4% for the three and six months ended June 30, 2014, respectively.

Applicable Income Taxes

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

TABLE 15: Applicable Income Taxes

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Income before income taxes	**$ 417**	606	**902**	1,044
Applicable income tax expense	**108**	167	**232**	287
Effective tax rate	**26.1 %**	27.6	**25.8**	27.5

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 decrease in the effective tax rate for the three and six months ended June 30, 2015 compared to the same periods in the prior year resulted from the benefit from an increase in the amount of 2015 forecasted income tax credits.

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees and directors. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised and where the Bancorp has not accumulated an excess tax benefit for previously exercised or released stock-based awards, the Bancorp is required to recognize a non-cash charge to income tax expense upon the write-off of the deferred tax asset previously established for these stock-based awards. Based on the accumulated excess tax benefit at June 30, 2015, the Bancorp was not

required to recognize a non-cash charge to income tax expense related to stock-based awards for the three and six months ended June 30, 2015.

Based on the Bancorp s stock price at June 30, 2015 and the amount of the Bancorp s accumulation of an excess tax benefit through the period ended June 30, 2015, the Bancorp believes it will be required to recognize a $1 million non-cash charge to income tax expense over the next twelve months related to stock-based awards, primarily in the second quarter of 2016. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future. Therefore, it is possible the Bancorp may be required to recognize a non-cash charge to income tax expense greater than or less than $1 million over the next twelve months.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies loans and leases based upon their primary purpose. Table 16 summarizes end of period loans and leases, including loans held for sale and Table 17 summarizes average total loans and leases, including loans held for sale.

TABLE 16: Components of Total Loans and Leases (includes held for sale)

	June 30, 2015		December 31, 2014	
As of ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 42,812**	**45**	$ 40,801	45
Commercial mortgage loans	**7,165**	**8**	7,410	8
Commercial construction loans	**2,709**	**3**	2,071	2
Commercial leases	**3,882**	**4**	3,721	4
Subtotal commercial loans and leases	**56,568**	**60**	54,003	59
Consumer loans and leases:				
Residential mortgage loans	**13,792**	**15**	13,582	15
Home equity	**8,591**	**9**	8,886	10
Automobile loans	**11,914**	**13**	12,037	13
Credit card	**2,278**	**2**	2,401	3
Other consumer loans and leases	**555**	**1**	436	
Subtotal consumer loans and leases	**37,130**	**40**	37,342	41
Total loans and leases	**$ 93,698**	**100**	$ 91,345	100
Total portfolio loans and leases (excludes loans held for sale)	**$ 92,703**		$ 90,084	

Loans and leases, including loans held for sale, increased $2.4 billion, or three percent, from December 31, 2014. The increase from December 31, 2014 was the result of a $2.6 billion, or five percent, increase in commercial loans and leases partially offset by a $212 million, or one percent, decrease in consumer loans and leases.

Commercial loans and leases increased from December 31, 2014 primarily due to increases in commercial and industrial loans and commercial construction loans partially offset by a decrease in commercial mortgage loans. Commercial and industrial loans increased $2.0 billion, or five percent, from December 31, 2014 and commercial

construction loans increased $638 million, or 31%, from December 31, 2014 primarily as a result of an increase in new loan origination activity resulting from an increase in demand and targeted marketing efforts. Commercial mortgage loans decreased $245 million, or three percent, from December 31, 2014 primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Consumer loans and leases decreased from December 31, 2014 primarily due to decreases in home equity, automobile loans and credit card loans partially offset by an increase in residential mortgage loans. Home equity decreased $295 million, or three percent, from December 31, 2014 and automobile loans decreased $123 million, or one percent, from December 31, 2014 as payoffs exceeded new loan production. Credit card loans decreased $123 million, or five percent, from December 31, 2014 primarily due to seasonal trends from the paydown of year-end balances which were higher due to holiday spending. Residential mortgage loans increased $210 million, or two percent, from December 31, 2014 primarily due to the continued retention of certain conforming ARMs and certain other fixed-rate loans originated during the six months ended June 30, 2015.

TABLE 17: Components of Average Total Loans and Leases (includes held for sale)

	June 30, 2015		June 30, 2014	
For the three months ended ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 42,554**	**46**	$ 41,451	47
Commercial mortgage loans	**7,149**	**7**	7,886	9
Commercial construction loans	**2,549**	**3**	1,364	1
Commercial leases	**3,776**	**4**	3,556	4
Subtotal commercial loans and leases	**56,028**	**60**	54,257	61
Consumer loans and leases:				
Residential mortgage loans	**13,375**	**14**	13,202	14
Home equity	**8,655**	**9**	9,101	10
Automobile loans	**11,902**	**13**	12,070	13
Credit card	**2,296**	**3**	2,232	2
Other consumer loans and leases	**483**	**1**	379	
Subtotal consumer loans and leases	**36,711**	**40**	36,984	39
Total average loans and leases	**$ 92,739**	**100**	$ 91,241	100
Total average portfolio loans and leases (excludes loans held for sale)	**$ 92,173**		$ 90,549	

Average loans and leases, including loans held for sale, increased $1.5 billion, or two percent, from June 30, 2014. The increase from June 30, 2014 was the result of a $1.8 billion, or three percent, increase in average commercial loans and leases partially offset by a $273 million, or one percent, decrease in average consumer loans and leases.

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Average commercial loans and leases increased from June 30, 2014 primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial loans increased $1.1 billion, or three percent, from June 30, 2014 and average commercial construction loans increased $1.2 billion, or 87%, from June 30, 2014 primarily as a result of an increase in new loan origination activity resulting from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage loans decreased $737 million, or nine percent, from June 30, 2014 primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Average consumer loans and leases decreased from June 30, 2014 primarily due to decreases in average home equity and average automobile loans partially offset by an increase in average residential mortgage loans. Average home equity decreased $446 million, or five percent, from June 30, 2014 and average automobile loans decreased $168 million, or one percent, from June 30, 2014 as payoffs exceeded new loan production. Average residential mortgage loans increased $173 million, or one percent, from June 30, 2014 primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing liquidity support and providing collateral for pledging purposes. Total investment securities were $28.5 billion and $23.0 billion at June 30, 2015 and December 31, 2014, respectively. The taxable investment securities portfolio had an effective duration of 4.9 years at June 30, 2015 compared to 4.5 years at December 31, 2014.

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

At June 30, 2015, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. Securities classified as below investment grade were immaterial as of June 30, 2015 and December 31, 2014. The Bancorp s management has evaluated the securities in an unrealized loss position in the available-for-sale and held-to-maturity portfolios for OTTI. The Bancorp recognized $4 million and $5 million in OTTI on its available-for-sale and other debt securities, included in securities gains, net, in the Condensed Consolidated Statements of Income, during the three and six months ended June 30, 2015, respectively. The Bancorp did not recognize OTTI during the three months ended June 30, 2014 and recognized $17 million of OTTI on its available-for-sale and other debt securities during the six months ended June 30, 2014. The Bancorp did not recognize OTTI on any of its available-for-sale equity securities or held-to-maturity debt securities during the three and six months ended June 30, 2015 and 2014.

TABLE 18: Components of Investment Securities

As of ($ in millions)	June 30, 2015	December 31, 2014
Available-for-sale and other: (amortized cost basis)		
U.S. Treasury and federal agencies securities	**$ 1,544**	1,545
Obligations of states and political subdivisions securities	**172**	185
Mortgage-backed securities:		
Agency residential mortgage-backed securities[(a)]	**15,653**	11,968
Agency commercial mortgage-backed securities	**5,687**	4,465
Non-agency commercial mortgage-backed securities	**2,382**	1,489
Asset-backed securities and other debt securities	**1,344**	1,324
Equity securities[(b)]	**701**	701
Total available-for-sale and other securities	**$ 27,483**	21,677
Held-to-maturity: (amortized cost basis)		
Obligations of states and political subdivisions securities	**$ 156**	186
Asset-backed securities and other debt securities	**1**	1
Total held-to-maturity securities	**$ 157**	187
Trading: (fair value)		
U.S. Treasury and federal agencies securities	**$ 9**	14
Obligations of states and political subdivisions securities	**17**	8
Mortgage-backed securities:		
Agency residential mortgage-backed securities	**4**	9
Asset-backed securities and other debt securities	**13**	13
Equity securities[(b)]	**327**	316
Total trading securities	**$ 370**	360

*(a) Includes interest-only mortgage-backed securities of **$162** and $175 as of **June 30, 2015** and December 31, 2014, respectively, recorded at fair value with fair value changes recorded in securities gains, net in the Condensed Consolidated Financial Statements.*

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

On an amortized cost basis, available-for-sale and other securities increased $5.8 billion, or 27%, from December 31, 2014 primarily due to increases in agency residential mortgage-backed securities, agency commercial mortgage-backed securities and non-agency commercial mortgage-backed securities. Agency residential mortgage-backed securities increased $3.7 billion, or 31%, from December 31, 2014 primarily due to the purchase of $11.7 billion of agency residential mortgage-backed securities partially offset by sales of $6.7 billion and paydowns of $1.3 billion during the six months ended June 30, 2015.

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Agency commercial mortgage-backed securities increased $1.2 billion, or 27%, from December 31, 2014 primarily due to $2.6 billion in purchases of agency commercial mortgage-backed securities partially offset by $1.3 billion in sales and $91 million in paydowns on the portfolio during the six months ended June 30, 2015. Non-agency commercial mortgage-backed securities increased $893 million, or 60%, from December 31, 2014 primarily due to $1.3 billion in purchases of non-agency commercial mortgage-backed securities partially offset by $315 million in sales and $68 million in paydowns on the portfolio during the six months ended June 30, 2015.

On an amortized cost basis, available-for-sale and other securities were 22% and 18% of total interest-earning assets at June 30, 2015 and December 31, 2014, respectively. The estimated weighted-average life of the debt securities in the available-for-sale and other portfolio was 6.5 years at June 30, 2015 compared to 5.8 years at December 31, 2014. In addition, at June 30, 2015, the available-for-sale and other securities portfolio had a weighted-average yield of 3.29%, compared to 3.31% at December 31, 2014.

Information presented in Table 19 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using amortized cost balances. Maturity and yield calculations for the total available-for-sale and other portfolio exclude equity securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale and other securities portfolio were $504 million at June 30, 2015 compared to $731 million at December 31, 2014. The decrease from December 31, 2014 was primarily due to an increase in interest rates during the six months ended June 30, 2015. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally increases when interest rates decrease or when credit spreads contract.

TABLE 19: Characteristics of Available-for-Sale and Other Securities

As of June 30, 2015 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:				
Average life of one year or less	$ 51	51	0.6	2.98 %
Average life 1 5 years	1,493	1,564	1.6	3.64
Total	1,544	1,615	1.6	3.62
Obligations of states and political subdivisions securities:[(a)]				
Average life of one year or less	28	29	0.6	2.67
Average life 1 5 years	109	111	2.5	3.06
Average life 5 10 years	35	37	7.8	3.95
Total	172	177	3.3	3.18
Agency residential mortgage-backed securities:				
Average life of one year or less	24	24	0.6	5.29

Average life 1 5 years	1,777	1,849	4.1	4.16
Average life 5 10 years	13,336	13,551	6.7	3.36
Average life greater than 10 years	516	530	13.3	3.50
Total	15,653	15,954	6.6	3.46
Agency commercial mortgage-backed securities:				
Average life of one year or less	2	2	0.8	7.40
Average life 1 5 years	925	940	4.6	3.07
Average life 5 10 years	4,688	4,738	8.0	3.00
Average life greater than 10 years	72	71	13.3	3.08
Total	5,687	5,751	7.5	3.01
Non-agency commercial mortgage-backed securities:				
Average life of one year or less	103	104	0.8	2.77
Average life 1 5 years	350	359	2.4	3.11
Average life 5 10 years	1,929	1,951	8.0	3.27
Total	2,382	2,414	6.9	3.23
Asset-backed securities and other debt securities:				
Average life of one year or less	81	87	0.1	2.00
Average life 1 5 years	564	574	2.9	2.70
Average life 5 10 years	215	220	7.1	1.95
Average life greater than 10 years	484	493	14.4	2.08
Total	1,344	1,374	7.5	2.31
Equity securities	701	702		
Total available-for-sale and other securities	$ 27,483	27,987	6.5	3.29 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.00%, 0.00%, 2.09% and 0.42% for securities with an average life of 1 year or less, 1-5 years, 5-10 years and in total, respectively.

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Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 71% of the Bancorp s asset funding base at both June 30, 2015 and December 31, 2014.

TABLE 20: Deposits

	June 30, 2015		December 31, 2014	
As of ($ in millions)	**Balance**	**% of Total**	Balance	% of Total
Demand	**$ 35,449**	**34**	$ 34,809	34
Interest checking	**27,074**	**26**	26,800	26
Savings	**14,976**	**15**	15,051	15
Money market	**17,900**	**17**	17,083	17
Foreign office	**728**	**1**	1,114	1
Transaction deposits	**96,127**	**93**	94,857	93
Other time	**4,050**	**4**	3,960	4
Core deposits	**100,177**	**97**	98,817	97
Certificates - $100,000 and over[(a)]	**2,846**	**3**	2,895	3
Total deposits	**$ 103,023**	**100**	$ 101,712	100

*(a) Includes **$1,414** and $1,483 of certificates $250,000 and over at **June 30, 2015** and December 31, 2014, respectively.*

Core deposits increased $1.4 billion, or one percent, from December 31, 2014 driven primarily by an increase of $1.3 billion, or one percent, in transaction deposits. Total transaction deposits increased from December 31, 2014 primarily due to increases in money market deposits, demand deposits and interest checking deposits partially offset by a decrease in foreign office deposits. Money market deposits increased $817 million, or five percent, from December 31, 2014 driven primarily by a promotional product offering and the acquisition of new customers. Demand deposits increased $640 million, or two percent, from December 31, 2014 primarily due to higher balances per account for commercial customers and consumer customer seasonality. Interest checking deposits increased $274 million, or one percent, from December 31, 2014 primarily due to the acquisition of new commercial customers. Foreign office deposits decreased $386 million, or 35%, primarily due to lower balances per account.

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

TABLE 21: Average Deposits

($ in millions)	**June 30, 2015** **Balance**	**% of Total**	June 30, 2014 Balance	% of Total
Demand	**$ 35,384**	**34**	$ 31,275	32
Interest checking	**26,894**	**26**	25,222	26
Savings	**15,156**	**15**	16,509	17
Money market	**18,071**	**18**	13,942	15
Foreign office	**955**	**1**	2,200	2
Transaction deposits	**96,460**	**94**	89,148	92
Other time	**4,074**	**4**	3,693	4
Core deposits	**100,534**	**98**	92,841	96
Certificates - $100,000 and over[(a)]	**2,558**	**2**	3,840	4
Total average deposits	**$ 103,092**	**100**	$ 96,681	100

*(a) Includes **$1,423** and $1,340 of average certificates $250,000 and over for the three months ended **June 30, 2015** and 2014, respectively.*

On an average basis, core deposits increased $7.7 billion, or eight percent, from June 30, 2014 due to increases of $7.3 billion, or eight percent, in average transaction deposits and $381 million, or 10%, in average other time deposits. The increase in average transaction deposits was driven by increases in average money market deposits, average demand deposits and average interest checking deposits partially offset by decreases in average savings deposits and average foreign office deposits. Average money market deposits increased $4.1 billion, or 30%, from June 30, 2014 primarily driven by a promotional product offering, an increase in average commercial account balances and new commercial customer accounts. The remaining increase in average money market deposits was due to balance migration from savings deposits which decreased $1.4 billion, or eight percent, from June 30, 2014. Average demand deposits increased $4.1 billion, or 13%, from June 30, 2014 primarily due to an increase in average commercial account balances and new commercial customer accounts. Average interest checking deposits increased $1.7 billion, or seven percent, from June 30, 2014 primarily due to an increase in average balance per account and new commercial customer accounts. Average foreign office deposits decreased $1.2 billion, or 57%, primarily due to lower average balances per account. Average other time deposits increased $381 million, or 10%, from June 30, 2014 primarily from the acquisition of new customers due to promotional interest rates since June 30, 2014. The Bancorp uses certificates $100,000 and over as a method to fund earning assets. Average certificates $100,000 and over decreased $1.3 billion, or 33%, from June 30, 2014 due primarily to the maturity and run-off of retail and institutional certificates of deposit since June 30, 2014.

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Contractual maturities

The contractual maturities of certificates $100,000 and over as of June 30, 2015 are summarized in the following table:

TABLE 22: Contractual Maturities of Certificates $100,000 and over

($ in millions)	
Three months or less	$ 224
After three months through six months	502
After six months through 12 months	449
After 12 months	1,671
Total certificates - $100,000 and over	$ 2,846

The contractual maturities of other time deposits and certificates $100,000 and over as of June 30, 2015 are summarized in the following table:

TABLE 23: Contractual Maturities of Other Time Deposits and Certificates $100,000 and over

($ in millions)	
Next 12 months	$ 2,430
13-24 months	1,387
25-36 months	1,156
37-48 months	345
49-60 months	1,538
After 60 months	40
Total other time deposits and certificates $100,000 and over	$ 6,896

Borrowings

Total borrowings increased $1.1 billion, or seven percent, from December 31, 2014. Table 24 summarizes the end of period components of total borrowings. As of June 30, 2015, total borrowings as a percentage of interest-bearing liabilities were 21% compared to 20% at December 31, 2014.

TABLE 24: Borrowings

As of ($ in millions)	**June 30, 2015**	December 31, 2014
Federal funds purchased	**$ 126**	144
Other short-term borrowings	**4,136**	1,556
Long-term debt	**13,521**	14,967
Total borrowings	**$ 17,783**	16,667

Federal funds purchased decreased $18 million, or 13%, from December 31, 2014 driven by a decrease in excess balances in reserve accounts held at Federal Reserve Banks that the Bancorp purchased from other member banks on an overnight basis. Other short-term borrowings increased $2.6 billion from December 31, 2014 driven by an increase of $2.9 billion in FHLB short-term borrowings, partially offset by a decrease in commercial repurchase agreements. For further information on the components of other short-term borrowings, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements. Long-term debt decreased $1.4 billion, or 10%, from December 31, 2014 primarily driven by the maturity of $500 million of subordinated fixed-rate bank notes and $893 million of paydowns on long-term debt associated with automobile loan securitizations. For additional information regarding automobile securitizations, refer to Note 10 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 25: Average Borrowings

($ in millions)	**June 30, 2015**	June 30, 2014
Federal funds purchased	**$ 326**	606
Other short-term borrowings	**1,705**	2,234
Long-term debt	**13,773**	12,524
Total average borrowings	**$ 15,804**	15,364

Average total borrowings increased $440 million, or three percent, compared to June 30, 2014, due to an increase in average long-term debt partially offset by decreases in average federal funds purchased and average other short-term borrowings. The increase in average long-term debt of $1.2 billion, or 10%, was driven by the issuance of $850 million of unsecured senior bank notes during the third quarter of 2014, as well as the issuance of asset-backed securities by consolidated VIEs of $1.0 billion related to an automobile loan securitization during the fourth quarter of 2014. The impact of these issuances was partially offset by the aforementioned maturity of subordinated fixed-rate bank notes and paydowns on long-term debt associated with automobile loan securitizations since the second quarter of 2014. The level of average federal funds purchased and average other short-term borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. Additionally, the utilization of short-term funding remained low throughout 2014 and during the first half of 2015 due to strong deposit growth and to comply with regulatory standards which require greater dependency on long-term and stable funding. 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 section of MD&A for a discussion on the role of borrowings in the Bancorp s liquidity management.

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BUSINESS SEGMENT REVIEW

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

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

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities and by the review of the estimated durations for the indeterminate-lived deposits. The credit rate provided for demand deposit accounts is reviewed annually based upon the account type, its estimated duration and the corresponding federal funds, U.S. swap curve or swap rate. The credit rates for several deposit products were reset January 1, 2015 to reflect the current market rates and updated duration assumptions. These rates were generally lower than those in place during 2014, thus net interest income for deposit providing businesses was negatively impacted for the three and six months ended June 30, 2015.

The business segments are charged provision expense based on the actual net charge-offs experienced on the loans and leases owned by each segment. Provision expense attributable to loan and lease growth and changes in ALLL factors are captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Additionally, the business segments form synergies by taking advantage of cross-sell opportunities and when funding operations by accessing the capital markets as a collective unit.

The results of operations and financial position for the three and six months ended June 30, 2014 were adjusted to reflect the transfer of certain customers and Bancorp employees from Commercial Banking to Branch Banking, effective January 1, 2015. In addition, the prior year balances were adjusted to reflect a change in internal allocation methodology.

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

TABLE 26: Business Segment Net Income Available to Common Shareholders

($ in millions)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Income Statement Data				
Commercial Banking	**$ 206**	208	**368**	366
Branch Banking	**23**	80	**99**	163
Consumer Lending	**42**	(15)	**91**	(19)
Investment Advisors	**9**	12	**23**	27
General Corporate and Other	**29**	154	**89**	220
Net income	**309**	439	**670**	757
Less: Net income attributable to noncontrolling interests	**(6)**		**(6)**	1
Net income attributable to Bancorp	**315**	439	**676**	756
Dividends on preferred stock	**23**	23	**38**	32
Net income available to common shareholders	**$ 292**	416	**638**	724

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Commercial Banking

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

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

TABLE 27: Commercial Banking

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Income Statement Data				
Net interest income (FTE)[(a)]	**$ 407**	408	**804**	811
Provision for loan and lease losses	**38**	40	**71**	139
Noninterest income:				
Corporate banking revenue	**112**	107	**172**	211
Service charges on deposits	**71**	70	**140**	138
Other noninterest income	**49**	39	**92**	76
Noninterest expense:				
Salaries, incentives and employee benefits	**75**	75	**155**	157
Other noninterest expense	**281**	255	**558**	506
Income before taxes	**245**	254	**424**	434
Applicable income tax expense[(a)(b)]	**39**	46	**56**	68
Net income	**$ 206**	208	**368**	366
Average Balance Sheet Data				
Commercial loans, including held for sale	**$ 52,839**	50,987	**52,165**	50,367
Demand deposits	**20,773**	17,810	**20,368**	17,723
Interest checking deposits	**9,272**	8,047	**9,259**	8,167
Savings and money market deposits	**6,564**	5,761	**6,310**	5,761
Other time deposits and certificates $100,000 and over	**1,268**	1,302	**1,303**	1,325
Foreign office deposits	**950**	2,190	**901**	2,099

(a)

*Includes FTE adjustments of **$5** for both the three months ended **June 30, 2015** and 2014 and **$10** for both the six months ended **June 30, 2015** and 2014.*

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

Net income was $206 million for the three months ended June 30, 2015 compared to net income of $208 million for the three months ended June 30, 2014. The decrease was driven by an increase in noninterest expense and a decrease in net interest income on an FTE basis partially offset by a decrease in the provision for loan and lease losses and an increase in noninterest income. Net income was $368 million for the six months ended June 30, 2015 compared to net income of $366 million for the six months ended June 30, 2014. The increase was driven by a decrease in the provision for loan and lease losses partially offset by an increase in noninterest expense and decreases in net interest income on an FTE basis and noninterest income.

Net interest income on an FTE basis decreased $1 million and $7 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The decreases were primarily driven by a decline in yields of 19 bps and 20 bps on average commercial loans for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The decreases for both periods were partially offset by increases in FTP credits due to an increase in average demand deposits.

Provision for loan and lease losses decreased $2 million for the three months ended June 30, 2015 and $68 million for the six months ended June 30, 2015 compared to the same periods in the prior year primarily due to improved credit metrics. Net charge-offs as a percent of average portfolio loans and leases decreased to 28 bps for the three months ended June 30, 2015 compared to 32 bps for the same period in the prior year and decreased to 27 bps for the six months ended June 30, 2015 compared to 55 bps for the same period in the prior year.

Noninterest income increased $16 million and decreased $21 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2015 was driven by increases in other noninterest income and corporate banking revenue. Other noninterest income increased $10 million for the three months ended June 30, 2015 from the same period in the prior year driven by increases in foreign exchange translation gains and operating lease income. Corporate banking revenue increased $5 million for the three months ended June 30, 2015 from the same period in the prior year primarily driven by increases in institutional sales revenue and business lending fees partially offset by a decrease in syndication fees as a result of decreased activity in the market. The decrease for the six months ended June 30, 2015 was driven by a decrease in corporate banking revenue partially offset by an increase in other noninterest income. Corporate banking revenue decreased $39 million for the six months ended June 30, 2015 from the same period in the prior year primarily driven by a $34 million impairment charge related to certain operating lease equipment that was recognized during the first half of 2015. Refer to Note 8 of the Notes to Condensed Consolidated Financial Statements for additional information. The decrease was also driven by a decrease in syndication fees as a result of decreased activity in the market partially offset by increases in foreign exchange fees and business lending fees compared to the same period in the prior year. Other noninterest income increased $16 million for the six months ended June 30, 2015 from the same period in the prior year driven by increases in gains on loan sales and operating lease income.

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Noninterest expense increased $26 million and $50 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year as a result of increases in other noninterest expense. The increase in other noninterest expense for both periods was primarily driven by increases in corporate overhead allocations, operating lease expense and impairment on affordable housing investments primarily due to incremental losses resulting from previous growth in the portfolio.

Average commercial loans increased $1.9 billion and $1.8 billion for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to increases in average commercial and industrial loans and average commercial construction loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial portfolio loans increased $1.2 billion for both the three and six months ended June 30, 2015 compared to the same periods in the prior year and average commercial construction portfolio loans increased $1.2 billion and $1.1 billion for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily as a result of an increase in new loan origination activity resulting from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage portfolio loans decreased $643 million and $612 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to a decline in new loan origination activity driven by increased competition and an increase in paydowns.

Average core deposits increased $3.7 billion and $3.1 billion for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2015 was primarily driven by increases in average demand deposits, average interest checking deposits and average savings and money market deposits which increased $3.0 billion, $1.2 billion and $803 million, respectively, compared to the same period in the prior year. This was partially offset by a decrease in average foreign deposits of $1.2 billion for the three months ended June 30, 2015 compared to the same period in the prior year. The increase for the six months ended June 30, 2015 was primarily driven by increases in average demand deposits, average interest checking deposits and average savings and money market deposits which increased $2.6 billion, $1.1 billion and $549 million, respectively, compared to the same period in the prior year. This was partially offset by a decrease in average foreign deposits of $1.2 billion for the six months ended June 30, 2015 compared to the same period in the prior year.

Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,299 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 28: Branch Banking

($ in millions)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Income Statement Data				
Net interest income	**$ 376**	384	**752**	775
Provision for loan and lease losses	**38**	47	**81**	91
Noninterest income:				
Service charges on deposits	**68**	68	**133**	133
Card and processing revenue	**60**	58	**115**	109
Investment advisory revenue	**41**	39	**79**	75
Other noninterest income	**(75)**	6	**(57)**	26
Noninterest expense:				
Salaries, incentives and employee benefits	**131**	133	**266**	274
Net occupancy and equipment expense	**64**	62	**124**	122
Card and processing expense	**36**	34	**70**	63
Other noninterest expense	**165**	156	**327**	316
Income before taxes	**36**	123	**154**	252
Applicable income tax expense	**13**	43	**55**	89
Net income	**$ 23**	80	**99**	163
Average Balance Sheet Data				
Consumer loans, including held for sale	**$ 14,426**	14,968	**14,542**	15,035
Commercial loans, including held for sale	**1,973**	2,172	**1,982**	2,224
Demand deposits	**12,699**	11,818	**12,444**	11,669
Interest checking deposits	**9,174**	9,051	**9,143**	9,161
Savings and money market deposits	**25,637**	23,835	**25,583**	23,295
Other time deposits and certificates - $100,000 and over	**5,164**	4,635	**5,109**	4,563

Net income was $23 million for the three months ended June 30, 2015 compared to net income of $80 million for the three months ended June 30, 2014. The decrease was driven by decreases in noninterest income and net interest income and an increase in noninterest expense partially offset by a decrease in the provision for loan and lease loss. Net income was $99 million for the six months ended June 30, 2015 compared to $163 million for the same period in the prior year. The decrease was driven by decreases in noninterest income and net interest income and an increase in noninterest expense partially offset by a decrease in the provision for loan and lease loss.

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Net interest income decreased $8 million and $23 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The decreases for both periods were primarily driven by changes made to the Bancorp s deposit advance product beginning January 1, 2015 and a decline in yields of 16 bps on average commercial loans for both the three and six months ended June 30, 2015 compared to the same periods in the prior year. The decreases for both periods were partially offset by a decrease in FTP charges on loans and leases due to a decrease in average balances and increases in FTP credits for demand deposits and other time deposits driven by average deposit growth and an increase in FTP credits for interest checking deposits due to an increase in FTP credit rates for this product.

Provision for loan and lease losses decreased $9 million and $10 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 91 bps for the three months ended June 30, 2015 compared to 109 bps for the same period in the prior year and decreased to 97 bps for the six months ended June 30, 2015 compared to 107 bps for the same period in the prior year.

Noninterest income decreased $77 million and $73 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The decreases for both periods were primarily driven by a decrease in other noninterest income partially offset by increases in card and processing revenue and investment advisory revenue. Other noninterest income decreased $81 million and $83 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily driven by impairment losses associated with lower of cost or market adjustments on long-lived assets of $98 million and $102 million, respectively, compared to $18 million for both the three and six months ended June 30, 2014. Refer to Note 7 of the Notes to Condensed Consolidated Financial Statements for additional information on bank premises and equipment and the branch consolidation and sales plan. Card and processing revenue increased $2 million and $6 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to an increase in the number of actively used cards and an increase in customer spend volume. Investment advisory revenue increased $2 million and $4 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to an increase in recurring securities and brokerage fees driven by higher sales volume.

Noninterest expense increased $11 million and $12 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increases for both periods were due to increases in other noninterest expense and card and processing expense partially offset by a decrease in salaries, incentives and employee benefits. Other noninterest expense increased $9 million for the three months ended June 30, 2015 compared to the same period in the prior year primarily due to increases in corporate overhead allocations, marketing expense and higher operational losses. Other noninterest expense increased $11 million for the six months ended June 30, 2015 compared to the same period in the prior year due to higher operational losses and an increase in marketing expense. Card and processing expense increased $2 million and $7 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year driven by increased fraud prevention related expenses. These increases were partially offset by a decrease of $2 million and $8 million in salaries, incentives and employee benefits for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year driven by a decrease in employee benefits expense due to a change in the Bancorp s

employee benefit plan implemented in 2015.

Average consumer loans decreased $542 million for the three months ended June 30, 2015 and $493 million for the six months ended June 30, 2015 compared to the same periods in the prior year. These decreases were primarily driven by decreases in average home equity portfolio loans of $281 million and $242 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year and decreases in average residential mortgage portfolio loans of $266 million and $268 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production. Average commercial loans decreased $199 million for the three months ended June 30, 2015 and $242 million for the six months ended June 30, 2015 compared to the same periods in the prior year. These decreases were primarily driven by decreases in average commercial mortgage portfolio loans of $127 million and $151 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year and decreases in average commercial and industrial portfolio loans of $83 million and $100 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production.

Average core deposits increased $3.2 billion and $3.4 billion for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. These increases were primarily driven by net growth in average savings and money market deposits of $1.8 billion and $2.3 billion, respectively, and growth in average demand deposits of $881 million and $775 million, respectively, for the three and six months ended June 30, 2015 compared to the same periods in the prior year, due to an increase in average balances and new customer accounts.

Consumer Lending

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

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

TABLE 29: Consumer Lending

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Income Statement Data				
Net interest income	**$ 63**	65	**125**	129
Provision for loan and lease losses	**8**	13	**22**	38
Noninterest income:				
Mortgage banking net revenue	**115**	76	**199**	184
Other noninterest income	**7**	14	**52**	25
Noninterest expense:				
Salaries, incentives and employee benefits	**47**	47	**91**	96
Other noninterest expense	**65**	118	**123**	234
Income (loss) before taxes	**65**	(23)	**140**	(30)
Applicable income tax expense (benefit)	**23**	(8)	**49**	(11)
Net income (loss)	**$ 42**	(15)	**91**	(19)
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	**$ 8,840**	8,732	**8,935**	8,775
Home equity	**434**	505	**443**	514
Automobile loans	**11,402**	11,514	**11,412**	11,484
Other consumer loans, including held for sale	**15**	20	**19**	23

Net income was $42 million for the three months ended June 30, 2015 compared to a net loss of $15 million for the same period in the prior year. The increase was driven by an increase in noninterest income and decreases in noninterest expense and the provision for loan and lease losses partially offset by a decrease in net interest income. Net income was $91 million for the six months ended June 30, 2015 compared to a net loss of $19 million for the same period in the prior year. The increase was driven by decreases in noninterest expense and the provision for loan and lease losses and an increase in noninterest income partially offset by a decrease in net interest income.

Net interest income decreased $2 million and $4 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The decreases were primarily driven by lower yields on average residential mortgage loans and average automobile loans partially offset by decreases in FTP charges on loans and leases.

Provision for loan and lease losses decreased $5 million and $16 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to improved delinquency metrics on residential mortgage loans and home equity loans. Net charge-offs as a percent of average portfolio loans and leases decreased to 15 bps for the three months ended June 30, 2015 compared to 26 bps for the same period in the prior year and decreased to 22 bps for the six months ended June 30, 2015 compared to 38 bps for the same period in the prior year.

Noninterest income increased $32 million and $42 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2015 was driven by an increase in mortgage banking net revenue partially offset by a decrease in other noninterest income. Mortgage banking net revenue increased $39 million for the three months ended June 30, 2015 from the same period in the prior year as a result of a $39 million increase in net mortgage servicing revenue. Other noninterest income decreased $7 million for the three months ended June 30, 2015 from the same period in the prior year driven by a decrease in retail service fees. The increase for the six months ended June 30, 2015 was driven by increases in other noninterest income and mortgage banking net revenue. Other noninterest income increased $27 million for the six months ended June 30, 2015 from the same period in the prior year primarily driven by a $37 million gain on the sale of held for sale residential mortgage loans classified as TDRs in the first quarter of 2015. This increase was partially offset by a decrease in retail service fees. Mortgage banking net revenue increased $15 million for the six months ended June 30, 2015 from the same period in the prior year driven by a $12 million increase in net mortgage servicing revenue and a $3 million increase in mortgage origination fees and gains on loan sales. Refer to the Noninterest Income section of MD&A for additional information on the fluctuations in mortgage banking net revenue.

Noninterest expense decreased $53 million and $116 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year driven by decreases in other noninterest expense of $53 million and $111 million, respectively. The decrease for both periods was primarily due to decreased legal expenses and operational losses.

Average consumer loans and leases decreased $80 million and increased $13 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. Average residential mortgage loans, including held for sale, increased $108 million and $160 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to the continued retention of certain conforming ARMs and certain other fixed-rate loans during the three and six months ended June 30, 2015. Average automobile loans decreased $112 million and $72 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year and average home equity loans decreased $71 million for both the three and six months ended June 30, 2015 compared to the same periods in the prior year as payoffs exceeded new loan production.

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Investment Advisors

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

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

TABLE 30: Investment Advisors

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Income Statement Data				
Net interest income	**$ 29**	29	**58**	60
Provision for loan and lease losses	**2**	1	**3**	2
Noninterest income:				
Investment advisory revenue	**102**	99	**206**	199
Other noninterest income	**1**	2	**6**	6
Noninterest expense:				
Salaries, incentives and employee benefits	**42**	40	**86**	83
Other noninterest expense	**73**	71	**145**	139
Income before taxes	**15**	18	**36**	41
Applicable income tax expense	**6**	6	**13**	14
Net income	**$ 9**	12	**23**	27
Average Balance Sheet Data				
Loans and leases	**$ 2,709**	2,271	**2,605**	2,240
Core deposits	**9,739**	9,340	**9,765**	9,448

Net income was $9 million for the three months ended June 30, 2015 compared to net income of $12 million for the same period in the prior year. The decrease was driven primarily by an increase in noninterest expense. Net income was $23 million for the six months ended June 30, 2015 compared to net income of $27 million for the same period in

the prior year. The decrease was driven primarily by an increase in noninterest expense partially offset by an increase in noninterest income.

Net interest income was flat and decreased $2 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The decrease for the six months ended was primarily due to increases on FTP charges on loans and leases and an increase in interest expense on core deposits both driven by increases in average balances partially offset by an increase in interest income on loans and leases.

Provision for loan and lease losses increased $1 million for both the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. Net charge-offs as a percent of average portfolio loans and leases increased to 22 bps for the three months ended June 30, 2015 compared to 21 bps for the same period in the prior year and increased to 25 bps for the six months ended June 30, 2015 compared to 14 bps for the same period in the prior year.

Noninterest income increased $2 million and $7 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The increase for both periods was primarily due to a $3 million and $7 million increase in investment advisory revenue for the three and six months ended June 30, 2015, respectively, as a result of higher recurring securities and brokerage fees driven by higher sales volume. The increase for the six months ended June 30, 2015 also included growth in personal asset management fees.

Noninterest expense increased $4 million and $9 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily driven by increases in other noninterest expense of $2 million and $6 million, respectively, due to increases in corporate overhead allocations. These increases are also driven by higher salaries, incentives and employee benefits primarily due to increased compensation expense.

Average loans and leases increased $438 million and $365 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to increases in average residential mortgage loans and average other consumer loans primarily driven by increases in new loan origination activity partially offset by a decrease in average home equity loans as payoffs exceeded new loan production.

Average core deposits increased $399 million and $317 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to growth in average interest checking balances as customers have opted to maintain excess funds in liquid transaction accounts as a result of interest rates remaining near historic lows.

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General Corporate and Other

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

Net interest income for the three months ended June 30, 2015 was $17 million compared to $19 million in the same period in the prior year. Net interest income for the six months ended June 30, 2015 was $5 million compared to $28 million in the same period in the prior year. Decreases in net interest income for both periods were primarily due to increases in FTP credits on deposits allocated to business segments driven by increases in average deposits. The remaining decrease in net interest income was due to an increase in interest expense on long-term debt and a decrease in the benefit related to the FTP charges on loans and leases partially offset by an increase in interest income on taxable securities. Results for the three and six months ended June 30, 2015 were impacted by a benefit of $7 million and $29 million, respectively, compared to a benefit of $25 million and $124 million for the three and six months ended June 30, 2014, respectively due to reductions in the ALLL.

Noninterest income decreased $152 million and $64 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year. The decrease in noninterest income for both periods was driven by a gain of $125 million on the sale of Vantiv, Inc. shares in the second quarter of 2014. In addition, the positive valuation adjustment on the stock warrant associated with Vantiv Holding, LLC was $14 million for the three months ended June 30, 2015 compared to the positive valuation adjustment of $63 million during the three months ended June 30, 2014. The positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC were $85 million for the six months ended June 30, 2015 compared to the positive valuation adjustments of $28 million during the six months ended June 30, 2014. Noninterest income also included $2 million and $19 million of negative valuation adjustments related to the Visa total return swap for the three and six months ended June 30, 2015, respectively, compared with $16 million and $15 million, respectively, for the same periods in the prior year. Additionally, equity method earnings from the Bancorp s interest in Vantiv Holding, LLC increased $12 million compared to the three months ended June 30, 2014 and increased $7 million compared to the six months ended June 30, 2014.

Noninterest expense for the three and six months ended June 30, 2015 was an expense of $7 million and $2 million, respectively, compared to an expense of $1 million and a benefit of $15 million for the three and six months ended June 30, 2014, respectively. The increase for the three months ended June 30, 2015 compared to the same period in the prior year was primarily due to increases in salaries, incentives and employee benefits and FDIC insurance and other taxes partially offset by increased corporate overhead allocations from General Corporate and Other to the other business segments. The increase for the six months ended June 30, 2015 compared to the same period in the prior year was primarily due to increases in salaries, incentives and employee benefits partially offset by a decrease in corporate overhead allocations from General Corporate and Other to the other business segments and a decrease in FDIC insurance and other taxes.

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RISK MANAGEMENT OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk management oversight and governance is provided by the Risk and Compliance Committee of the Board of Directors and through multiple management committees whose membership includes a broad cross-section of

line-of-business, regional market and support representatives. The Risk and Compliance Committee of the Board of Directors consists of four outside directors and has the responsibility for the oversight of risk management for the Bancorp, as well as for the Bancorp s overall aggregate risk profile.

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The Risk and Compliance Committee of the Board of Directors has approved the formation of key management governance committees that are responsible for evaluating risks and controls. The primary committee responsible for the oversight of risk management is the ERMC. Committees accountable to the ERMC, which support the core risk programs, are the Corporate Credit Committee, the Operational Risk Committee, the Management Compliance Committee, the Asset/Liability Committee and the Enterprise Marketing Committee. Other committees accountable to the ERMC oversee the ALLL, capital, model risk and regulatory change management functions. In addition, the Legal and Regulatory Reserve Committee, which is accountable to the Operational Risk Committee, reviews and monitors significant legal and regulatory matters to ensure that accruals for potential litigation losses are established when such losses are both probable and subject to reasonable estimation. There are also new products and initiatives processes applicable to every line of business to ensure an appropriate standard readiness assessment is performed before launching a new product or initiative. Significant risk policies approved by the management governance committees are also reviewed and approved by the Risk and Compliance Committee of the Board of Directors.

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

CREDIT RISK MANAGEMENT

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

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

TABLE 31: Potential Problem Loans and Leases

As of June 30, 2015 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	**$ 1,392**	**1,396**	**1,896**
Commercial mortgage	**227**	**228**	**229**
Commercial construction	**7**	**7**	**10**
Commercial leases	**28**	**28**	**28**
Total potential problem loans and leases	**$ 1,654**	**1,659**	**2,163**

TABLE 32: Potential Problem Loans and Leases

As of December 31, 2014 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	$ 1,022	1,028	1,344
Commercial mortgage	272	273	273
Commercial construction	7	7	11
Commercial leases	29	29	29
Total potential problem loans and leases	$ 1,330	1,337	1,657

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

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

Overview

The outlook is for reasonably positive economic and employment growth in the U.S. during the remainder of 2015. The job market is slowly but steadily improving. Housing prices have largely stabilized and are increasing in many markets, but overall current economic conditions are causing weaker than desired qualified loan demand and a relatively low interest rate environment, which directly impacts the Bancorp s growth and profitability.

Among consumer portfolios, residential mortgage and brokered home equity portfolios exhibited the most stress. As of June 30, 2015, consumer real estate loans originated from 2005 to 2008 represent approximately 22% of the consumer real estate portfolio and approximately 57% and 63% of total losses for the three and six months ended June 30, 2015, respectively. Loss rates continue to improve as newer vintages are performing within expectations. Currently, the level of new commercial real estate fundings is slightly above the amortization and pay-off of the portfolio with growth in the commercial construction portfolio as those markets have rebounded. The Bancorp continues to engage in other loss mitigation strategies such as reducing credit commitments, restructuring certain commercial and consumer loans, as well as utilizing commercial and consumer loan workout teams. For commercial and consumer loans owned by the Bancorp, loan modification strategies are developed that are workable for both the borrower and the Bancorp when the borrower displays a willingness to cooperate. These strategies typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. For residential mortgage loans serviced for FHLMC and FNMA, the Bancorp participates in the HAMP and HARP 2.0 programs. For loans refinanced under the HARP 2.0 program, the Bancorp strictly adheres to the underwriting requirements of the program and promptly sells the refinanced loan back to the agencies. Loan restructuring under the HAMP program is performed on behalf of FHLMC or FNMA and the Bancorp does not take possession of these loans during the modification process. Therefore, participation in these programs does not significantly impact the Bancorp s credit quality statistics. The Bancorp participates in trial modifications in conjunction with the HAMP program for loans it services for FHLMC and FNMA. As these trial modifications relate to loans serviced for others, they are not included in the Bancorp s TDRs as they are not assets of the Bancorp. In the event there is a representation and warranty violation on loans sold through the programs, the Bancorp may be required to repurchase the sold loan. As of June 30, 2015, repurchased loans restructured or refinanced under these programs were immaterial to the Condensed Consolidated Financial Statements. Additionally, as of June 30, 2015, $17 million of loans refinanced under HARP 2.0 were included in loans held for sale in the Condensed Consolidated Balance Sheets. For the three and six months ended June 30, 2015, the Bancorp recognized $2 million and $4 million, respectively, of noninterest income in mortgage banking net revenue in the Condensed Consolidated Statements of Income related to the sale of loans restructured or refinanced under the

HAMP and HARP 2.0 programs compared to $4 million and $8 million for the same periods in the prior year.

In the financial services industry, there has been heightened focus on foreclosure activity and processes. The Bancorp actively works with borrowers experiencing difficulties and has regularly modified or provided forbearance to borrowers where a workable solution could be found. Foreclosure is a last resort, and the Bancorp undertakes foreclosures only when it believes they are necessary and appropriate and is careful to ensure that customer and loan data are accurate.

At June 30, 2015, the Bancorp s non-power producing energy portfolio balance was $1.7 billion, representing approximately two percent of total loans and leases. This portfolio continues to be an important part of the Bancorp s commercial business strategy. Due to the sensitivity of this portfolio to downward movements in oil prices, the Bancorp has seen migration in the portfolio into criticized classifications during 2015. When establishing the ALLL, all portfolio and general economic factors are considered, including the level of criticized assets and the level of commodity prices.

Commercial Portfolio

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

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

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The Bancorp assesses all real estate and non-real estate collateral securing a loan and considers all cross collateralized loans in the calculation of the LTV ratio. The following 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 33: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of June 30, 2015 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$ 158**	**322**	**1,987**
Commercial mortgage nonowner-occupied loans	**196**	**192**	**1,971**
Total	**$ 354**	**514**	**3,958**

TABLE 34: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of December 31, 2014 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	$ 148	248	1,982
Commercial mortgage nonowner-occupied loans	243	333	2,423
Total	$ 391	581	4,405

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

	June 30, 2015			December 31, 2014		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By industry:						
Manufacturing	**$ 11,147**	**20,573**	**72**	10,315	20,496	55
Financial services and insurance	**6,156**	**12,620**	**13**	6,097	13,557	20
Real estate	**5,933**	**9,392**	**36**	5,392	8,612	32
Business services	**4,575**	**7,051**	**44**	4,644	7,109	79

Wholesale trade	**4,746**	**8,496**	**25**	4,314	8,004	62
Healthcare	**4,429**	**6,355**	**22**	4,133	6,322	20
Retail trade	**3,983**	**8,252**	**10**	3,754	7,190	22
Transportation and warehousing	**3,088**	**4,581**		3,012	4,276	1
Communication and information	**2,689**	**4,552**	**2**	2,409	4,140	3
Construction	**1,979**	**3,369**	**10**	1,864	3,352	25
Accommodation and food	**1,830**	**3,052**	**7**	1,712	2,945	9
Mining	**1,621**	**2,913**	**12**	1,862	3,323	3
Entertainment and recreation	**1,476**	**2,563**	**8**	1,451	2,321	10
Utilities	**978**	**2,682**		1,044	2,551	
Other services	**819**	**1,166**	**10**	881	1,207	11
Public administration	**582**	**680**		567	658	
Agribusiness	**341**	**510**	**7**	318	444	11
Individuals	**164**	**199**	**2**	170	201	4
Other	**4**	**4**	**7**	14	17	
Total	**$ 56,540**	**99,010**	**287**	53,953	96,725	367
By loan size:						
Less than $200,000	**1 %**	**1**	**7**	1	1	6
$200,000 to $1 million	**4**	**3**	**16**	5	3	15
$1 million to $5 million	**10**	**8**	**27**	11	9	22
$5 million to $10 million	**8**	**7**	**30**	8	7	19
$10 million to $25 million	**24**	**22**	**20**	25	22	24
Greater than $25 million	**53**	**59**		50	58	14
Total	**100 %**	**100**	**100**	100	100	100
By state:						
Ohio	**17 %**	**18**	**12**	17	20	11
Michigan	**8**	**7**	**7**	9	8	11
Illinois	**7**	**7**	**14**	7	8	6
Florida	**7**	**7**	**18**	7	6	17
Indiana	**5**	**5**	**6**	5	5	5
North Carolina	**4**	**4**	**1**	3	4	2
Kentucky	**3**	**3**	**3**	3	3	2
Tennessee	**3**	**3**	**1**	3	3	
Pennsylvania	**3**	**3**	**4**	3	2	7
All other states	**43**	**43**	**34**	43	41	39
Total	**100 %**	**100**	**100**	100	100	100

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The Bancorp has identified certain categories of loans which it believes represent a higher level of risk compared to the rest of the Bancorp s commercial loan portfolio, due to economic or market conditions within the Bancorp s key lending areas. The following tables provide analysis of nonowner-occupied commercial real estate loans (excluding loans held for sale):

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

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

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

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

As of June 30, 2014 ($ in millions)				Net Charge-offs (Recoveries) for June 30, 2014	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
Ohio	$ 1,157	1,619	11	(1)	
Michigan	806	879	17	5	5
Florida	544	745	5	1	1
Illinois	495	849	9	1	1
North Carolina	311	516	2		
Indiana	214	317	3		
All other states	1,445	2,518	4		
Total	$ 4,972	7,443	51	6	7

(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.

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

Consumer Portfolio

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

Residential Mortgage Portfolio

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

The Bancorp does not originate mortgage loans that permit customers to defer principal payments or make payments that are less than the accruing interest. The Bancorp originates both fixed and adjustable rate residential mortgage loans. Resets of rates on ARMs are not expected to have a material impact on credit costs in the current interest rate environment, as approximately $850 million of adjustable rate residential mortgage loans will have rate resets during the next twelve months. Approximately 60% of these resets are expected to experience an increase in rate, with an average increase of approximately a fifth of a percent.

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

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

TABLE 38: Residential Mortgage Portfolio Loans by LTV at Origination

	June 30, 2015		December 31, 2014	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 80%	**$ 9,752**	**65.3 %**	$ 9,220	65.1 %
LTV > 80%, with mortgage insurance	**1,250**	**93.6**	1,206	93.8
LTV > 80%, no mortgage insurance	**1,931**	**96.2**	1,963	96.2

Total	**$ 12,933**	**72.8 %**	$ 12,389	73.0 %

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

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

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

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

As of June 30, 2014 ($ in millions)			Net Charge-offs for June 30, 2014	
By State:	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
Ohio	$ 593	3	15	1	3
Illinois	270		6		1
Michigan	323	1	7	1	2
Florida	265	1	7		1
Indiana	132	2	3		1
North Carolina	105		1		
Kentucky	90		1		
All other states	312		3	1	1
Total	$ 2,090	7	43	3	9

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Home Equity Portfolio

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

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

The home equity portfolio is managed in two primary groups: loans outstanding with a combined LTV greater than 80% and those loans with a LTV 80% or less based upon appraisals at origination. The carrying value of the greater than 80% LTV home equity loans and 80% or less LTV home equity loans were $2.8 billion and $5.8 billion, respectively, as of June 30, 2015. Of the total $8.5 billion of outstanding home equity loans:

85% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois;

35% are in senior lien positions and 65% are in junior lien positions at June 30, 2015;

Over 80% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended June 30, 2015; and

The portfolio had an average refreshed FICO score of 740 at June 30, 2015 and December 31, 2014.

The Bancorp actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation. The Bancorp does not routinely obtain appraisals on performing loans to update LTV ratios after origination. However, the Bancorp monitors the local housing markets by reviewing various home price indices and incorporates the impact of the changing market conditions in its ongoing credit monitoring processes. For junior lien home equity loans which become 60 days or more past due, the Bancorp

tracks the performance of the senior lien loans in which the Bancorp is the servicer and utilizes consumer credit bureau attributes to monitor the status of the senior lien loans that the Bancorp does not service. If the senior lien loan is found to be 120 days or more past due, the junior lien home equity loan is placed on nonaccrual status unless both loans are well-secured and in the process of collection. Additionally, if the junior lien home equity loan becomes 120 days or more past due and the senior lien loan is also 120 days or more past due, the junior lien home equity loan is assessed for charge-off. Refer to the Analysis of Nonperforming Assets section of MD&A for more information.

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

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

	June 30, 2015		December 31, 2014	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO < 620	**$ 170**	**2 %**	$ 178	2 %
FICO 621-719	**587**	**7**	613	7
FICO > 720	**2,217**	**26**	2,257	25
Total Senior Liens	**2,974**	**35**	3,048	34
Junior Liens:				
FICO < 620	**434**	**5**	471	6
FICO 621-719	**1,481**	**17**	1,542	17
FICO > 720	**3,658**	**43**	3,825	43
Total Junior Liens	**5,573**	**65**	5,838	66
Total	**$ 8,547**	**100 %**	$ 8,886	100 %

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

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

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

	June 30, 2015		December 31, 2014	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
Senior Liens:				
LTV £ 80%	**$ 2,584**	**55.2 %**	$ 2,635	55.2 %
LTV > 80%	**390**	**89.1**	413	89.1
Total Senior Liens	**2,974**	**59.9**	3,048	60.0
Junior Liens:				
LTV £ 80%	**3,181**	**67.5**	3,281	67.4
LTV > 80%	**2,392**	**91.0**	2,557	91.1
Total Junior Liens	**5,573**	**79.4**	5,838	79.6
Total	**$ 8,547**	**72.1 %**	$ 8,886	72.4 %

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

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

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

Total	**$ 2,782**	**4,340**		**32**	**6**	**14**

TABLE 44: Home Equity Portfolio Loans Outstanding with a LTV Greater than 80%

As of June 30, 2014 ($ in millions)					Net Charge-offs for June 30, 2014	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
Ohio	$ 1,142	1,852		8	3	5
Michigan	656	938		7	2	4
Illinois	364	533		7	1	4
Indiana	279	430		3		1
Kentucky	262	414		2	1	2
Florida	111	150		2	1	2
All other states	295	403		5	2	3
Total	$ 3,109	4,720		34	10	21

Automobile Portfolio

The automobile portfolio is characterized by direct and indirect lending products to consumers. As of June 30, 2015, 50% of the automobile loan portfolio is comprised of loans collateralized by new automobiles. It is a common practice to advance on automobile loans an amount in excess of the automobile value due to the inclusion of taxes, title and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans.

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

TABLE 45: Automobile Portfolio Loans Outstanding by LTV at Origination

	June 30, 2015		December 31, 2014	
($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 100%	**$ 8,090**	**81.6 %**	$ 8,212	81.6 %
LTV > 100%	**3,819**	**111.1**	3,825	111.0
Total	**$ 11,909**	**91.4 %**	$ 12,037	91.3 %

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

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

TABLE 46: Automobile Portfolio Loans Outstanding with a LTV Greater than 100%

As of ($ in millions)	Outstanding	90 Days Past Due and Accruing	Nonaccrual	Net Charge-offs for Three Months Ended	Net Charge-offs for Six Months Ended
June 30, 2015	**$ 3,819**	**4**	**1**	**5**	**10**
June 30, 2014	3,723	4	1	2	8

European Exposure

The Bancorp has no direct sovereign exposure to any European nation as of June 30, 2015. In providing services to our customers, the Bancorp routinely enters into financial transactions with foreign domiciled and U.S. subsidiaries of foreign businesses as well as foreign financial institutions. These financial transactions are in the form of loans, loan commitments, letters of credit, derivatives and securities. The Bancorp s risk appetite for foreign country exposure is managed by having established country exposure limits. The Bancorp s total exposure to European domiciled or owned businesses and European financial institutions was $3.6 billion and funded exposure was $2.0 billion as of June 30, 2015. Additionally, the Bancorp was within its established country exposure limits for all European countries.

The following table provides detail about the Bancorp s exposure to all European domiciled and owned businesses and financial institutions as of June 30, 2015:

TABLE 47: European Exposure

	Sovereigns		Financial Institutions		Non-Financial Institutions		Total	
($ in millions)	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure[a]	Funded Exposure
Peripheral Europe[b]	$				401	268	401	268
Other Eurozone[c]			43	39	2,145	1,093	2,188	1,132
Total Eurozone			43	39	2,546	1,361	2,589	1,400
Other Europe[d]			152	141	878	442	1,030	583

Total Europe	$	195	180	3,424	1,803	3,619	1,983

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

Analysis of Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial and credit card loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 48. Refer to the nonaccrual section of Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013 for additional delinquency and nonperforming asset information.

Total nonperforming assets, including loans held for sale, were $627 million at June 30, 2015 compared to $783 million at December 31, 2014. At June 30, 2015, $1 million of nonaccrual loans, consisting primarily of real estate secured loans, were held for sale, compared to $39 million at December 31, 2014.

Nonperforming assets as a percentage of total loans, leases and other assets, including OREO and nonaccrual loans held for sale as of June 30, 2015 were 0.67%, compared to 0.86% as of December 31, 2014. Excluding nonaccrual loans held for sale, nonperforming assets as a percentage of portfolio loans, leases and other assets, including OREO, were 0.67% as of June 30, 2015 compared to 0.82% as of December 31, 2014. The composition of nonaccrual loans and leases continues to be concentrated in real estate as 53% of nonaccrual loans and leases were secured by real estate as of June 30, 2015 compared with 50% as of December 31, 2014.

Commercial nonperforming loans and leases were $288 million at June 30, 2015, a decrease of $103 million from December 31, 2014 as charge-offs, loan paydowns/payoffs, loan transfers to OREO and loans sold outpaced new nonaccruals. Excluding commercial nonperforming loans and leases held for sale, commercial nonperforming loans and leases at June 30, 2015 decreased $80 million compared to December 31, 2014.

Consumer nonperforming loans and leases were $188 million at June 30, 2015, a decrease of $39 million from December 31, 2014. The decrease was primarily due to loan paydowns/payoffs, charge-offs, and transfers to performing and OREO which outpaced new nonaccrual loans, as well as the sale of $10 million of held for sale residential mortgage loans classified as TDRs during the first quarter of 2015. Excluding consumer nonperforming loans and leases held for sale, consumer nonperforming loans and leases at June 30, 2015 decreased $24 million compared to December 31, 2014. Geographical market conditions continue to be a large driver of nonaccrual activity as Florida properties represent approximately 11% and three percent of residential mortgage balances and home equity balances, respectively, but represent 26% and four percent of nonaccrual loans for each category, respectively, at June 30, 2015. Refer to Table 49 for a rollforward of the nonperforming loans and leases.

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OREO and other repossessed property was $151 million at June 30, 2015, compared to $165 million at December 31, 2014. The Bancorp recognized $5 million and $6 million in losses on the sale or write-down of OREO properties for the three months ended June 30, 2015 and 2014, respectively, and $13 million and $19 million in losses for the six months ended June 30, 2015 and 2014, respectively. The decrease from the three and six months ended June 30, 2014 was primarily due to a modest improvement in general economic conditions.

For the three and six months ended June 30, 2015, approximately $9 million and $17 million, respectively, of interest income would have been recognized if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. For the three and six months ended June 30, 2014 approximately $13 million and $26 million, respectively, of interest income would have been recognized. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

TABLE 48: Summary of Nonperforming Assets and Delinquent Loans

As of ($ in millions)	**June 30, 2015**	December 31, 2014
Nonaccrual portfolio loans and leases:		
Commercial and industrial loans	**$ 61**	86
Commercial mortgage loans	**49**	64
Commercial leases	**2**	3
Residential mortgage loans	**35**	44
Home equity	**70**	72
Restructured portfolio loans and leases:		
Commercial and industrial loans	**117**	142
Commercial mortgage loans[(d)]	**57**	71
Commercial leases	**1**	1
Residential mortgage loans	**27**	33
Home equity	**18**	21
Automobile loans	**2**	1
Credit card	**36**	41
Total nonperforming portfolio loans and leases[(c)]	**475**	579
OREO and other repossessed property[(e)]	**151**	165
Total nonperforming portfolio assets	**626**	744
Nonaccrual loans held for sale	**1**	39
Total nonperforming assets including loans held for sale	**$ 627**	783
Loans and leases 90 days past due and accruing		

Commercial and industrial loans	$	**2**	
Residential mortgage loans[(b)]		**43**	56
Automobile loans		**8**	8
Credit card		**17**	23
Total loans and leases 90 days past due and accruing	$	**70**	87
Nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO[(a)]		**0.67 %**	0.82
ALLL as a percent of nonperforming assets[(a)]		**206**	178

(a) Excludes nonaccrual loans held for sale.

*(b) Information for all periods presented excludes loans whose repayments are insured by the FHA or guaranteed by the VA. These loans were **$342** as of **June 30, 2015** and $373 as of December 31, 2014. The Bancorp recognized **$2** and **$4** on these insured or guaranteed loans for the three and six months ended **June 30, 2015**, respectively, and $2 and $7 for the three and six months ended June 30, 2014, respectively.*

*(c) Includes **$9** of nonaccrual government insured commercial loans whose repayments are insured by the SBA at both **June 30, 2015** and December 31, 2014 and **$4** of restructured nonaccrual government insured commercial loans at both **June 30, 2015** and December 31, 2014.*

*(d) Excludes **$21** of restructured nonaccrual loans at both **June 30, 2015** and December 31, 2014, associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

*(e) Excludes **$28** and $71 of OREO related to government insured loans at **June 30, 2015** and December 31, 2014, respectively. The Bancorp has historically excluded government guaranteed loans classified in OREO from its nonperforming asset disclosures. Upon the prospective adoption on January 1, 2015 of ASU 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure, government guaranteed loans meeting certain criteria will be reclassified to other receivables rather than OREO upon foreclosure. As of **June 30, 2015**, the Bancorp had **$37** of government guaranteed loans classified as other receivables. Refer to Note 3 of the Notes to the Condensed Consolidated Financial Statements for further information on the adoption of this amended guidance.*

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

TABLE 49: Rollforward of Portfolio Nonperforming Loans and Leases

For the six months ended June 30, 2015 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Beginning Balance	**$ 367**	**77**	**135**	**579**
Transfers to nonperforming	**146**	**35**	**74**	**255**
Transfers to performing	**(4)**	**(18)**	**(31)**	**(53)**
Transfers from held for sale		**5**		**5**
Loans sold from portfolio	**(8)**			**(8)**
Loan paydowns/payoffs	**(106)**	**(8)**	**(14)**	**(128)**
Transfers to OREO	**(19)**	**(19)**	**(8)**	**(46)**
Charge-offs	**(94)**	**(10)**	**(30)**	**(134)**
Draws/other extensions of credit	**5**			**5**
Ending Balance	**$ 287**	**62**	**126**	**475**
For the six months ended June 30, 2014 ($ in millions)				
Beginning Balance	$ 458	166	127	751
Transfers to nonperforming	305	65	113	483
Transfers to performing	(70)	(40)	(54)	(164)
Transfers to held for sale	(1)			(1)
Loans sold from portfolio	(26)			(26)
Loan paydowns/payoffs	(97)	(39)	(1)	(137)
Transfers to OREO	(25)	(37)	(11)	(73)
(Charge-offs) recoveries	(151)	3	(48)	(196)
Draws/other extensions of credit	3			3
Ending Balance	$ 396	118	126	640

Troubled Debt Restructurings

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

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

Consumer restructured loans on accrual status totaled $970 million and $905 million at June 30, 2015 and December 31, 2014, respectively. As of June 30, 2015, the percentage of restructured residential mortgage loans, home equity loans, and credit card loans that are past due 30 days or more from their modified terms were 29%, 11% and 29%, respectively.

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

TABLE 50: Performing and Nonperforming TDRs

		Performing			
As of June 30, 2015 ($ in millions)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial loans[(b)(c)]	**$ 768**	**1**		**175**	**944**
Residential mortgage loans[(a)]	**427**	**42**	**107**	**27**	**603**
Home equity	**322**	**21**		**18**	**361**
Credit card	**27**	**4**		**36**	**67**
Automobile	**20**			**2**	**22**
Total	**$ 1,564**	**68**	**107**	**258**	**1,997**

*(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of **June 30, 2015**, these advances represented **$192** of current loans, **$33** of 30-89 days past due loans and **$97** of 90 days or more past due loans.*

*(b) As of **June 30, 2015**, excludes **$7** of restructured accruing loans and **$21** of restructured nonaccrual loans associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

(c) Excludes restructured nonaccrual loans held for sale.

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TABLE 51: Performing and Nonperforming TDRs

As of December 31, 2014 ($ in millions)	Current	Performing 30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial loans[(b)(c)]	$ 867	2		214	1,083
Residential mortgage loans[(a)(c)]	312	54	119	33	518
Home equity	337	23		21	381
Credit card	31	6		41	78
Automobile loans	22	1		1	24
Total	$ 1,569	86	119	310	2,084

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2014, these advances represented $165 of current loans, $42 of 30-89 days past due loans and $102 of 90 days or more past due loans.

(b) As of December 31, 2014, excludes $7 of restructured accruing loans and $21 of restructured nonaccrual loans associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.

(c) Excludes restructured nonaccrual loans held for sale.

Analysis of Net Loan Charge-offs

Net charge-offs were 37 bps and 45 bps of average portfolio loans and leases for the three months ended June 30, 2015 and 2014, respectively, and were 39 bps and 60 bps for the six months ended June 30, 2015 and 2014, respectively. Table 52 provides a summary of credit loss experience and net charge-offs as a percentage of average portfolio loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs to average portfolio commercial loans and leases decreased to 32 bps and 30 bps during the three and six months ended June 30, 2015, respectively, compared to 35 bps and 57 bps during the three and six months ended June 30, 2014, respectively. The decrease for both periods was primarily driven by improvements in general economic conditions and previous actions taken by the Bancorp to address problem loans. Net charge-offs related to nonowner-occupied commercial real estate were $7 million and $6 million for the three and six months ended June 30, 2015, respectively. Net charge-offs related to nonowner-occupied commercial real estate were $6 million and $7 million for the three and six months ended June 30, 2014, respectively. Net charge-offs related to nonowner-occupied commercial real estate are recorded in the commercial mortgage loans and commercial construction loans captions in Table 52. Net charge-offs on these loans represented 16% and 7% of total commercial loan and lease net charge-offs for the three and six months ended June 30, 2015, respectively.

The ratio of consumer loan and lease net charge-offs to average portfolio consumer loans and leases decreased to 46 bps and 52 bps during the three and six months ended June 30, 2015, respectively, compared to 60 bps and 66 bps during the three and six months ended June 30, 2014, respectively. Residential mortgage loan net charge-offs, which typically involve partial charge-offs based upon appraised values of underlying collateral, decreased $3 million and $12 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year driven by improvements in delinquencies and loss severities. The Bancorp expects the composition of the residential mortgage portfolio to improve as it continues to retain high quality residential mortgage loans.

Home equity net charge-offs decreased $9 million and $12 million for the three and six months ended June 30, 2015, respectively, compared to the same periods in the prior year primarily due to improvements in loss severities. In addition, management actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation.

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

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TABLE 52: Summary of Credit Loss Experience

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Losses charged-off:				
Commercial and industrial loans	**$ (40)**	(36)	**(83)**	(135)
Commercial mortgage loans	**(14)**	(11)	**(19)**	(16)
Commercial construction loans		(8)		(13)
Residential mortgage loans	**(8)**	(11)	**(17)**	(30)
Home equity	**(13)**	(22)	**(30)**	(42)
Automobile loans	**(9)**	(10)	**(22)**	(22)
Credit card	**(24)**	(24)	**(48)**	(46)
Other consumer loans and leases	**(4)**	(5)	**(8)**	(14)
Total losses charged-off:	**(112)**	(127)	**(227)**	(318)
Recoveries of losses previously charged-off:				
Commercial and industrial loans	**6**	5	**11**	8
Commercial mortgage loans	**3**	2	**7**	4
Commercial construction loans				1
Residential mortgage loans	**3**	3	**6**	7
Home equity	**4**	4	**8**	8
Automobile loans	**5**	5	**10**	9
Credit card	**3**	3	**6**	7
Other consumer loans and leases	**2**	4	**2**	4
Total recoveries of losses previously charged-off:	**26**	26	**50**	48
Net losses charged-off:				
Commercial and industrial loans	**(34)**	(31)	**(72)**	(127)
Commercial mortgage loans	**(11)**	(9)	**(12)**	(12)
Commercial construction loans		(8)		(12)
Residential mortgage loans	**(5)**	(8)	**(11)**	(23)
Home equity	**(9)**	(18)	**(22)**	(34)
Automobile loans	**(4)**	(5)	**(12)**	(13)
Credit card	**(21)**	(21)	**(42)**	(39)
Other consumer loans and leases	**(2)**	(1)	**(6)**	(10)
Total net losses charged-off	**$ (86)**	(101)	**(177)**	(270)

Net charge-offs as a percent of average portfolio loans and leases:				
Commercial and industrial loans	**0.32 %**	0.30	**0.35**	0.63
Commercial mortgage loans	**0.62**	0.44	**0.34**	0.30
Commercial construction loans		2.26		1.99
Total commercial loans	**0.32**	0.35	**0.30**	0.57
Residential mortgage loans	**0.16**	0.24	**0.17**	0.37
Home equity	**0.41**	0.80	**0.51**	0.76
Automobile loans	**0.14**	0.15	**0.21**	0.22
Credit card	**3.62**	3.71	**3.61**	3.56
Other consumer loans and leases	**2.45**	4.08	**3.20**	5.29
Total consumer loans and leases	**0.46**	0.60	**0.52**	0.66
Total net losses charged-off as a percentage of portfolio loans and leases	**0.37 %**	0.45	**0.39**	0.60

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. The ALLL provides coverage for probable and estimable losses in the loan and lease portfolio. The Bancorp evaluates the ALLL each quarter to determine its adequacy to cover inherent losses. Several factors are taken into consideration in the determination of the overall ALLL, including an unallocated component. These factors include, but are not limited to, the overall risk profile of the loan and lease portfolios, net charge-off experience, the extent of impaired loans and leases, the level of nonaccrual loans and leases, the level of 90 days past due loans and leases and the overall level of the ALLL as a percentage of loans. The Bancorp also considers overall asset quality trends, credit administration and portfolio management practices, risk identification practices, credit policy and underwriting practices, overall portfolio growth, portfolio concentrations and current national and local economic conditions that might impact the portfolio. More information on the ALLL can be found in Management s Discussion and Analysis Critical Accounting Policies in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014.

During the six months ended June 30, 2015, the Bancorp did not substantively change any material aspect of its overall approach in the determination of the ALLL and there have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance. In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the Condensed Consolidated Balance Sheets. The methodology used to determine the adequacy of this reserve is similar to the Bancorp s methodology for determining the ALLL. The provision for unfunded commitments is included in other noninterest expense in the Condensed Consolidated Statements of Income.

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

The Bancorp s determination of the ALLL for commercial loans is sensitive to the risk grades it assigns to these loans. In the event that 10% of commercial loans in each risk category would experience a downgrade of one risk category, the allowance for commercial loans would increase by approximately $155 million at June 30, 2015. In addition, the Bancorp s determination of the allowance for residential and consumer loans is sensitive to changes in estimated loss rates. In the event that estimated loss rates would increase by 10%, the allowance for residential and consumer loans would increase by approximately $34 million at June 30, 2015. As several qualitative and quantitative factors are considered in determining the ALLL, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the ALLL. They are intended to provide insights into the impact of adverse changes to risk grades and estimated loss rates and do not imply any expectation of future deterioration in the risk ratings or loss rates. Given current processes employed by the Bancorp, management believes the risk grades and estimated loss rates currently assigned are appropriate.

TABLE 53: Changes in Allowance for Credit Losses

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
ALLL:				
Balance, beginning of period	**$ 1,300**	1,483	**1,322**	1,582
Losses charged-off	**(112)**	(127)	**(227)**	(318)
Recoveries of losses previously charged-off	**26**	26	**50**	48
Provision for loan and lease losses	**79**	76	**148**	146
Balance, end of period	**$ 1,293**	1,458	**1,293**	1,458
Reserve for unfunded commitments:				
Balance, beginning of period	**$ 130**	153	**135**	162

Benefit for (provision of) unfunded commitments		**2**	(11)	**(2)**	(20)
Charge-offs				**(1)**	
Balance, end of period	**$**	**132**	142	**132**	142

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

An unallocated component of the ALLL is maintained to recognize the imprecision in estimating and measuring loss. The unallocated allowance as a percent of total portfolio loans and leases was 0.11% and 0.12% at June 30, 2015 and December 31, 2014, respectively. The unallocated allowance was eight percent of the total allowance as of both June 30, 2015 and December 31, 2014.

As shown in Table 54, the ALLL as a percent of portfolio loans and leases was 1.39% at June 30, 2015 compared to 1.47% at December 31, 2014. The ALLL was $1.3 billion at both June 30, 2015 and December 31, 2014.

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TABLE 54: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

As of ($ in millions)	**June 30, 2015**	December 31, 2014
ALLL attributed to:		
Commercial and industrial loans	**$ 668**	673
Commercial mortgage loans	**117**	140
Commercial construction loans	**22**	17
Commercial leases	**48**	45
Residential mortgage loans	**104**	104
Home equity	**77**	87
Automobile loans	**42**	33
Credit card	**98**	104
Other consumer loans and leases	**14**	13
Unallocated	**103**	106
Total ALLL	**$ 1,293**	1,322
Portfolio loans and leases:		
Commercial and industrial loans	**$ 42,800**	40,765
Commercial mortgage loans	**7,150**	7,399
Commercial construction loans	**2,709**	2,069
Commercial leases	**3,881**	3,720
Residential mortgage loans	**12,933**	12,389
Home equity	**8,547**	8,886
Automobile loans	**11,909**	12,037
Credit card	**2,278**	2,401
Other consumer loans and leases	**496**	418
Total portfolio loans and leases	**$ 92,703**	90,084
Attributed ALLL as a percent of respective portfolio loans and leases:		
Commercial and industrial loans	**1.56 %**	1.65
Commercial mortgage loans	**1.64**	1.89
Commercial construction loans	**0.81**	0.82
Commercial leases	**1.24**	1.21
Residential mortgage loans	**0.80**	0.84
Home equity	**0.90**	0.98
Automobile loans	**0.35**	0.27
Credit card	**4.30**	4.33
Other consumer loans and leases	**2.82**	3.11

Unallocated (as a percent of total portfolio loans and leases)	**0.11**	0.12
Attributed ALLL as a percent of total portfolio loans and leases	**1.39 %**	1.47

MARKET RISK MANAGEMENT

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

Assets and liabilities may mature or reprice at different times;

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

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

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

Interest Rate Risk Management Oversight

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

Net Interest Income Sensitivity

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

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

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

Another important deposit modeling assumption is the amount by which interest bearing deposit rates will increase when market rates increase. This deposit repricing sensitivity is known as the beta, and it represents the expected amount by which the Bancorp deposit rates will increase for a given increase in short-term market rates. The Bancorp s NII sensitivity modeling assumes a weighted average interest-bearing deposit beta of approximately 70%, which is approximately 20 percentage points higher than the 50% beta that the Bancorp experienced in the last FRB tightening cycle from June 2004 to June 2006.

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

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

TABLE 55: Estimated NII Sensitivity Profile

	June 30, 2015				June 30, 2014			
	% Change in NII (FTE)		ALCO Policy Limits		% Change in NII (FTE)		ALCO Policy Limits	
Change in Interest Rates (bps)	12 Months	13 to 24 Months	12 Months	13 to 24 Months	12 Months	13 to 24 Months	12 Months	13 to 24 Months
+ 200	**1.63 %**	**6.65**	**(4.00)**	**(6.00)**	1.95 %	8.08	(4.00)	(6.00)
+ 100	**0.89**	**4.23**			1.07	4.97		

At June 30, 2015, the Bancorp s net interest income would benefit in both year one and year two under these parallel ramp increases. The benefit is attributable to the combination of floating-rate assets, including the predominantly floating-rate commercial loan portfolio, and certain intermediate-term fixed-rate liabilities. The benefit is down modestly compared to 2014 and is attributable to continued growth in investment portfolio balances.

Tables 56 and 57 provide information on the Bancorp s estimated net interest income sensitivity profile given changes to certain key assumptions.

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The following table shows the Bancorp's estimated net interest income sensitivity profile with a $1 billion decrease and a $1 billion increase in demand deposit balance run-off assumption as of June 30, 2015:

TABLE 56: Estimated NII Sensitivity with Demand Deposit Balance Run-Off Assumption Changes

	Percent Change in NII (FTE)			
	$1 Billion Balance Decrease		$1 Billion Balance Increase	
Change in Interest Rates (bps)	12 Months	13 to 24 Months	12 Months	13 to 24 Months
+200	1.35 %	6.09	1.91	7.21
+100	0.75	3.95	1.03	4.52

The following table shows the Bancorp's estimated net interest income sensitivity profile with a 25% increase and a 25% decrease to the deposit beta assumption as of June 30, 2015. The resulting weighted average interest-bearing deposit beta included in this analysis is approximately 88% and 53%, respectively, as of June 30, 2015:

TABLE 57: Estimated NII Sensitivity with Deposit Beta Assumption Changes

	Percent Change in NII (FTE)			
	Betas 25% Higher		Betas 25% Lower	
Change in Interest Rates (bps)	12 Months	13 to 24 Months	12 Months	13 to 24 Months
+200	(1.37)%	0.65	4.63	12.65
+100	(0.61)	1.23	2.39	7.23

Economic Value of Equity Sensitivity

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

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

TABLE 58: Estimated EVE Sensitivity Profile

	June 30, 2015		June 30, 2014	
Change in Interest Rates (bps)	Change in EVE	ALCO Policy Limit	Change in EVE	ALCO Policy Limit
+200	**(4.63)%**	**(12.00)**	(3.64)%	(12.00)
+100	**(1.84)**		(1.62)	
+25	**(0.33)**		(0.36)	
-25	**0.22**		0.27	

The EVE sensitivity to rising rates is modestly negative at June 30, 2015, and is up from the EVE sensitivity at June 30, 2014. The slight increase in risk in the +200 bps scenario is related to growth in investment portfolio balances partially offset by the impact of changes resulting from the annual review of assumptions related to deposits.

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

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

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

Use of Derivatives to Manage Interest Rate Risk

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

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

The Bancorp also establishes derivatives contracts with major financial institutions to economically hedge significant exposures assumed in commercial customer accommodation derivative contracts. Generally, these contracts have similar terms in order to protect the Bancorp from market volatility. Credit risk arises from the possible inability of counterparties to meet the terms of their contracts, which the Bancorp minimizes through collateral arrangements, approvals, limits and monitoring procedures. For further information including the notional amount and fair values of these derivatives, refer to Note 12 of the Notes to Condensed Consolidated Financial Statements.

Portfolio Loans and Leases and Interest Rate Risk

Although the Bancorp s portfolio loans and leases contain both fixed and floating/adjustable rate products, the rates of interest earned by the Bancorp on the outstanding balances are generally established for a period of time. The interest rate sensitivity of loans and leases is directly related to the length of time the rate earned is established. The following table summarizes the carrying value of the Bancorp s portfolio loans and leases expected cash flows as of June 30, 2015:

TABLE 59: Portfolio Loans and Leases Expected Cash Flows

($ in millions)	Less than 1 year	1-5 years	Over 5 years	Total
Commercial and industrial loans	$ 24,169	17,992	639	42,800
Commercial mortgage loans	3,068	3,636	446	7,150
Commercial construction loans	1,087	1,605	17	2,709
Commercial leases	804	1,730	1,347	3,881
Subtotal - commercial loans and leases	29,128	24,963	2,449	56,540
Residential mortgage loans	2,820	5,243	4,870	12,933
Home equity	1,193	3,374	3,980	8,547
Automobile loans	5,145	6,648	116	11,909

Credit card	456	1,822		2,278
Other consumer loans and leases	449	47		496
Subtotal - consumer loans and leases	10,063	17,134	8,966	36,163
Total	$ 39,191	42,097	11,415	92,703

Additionally, the following table displays a summary of expected cash flows, excluding interest receivable, occurring after one year for both fixed and floating/adjustable rate loans and leases as of June 30, 2015:

TABLE 60: Portfolio Loans and Leases Expected Cash Flows Occurring After One Year

	Interest Rate	
($ in millions)	**Fixed**	**Floating or Adjustable**
Commercial and industrial loans	$ 2,648	15,983
Commercial mortgage loans	968	3,114
Commercial construction loans	21	1,601
Commercial leases	3,077	
Subtotal - commercial loans and leases	6,714	20,698
Residential mortgage loans	7,331	2,782
Home equity	658	6,696
Automobile loans	6,715	49
Credit card	560	1,262
Other consumer loans and leases	21	26
Subtotal - consumer loans and leases	15,285	10,815
Total	$ 21,999	31,513

Residential Mortgage Servicing Rights and Interest Rate Risk

The net carrying amount of the residential MSR portfolio was $853 million and $856 million as of June 30, 2015 and December 31, 2014, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally, as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk associated with changes in the value of its MSR portfolio as a result of changing interest rates.

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

Mortgage rates increased during both the three and six months ended June 30, 2015 which caused actual prepayments on the servicing portfolio to decrease. The decrease in actual prepayments on the servicing portfolio during the three and six months ended June 30, 2015 caused modeled prepayment speeds to decrease, which led to a recovery of temporary impairment of $87 million and $39 million on servicing rights during the three and six months ended June 30, 2015, respectively. Mortgage rates decreased during both the three and six months ended June 30, 2014 which caused modeled prepayments speeds to increase, which led to a temporary impairment of $32 million and $28 million during the three and six months ended June 30, 2014, respectively. Servicing rights are deemed temporarily impaired when a borrower s loan rate is distinctly higher than prevailing rates. Temporary impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. In addition to the MSR valuation, the Bancorp recognized net losses of $30 million and net gains of $35 million on derivatives associated with its non-qualifying hedging strategy during the three and six months ended June 30, 2015, respectively, compared to net gains of $38 million and $61 million during the same periods in the prior year. The Bancorp may adjust its hedging strategy to reflect its assessment of the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges given the economic environment. Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements for further discussion on servicing rights and the instruments used to hedge interest rate risk on MSRs.

Foreign Currency Risk

The Bancorp may enter into foreign exchange derivative contracts to economically hedge certain foreign denominated loans. The derivatives are classified as free-standing instruments with the revaluation gain or loss being recorded in other noninterest income in the Condensed Consolidated Statements of Income. The balance of the Bancorp s foreign denominated loans at June 30, 2015 and December 31, 2014 was $859 million and $720 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations. The Bancorp has internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of currency volatility and credit equivalent exposure on these contracts, counterparty credit approvals and country limits.

LIQUIDITY RISK MANAGEMENT

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

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

liquidity needs and to cover unanticipated events that could affect liquidity.

Sources of Funds

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

Expected maturities from loan and lease repayments are included in Table 59 of the Market Risk Management section of MD&A. Of the $28.0 billion of securities in the Bancorp s available-for-sale and other portfolio at June 30, 2015, $3.9 billion in principal and interest is expected to be received in the next 12 months and an additional $4.3 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp s securities portfolio, refer to the Investment Securities subsection of the Balance Sheet Analysis of MD&A.

Asset-driven liquidity is provided by the Bancorp s ability to sell or securitize loans and leases. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination. Additional assets such as certain other residential mortgages, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. The Bancorp sold or securitized loans totaling $1.4 billion and $3.0 billion during the three and six months ended June 30, 2015, respectively, compared to $3.2 billion and $6.1 billion during the three and six months ended June 30, 2014, respectively. For further information on the transfer of financial assets, refer to Note 11 of the Notes to Condensed Consolidated Financial Statements.

Core deposits have historically provided the Bancorp with a sizeable source of relatively stable and low cost funds. The Bancorp s average core deposits and shareholders equity funded 83% of its average total assets for both the three and six months ended June 30, 2015 and 82% for both the three and six months ended June 30, 2014. In addition to core deposit funding, the Bancorp also accesses a variety of other short-term and long-term funding sources, which include the use of the FHLB system. Certificates $100,000 and over and deposits in the Bancorp s foreign branch located in the Cayman Islands are wholesale funding tools utilized to fund asset growth. Management does not rely on any one source of liquidity and manages availability in response to changing balance sheet needs.

As of June 30, 2015, $10.0 billion of debt or other securities were available for issuance under the current Bancorp s Board of Directors authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. At June 30, 2015, the Bancorp has approximately $36.5 billion of borrowing capacity available through secured borrowing sources including the FHLB and FRB.

The Bancorp s banking subsidiary s global bank note program has a borrowing capacity of $25 billion, of which $19.6 billion is available for issuance as of June 30, 2015.

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

Liquidity Coverage Ratio and Net Stable Funding Ratio

A key reform within the Basel III framework to strengthen international liquidity standards was the introduction of the LCR and NSFR. On January 7, 2013, the BCBS issued a final standard for the LCR applicable to large internationally active banking organizations. The BCBS issued a final NSFR standard in the fourth quarter of 2014 and disclosure requirements in the second quarter of 2015 which are applicable to internationally active banks. The NSFR will become a minimum standard by January 1, 2018. The Bancorp is currently evaluating the BCBS standards, and will begin to conform to a domestic version of the NFSR once adopted by the U.S. banking regulators.

Section 165 of the DFA requires the FRB to establish enhanced liquidity standards in the U.S. for BHCs with total assets of $50 billion or greater. On October 10, 2014, the U.S. Banking Agencies published final rules implementing a quantitative liquidity requirement consistent with the LCR standard established by the BCBS for large internationally active banking organizations, generally those with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure. In addition, a Modified LCR requirement was finalized for BHCs with $50 billion or more in total consolidated assets that are not internationally active, such as Fifth Third. The Modified LCR requires BHCs to maintain HQLA equal to its calculated net cash outflows over a 30 calendar-day stress period multiplied by a factor of 0.7. The Modified LCR is effective January 1, 2016 and requires BHCs to calculate its LCR on a monthly basis. The final rule includes a transition period for the modified LCR in which BHCs must maintain HQLA of 90% of its calculated net cash outflows for 2016 and then 100% beginning in 2017. The Bancorp estimates its LCR was 108% at June 30, 2015 calculated under the Modified LCR final rule. For more information on LCR, refer to the Non-GAAP Financial Measures section of MD&A.

Credit Ratings

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

The Bancorp s credit ratings are summarized in Table 61. The ratings reflect the ratings agencies view on the Bancorp s capacity to meet financial commitments. *

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

TABLE 61: Agency Ratings

As of August 5, 2015	Moody's	Standard and Poor's	Fitch	DBRS
Fifth Third Bancorp:				
Short-term	No rating	A-2	F1	R-1L
Senior debt	Baa1	BBB+	A	AL
Subordinated debt	Baa1	BBB	A-	BBBH
Fifth Third Bank:				
Short-term	P-1	A-2	F1	R-1L
Long-term deposit	Aa3	No rating	A+	A
Senior debt	A3	A-	A	A
Subordinated debt	Baa1	BBB+	A-	AL

OPERATIONAL RISK MANAGEMENT

The Bancorp faces ongoing and emerging risks and regulations related to the activities that surround the delivery of banking and financial products. The Bancorp believes that effective management of operational risk plays a major role in both the level and the stability of profitability. Operational risk is the risk of loss from inadequate or failed internal processes, people or systems or from external events. This includes, but is not limited to, the following types of risk: business continuity risk, information management risk, fraud risk, model risk, third party service provider risk, human resources risk and process risk.

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

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Information management is a significant operational risk for financial institutions such as the Bancorp, and includes the risk of losses resulting from cyber-attacks. The Bancorp devotes significant time and resources to maintaining and regularly updating technology systems and processes to protect the security of computer systems, software, networks and other technology assets against attempts by third parties to obtain unauthorized access to confidential information, destroy data or cause other damage. The Bancorp and other U.S. financial institutions have experienced distributed denial-of-service attacks from technologically sophisticated third parties. These attacks are designed to saturate the targeted online network with excessive amounts of network traffic, resulting in slow response times, or in some cases, causing the site to be temporarily unavailable. To date these attacks have not resulted in any material disruption of the Bancorp s operations or material harm to customers and have not had a material adverse effect on the Bancorp s results of operations.

Cyber-attack risks may also occur with the Bancorp s third-party service providers, and may interfere with their ability to fulfill their contractual obligations, with potential for financial loss or liability that could adversely affect the Bancorp s financial condition or results of operations. Recent high-profile cyber-attacks have targeted retailers and other businesses for the purpose of acquiring the confidential information of customers, some of which are customers of the Bancorp. The Bancorp may incur expenses related to the investigation of such attacks or related to the protection of the Bancorp s customers from identity thefts as a result of such attacks. Risks and exposure related to cyber-attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of internet banking, mobile banking and other technology-based products and services used by the Bancorp and our customers.

CAPITAL MANAGEMENT

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

Capital Ratios

The Basel III Final Rule was effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain of its components and other provisions. It established quantitative measures that assign risk weightings to assets and off-balance sheet items and also defined and set minimum regulatory capital requirements. The minimum capital ratios established under the Basel III Final Rule are 4.5% for the CET1 capital ratio, 6% for the Tier I risk-based capital ratio, 8% for the Total risk-based capital ratio and 4% for the Tier I capital to average consolidated assets (leverage ratio). The U.S. banking agencies define well-capitalized ratios for CET1 capital, Tier I risk-based capital and Total risk-based capital greater than or equal to 6.5%, 8% and 10%, respectively. Additionally, the Basel III Final Rule includes a capital conservation buffer of CET1 capital of 2.5% in additional to the 4.5% minimum requirement, or 7%, in order to avoid limitations on capital distributions and discretionary bonus payments to executive officers. The Bancorp exceeded these well-capitalized and capital conservation buffer ratios for all periods presented.

The Bancorp made a one-time permanent election to not include AOCI in CET1 capital in the March 31, 2015 FFIEC 031 and FR Y-9C filings. The Basel III Final Rule phases out the inclusion of certain TruPS as a component of Tier I capital. Under these provisions, these TruPS would qualify as a component of Tier II capital. At June 30, 2015, the Bancorp s Tier I capital included $12 million of TruPS representing approximately 1 bp of risk-weighted assets.

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

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

TABLE 62: Capital Ratios

($ in millions)	June 30, 2015	December 31, 2014
Average total Bancorp shareholders' equity as a percent of average assets	**11.32 %**	11.54
Tangible equity as a percent of tangible assets[(a)]	**9.28**	9.41
Tangible common equity as a percent of tangible assets (excluding unrealized gains/losses)[(a)]	**8.33**	8.43
	Basel III Transitional[(b)]	**Basel I[(c)]**
CET1 capital	**$ 11,582**	N/A
Tier I capital	**12,922**	12,764
Total risk-based capital	**16,831**	16,895
Risk-weighted assets	**122,986**	117,878
Regulatory capital ratios:		
CET1 capital	**9.42 %**	N/A
Tier I risk-based capital	**10.51**	10.83
Total risk-based capital	**13.69**	14.33
Tier I leverage	**9.44**	9.66
Tier 1 common equity[(a)]	**N/A**	9.65
	Basel III Fully Phased-In	
CET1 capital[(a)]	**9.31 %**	N/A

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

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

(c) These capital amounts and ratios were calculated under the Supervisory Agencies general risk-based capital rules (Basel I) which were in effect prior to January 1, 2015.

Stress Tests and CCAR

In 2011 the FRB adopted the capital plan rule, which requires BHCs with consolidated assets of $50 billion or more to submit annual capital plans to the FRB for review. Under the rule, these capital plans must included detailed descriptions of the following: the BHC s internal processes for assessing capital adequacy; the policies governing

capital actions such as common stock issuances, dividends, and share repurchases; and all planned capital actions over a nine-quarter planning horizon. Further, each BHC must also report to the FRB the results of stress tests conducted by the BHC under a number of scenarios that assess the sources and uses of capital under baseline and stressed economic scenarios. The FRB launched the 2015 stress testing program and CCAR on October 24, 2014, with firm submissions of stress test results and capital plans to the FRB due on January 5, 2015, which the Bancorp submitted as required.

The FRB s review of the capital plan assessed the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB reviewed the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above the minimum regulatory capital ratios and above a Tier I common ratio of five percent on a pro forma basis under expected and stressful conditions throughout the planning horizon. The FRB assessed the Bancorp s strategies for addressing proposed revisions to the regulatory capital framework agreed upon by the BCBS and requirements arising from the DFA.

On March 11, 2015, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2015 CCAR. For BHCs that proposed capital distributions in their plans, the FRB either objected to the plan or provided a non-objection whereby the FRB permitted the proposed 2015 capital distributions. The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning April 1, 2015 and ending June 30, 2016:

- The potential increase in the quarterly common stock dividend to $0.14 per share in 2016;
- The potential repurchase of common shares in an amount up to $765 million;
- The additional ability to repurchase shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock.

As contemplated by the 2014 CCAR, during the first quarter of 2015, the Bancorp entered into a $180 million accelerated share repurchase transaction. Additionally, as contemplated by the 2015 CCAR, during the second quarter of 2015, the Bancorp entered into a $155 million accelerated share repurchase transaction. For further information refer to Note 14 of the Notes to Condensed Consolidated Financial Statements. For further information on a subsequent event related to capital actions refer to Note 22 of the Notes to Condensed Consolidated Financial Statements.

Additionally, as a CCAR institution, the Bancorp is required to disclose the results of its company-run stress test under the supervisory severely adverse scenario, and to provide information related to the types of risk included in its stress testing; a general description of the methodologies used; estimates of certain financial results and pro forma capital ratios; and an explanation of the most significant causes of changes in regulatory capital ratios. On March 5, 2015 the Bancorp publicly disclosed the results of its company-run stress test as required by the DFA stress testing rules, in a Form 8-K.

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

The BHCs that participated in the 2015 CCAR, including the Bancorp, are required to also conduct mid-cycle company-run stress tests using data as of March 31, 2015. The stress tests must be based on three BHC defined scenarios baseline, adverse and severely adverse. The BHCs reported the mid-cycle stress test results to the FRB by the required July 6, 2015 submission date. In addition, the Bancorp published a Form 8-K providing a summary of the results under the severely adverse scenario on July 27, 2015, which is available on Fifth Third s website at https://www.53.com. These results represented estimates of the Bancorp s results from the second quarter of 2015 through the second quarter of 2017 under the severely adverse scenario, which is considered highly unlikely to occur.

Dividend Policy and Stock Repurchase Program

The Bancorp s common stock dividend policy and stock repurchase program reflect its earnings outlook, desired payout ratios, the need to maintain adequate capital levels, the ability of its subsidiaries to pay dividends, the need to comply with safe and sound banking practices as well as meet regulatory requirements and expectations. The Bancorp declared dividends per common share of $0.13 for both the three months ended June 30, 2015 and 2014 and $0.26 and $0.25 for the six months ended June 30, 2015 and 2014, respectively. The Bancorp entered into or settled a number of accelerated share repurchase transactions during the six months ended June 30, 2015. Refer to Note 14 of the Notes to Condensed Consolidated Financial Statements for additional information on the accelerated share repurchases.

The following table summarizes the monthly share repurchase activity for the three months ended June 30, 2015:

TABLE 63: Share Repurchases

Period	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs[(b)]
April 1, 2015 - April 30, 2015	7,808,579	$ 20.45	7,808,579	56,034,831
May 1, 2015 - May 31, 2015				56,034,831
June 1, 2015 - June 30, 2015				56,034,831
Total	7,808,579	$ 20.45	7,808,579	56,034,831

(a) The Bancorp repurchased 1,233,798 shares during the second quarter of 2015 in connection with various employee compensation plans. These purchases are not included in the calculation for average price paid per share and do not count against the maximum number of shares that may yet be purchased under the Board of Directors authorization.

(b) In March of 2014, the Bancorp announced that its Board of Directors had authorized management to purchase 100 million shares of the Bancorp s common stock through the open market or in any private party transactions. The authorization does not include specific price targets or an expiration date.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

Commitments

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

Guarantees and Contingent Liabilities

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

Transactions with Non-consolidated VIEs

The Bancorp engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity to finance their activities, or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The investments in those entities in which the Bancorp was determined not to be the primary beneficiary but holds a variable interest in the entity are accounted for under the equity method of accounting or other accounting standards as appropriate and not consolidated. Refer to Note 10 of the Notes to Condensed Consolidated Financial Statements for additional information on non-consolidated VIEs.

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Quantitative and Qualitative Disclosure about Market Risk (Item 3)

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

Controls and Procedures (Item 4)

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

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (Item 1)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share data)	As of **June 30, 2015**	December 31, 2014
Assets		
Cash and due from banks[(a)]	**$ 2,785**	3,091
Available-for-sale and other securities[(b)]	**27,987**	22,408
Held-to-maturity securities[(c)]	**157**	187
Trading securities	**370**	360
Other short-term investments	**3,451**	7,914
Loans held for sale[(d)]	**995**	1,261
Portfolio loans and leases[(a)(e)]	**92,703**	90,084
Allowance for loan and lease losses[(a)]	**(1,293)**	(1,322)
Portfolio loans and leases, net	**91,410**	88,762
Bank premises and equipment[(f)]	**2,298**	2,465
Operating lease equipment	**670**	728
Goodwill	**2,416**	2,416
Intangible assets	**13**	15
Servicing rights	**854**	858
Other assets[(a)]	**8,252**	8,241
Total Assets	**$ 141,658**	138,706
Liabilities		
Deposits:		
Interest-bearing deposits	**$ 67,574**	66,903
Noninterest-bearing deposits	**35,449**	34,809
Total deposits[(g)]	**103,023**	101,712
Federal funds purchased	**126**	144
Other short-term borrowings	**4,136**	1,556
Accrued taxes, interest and expenses	**1,858**	2,020
Other liabilities[(a)]	**3,356**	2,642
Long-term debt[(a)]	**13,521**	14,967
Total Liabilities	**126,020**	123,041
Equity		

Common stock[(h)]	**2,051**	2,051
Preferred stock[(i)]	**1,331**	1,331
Capital surplus	**2,632**	2,646
Retained earnings	**11,564**	11,141
Accumulated other comprehensive income	**291**	429
Treasury stock[(h)]	**(2,264)**	(1,972)
Total Bancorp shareholders equity	**15,605**	15,626
Noncontrolling interests	**33**	39
Total Equity	**15,638**	15,665
Total Liabilities and Equity	**$ 141,658**	138,706

*(a) Includes **$156** and $179 of cash and due from banks, **$2,547** and $3,378 of portfolio loans and leases, **$(29)** and $(22) of ALLL, **$23** and $25 of other assets, **$4** and $5 of other liabilities, and **$2,542** and $3,434 of long-term debt from consolidated VIEs that are included in their respective captions above at **June 30, 2015** and December 31, 2014, respectively. For further information refer to Note 10.*

*(b) Amortized cost of **$27,483** and $21,677 at **June 30, 2015** and December 31, 2014, respectively.*

*(c) Fair value of **$157** and $187 at **June 30, 2015** and December 31, 2014, respectively.*

*(d) Includes **$628** and $561 of residential mortgage loans held for sale measured at fair value at **June 30, 2015** and December 31, 2014, respectively.*

*(e) Includes **$178** and $108 of residential mortgage loans measured at fair value at **June 30, 2015** and December 31, 2014, respectively.*

*(f) Includes **$84** and $26 of bank premises and equipment held for sale at **June 30, 2015** and December 31, 2014, respectively. For further information refer to Note 7.*

*(g) Includes **$561** and $0 of deposits held for sale at **June 30, 2015** and December 31, 2014, respectively.*

*(h) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at **June 30, 2015** **810,054,148** (excludes **113,838,433** treasury shares), December 31, 2014 824,046,952 (excludes 99,845,629 treasury shares).*

*(i) **446,000** shares of undesignated no par value preferred stock are authorized and unissued at **June 30, 2015** and December 31, 2014; fixed-to-floating rate non-cumulative Series H perpetual preferred stock with a $25,000 liquidation preference: **24,000** authorized shares, issued and outstanding at **June 30, 2015** and December 31, 2014; fixed-to-floating rate non-cumulative Series I perpetual preferred stock with a $25,000 liquidation preference; **18,000** authorized shares, issued and outstanding at **June 30, 2015** and December 31, 2014; and fixed-to-floating rate non-cumulative Series J perpetual preferred stock with a $25,000 liquidation preference: **12,000** authorized shares, issued and outstanding at **June 30, 2015** and December 31, 2014.*

Refer to Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions, except share data)	**2015**	2014	**2015**	2014
Interest Income				
Interest and fees on loans and leases	**$ 782**	826	**1,560**	1,649
Interest on securities	**219**	181	**407**	349
Interest on other short-term investments	**2**	1	**6**	3
Total interest income	**1,003**	1,008	**1,973**	2,001
Interest Expense				
Interest on deposits	**46**	49	**96**	96
Interest on other short-term borrowings	**1**	1	**1**	1
Interest on long-term debt	**69**	58	**142**	111
Total interest expense	**116**	108	**239**	208
Net Interest Income	**887**	900	**1,734**	1,793
Provision for loan and lease losses	**79**	76	**148**	146
Net Interest Income After Provision for Loan and Lease Losses	**808**	824	**1,586**	1,647
Noninterest Income				
Service charges on deposits	**139**	139	**274**	272
Investment advisory revenue	**105**	102	**212**	204
Mortgage banking net revenue	**117**	78	**203**	187
Corporate banking revenue	**113**	107	**176**	211
Card and processing revenue	**77**	76	**148**	144
Other noninterest income	**1**	226	**165**	268
Securities gains, net	**4**	8	**9**	14
Total noninterest income	**556**	736	**1,187**	1,300
Noninterest Expense				
Salaries, wages and incentives	**383**	368	**752**	727
Employee benefits	**78**	79	**176**	180
Net occupancy expense	**83**	79	**162**	158

Technology and communications	**54**	52	**109**	105
Card and processing expense	**38**	37	**74**	68
Equipment expense	**31**	30	**61**	60
Other noninterest expense	**280**	309	**537**	605
Total noninterest expense	**947**	954	**1,871**	1,903
Income Before Income Taxes	**417**	606	**902**	1,044
Applicable income tax expense	**108**	167	**232**	287
Net Income	**309**	439	**670**	757
Less: Net income attributable to noncontrolling interests	**(6)**		**(6)**	1
Net Income Attributable to Bancorp	**315**	439	**676**	756
Dividends on preferred stock	**23**	23	**38**	32
Net Income Available to Common Shareholders	**$ 292**	416	**638**	724
Earnings per share - basic	**$ 0.36**	0.49	**0.78**	0.85
Earnings per share - diluted	**$ 0.36**	0.49	**0.77**	0.84
Average common shares outstanding - basic	**803,965,057**	838,492,046	**807,070,071**	842,155,702
Average common shares outstanding - diluted	**812,842,540**	848,245,111	**815,741,295**	853,057,618
Cash dividends declared per common share	**$ 0.13**	0.13	**0.26**	0.25

Refer to Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Net income	**$ 309**	439	**670**	757
Other comprehensive (loss) income, net of tax:				
Unrealized gains on available-for-sale securities:				
Unrealized holding (losses) gains arising during period	**(285)**	188	**(144)**	301
Reclassification adjustment for net (gains) losses included in net income	**4**	(9)	**(4)**	(12)
Unrealized gains on cash flow hedge derivatives:				
Unrealized holding gains (losses) arising during period	**(5)**	12	**29**	22
Reclassification adjustment for net gains included in net income	**(13)**	(6)	**(23)**	(13)
Defined benefit pension plans:				
Reclassification of amounts to net periodic benefit costs	**2**	1	**4**	2
Other comprehensive (loss) income, net of tax:	**(297)**	186	**(138)**	300
Comprehensive income	**12**	625	**532**	1,057
Less: Comprehensive income attributable to noncontrolling interests	**(6)**		**(6)**	1
Comprehensive income attributable to Bancorp	**$ 18**	625	**538**	1,056

Refer to Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Bancorp Shareholders Equity								
($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Bancorp Shareholders Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2013	$ 2,051	1,034	2,561	10,156	82	(1,295)	14,589	37	14,626
Net income				756			756	1	757
Other comprehensive income, net of tax					300		300		300
Cash dividends declared:									
Common stock at $0.25 per share				(211)			(211)		(211)
Preferred stock[(a)]				(32)			(32)		(32)
Shares acquired for treasury			77			(326)	(249)		(249)
Issuance of preferred stock		297					297		297
Impact of stock transactions under stock compensation plans, net			(25)	(3)		47	19		19
Other								1	1
Balance at June 30, 2014	2,051	1,331	2,613	10,666	382	(1,574)	15,469	39	15,508
Balance at December 31, 2014	2,051	1,331	2,646	11,141	429	(1,972)	15,626	39	15,665
Net income				**676**			**676**	**(6)**	**670**
Other comprehensive loss, net of tax					**(138)**		**(138)**		**(138)**
Cash dividends declared:									
Common stock at **$0.26** per share				**(211)**			**(211)**		**(211)**
Preferred stock[(b)]				**(38)**			**(38)**		**(38)**
Shares acquired for treasury			**5**			**(340)**	**(335)**		**(335)**
Impact of stock transactions under stock compensation plans, net			**(19)**			**45**	**26**		**26**
Other				**(4)**		**3**	**(1)**		**(1)**
Balance at June 30, 2015	**$ 2,051**	**1,331**	**2,632**	**11,564**	**291**	**(2,264)**	**15,605**	**33**	**15,638**

(a)

For the six months ended June 30, 2014, dividends were $637.50 per preferred share for Perpetual Preferred Stock, Series H and $414.06 per preferred share for Perpetual Preferred Stock, Series I.

*(b) For the six months ended **June 30, 2015**, dividends were **$637.50** per preferred share for Perpetual Preferred Stock, Series H, **$414.06** per preferred share for Perpetual Preferred Stock, Series I and **$612.50** per preferred share for Perpetual Preferred Stock, Series J.*

Refer to Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

($ in millions)	For the six months ended June 30, **2015**	2014
Operating Activities		
Net income	**$ 670**	757
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	**148**	146
Depreciation, amortization and accretion	**221**	200
Stock-based compensation expense	**50**	43
Provision for deferred income taxes	**10**	8
Securities gains, net	**(9)**	(14)
(Recovery of) provision for MSR impairment	**(39)**	28
Net gains on sales of loans and fair value adjustments on loans held for sale	**(67)**	(48)
Net losses on disposition and impairment of bank premises and equipment	**101**	18
Operating lease equipment impairment	**34**	
Proceeds from sales of loans held for sale	**2,391**	3,199
Loans originated for sale, net of repayments	**(2,497)**	(2,794)
Dividends representing return on equity method investments	**7**	9
Gain on sales of Vantiv, Inc. shares		(125)
Net change in:		
Trading securities	**(10)**	(16)
Other assets	**200**	350
Accrued taxes, interest and expenses	**(110)**	(99)
Other liabilities	**(150)**	(697)
Net Cash Provided by Operating Activities	**950**	965
Investing Activities		
Sales:		
Available-for-sale securities	**8,018**	3,449
Loans	**695**	128
Bank premises and equipment	**17**	3
Repayments / maturities:		
Available-for-sale securities	**1,587**	1,052

Held-to-maturity securities	**29**	14
Purchases:		
Available-for-sale securities	**(14,783)**	(8,283)
Bank premises and equipment	**(78)**	(107)
Proceeds from sales and dividends representing return of equity method investments	**24**	221
Net change in:		
Other short-term investments	**4,463**	2,730
Loans and leases	**(3,079)**	(2,421)
Operating lease equipment	**(12)**	30
Net Cash Used in Investing Activities	**(3,119)**	(3,184)
Financing Activities		
Net change in:		
Core deposits	**1,360**	(375)
Certificates - $100,000 and over, including other foreign office	**(49)**	(2,948)
Federal funds purchased	**(18)**	(130)
Other short-term borrowings	**2,580**	1,766
Dividends paid on common shares	**(213)**	(204)
Dividends paid on preferred shares	**(38)**	(32)
Proceeds from issuance of long-term debt		4,758
Repayment of long-term debt	**(1,400)**	(506)
Repurchase of treasury shares and related forward contract	**(335)**	(249)
Issuance of preferred shares		297
Other	**(24)**	(24)
Net Cash Provided by Financing Activities	**1,863**	2,353
(Decrease) Increase in Cash and Due from Banks	**(306)**	134
Cash and Due from Banks at Beginning of Period	**3,091**	3,178
Cash and Due from Banks at End of Period	**$ 2,785**	3,312

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

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

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

In the opinion of management, the unaudited Condensed Consolidated Financial Statements include all adjustments, which consist of normal recurring accruals, necessary to present fairly the results for the periods presented. In accordance with U.S. GAAP and the rules and regulations of the SEC for interim financial information, these statements do not include certain information and footnote disclosures required for complete annual financial statements and it is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the Bancorp s Annual Report on Form 10-K. The results of operations and comprehensive income for the three and six months ended June 30, 2015 and 2014 and the cash flows and changes in equity for the six months ended June 30, 2015 and 2014 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2014 has been derived from the Bancorp s Annual Report on Form 10-K.

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

2. Supplemental Cash Flow Information

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

($ in millions)	**2015**	2014
Cash payments:		
Interest	**$ 249**	187
Income taxes	**264**	228
Transfers:		
Portfolio loans to loans held for sale	**369**	96
Loans held for sale to portfolio loans	**139**	13
Portfolio loans to OREO	**58**	84
Loans held for sale to OREO		2

3. Accounting and Reporting Developments

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the FASB issued amended guidance which would permit the Bancorp to make an accounting policy election to account for its investments in qualified affordable housing projects using a proportional amortization method if certain conditions are met and to present the amortization as a component of income tax expense. The amended guidance would be applied retrospectively to all periods presented and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption permitted. Regardless of the policy election, the amended guidance requires disclosures to enable the users of the financial statements to understand the nature of the Bancorp s investments in qualified affordable housing projects and the effect of the measurement of the investments in qualified affordable housing projects and the related tax credits on the Bancorp s financial position and results of operation.

The Bancorp adopted the amended guidance on January 1, 2015, and did not make an accounting policy election to apply the proportional amortization method for its investments in qualified affordable housing projects. Therefore, the adoption of the amended guidance did not have a material impact on the Condensed Consolidated Financial Statements. The required disclosures are included in Note 10.

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

In January 2014, the FASB issued amended guidance that clarifies when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amended guidance clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either 1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or 2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. In addition, the amended guidance requires interim and annual disclosures of both 1) the amount of foreclosed residential real estate property held by the creditor and 2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amended guidance may be applied prospectively or through a modified retrospective approach and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption permitted. The Bancorp adopted the amended guidance prospectively on January 1, 2015 and the adoption of the amended guidance did not have a material impact on the Condensed Consolidated Financial Statements. The required disclosures are included in Note 6.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the FASB issued amended guidance that changes the criteria for reporting discontinued operations. The amended guidance requires a disposal of a component of an entity or a group of components of an entity to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results when any of the following occurs: 1) the component of an entity or group of components of an entity meets the criteria to be classified as held for sale; 2) the component of an entity or group of components of an entity is disposed of by sale; or 3) the component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). The amended guidance requires an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position, as well as additional disclosures about discontinued operations. The amended guidance is to be applied prospectively for 1) all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years; and 2) all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The Bancorp adopted the amended guidance on January 1, 2015 and the adoption of the amended guidance did not have a material impact on the Condensed Consolidated Financial Statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance on revenue recognition from contracts with customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most contract revenue recognition guidance, including industry-specific guidance. The core principle of the amended guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB approved extending the adoption date of the amended guidance by one year to annual periods beginning after December 15, 2017, and interim periods within those years. The amended guidance should be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the amendments recognized at the date of initial application. Early adoption is permitted, but not before the original effective date of annual periods beginning after December 15, 2016, and interim periods within those years. The Bancorp is currently in the process of evaluating the impact of adopting the amended guidance on its Condensed Consolidated Financial Statements.

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

In June 2014, the FASB issued amended guidance that changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. The amended guidance also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The amended guidance requires disclosures for certain

transactions comprising: 1) a transfer of a financial asset accounted for as a sale and 2) an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. The amended guidance also requires new disclosures for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions accounted for as secured borrowings. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption prohibited. Changes in accounting for transactions outstanding on the effective date should be presented as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The disclosures for certain transactions accounted for as a sale are required to be presented for interim and annual periods beginning after December 15, 2014, and the disclosures for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions accounted for as secured borrowings are required to be presented for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. The Bancorp adopted the amended guidance on January 1, 2015 and the adoption of the amended guidance did not have a material impact on the Condensed Consolidated Financial Statements. The disclosure requirements are included in Note 13.

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

In June 2014, the FASB issued amended guidance which clarifies that a performance target that affects vesting and can be achieved after the requisite service period be treated as a performance condition. The amended guidance provides that an entity should apply existing guidance as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The amended guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. The amended guidance may be adopted either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying the amended guidance as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. The adoption of the amended guidance is not expected to have a material impact on the Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure

In August 2014, the FASB issued amended guidance clarifying the classification of certain foreclosed mortgage loans that are either full or partially guaranteed under government programs. The amended guidance requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: 1) the loan has a government guarantee that is not separable from the loan before foreclosure; 2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and 3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable would be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amended guidance may be applied prospectively or through a modified retrospective approach and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption permitted. The Bancorp adopted the amended guidance prospectively on January 1, 2015 and the adoption of the amended guidance did not have a material impact on the Condensed Consolidated Financial Statements. The disclosures of the Bancorp s foreclosed mortgage loans that are either fully or partially guaranteed under government programs are included in Note 6.

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

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

Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items

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

Amendments to the Consolidation Analysis

In February 2015, the FASB issued amended guidance that changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amended guidance 1) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; 2) eliminates the presumption that a general partner should consolidate a limited partnership; 3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and 4) provides a scope exception from consolidation guidance for reporting entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted.

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The amended guidance may be applied using either a retrospective approach or a modified retrospective approach with a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Bancorp is currently in the process of evaluating the impact of adopting the amended guidance on the Condensed Consolidated Financial Statements.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued amended guidance to address the different balance sheet presentation requirements for debt issuance costs and debt discounts and premiums. The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amended guidance. The amended guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. The amended guidance should be applied retrospectively, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the amended guidance. As of June 30, 2015 and December 31, 2014, the Bancorp had approximately $30 million and $36 million of debt issuance costs, respectively, recorded within other assets in the Condensed Consolidated Balance Sheets that will be required to be reclassified and presented as a direct deduction from the debt liability upon adoption of the amended guidance. The adoption of the amended guidance is not expected to have a material impact on the Condensed Consolidated Statements of Income.

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

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

Customer s Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued amended guidance on a customer s accounting for fees paid in a cloud computing arrangement. Under the amended guidance, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amended guidance is effective for fiscal years, and interim periods

within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The amended guidance may be applied either prospectively to all arrangements entered into or materially modified after the effective date, or retrospectively. The Bancorp is currently in the process of evaluating the impact of adopting the amended guidance.

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

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

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4. Securities

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

June 30, 2015 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other securities:				
U.S. Treasury and federal agencies securities	**$ 1,544**	**71**		**1,615**
Obligations of states and political subdivisions securities	**172**	**5**		**177**
Mortgage-backed securities:				
Agency residential mortgage-backed securities[(a)]	**15,653**	**333**	**(32)**	**15,954**
Agency commercial mortgage-backed securities	**5,687**	**82**	**(18)**	**5,751**
Non-agency commercial mortgage-backed securities	**2,382**	**51**	**(19)**	**2,414**
Asset-backed securities and other debt securities	**1,344**	**36**	**(6)**	**1,374**
Equity securities[(b)]	**701**	**2**	**(1)**	**702**
Total available-for-sale and other securities	**$ 27,483**	**580**	**(76)**	**27,987**
Held-to-maturity securities:				
Obligations of states and political subdivisions securities	**$ 156**			**156**
Asset-backed securities and other debt securities	**1**			**1**
Total held-to-maturity securities	**$ 157**			**157**

*(a) Includes interest-only mortgage-backed securities of **$162** as of **June 30, 2015** recorded at fair value with fair value changes recorded in securities gains, net, in the Condensed Consolidated Statements of Income.*

*(b) Equity securities consist of FHLB and FRB restricted stock holdings of **$248** and **$353**, respectively, at **June 30, 2015**, that are carried at cost, and certain mutual fund and equity security holdings.*

December 31, 2014 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other securities:				
U.S. Treasury and federal agencies securities	$ 1,545	87		1,632
Obligations of states and political subdivisions securities	185	7		192

Mortgage-backed securities:				
Agency residential mortgage-backed securities[(a)]	11,968	437	(1)	12,404
Agency commercial mortgage-backed securities	4,465	101	(1)	4,565
Non-agency commercial mortgage-backed securities	1,489	61		1,550
Asset-backed securities and other debt securities	1,324	40	(2)	1,362
Equity securities[(b)]	701	3	(1)	703
Total available-for-sale and other securities	$ 21,677	736	(5)	22,408
Held-to-maturity securities:				
Obligations of states and political subdivisions securities	$ 186			186
Asset-backed securities and other debt securities	1			1
Total held-to-maturity securities	$ 187			187

(a) Includes interest-only mortgage-backed securities of $175 as of December 31, 2014, recorded at fair value with fair value changes recorded in securities gains, net, in the Condensed Consolidated Statements of Income.

(b) Equity securities consist of FHLB and FRB restricted stock holdings of $248 and $352, respectively, at December 31, 2014, that are carried at cost, and certain mutual fund and equity security holdings.

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Realized gains	**$ 29**	14	**44**	41
Realized losses	**(31)**		**(33)**	(5)
OTTI	**(4)**		**(5)**	(17)
Net realized gains (losses)[(a)]	**$ (6)**	14	**6**	19

*(a) Excludes net gains on interest-only mortgage-backed securities of **$11** and **$2** for the three and six months ended **June 30, 2015**, respectively, and net losses on interest-only mortgage-backed securities of $8 and $7 for the three and six months ended June 30, 2014, respectively.*

Trading securities were $370 million as of June 30, 2015, compared to $360 million at December 31, 2014. Gross realized gains were immaterial for both the three months ended June 30, 2015 and 2014, and were $1 million for both the six months ended June 30, 2015 and 2014. Gross realized losses on trading securities were immaterial for both the three and six months ended June 30, 2015 and 2014. Net unrealized losses on trading securities were $1 million for the three months ended June 30, 2015 and net unrealized gains on trading securities were immaterial for the six months ended June 30, 2015. Net unrealized gains on trading securities were $2 million and $1 million for the three and six months ended June 30, 2014, respectively.

At June 30, 2015 and December 31, 2014, securities with a fair value of $12.5 billion and $14.2 billion, respectively, were pledged to secure borrowings, public deposits, trust funds, derivative contracts and for other purposes as required or permitted by law.

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The expected maturity distribution of the Bancorp s mortgage-backed securities and the contractual maturity distribution of the remainder of the Bancorp s available-for-sale and other and held-to-maturity securities as of June 30, 2015 are shown in the following table:

	Available-for-Sale and Other		Held-to-Maturity	
($ in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities:[(a)]				
Less than 1 year	$ 209	212	94	94
1-5 years	4,938	5,112	46	46
5-10 years	20,104	20,393	15	15
Over 10 years	1,531	1,568	2	2
Equity securities	701	702		
Total	$ 27,483	27,987	157	157

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

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

	Less than 12 months		12 months or more		Total	
($ in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2015						
Agency residential mortgage-backed securities	**$ 5,140**	**(32)**			**5,140**	**(32)**
Agency commercial mortgage-backed securities	**1,736**	**(18)**			**1,736**	**(18)**
Non-agency commercial mortgage-backed securities	**982**	**(19)**			**982**	**(19)**
Asset-backed securities and other debt securities	**224**	**(3)**	**120**	**(3)**	**344**	**(6)**
Equity securities			**28**	**(1)**	**28**	**(1)**
Total	**$ 8,082**	**(72)**	**148**	**(4)**	**8,230**	**(76)**
December 31, 2014						
Agency residential mortgage-backed securities	$ 73	(1)			73	(1)
Agency commercial mortgage-backed securities	355	(1)			355	(1)

Asset-backed securities and other debt securities	286	(1)	74	(1)	360	(2)
Equity securities			30	(1)	30	(1)
Total	$ 714	(3)	104	(2)	818	(5)

Other-Than-Temporary Impairments

The Bancorp recognized $4 million and $5 million of OTTI on its available-for-sale and other debt securities, included in securities gains, net, in the Condensed Consolidated Statements of Income, during the three and six months ended June 30, 2015, respectively. The Bancorp did not recognize OTTI during the three months ended June 30, 2014 and recognized $17 million of OTTI on its available-for-sale and other debt securities during the six months ended June 30, 2014. The Bancorp did not recognize OTTI on any of its available-for-sale equity securities or held-to-maturity debt securities during the three and six months ended June 30, 2015 and 2014. Less than one percent of unrealized losses in the available-for-sale and other securities portfolio were represented by non-rated securities at June 30, 2015 and December 31, 2014.

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5. Loans and Leases

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

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

($ in millions)	**June 30, 2015**	December 31, 2014
Loans and leases held for sale:		
Commercial and industrial loans	**$ 12**	36
Commercial mortgage loans	**15**	11
Commercial construction loans		2
Commercial leases	**1**	1
Residential mortgage loans	**859**	1,193
Home equity	**44**	
Automobile loans	**5**	
Other consumer loans and leases	**59**	18
Total loans and leases held for sale	**$ 995**	1,261
Portfolio loans and leases:		
Commercial and industrial loans	**$ 42,800**	40,765
Commercial mortgage loans	**7,150**	7,399
Commercial construction loans	**2,709**	2,069
Commercial leases	**3,881**	3,720
Total commercial loans and leases	**56,540**	53,953
Residential mortgage loans	**12,933**	12,389
Home equity	**8,547**	8,886
Automobile loans	**11,909**	12,037

Credit card	**2,278**	2,401
Other consumer loans and leases	**496**	418
Total consumer loans and leases	**36,163**	36,131
Total portfolio loans and leases	**$ 92,703**	90,084

Total portfolio loans and leases are recorded net of unearned income, which totaled $648 million as of June 30, 2015 and $665 million as of December 31, 2014. Additionally, portfolio loans and leases are recorded net of unamortized premiums and discounts, deferred loan fees and costs and fair value adjustments (associated with acquired loans or loans designated at fair value upon origination) which totaled a net premium of $191 million and $169 million as of June 30, 2015 and December 31, 2014, respectively.

The Bancorp s FHLB and FRB advances are generally secured by loans. The Bancorp had loans of $11.6 billion and $11.1 billion at June 30, 2015 and December 31, 2014, respectively, pledged at the FHLB, and loans of $32.8 billion and $33.9 billion at June 30, 2015 and December 31, 2014, respectively, pledged at the FRB.

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

	Balance		90 Days Past Due and Still Accruing	
($ in millions)	**June 30, 2015**	December 31, 2014	**June 30, 2015**	December 31, 2014
Commercial and industrial loans	**$ 42,812**	40,801	**2**	
Commercial mortgage loans	**7,165**	7,410		
Commercial construction loans	**2,709**	2,071		
Commercial leases	**3,882**	3,721		
Residential mortgage loans	**13,792**	13,582	**43**	56
Home equity	**8,591**	8,886		
Automobile loans	**11,914**	12,037	**8**	8
Credit card	**2,278**	2,401	**17**	23
Other consumer loans and leases	**555**	436		
Total loans and leases	**$ 93,698**	91,345	**70**	87
Less: Loans held for sale	**$ 995**	1,261		
Total portfolio loans and leases	**$ 92,703**	90,084		

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Commercial and industrial loans	**$ 34**	31	**$ 72**	127
Commercial mortgage loans	**11**	9	**12**	12
Commercial construction loans		8		12
Residential mortgage loans	**5**	8	**11**	23
Home equity	**9**	18	**22**	34
Automobile loans	**4**	5	**12**	13
Credit card	**21**	21	**42**	39
Other consumer loans and leases	**2**	1	**6**	10

Total net charge-offs	**$ 86**	101	**$ 177**	270

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

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

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

For the three months ended June 30, 2015

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

For the three months ended June 30, 2014

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	$ 981	180	217	105	1,483
Losses charged-off	(55)	(11)	(61)		(127)
Recoveries of losses previously charged-off	7	3	16		26
Provision for loan and lease losses	28	2	49	(3)	76
Balance, end of period	$ 961	174	221	102	1,458

For the six months ended June 30, 2015

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	**$ 875**	**104**	**237**	**106**	**1,322**
Losses charged-off	**(102)**	**(17)**	**(108)**		**(227)**
Recoveries of losses previously charged-off	**18**	**6**	**26**		**50**
Provision for loan and lease losses	**64**	**11**	**76**	**(3)**	**148**

Balance, end of period	**$ 855**	**104**	**231**	**103**	**1,293**

For the six months ended June 30, 2014

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	$ 1,058	189	225	110	1,582
Losses charged-off	(164)	(30)	(124)		(318)
Recoveries of losses previously charged-off	13	7	28		48
Provision for loan and lease losses	54	8	92	(8)	146
Balance, end of period	$ 961	174	221	102	1,458

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

As of June 30, 2015 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:[(a)]					
Individually evaluated for impairment	**$ 162**[(c)]	**65**	**53**		**280**
Collectively evaluated for impairment	**693**	**39**	**178**		**910**
Unallocated				**103**	**103**
Total ALLL	**$ 855**	**104**	**231**	**103**	**1,293**
Loans and leases:[(b)]					
Individually evaluated for impairment	**$ 1,099**[(c)]	**603**	**450**		**2,152**
Collectively evaluated for impairment	**55,441**	**12,150**	**22,780**		**90,371**
Loans acquired with deteriorated credit quality		**2**			**2**
Total portfolio loans and leases	**$ 56,540**	**12,755**	**23,230**		**92,525**

*(a) Includes **$5** related to leveraged leases.*

*(b) Excludes **$178** of residential mortgage loans measured at fair value, and includes **$880** of leveraged leases, net of unearned income.*

*(c) Includes five restructured loans at **June 30, 2015** associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with a recorded investment of **$28** and an ALLL of **$16**.*

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As of December 31, 2014 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:[(a)]					
Individually evaluated for impairment	$ 179[(c)]	65	61		305
Collectively evaluated for impairment	696	39	176		911
Unallocated				106	106
Total ALLL	$ 875	104	237	106	1,322
Loans and leases:[(b)]					
Individually evaluated for impairment	$ 1,260[(c)]	518	483		2,261
Collectively evaluated for impairment	52,693	11,761	23,259		87,713
Loans acquired with deteriorated credit quality		2			2
Total portfolio loans and leases	$ 53,953	12,281	23,742		89,976

(a) Includes $6 related to leveraged leases.
(b) Excludes $108 of residential mortgage loans measured at fair value, and includes $874 of leveraged leases, net of unearned income.
(c) Includes five restructured loans at December 31, 2014 associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with a recorded investment of $28 and an ALLL of $10.

CREDIT RISK PROFILE

Commercial Portfolio Segment

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

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

Pass ratings, which are assigned to those borrowers that do not have identified potential or well defined weaknesses and for which there is a high likelihood of orderly repayment, are updated at least annually based on the size and

credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter.

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

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

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

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

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

As of June 30, 2015 ($ in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	**$ 39,780**	**1,285**	**1,735**		**42,800**
Commercial mortgage owner-occupied loans	**3,485**	**115**	**229**		**3,829**
Commercial mortgage nonowner-occupied loans	**3,058**	**39**	**213**	**11**	**3,321**
Commercial construction loans	**2,671**	**18**	**20**		**2,709**
Commercial leases	**3,805**	**45**	**31**		**3,881**
Total commercial loans and leases	**$ 52,799**	**1,502**	**2,228**	**11**	**56,540**

As of December 31, 2014 ($ in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	$ 38,013	1,352	1,400		40,765
Commercial mortgage owner-occupied loans	3,430	137	267		3,834
Commercial mortgage nonowner-occupied loans	3,198	76	284	7	3,565
Commercial construction loans	1,966	65	38		2,069
Commercial leases	3,678	9	33		3,720
Total commercial loans and leases	$ 50,285	1,639	2,022	7	53,953

Consumer Portfolio Segment

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

The Bancorp considers repayment performance as the best indicator of credit quality for residential mortgage and consumer loans, which includes both the delinquency status and performing versus nonperforming status of the loans. The delinquency status of all residential mortgage and consumer loans is presented by class in the age analysis section while the performing versus nonperforming status is presented in the table below. Refer to the nonaccrual loans and leases section of Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014 for additional delinquency and nonperforming information.

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

($ in millions)	**June 30, 2015** Performing	**June 30, 2015** Nonperforming	December 31, 2014 Performing	December 31, 2014 Nonperforming
Residential mortgage loans[(a)]	**$ 12,693**	**62**	12,204	77
Home equity	**8,459**	**88**	8,793	93
Automobile loans	**11,907**	**2**	12,036	1
Credit card	**2,242**	**36**	2,360	41
Other consumer loans and leases	**496**		418	
Total residential mortgage and consumer loans and leases[(a)]	**$ 35,797**	**188**	35,811	212

*(a) Excludes **$178** and $108 of loans measured at fair value at **June 30, 2015** and December 31, 2014, respectively.*

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Age Analysis of Past Due Loans and Leases

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

As of June 30, 2015		Past Due				
($ in millions)	Current Loans and Leases[c]	30-89 Days[c]	90 Days and Greater[c]	Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial loans and leases:						
Commercial and industrial loans	**$ 42,683**	**39**	**78**	**117**	**42,800**	**2**
Commercial mortgage owner-occupied loans	**3,780**	**10**	**39**	**49**	**3,829**	
Commercial mortgage nonowner-occupied loans	**3,296**	**2**	**23**	**25**	**3,321**	
Commercial construction loans	**2,709**				**2,709**	
Commercial leases	**3,879**	**2**		**2**	**3,881**	
Residential mortgage loans[a] [b]	**12,614**	**35**	**106**	**141**	**12,755**	**43**
Consumer loans and leases:						
Home equity	**8,398**	**81**	**68**	**149**	**8,547**	
Automobile loans	**11,840**	**59**	**10**	**69**	**11,909**	**8**
Credit card	**2,229**	**26**	**23**	**49**	**2,278**	**17**
Other consumer loans and leases	**495**	**1**		**1**	**496**	
Total portfolio loans and leases[a]	**$ 91,923**	**255**	**347**	**602**	**92,525**	**70**

*(a) Excludes **$178** of residential mortgage loans measured at fair value.*
*(b) Information for current residential mortgage loans includes loans whose repayments are insured by the FHA or guaranteed by the VA. As of **June 30, 2015**, **$90** of these loans were 30-89 days past due and **$342** were 90 days or more past due. The Bancorp recognized **$2** and **$4** of losses during the three and six months ended **June 30, 2015**, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.*
(c) Includes accrual and nonaccrual loans and leases.

As of December 31, 2014		Past Due				
	Current Loans and	30-89 Days[c]	90 Days and	Total Past Due	Total Loans and	90 Days Past

($ in millions)	Leases[c]		Greater[c]		Leases	Due and Still Accruing
Commercial loans and leases:						
Commercial and industrial loans	$ 40,651	29	85	114	40,765	
Commercial mortgage owner-occupied loans	3,774	7	53	60	3,834	
Commercial mortgage nonowner-occupied loans	3,537	11	17	28	3,565	
Commercial construction loans	2,069				2,069	
Commercial leases	3,717	3		3	3,720	
Residential mortgage loans[a] [b]	12,109	38	134	172	12,281	56
Consumer loans and leases:						
Home equity	8,710	100	76	176	8,886	
Automobile loans	11,953	74	10	84	12,037	8
Credit card	2,335	34	32	66	2,401	23
Other consumer loans and leases	417	1		1	418	
Total portfolio loans and leases[a]	$ 89,272	297	407	704	89,976	87

(a) Excludes $108 of residential mortgage loans measured at fair value.

(b) Information for current residential mortgage loans includes loans whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2014, $99 of these loans were 30-89 days past due and $373 were 90 days or more past due. The Bancorp recognized $2 and $7 of losses during the three and six months ended June 30, 2014, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.

(c) Includes accrual and nonaccrual loans and leases.

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Impaired Loans and Leases

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

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

As of June 30, 2015 **($ in millions)**	Unpaid Principal Balance	Recorded Investment	ALLL
With a related ALLL recorded:			
Commercial loans and leases:			
Commercial and industrial loans	**$ 520**	**471**	**132**
Commercial mortgage owner-occupied loans[(b)]	**39**	**30**	**7**
Commercial mortgage nonowner-occupied loans	**68**	**56**	**4**
Commercial construction loans	**31**	**31**	**1**
Commercial leases	**7**	**7**	**2**
Restructured residential mortgage loans	**418**	**413**	**65**
Restructured consumer loans and leases:			
Home equity	**239**	**238**	**36**
Automobile loans	**18**	**18**	**2**
Credit card	**67**	**67**	**15**
Total impaired loans and leases with a related ALLL	**$ 1,407**	**1,331**	**264**
With no related ALLL recorded:			
Commercial loans and leases:			
Commercial and industrial loans	**$ 308**	**237**	
Commercial mortgage owner-occupied loans	**61**	**56**	
Commercial mortgage nonowner-occupied loans	**156**	**151**	
Commercial construction loans	**30**	**30**	

Commercial leases	**2**	**2**	
Restructured residential mortgage loans	**220**	**190**	
Restructured consumer loans and leases:			
Home equity	**127**	**123**	
Automobile loans	**4**	**4**	
Total impaired loans and leases with no related ALLL	**908**	**793**	
Total impaired loans and leases	**$ 2,315**	**2,124**[(a)]	**264**

*(a) Includes **$769**, **$576** and **$394**, respectively, of commercial, residential mortgage and consumer TDRs on accrual status; **$175**, **$27** and **$56**, respectively, of commercial, residential mortgage and consumer TDRs on nonaccrual status.*

*(b) Excludes five restructured loans at **June 30, 2015** associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an unpaid principal balance of **$28**, a recorded investment of **$28**, and an allowance of **$16**.*

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As of December 31, 2014 ($ in millions)	Unpaid Principal Balance	Recorded Investment	ALLL
With a related ALLL recorded:			
Commercial loans and leases:			
Commercial and industrial loans	$ 598	486	149
Commercial mortgage owner-occupied loans[(b)]	54	46	14
Commercial mortgage nonowner-occupied loans	69	57	4
Commercial construction loans	18	15	
Commercial leases	3	3	2
Restructured residential mortgage loans	388	383	65
Restructured consumer loans and leases:			
Home equity	203	201	42
Automobile loans	19	19	3
Credit card	78	78	16
Total impaired loans and leases with a related ALLL	$ 1,430	1,288	295
With no related ALLL recorded:			
Commercial loans and leases:			
Commercial and industrial loans	$ 311	276	
Commercial mortgage owner-occupied loans	72	68	
Commercial mortgage nonowner-occupied loans	251	231	
Commercial construction loans	48	48	
Commercial leases	2	2	
Restructured residential mortgage loans	155	135	
Restructured consumer loans and leases:			
Home equity	183	180	
Automobile loans	5	5	
Total impaired loans and leases with no related ALLL	1,027	945	
Total impaired loans and leases	$ 2,457	2,233[(a)]	295

(a) Includes $869, $485 and $420, respectively, of commercial, residential mortgage and consumer TDRs on accrual status; $214, $33 and $63, respectively, of commercial, residential mortgage and consumer TDRs on nonaccrual status.

(b)

Excludes five restructured loans at December 31, 2014 associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an unpaid principal balance of $28, a recorded investment of $28, and an allowance of $10.

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

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

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

($ in millions)	For the three months ended June 30, 2014 Average Recorded Investment	Interest Income Recognized	For the six months ended June 30, 2014 Average Recorded Investment	Interest Income Recognized
Commercial loans and leases:				
Commercial and industrial loans	$ 744	7	$ 788	12
Commercial mortgage owner-occupied loans[(a)]	146	1	154	2
Commercial mortgage nonowner-occupied loans	259	2	266	4
Commercial construction loans	100	1	107	1
Commercial leases	12		17	
Restructured residential mortgage loans	1,295	14	1,304	27
Restructured consumer loans and leases:				
Home equity	395	6	401	11
Automobile loans	24		24	
Credit card	55	1	56	2
Total impaired loans and leases	$ 3,030	32	$ 3,117	59

(a) Excludes five restructured nonaccrual loans associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party, with an average recorded investment of $28 and an immaterial amount of interest income recognized for the three and six months ended June 30, 2014.

Nonperforming Assets

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

($ in millions)	**June 30, 2015**	December 31, 2014
Commercial loans and leases:		
Commercial and industrial loans	**$ 178**	228

Commercial mortgage owner-occupied loans[(a)]	**64**	78
Commercial mortgage nonowner-occupied loans	**42**	57
Commercial leases	**3**	4
Total commercial loans and leases	**287**	367
Residential mortgage loans	**62**	77
Consumer loans and leases:		
Home equity	**88**	93
Automobile loans	**2**	1
Credit card	**36**	41
Total consumer loans and leases	**126**	135
Total nonperforming loans and leases[(b) (c)]	**$ 475**	579
OREO and other repossessed property[(d)]	**$ 151**	165

*(a) Excludes **$21** of restructured nonaccrual loans at both **June 30, 2015** and December 31, 2014 associated with a consolidated VIE in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

*(b) Excludes **$1** and $39 of nonaccrual loans held for sale at **June 30, 2015** and December 31, 2014, respectively.*

*(c) Includes **$9** of nonaccrual government insured commercial loans whose repayments are insured by the SBA at both **June 30, 2015** and December 31, 2014 and **$4** of restructured nonaccrual government insured commercial loans at both **June 30, 2015** and December 31, 2014.*

*(d) Excludes **$28** and $71 of OREO related to government insured loans at **June 30, 2015** and December 31, 2014, respectively. The Bancorp has historically excluded government guaranteed loans classified in OREO from its nonperforming asset disclosures. Upon the prospective adoption on January 1, 2015 of ASU 2014-14 Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure, government guaranteed loans meeting certain criteria will be reclassified to other receivables rather than OREO upon foreclosure. At **June 30, 2015**, the Bancorp had **$37** of government guaranteed loans classified as other receivables. Refer to Note 3 for further information on the adoption of this amended guidance.*

The Bancorp s recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction was $331 million as of June 30, 2015.

Troubled Debt Restructurings

If a borrower is experiencing financial difficulty, the Bancorp may consider, in certain circumstances, modifying the terms of their loan to maximize collection of amounts due. Within each of the Bancorp s loan classes, TDRs typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. Modifying the terms of a loan may result in an increase or decrease to the ALLL depending upon the terms modified, the method used to measure the ALLL for a loan prior to modification, and whether any charge-offs were recorded on the loan before or at the time of modification. Refer to the ALLL section of Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014 for information on the Bancorp s ALLL methodology.

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Upon modification of a loan, the Bancorp measures the related impairment as the difference between the estimated future cash flows expected to be collected on the modified loan, discounted at the original effective yield of the loan, and the carrying value of the loan. The resulting measurement may result in the need for minimal or no valuation allowance because it is probable that all cash flows will be collected under the modified terms of the loan. In addition, if the stated interest rate was increased in a TDR, the cash flows on the modified loan, using the pre-modification interest rate as the discount rate, often exceed the recorded investment of the loan. Conversely, upon a modification that reduces the stated interest rate on a loan, the Bancorp recognizes an impairment loss as an increase to the ALLL. If a TDR involves a reduction of the principal balance of the loan or the loan s accrued interest, that amount is charged off to the ALLL.

As of June 30, 2015, the Bancorp had $65 million and $26 million in line of credit and letter of credit commitments, respectively, compared to $63 million and $26 million in line of credit and letter of credit commitments as of December 31, 2014, respectively, to lend additional funds to borrowers whose terms have been modified in a TDR.

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

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

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

(b) Represents number of loans post-modification.

June 30, 2014 ($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase to ALLL upon modification	Charge-offs recognized upon modification
Commercial loans and leases:				
Commercial and industrial loans	44	$ 100	6	
Commercial mortgage owner-occupied loans	4	39		
Commercial mortgage nonowner-occupied loans	4	1		
Residential mortgage loans	262	39	2	
Consumer loans and leases:				
Home equity	71	3		
Automobile loans	143	2		
Credit card	1,713	11	2	
Total portfolio loans and leases	2,241	$ 195	10	

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

(b) Represents number of loans post-modification.

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

June 30, 2015 ($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial loans and leases:				
Commercial and industrial loans	**48**	**$ 88**		**3**
Commercial mortgage owner-occupied loans	**13**	**15**	**(2)**	
Commercial mortgage nonowner-occupied loans	**11**	**7**		
Residential mortgage loans	**554**	**77**	**4**	
Consumer loans and leases:				
Home equity	**143**	**7**	**(1)**	
Automobile loans	**259**	**4**		
Credit card	**6,648**	**34**	**7**	**3**
Total portfolio loans and leases	**7,676**	**$ 232**	**8**	**6**

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

(b) Represents number of loans post-modification.

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June 30, 2014 ($ in millions)[(a)]	Number of loans modified in a TDR during the period[(b)]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial loans and leases:				
Commercial and industrial loans	66	$ 119	2	
Commercial mortgage owner-occupied loans	20	51	(1)	
Commercial mortgage nonowner-occupied loans	11	7	(1)	
Residential mortgage loans	572	84	5	
Consumer loans and leases:				
Home equity	106	4		
Automobile loans	259	4		
Credit card	3,664	23	4	
Total portfolio loans and leases	4,698	$ 292	9	

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

(b) Represents number of loans post-modification.

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

The following tables provide a summary of subsequent defaults of TDRs that occurred during the three months ended June 30, 2015 and 2014 and within 12 months of the restructuring date:

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

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

June 30, 2014 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial loans and leases:		
Commercial and industrial loans	3	$ 6
Residential mortgage loans	40	6
Consumer loans and leases:		
Home equity	10	1
Automobile loans	2	
Credit card	363	3
Total portfolio loans and leases	418	$ 16

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

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The following tables provide a summary of subsequent defaults that occurred during the six months ended June 30, 2015 and 2014 and within 12 months of the restructuring date:

June 30, 2015 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial loans and leases:		
Commercial and industrial loans	**4**	$ 7
Residential mortgage loans	**70**	9
Consumer loans and leases:		
Home equity	**8**	
Automobile loans	**8**	
Credit card	**1,145**	6
Total portfolio loans and leases	**1,235**	$ 22

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

June 30, 2014 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial loans and leases:		
Commercial and industrial loans	9	$ 20
Commercial mortgage owner-occupied loans	2	3
Residential mortgage loans	81	12
Consumer loans and leases:		
Home equity	20	1
Automobile loans	4	
Credit card	870	6
Total portfolio loans and leases	986	$ 42

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

7. Bank Premises and Equipment

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

($ in millions)	June 30, 2015	December 31, 2014
Land and improvements[(a)]	$ 715	793
Buildings	1,750	1,807
Equipment	1,676	1,682
Leasehold improvements	410	416
Construction in progress	61	98
Land and improvements held for sale	61	23
Buildings held for sale	17	3
Equipment held for sale	3	
Leasehold improvements held for sale	3	
Accumulated depreciation and amortization	(2,398)	(2,357)
Total	$ 2,298	2,465

*(a) At **June 30, 2015** and December 31, 2014, land and improvements included **$106 million** and $165 million, respectively, associated with parcels of undeveloped land intended for future branch expansion.*

The Bancorp monitors changing customer preferences associated with the channels it uses for banking transactions to evaluate the efficiency, competitiveness and quality of the customer service experience in its consumer distribution network. As part of this ongoing assessment, the Bancorp may determine that it is no longer fully committed to maintaining full-service branches at certain of its existing banking center locations. Similarly, the Bancorp may also determine that it is no longer fully committed to building banking centers on certain parcels of land which had previously been held for future branch expansion. On June 16, 2015, the Bancorp s Board of Directors authorized management to pursue a plan to further develop its distribution strategy, including a plan to consolidate and/or sell 105 operating branch locations and to sell an additional 31 parcels of undeveloped land that had been acquired by the Bancorp for future branch expansion (the Branch Consolidation and Sales Plan).

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. Impairment losses associated with such assessments and lower of cost or market adjustments were $98 million and $102 million for the three and six months ended June 30, 2015, respectively, and $18 million for both the three and six months ended June 30, 2014. The recognized impairment losses were recorded in other noninterest income in the Condensed Consolidated Statements of Income.

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The following table summarizes the assets and liabilities classified as held for sale as a result of the Branch Consolidation and Sales Plan as of:

($ in millions)	June 30, 2015[d]
Assets:	
Loans held for sale:	
Commercial and industrial loans	$ 12
Commercial mortgage loans	14
Residential mortgage loans	231
Home equity	44
Automobile loans	5
Other consumer loans and leases	55
Total loans held for sale[a]	361
Land and improvements held for sale (included in the previous table)[b]	27
Buildings held for sale (included in the previous table)[b]	15
Equipment held for sale (included in the previous table)[b]	3
Leasehold improvements held for sale (included in the previous table)[b]	3
Total assets held for sale	$ 409
Liabilities:	
Deposits held for sale:	
Interest-bearing deposits	$ 112
Noninterest-bearing deposits	449
Total deposits held for sale[c]	561
Total liabilities held for sale	$ 561

(a) Included in loans held for sale in the Condensed Consolidated Balance Sheets.
(b) Included in bank premises and equipment in the Condensed Consolidated Balance Sheets.
(c) Included in interest-bearing deposits and noninterest-bearing deposits in the Condensed Consolidated Balance Sheets.
(d) Included in the Branch Banking business segment.

8. Operating Lease Equipment

As part of a periodic review of long-lived assets for impairment associated with operating lease assets, during the first quarter of 2015, the Bancorp identified an impairment regarding certain medium and large cabin corporate aircraft subject to leases expiring in 2017 and later. After applying the appropriate tests under current accounting guidance, it was determined that such recoverability was in doubt and the assets had, in fact, been impaired. The impact of the impairment was $30 million which was recognized as a reduction to corporate banking revenue in the Condensed Consolidated Statements of Income during the first quarter of 2015 as such diminution in value of the assets was associated with both the first quarter of 2015 and prior periods. The Bancorp assessed the materiality of this impairment and concluded it was immaterial to interim amounts during the first quarter of 2015 and previously reported annual and interim amounts. During the second quarter of 2015, the Bancorp recorded $4 million of impairment associated with operating lease assets. The impact of the impairment was recognized as a reduction to corporate banking revenue in the Condensed Consolidated Statements of Income during the second quarter of 2015.

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9. Intangible Assets

Intangible assets consist of core deposit intangibles, customer lists, non-compete agreements and cardholder relationships. Intangible assets are amortized on either a straight-line or an accelerated basis over their estimated useful lives. Intangible assets have an estimated remaining weighted-average life at June 30, 2015 of 4.4 years.

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

($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
As of June 30, 2015			
Core deposit intangibles	**$ 34**	**(25)**	**9**
Other	**33**	**(29)**	**4**
Total intangible assets	**$ 67**	**(54)**	**13**
As of December 31, 2014			
Core deposit intangibles	$ 122	(112)	10
Other	45	(40)	5
Total intangible assets	$ 167	(152)	15

As of June 30, 2015, all of the Bancorp s intangible assets were being amortized. Amortization expense recognized on intangible assets was $1 million for both the three months ended June 30, 2015 and 2014 and $2 million for both the six months ended June 30, 2015 and 2014.

The Bancorp's projections of amortization expense shown below are based on existing asset balances as of June 30, 2015. Future amortization expense may vary from these projections. Estimated amortization expense for the remainder of June 30, 2015 through 2019 is as follows:

($ in millions)	Total
Remainder of 2015	$ 1
2016	2
2017	2
2018	2
2019	1

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Notes to Condensed Consolidated Financial Statements (unaudited)

10. Variable Interest Entities

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

Consolidated VIEs

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

June 30, 2015 ($ in millions)	Automobile Loan Securitizations	CDC Investments	Total
Assets:			
Cash and due from banks	**$ 155**	**1**	**156**
Commercial mortgage loans		**48**	**48**
Automobile loans	**2,499**		**2,499**
ALLL	**(11)**	**(18)**	**(29)**
Other assets	**21**	**2**	**23**
Total assets	**$ 2,664**	**33**	**2,697**
Liabilities:			
Other liabilities	**$ 4**		**4**
Long-term debt	**2,542**		**2,542**
Total liabilities	**$ 2,546**		**2,546**

Noncontrolling interests	**$**	**33**	**33**

December 31, 2014 ($ in millions)	Automobile Loan Securitizations	CDC Investments	Total
Assets:			
Cash and due from banks	$ 178	1	179
Commercial mortgage loans		47	47
Automobile loans	3,331		3,331
ALLL	(11)	(11)	(22)
Other assets	23	2	25
Total assets	$ 3,521	39	3,560
Liabilities			
Other liabilities	$ 5		5
Long-term debt	3,434		3,434
Total liabilities	$ 3,439		3,439
Noncontrolling interests	$	39	39

Automobile Loan Securitizations

In securitization transactions that occurred during 2014, the Bancorp transferred an aggregate amount of $3.8 billion in consumer automobile loans to bankruptcy remote trusts which were deemed to be VIEs. The primary purposes of the VIEs were to issue asset-backed securities with varying levels of credit subordination and payment priority, as well as residual interests, and to provide the Bancorp with access to liquidity for its originated loans. The Bancorp retained residual interests in the VIEs and, therefore, has an obligation to absorb losses and a right to receive benefits from the VIEs that could potentially be significant to the VIEs. In addition, the Bancorp retained servicing rights for the underlying loans and, therefore, holds the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs. As a result, the Bancorp concluded that it is the primary beneficiary of the VIEs and, therefore, has consolidated these VIEs. The assets of the VIEs are restricted to the settlement of the notes and other obligations of the VIEs. Third-party holders of the notes do not have recourse to the general assets of the Bancorp.

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

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CDC Investments

CDC, a wholly-owned indirect subsidiary of the Bancorp, was created to invest in projects to create affordable housing, revitalize business and residential areas, and preserve historic landmarks. CDC generally co-invests with other unrelated companies and/or individuals and typically makes investments in a separate legal entity that owns the property under development. The entities are usually formed as limited partnerships and LLCs, and CDC typically invests as a limited partner/investor member in the form of equity contributions. The economic performance of the VIEs is driven by the performance of their underlying investment projects as well as the VIEs ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. Typically, the general partner or managing member will be the party that has the right to make decisions that will most significantly impact the economic performance of the entity. The Bancorp s subsidiaries serve as the managing member of certain LLCs invested in business revitalization projects. The Bancorp has provided an indemnification guarantee to the investor member of these LLCs related to the qualification of tax credits generated by the investor members investment. Accordingly, the Bancorp concluded that it is the primary beneficiary and, therefore, has consolidated these VIEs. As a result, the investor members interests in these VIEs are presented as noncontrolling interests in the Condensed Consolidated Financial Statements. This presentation includes reporting separately the equity attributable to the noncontrolling interests in the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Changes in Equity and reporting separately the comprehensive income attributable to the noncontrolling interests in the Condensed Consolidated Statements of Comprehensive Income and the net income attributable to the noncontrolling interests in the Condensed Consolidated Statements of Income. The Bancorp s maximum exposure related to these indemnifications at June 30, 2015 and December 31, 2014 was $26 million and $24 million, respectively, which is based on an amount required to meet the investor member s defined target rate of return.

Non-consolidated VIEs

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

June 30, 2015 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	**$ 1,432**	**369**	**1,432**
Private equity investments	**209**		**275**
Loans provided to VIEs	**2,126**		**3,311**
Automobile loan securitization	**1**		**1**

December 31, 2014 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	$ 1,432	364	1,432
Private equity investments	189		267
Loans provided to VIEs	1,900		2,759
Automobile loan securitization	2		2

CDC Investments

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

The Bancorp s funding requirements are limited to its invested capital and any additional unfunded commitments for future equity contributions. The Bancorp s maximum exposure to loss as a result of its involvement with the VIEs is limited to the carrying amounts of the investments, including the unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Condensed Consolidated Balance Sheets, and the liabilities related to the unfunded commitments, which are included in other liabilities in the Condensed Consolidated Balance Sheets, are included in the previous tables for all periods presented. The Bancorp has no other liquidity arrangements or obligations to purchase assets of the VIEs that would expose the Bancorp to a loss. In certain arrangements, the general partner/managing member of the VIE has guaranteed a level of projected tax credits to be received by the limited partners/investor members, thereby minimizing a portion of the Bancorp s risk.

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As of both June 30, 2015 and December 31, 2014, the Bancorp s CDC investments included $1.3 billion of investments in affordable housing tax credits recognized in other assets in the Condensed Consolidated Balance Sheets. The unfunded commitments related to these investments were $359 million and $357 million as of June 30, 2015 and December 31, 2014, respectively, which are expected to be funded from 2015 to 2031.

The Bancorp has accounted for all of its investments in qualified affordable housing tax credits using the equity method of accounting. The following table summarizes the impact to the Condensed Consolidated Statements of Income relating to investments in qualified affordable housing investments:

($ in millions)	Affected Line Item in the Condensed Consolidated Statements of Income	For the three months ended June 30,		For the six months ended June 30,	
		2015	2014	**2015**	2014
Pre-tax investment losses	Other noninterest expense	**$ 33**	29	**67**	58
Impairment losses[(a)]	Other noninterest expense	**33**	29	**67**	59
Tax credits and other benefits	Applicable income tax expense	**52**	47	**104**	93

(a) The Bancorp did not recognize impairment losses resulting from the forfeiture or ineligibility of tax credits or other circumstances during the three and six months ended June 30, 2015 and 2014.

Private Equity Investments

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

The Bancorp is exposed to losses arising from the negative performance of the underlying investments in the private equity funds. As a limited partner, the Bancorp s maximum exposure to loss is limited to the carrying amounts of the investments plus unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Condensed Consolidated Balance Sheets, are included in the previous tables. Also, as of June 30, 2015

and December 31, 2014, the unfunded commitment amounts to the funds were $66 million and $78 million, respectively. The Bancorp made capital contributions of $12 million and $5 million, respectively, to private equity funds during the three months ended June 30, 2015 and 2014. The Bancorp made capital contributions of $22 million and $12 million, respectively, to private equity funds during the six months ended June 30, 2015 and 2014.

Loans Provided to VIEs

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

The principal risk to which these entities are exposed is credit risk related to the underlying assets. The Bancorp s maximum exposure to loss is equal to the carrying amounts of the loans and unfunded commitments to the VIEs. The Bancorp s outstanding loans to these VIEs, included in commercial loans in Note 5, are included in the previous tables for all periods presented. As of June 30, 2015 and December 31, 2014, the Bancorp s unfunded commitments to these entities were $1.2 billion and $859 million, respectively. The loans and unfunded commitments to these VIEs are included in the Bancorp s overall analysis of the ALLL and reserve for unfunded commitments, respectively. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

Automobile Loan Securitization

The Bancorp previously securitized and sold certain automobile loans with a carrying amount of approximately $509 million in a transaction that qualified for sale accounting. The Bancorp has concluded that it is not the primary beneficiary of the trust because it has neither the obligation to absorb losses of the entity that could potentially be significant to the VIE nor the right to receive benefits from the entity that could potentially be significant to the VIE. The Bancorp is not required and does not currently intend to provide any additional financial support to the trust. Investors and creditors only have recourse to the assets held by the trust. The interest the Bancorp holds in the VIE relates to servicing rights which are included in the Condensed Consolidated Balance Sheets. The maximum exposure to loss is equal to the carrying value of the servicing asset.

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11. Sales of Receivables and Servicing Rights

Residential Mortgage TDR Loan Sale

In March of 2015, the Bancorp recognized a $37 million gain, included in other noninterest income in the Condensed Consolidated Statements of Income, on the sale of certain HFS residential mortgage loans with a carrying value of $568 million that were previously modified in a TDR. As part of this sale, the Bancorp provided certain standard representations and warranties. Additionally, the Bancorp did not obtain servicing responsibilities on the sales of these loans and the investors have no credit recourse to the Bancorp s other assets for failure of debtors to pay when due.

Residential Mortgage Loan Sales

The Bancorp sold fixed and adjustable rate residential mortgage loans during the three and six months ended June 30, 2015 and 2014. In those sales, the Bancorp obtained servicing responsibilities and the investors have no recourse to the Bancorp s other assets for failure of debtors to pay when due. The Bancorp receives annual servicing fees based on a percentage of the outstanding balance. The Bancorp identifies classes of servicing assets based on financial asset type and interest rates.

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Residential mortgage loan sales[(a)]	**$ 1,377**	1,523	**2,378**[(b)]	3,195
Origination fees and gains on loan sales	**43**	42	**87**	84
Gross mortgage servicing fees	**56**	62	**115**	125

(a) Represents the unpaid principal balance at the time of the sale.
*(b) Excludes **$568** of HFS residential mortgage loans previously modified in a TDR that were sold during the first quarter of 2015.*

Servicing Rights

The following table presents changes in the servicing rights related to residential mortgage and automobile loans for the six months ended June 30:

($ in millions)	**2015**	2014
Carrying amount before valuation allowance as of the beginning of the period	**$ 1,392**	1,440
Servicing rights that result from the transfer of residential mortgage loans	**31**	44
Amortization	**(74)**	(56)
Carrying amount before valuation allowance	**1,349**	1,428
Valuation allowance for servicing rights:		
Beginning balance	**(534)**	(469)
Recovery of (provision for) MSR impairment	**39**	(28)
Ending balance	**(495)**	(497)
Carrying amount as of the end of the period	**$ 854**	931

Amortization expense recognized on servicing rights for the three months ended June 30, 2015 and 2014 was $40 million and $33 million, respectively. For the six months ended June 30, 2015 and 2014, amortization expense was $74 million and $56 million, respectively. The Bancorp s projections of amortization expense shown below are based on existing asset balances and static key economic assumptions as of June 30, 2015. Future amortization expense may vary from these projections.

Estimated amortization expense for the remainder of 2015 through 2019 is as follows:

($ in millions)	Total
Remainder of 2015	$ 83
2016	150
2017	132
2018	117
2019	103

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

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The following table displays the beginning and ending fair value of the servicing rights for the six months ended June 30:

($ in millions)	**2015**	2014
Fixed-rate residential mortgage loans:		
Beginning balance	**$ 823**	929
Ending balance	**826**	893
Adjustable rate residential mortgage loans:		
Beginning balance	**33**	38
Ending balance	**27**	35
Fixed-rate automobile loans:		
Beginning balance	**2**	4
Ending balance	**1**	3

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	**(30)**	38	**35**	61
Recovery of (Provision for) MSR impairment	**87**	(32)	**39**	(28)

As of June 30, 2015 and 2014, the key economic assumptions used in measuring the interests in residential mortgage loans that continued to be held by the Bancorp at the date of sale or securitization resulting from transactions completed during the three months ended were as follows:

	June 30, 2015				June 30, 2014			
	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS Spread (bps)	Weighted-Average Default Rate	Weighted-Average Life (in years)	Prepayment Speed (annual)	Discount Rate (annual)	Weighted-Average Default Rate

Residential mortgage loans:									
Servicing rights	Fixed	**7.1**	**10.7 %**	**566**	**N/A**	6.3	11.8 %	10.0 %	N/A
Servicing rights	Adjustable	**3.1**	**28.4**	**929**	**N/A**	3.7	22.3	11.8	N/A

During the first quarter of 2015, the Bancorp adopted an OAS valuation approach for valuing its MSRs. This approach projects servicing cash flows over multiple interest rate scenarios, which are then discounted at risk-adjusted rates.

Based on historical credit experience, expected credit losses for residential mortgage loan servicing rights have been deemed immaterial, as the Bancorp sold the majority of the underlying loans without recourse. At June 30, 2015 and December 31, 2014, the Bancorp serviced $61.7 billion and $65.4 billion, respectively, of residential mortgage loans for other investors. The value of MSRs that continue to be held by the Bancorp is subject to credit, prepayment and interest rate risks on the sold financial assets.

At June 30, 2015, the sensitivity of the current fair value of residual cash flows to immediate 10%, 20% and 50% adverse changes in prepayment speed assumptions and immediate 10% and 20% adverse changes in other assumptions are as follows:

					Prepayment Speed Assumption			Residual Servicing Cash Flows		
					Impact of Adverse Change on Fair Value				Impact of Adverse Change on Fair Value	
($ in millions)[(a)]	Rate	Fair Value	Weighted-Average Life (in years)	Rate	10%	20%	50%	OAS Spread (bps)	10%	20%
Residential mortgage loans:										
Servicing rights	Fixed	$ 826	7.5	7.6 %	$ (27)	(52)	(119)	930	$ (28)	(54)
Servicing rights	Adjustable	27	2.5	32.7	(2)	(4)	(7)	651		(1)

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

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

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12. Derivative Financial Instruments

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

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

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

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

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

The Bancorp s derivative assets include certain contractual features in which the Bancorp requires the counterparties to provide collateral in the form of cash and securities to offset changes in the fair value of the derivatives, including

changes in the fair value due to credit risk of the counterparty. As of June 30, 2015 and December 31, 2014, the balance of collateral held by the Bancorp for derivative assets was $752 million and $830 million, respectively. The credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts as of June 30, 2015 and December 31, 2014 was $10 million and $16 million, respectively.

In measuring the fair value of derivative liabilities, the Bancorp considers its own credit risk, taking into consideration collateral maintenance requirements of certain derivative counterparties and the duration of instruments with counterparties that do not require collateral maintenance. When necessary, the Bancorp posts collateral primarily in the form of cash and securities to offset changes in fair value of the derivatives, including changes in fair value due to the Bancorp s credit risk. As of June 30, 2015 and December 31, 2014, the balance of collateral posted by the Bancorp for derivative liabilities was $508 million and $574 million, respectively. Certain of the Bancorp s derivative liabilities contain credit-risk related contingent features that could result in the requirement to post additional collateral upon the occurrence of specified events. As of June 30, 2015, the fair value of the additional collateral that could be required to be posted as a result of the credit-risk related contingent features being triggered was immaterial to the Condensed Consolidated Financial Statements. The posting of collateral has been determined to remove the need for further consideration of credit risk. As a result, the Bancorp determined that the impact of the Bancorp s credit risk to the valuation of its derivative liabilities was immaterial to the Condensed Consolidated Financial Statements.

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

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

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

		Fair Value	
June 30, 2015 ($ in millions)	Notional Amount	Derivative Assets	Derivative Liabilities
Qualifying hedging instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	**$ 1,705**	**350**	
Total fair value hedges		**350**	
Cash flow hedges:			
Interest rate swaps related to C&I loans	**5,475**	**49**	
Total cash flow hedges		**49**	
Total derivatives designated as qualifying hedging instruments		**399**	
Derivatives not designated as qualifying hedging instruments			
Free-standing derivatives - risk management and other business purposes:			
Interest rate contracts related to MSRs	**7,142**	**197**	**8**
Forward contracts related to held for sale mortgage loans	**1,096**	**7**	**1**
Stock warrant associated with Vantiv Holding, LLC	**778**	**500**	
Swap associated with the sale of Visa, Inc. Class B shares	**1,119**		**55**
Total free-standing derivatives - risk management and other business purposes		**704**	**64**
Free-standing derivatives - customer accommodation:			
Interest rate contracts for customers	**29,100**	**265**	**272**
Interest rate lock commitments	**792**	**14**	**1**
Commodity contracts	**3,588**	**234**	**223**
Foreign exchange contracts	**22,292**	**495**	**441**
Total free-standing derivatives - customer accommodation		**1,008**	**937**
Total derivatives not designated as qualifying hedging instruments		**1,712**	**1,001**

Total	**$ 2,111**	**1,001**

December 31, 2014 ($ in millions)	Notional Amount	Fair Value Derivative Assets	Fair Value Derivative Liabilities
Qualifying hedging instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	$ 2,205	399	
Total fair value hedges		399	
Cash flow hedges:			
Interest rate swaps related to C&I loans	3,150	36	
Total cash flow hedges		36	
Total derivatives designated as qualifying hedging instruments		435	
Derivatives not designated as qualifying hedging instruments			
Free-standing derivatives - risk management and other business purposes:			
Interest rate contracts related to MSRs	4,487	181	
Forward contracts related to held for sale mortgage loans	999		6
Stock warrant associated with Vantiv Holding, LLC	691	415	
Swap associated with the sale of Visa, Inc. Class B shares	1,092		49
Total free-standing derivatives - risk management and other business purposes		596	55
Free-standing derivatives - customer accommodation:			
Interest rate contracts for customers	29,558	272	278
Interest rate lock commitments	613	12	
Commodity contracts	3,558	348	338
Foreign exchange contracts	16,745	417	372
Total free-standing derivatives - customer accommodation		1,049	988
Total derivatives not designated as qualifying hedging instruments		1,645	1,043
Total		$ 2,080	1,043

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Fair Value Hedges

The Bancorp may enter into interest rate swaps to convert its fixed-rate funding to floating-rate. Decisions to convert fixed-rate funding to floating are made primarily through consideration of the asset/liability mix of the Bancorp, the desired asset/liability sensitivity and interest rate levels. As of June 30, 2015, the assessment of hedge effectiveness for all interest rate swaps was performed using regression analysis and such swaps were accounted for using the long-haul method. The long-haul method requires a quarterly assessment of hedge effectiveness and measurement of ineffectiveness. For interest rate swaps accounted for as a fair value hedge using the long-haul method, ineffectiveness is the difference between the changes in the fair value of the interest rate swap and changes in fair value of the related hedged item attributable to the risk being hedged. The ineffectiveness on interest rate swaps hedging fixed-rate funding is reported within interest expense in the Condensed Consolidated Statements of Income.

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

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Change in fair value of interest rate swaps hedging long-term debt	Interest on long-term debt	**$ (90)**	29	**(49)**	64
Change in fair value of hedged long-term debt attributable to the risk being hedged	Interest on long-term debt	**90**	(30)	**48**	(67)

Cash Flow Hedges

The Bancorp may enter into interest rate swaps to convert floating-rate assets and liabilities to fixed rates or to hedge certain forecasted transactions. The assets or liabilities may be grouped in circumstances where they share the same risk exposure for which the Bancorp desires to hedge. The Bancorp may also enter into interest rate caps and floors to limit cash flow variability of floating rate assets and liabilities. As of June 30, 2015, all hedges designated as cash flow hedges were assessed for effectiveness using regression analysis. Ineffectiveness is generally measured as the amount by which the cumulative change in the fair value of the hedging instrument exceeds the present value of the cumulative change in the hedged item s expected cash flows attributable to the risk being hedged. Ineffectiveness is reported within other noninterest income in the Condensed Consolidated Statements of Income. The effective portion of the cumulative gains or losses on cash flow hedges are reported within AOCI and are reclassified from AOCI to current period earnings when the forecasted transaction affects earnings. As of June 30, 2015, the maximum length of

time over which the Bancorp is hedging its exposure to the variability in future cash flows is 54 months.

Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income in the Condensed Consolidated Statements of Income. As of June 30, 2015 and December 31, 2014, $29 million and $23 million, respectively, of net deferred gains, net of tax, on cash flow hedges were recorded in AOCI in the Condensed Consolidated Balance Sheets. As of June 30, 2015, approximately $40 million in net deferred gains, net of tax, recorded in AOCI are expected to be reclassified into earnings during the next twelve months. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to June 30, 2015.

During the three and six months ended June 30, 2015 and 2014, there were no gains or losses reclassified from AOCI into earnings associated with the discontinuance of cash flow hedges because it was probable that the original forecasted transaction would no longer occur by the end of the originally specified time period or within the additional period of time as defined by U.S. GAAP.

The following table presents the pretax net gains (losses) recorded in the Condensed Consolidated Statements of Income and in the Condensed Consolidated Statements of Comprehensive Income relating to derivative instruments designated as cash flow hedges:

	For the three months ended June 30,		**For the six months ended June 30,**	
($ in millions)	**2015**	**2014**	**2015**	**2014**
Amount of pretax net gains (losses) recognized in OCI	**$ (8)**	19	**44**	34
Amount of pretax net gains reclassified from OCI into net income	**19**	11	**35**	21

Free-Standing Derivative Instruments Risk Management and Other Business Purposes

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

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

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In conjunction with the initial sale of the Bancorp s 51% interest in Vantiv Holding, LLC, the Bancorp received a warrant which is accounted for as a free-standing derivative. Refer to Note 20 for further discussion of significant inputs and assumptions used in the valuation of the warrant.

In conjunction with the initial sale of Visa, Inc. Class B shares in 2009, the Bancorp entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B shares into Class A shares. This total return swap is accounted for as a free-standing derivative. Refer to Note 20 for further discussion of significant inputs and assumptions used in the valuation of this instrument.

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

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Interest rate contracts:					
Forward contracts related to mortgage loans held for sale	Mortgage banking net revenue	**$ 11**	(11)	**12**	(23)
Interest rate contracts related to MSR portfolio	Mortgage banking net revenue	**(30)**	38	**35**	61
Foreign exchange contracts:					
Foreign exchange contracts for risk management purposes	Other noninterest income	**(1)**	(5)	**13**	(1)
Equity contracts:					
Stock warrant associated with Vantiv Holding, LLC	Other noninterest income	**14**	63	**85**	28
Swap associated with sale of Visa, Inc. Class B shares	Other noninterest income	**(2)**	(16)	**(19)**	(15)

Free-Standing Derivative Instruments Customer Accommodation

The majority of the free-standing derivative instruments the Bancorp enters into are for the benefit of its commercial customers. These derivative contracts are not designated against specific assets or liabilities on the Condensed Consolidated Balance Sheets or to forecasted transactions and, therefore, do not qualify for hedge accounting. These instruments include foreign exchange derivative contracts entered into for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations and commodity contracts to

hedge such items as natural gas and various other derivative contracts. The Bancorp may economically hedge significant exposures related to these derivative contracts entered into for the benefit of customers by entering into offsetting contracts with approved, reputable, independent counterparties with substantially matching terms. The Bancorp hedges its interest rate exposure on commercial customer transactions by executing offsetting swap agreements with primary dealers. Revaluation gains and losses on interest rate, foreign exchange, commodity and other commercial customer derivative contracts are recorded as a component of corporate banking revenue in the Condensed Consolidated Statements of Income.

The Bancorp enters into risk participation agreements, under which the Bancorp assumes credit exposure relating to certain underlying interest rate derivative contracts. The Bancorp only enters into these risk participation agreements in instances in which the Bancorp has participated in the loan that the underlying interest rate derivative contract was designed to hedge. The Bancorp will make payments under these agreements if a customer defaults on its obligation to perform under the terms of the underlying interest rate derivative contract. As of June 30, 2015 and December 31, 2014, the total notional amount of the risk participation agreements was $1.7 billion and $1.1 billion, respectively, and the fair value was a liability of $2 million at both June 30, 2015 and December 31, 2014 which is included in interest rate contracts for customers. As of June 30, 2015, the risk participation agreements had an average remaining life of 4.0 years.

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

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

($ in millions)	**June 30, 2015**	December 31, 2014
Pass	**$ 1,696**	1,052
Special mention		59
Substandard	**8**	2
Total	**$ 1,704**	1,113

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

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended June 30, **2015**	2014	For the six months ended June 30, **2015**	2014
Interest rate contracts:					
Interest rate contracts for customers (contract revenue)	Corporate banking revenue	**$ 4**	5	**11**	9
Interest rate contracts for customers (credit losses)	Other noninterest expense	**(1)**	(1)	**(1)**	(1)
Interest rate contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**1**			1
Interest rate lock commitments	Mortgage banking net revenue	**17**	38	**52**	74
Commodity contracts:					
Commodity contracts for customers (contract revenue)	Corporate banking revenue	**2**	2	**3**	3
Commodity contracts for customers (credit losses)	Other noninterest expense			**(2)**	
Commodity contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**1**		**6**	
Foreign exchange contracts:					
Foreign exchange contracts - customers (contract revenue)	Corporate banking revenue	**18**	17	**39**	32
Foreign exchange contracts - customers (credit portion of fair value adjustment)	Other noninterest expense	**1**			2

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Offsetting Derivative Financial Instruments

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

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

As of June 30, 2015 ($ in millions)	Gross Amount Recognized in the Condensed Consolidated Balance Sheets[a]	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
		Derivatives	Collateral[b]	
Assets				
Derivatives	**$ 1,597**	**(465)**	**(644)**	**488**
Total assets	**1,597**	**(465)**	**(644)**	**488**
Liabilities				
Derivatives	**1,000**	**(465)**	**(269)**	**266**
Total liabilities	**$ 1,000**	**(465)**	**(269)**	**266**

(a) Amount does not include the stock warrant associated with Vantiv Holding, LLC and IRLCs because these instruments are not subject to master netting or similar arrangements.

(b) Amount of collateral received as an offset to asset positions or pledged as an offset to liability positions. Collateral values in excess of related derivative amounts recognized in the Condensed Consolidated Balance Sheets were excluded from this table.

	Gross Amount Recognized in	Gross Amounts Not Offset in the

As of December 31, 2014 ($ in millions)		the Condensed Consolidated Balance Sheets	Condensed Consolidated Balance Sheets Derivatives	Collateral[(b)]	Net Amount
Assets					
Derivatives	$	1,653	(440)	(684)	529
Total assets		1,653	(440)	(684)	529
Liabilities					
Derivatives		1,043	(440)	(293)	310
Total liabilities	$	1,043	(440)	(293)	310

(a) Amount does not include the stock warrant associated with Vantiv Holding, LLC and IRLCs because these instruments are not subject to master netting or similar arrangements.

(b) Amount of collateral received as an offset to asset positions or pledged as an offset to liability positions. Collateral values in excess of related derivative amounts recognized in the Condensed Consolidated Balance Sheets were excluded from this table.

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13. Other Short-Term Borrowings

Borrowings with original maturities of one year or less are classified as short-term. Other short-term borrowings include FHLB advances, securities sold under repurchase agreements, derivative collateral and other borrowings with original maturities of one year or less.

The following table presents a summary of the Bancorp's other short-term borrowings as of:

($ in millions)	**June 30, 2015**	December 31, 2014
FHLB advances	**$ 2,850**	
Securities sold under repurchase agreements	**765**	995
Derivative collateral	**521**	561
Total other short-term borrowings	**$ 4,136**	1,556

The Bancorp s securities sold under repurchase agreements are accounted for as secured borrowings and are collateralized by securities included in available-for-sale and other securities in the Condensed Consolidated Balance Sheets. These securities are subject to changes in market value and, therefore, the Bancorp may increase or decrease the level of securities pledged as collateral based upon these movements in market value.

The following table summarizes the Bancorp's securities sold under repurchase agreements by the type of collateral securing the borrowing and remaining contractual maturity as of:

($ in millions)	June 30, 2015		December 31, 2014	
	Amount	Remaining Contractual Maturity	Amount	Remaining Contractual Maturity
Collateral type:				
Agency residential mortgage-backed securities	**$ 682**	**Overnight**	896	Overnight
U.S. Treasury and federal agencies securities	**83**	**Overnight**	99	Overnight
Total securities sold under repurchase agreements	**$ 765**		995	

14. Capital Actions

Accelerated Share Repurchase Transactions

During the six months ended June 30, 2015, the Bancorp entered into or settled a number of 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 these repurchase agreements. The accelerated share repurchases were treated as two separate transactions (i) the acquisition of treasury shares on the acquisition date and (ii) a forward contract indexed to the Bancorp's stock.

The following table presents a summary of the Bancorp's accelerated share repurchase transactions that were entered into or settled during the six months ended June 30, 2015:

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Settlement Date
October 23, 2014	$ 180	8,337,875	794,245	9,132,120	January 8, 2015
January 27, 2015	180	8,542,713	1,103,744	9,646,457	April 28, 2015
April 30, 2015	155	6,704,835	842,655	7,547,490	July 31, 2015

For further information on a subsequent event related to capital actions, refer to Note 22.

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15. Commitments, Contingent Liabilities and Guarantees

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

Commitments

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

($ in millions)	**June 30, 2015**	December 31, 2014
Commitments to extend credit	**$ 65,455**	63,827
Letters of credit	**3,542**	3,974
Forward contracts related to held for sale mortgage loans	**1,096**	999
Noncancelable operating lease obligations	**655**	697
Purchase obligations	**75**	77
Capital commitments for private equity investments	**66**	78
Capital expenditures	**38**	37
Capital lease obligations	**27**	28

Commitments to extend credit

Commitments to extend credit are agreements to lend, typically having fixed expiration dates or other termination clauses that may require payment of a fee. Since many of the commitments to extend credit may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements. The Bancorp is exposed to credit risk in the event of nonperformance by the counterparty for the amount of the contract. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and the Bancorp s exposure is limited to the replacement value of those commitments. As of June 30, 2015 and December 31, 2014, the Bancorp had a reserve for unfunded commitments, including letters of credit, totaling $132 million and $135 million, respectively, included in other liabilities in the Condensed Consolidated Balance Sheets. The Bancorp monitors the credit risk

associated with commitments to extend credit using the same risk rating system utilized within its loan and lease portfolio.

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

($ in millions)	**June 30, 2015**	December 31, 2014
Pass	**$ 64,412**	62,787
Special mention	**503**	660
Substandard	**539**	380
Doubtful	**1**	
Total commitments to extend credit	**$ 65,455**	63,827

Letters of credit

Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party and expire as summarized in the following table as of June 30, 2015:

($ in millions)	
Less than 1 year[(a)]	$ 1,960
1 - 5 years[(a)]	1,532
Over 5 years	50
Total letters of credit	$ 3,542

(a) Includes $47 and $21 issued on behalf of commercial customers to facilitate trade payments in U.S. dollars and foreign currencies which expire less than one year and between one and five years, respectively.

Standby letters of credit accounted for 98% and 97% of total letters of credit at June 30, 2015 and December 31, 2014, respectively, and are considered guarantees in accordance with U.S. GAAP. Approximately 61% and 60% of the total standby letters of credit were collateralized as of June 30, 2015 and December 31, 2014, respectively. In the event of nonperformance by the customers, the Bancorp has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The reserve related to these standby letters of credit, which was included in the total reserve for unfunded commitments, was $2 million at June 30, 2015 and $1 million at December 31, 2014. The Bancorp monitors the credit risk associated with letters of credit using the same risk rating system utilized within its loan and lease portfolio.

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

($ in millions)	**June 30, 2015**	December 31, 2014
Pass	**$ 3,099**	3,483
Special mention	**114**	147
Substandard	**282**	299
Doubtful	**47**	45
Total letters of credit	**$ 3,542**	3,974

At June 30, 2015 and December 31, 2014, the Bancorp had outstanding letters of credit that were supporting certain securities issued as VRDNs. The Bancorp facilitates financing for its commercial customers, which consist of companies and municipalities, by marketing the VRDNs to investors. The VRDNs pay interest to holders at a rate of interest that fluctuates based upon market demand. The VRDNs generally have long-term maturity dates, but can be tendered by the holder for purchase at par value upon proper advance notice. When the VRDNs are tendered, a remarketing agent generally finds another investor to purchase the VRDNs to keep the securities outstanding in the market. As of June 30, 2015 and December 31, 2014, total VRDNs in which the Bancorp was the remarketing agent or were supported by a Bancorp letter of credit were $1.5 billion and $1.7 billion, respectively, of which FTS acted as the remarketing agent to issuers on $1.2 billion and $1.4 billion, respectively. As remarketing agent, FTS is responsible for finding purchasers for VRDNs that are put by investors. The Bancorp issued letters of credit, as a credit enhancement, to $1.0 billion and $1.2 billion of the VRDNs remarketed by FTS, in addition to $233 million and $247 million in VRDNs remarketed by third parties at June 30, 2015 and December 31, 2014, respectively. These letters of credit are included in the total letters of credit balance provided in the previous table.

Forward contracts related to held for sale mortgage loans

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

Noncancelable operating lease obligations and other commitments

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

Contingent Liabilities

Private mortgage reinsurance

For certain mortgage loans originated by the Bancorp, borrowers may be required to obtain PMI provided by third-party insurers. In some instances, these insurers cede a portion of the PMI premiums to the Bancorp, and the Bancorp provides reinsurance coverage within a specified range of the total PMI coverage. The Bancorp s reinsurance coverage typically ranges from 5% to 10% of the total PMI coverage. The Bancorp s maximum exposure in the event of nonperformance by the underlying borrowers is equivalent to the Bancorp s total outstanding reinsurance coverage, which was $28 million at June 30, 2015 and $29 million at December 31, 2014. As of June 30, 2015 and December 31, 2014, the Bancorp maintained a reserve of $2 million related to exposures within the reinsurance portfolio which was included in other liabilities in the Condensed Consolidated Balance Sheets. During 2009, the Bancorp suspended the practice of providing reinsurance of PMI for newly originated mortgage loans.

Legal claims

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

Guarantees

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

Residential mortgage loans sold with representation and warranty provisions

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

The Bancorp establishes a residential mortgage repurchase reserve related to various representations and warranties that reflects management s estimate of losses based on a combination of factors. The Bancorp s estimation process requires management to make subjective and complex judgments about matters that are inherently uncertain, such as future demand expectations, economic factors and the specific characteristics of the loans subject to repurchase. Such factors incorporate historical investor audit and repurchase demand rates, appeals success rates, historical loss severity and any additional information obtained from the GSEs regarding future mortgage repurchase and file request criteria.

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At the time of a loan sale, the Bancorp records a representation and warranty reserve at the estimated fair value of the Bancorp s guarantee and continually updates the reserve during the life of the loan as losses in excess of the reserve become probable and

reasonably estimable. The provision for the estimated fair value of the representation and warranty guarantee arising from the loan sales is recorded as an adjustment to the gain on sale, which is included in noninterest income at the time of sale. Updates to the reserve are recorded in other noninterest expense.

During the fourth quarter of 2013, the Bancorp settled certain repurchase claims related to mortgage loans originated and sold to FHLMC prior to January 1, 2009 for $25 million, after paid claim credits and other adjustments. The settlement removes the Bancorp s responsibility to repurchase or indemnify FHLMC for representation and warranty violations on any loan sold prior to January 1, 2009 except in limited circumstances.

As of June 30, 2015 and December 31, 2014, the Bancorp maintained reserves related to loans sold with representation and warranty provisions totaling $32 million and $35 million, respectively, included in other liabilities in the Condensed Consolidated Balance Sheets.

The Bancorp uses the best information available to it in estimating its mortgage representation and warranty reserve; however, the estimation process is inherently uncertain and imprecise and, accordingly, losses in excess of the amounts reserved as of June 30, 2015, are reasonably possible. The Bancorp currently estimates that it is reasonably possible that it could incur losses related to mortgage representation and warranty provisions in an amount up to approximately $32 million in excess of amounts reserved. This estimate was derived by modifying the key assumptions previously discussed to reflect management's judgment regarding reasonably possible adverse changes to those assumptions. The actual repurchase losses could vary significantly from the recorded mortgage representation and warranty reserve or this estimate of reasonably possibly losses, depending on the outcome of various factors, including those previously discussed.

For the three months ended June 30, 2015 and 2014, the Bancorp paid $1 million and $2 million, respectively, in the form of make whole payments and repurchased $7 million and $17 million, respectively, in outstanding principal of loans to satisfy investor demands. For the six months ended June 30, 2015 and 2014, the Bancorp paid $2 million and $9 million, respectively, in the form of make whole payments and repurchased $16 million and $40 million, respectively, in outstanding principal of loans to satisfy investor demands. Total repurchase demand requests during the three months ended June 30, 2015 and 2014 were $11 million and $25 million, respectively. Total repurchase demand requests during the six months ended June 30, 2015 and 2014 were $20 million and $59 million, respectively. Total outstanding repurchase demand inventory was $6 million at June 30, 2015 compared to $7 million at December 31, 2014.

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

($ in millions)	For the three months ended June 30, 2015	2014	For the six months ended June 30, 2015	2014
Balance, beginning of period	**$ 36**	38	**35**	44
Net additions to the reserve		1	**2**	4
Losses charged against the reserve	**(4)**	(3)	**(5)**	(12)
Balance, end of period	**$ 32**	36	**32**	36

The following tables provide a rollforward of unresolved claims by claimant type for the six months ended June 30:

	GSE		Private Label	
2015 ($ in millions)	Units	Dollars	Units	Dollars
Balance, beginning of period	**37**	**$ 6**	**1**	**$ 1**
New demands	**240**	**20**	**11**	
Loan paydowns/payoffs	**(12)**			
Resolved demands	**(225)**	**(20)**	**(9)**	**(1)**
Balance, end of period	**40**	**$ 6**	**3**	**$**

	GSE		Private Label	
2014 ($ in millions)	Units	Dollars	Units	Dollars
Balance, beginning of period	264	$ 41	33	$ 5
New demands	464	59	10	
Loan paydowns/payoffs	(24)	(2)	(2)	(1)
Resolved demands	(656)	(90)	(34)	(3)
Balance, end of period	48	$ 8	7	$ 1

Residential mortgage loans sold with credit recourse

The Bancorp sold certain residential mortgage loans in the secondary market with credit recourse. In the event of any customer default, pursuant to the credit recourse provided, the Bancorp is required to reimburse the third party. The maximum amount of credit risk in the event of nonperformance by the underlying borrowers is equivalent to the total outstanding balance. In the event of nonperformance, the Bancorp has rights to the underlying collateral value securing the loan. The outstanding balances on these loans sold with credit recourse were $483 million and $548 million at June 30, 2015 and December 31, 2014, respectively, and the delinquency rates were 3.1% at June 30, 2015 and 4.0% at December 31, 2014. The Bancorp maintained an estimated credit loss reserve on these loans sold with credit recourse of $10 million and $11 million at June 30, 2015 and December 31, 2014, respectively, recorded in other liabilities in the Condensed Consolidated Balance Sheets. To determine the credit loss reserve, the Bancorp used an approach that is consistent with its overall approach in estimating credit losses for various categories of residential mortgage loans held in its loan portfolio.

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Margin accounts

FTS, a subsidiary of the Bancorp, guarantees the collection of all margin account balances held by its brokerage clearing agent for the benefit of its customers. FTS is responsible for payment to its brokerage clearing agent for any loss, liability, damage, cost or expense incurred as a result of customers failing to comply with margin or margin maintenance calls on all margin accounts. The margin account balance held by the brokerage clearing agent was $14 million and $13 million at June 30, 2015 and December 31, 2014, respectively. In the event of any customer default, FTS has rights to the underlying collateral provided. Given the existence of the underlying collateral provided and negligible historical credit losses, the Bancorp does not maintain a loss reserve related to the margin accounts.

Long-term borrowing obligations

The Bancorp had certain fully and unconditionally guaranteed long-term borrowing obligations issued by wholly-owned issuing trust entities of $62 million at June 30, 2015 and December 31, 2014.

Visa litigation

The Bancorp, as a member bank of Visa prior to Visa s reorganization and IPO (the IPO) of its Class A common shares (the Class A Shares) in 2008, had certain indemnification obligations pursuant to Visa s certificate of incorporation and by-laws and in accordance with their membership agreements. In accordance with Visa s by-laws prior to the IPO, the Bancorp could have been required to indemnify Visa for the Bancorp s proportional share of losses based on the pre-IPO membership interests. As part of its reorganization and IPO, the Bancorp s indemnification obligation was modified to include only certain known or anticipated litigation (the Covered Litigation) as of the date of the restructuring. This modification triggered a requirement for the Bancorp to recognize a liability equal to the fair value of the indemnification liability.

In conjunction with the IPO, the Bancorp received 10.1 million of Visa s Class B common shares (the Class B Shares) based on the Bancorp s membership percentage in Visa prior to the IPO. The Class B Shares are not transferable (other than to another member bank) until the later of the third anniversary of the IPO closing or the date which the Covered Litigation has been resolved; therefore, the Bancorp s Class B Shares were classified in other assets and accounted for at their carryover basis of $0. Visa initially deposited $3 billion of the proceeds from the IPO into a litigation escrow account, established for the purpose of funding judgments in, or settlements of, the Covered Litigation. Since then, when Visa s litigation committee determined that the escrow account was insufficient, Visa issued additional Class A Shares and deposited the proceeds from the sale of the Class A Shares into the litigation escrow account. When Visa funded the litigation escrow account, the Class B Shares were subjected to dilution through an adjustment in the conversion rate of Class B Shares into Class A Shares.

In 2009, the Bancorp completed the sale of Visa, Inc. Class B Shares and entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B Shares into Class A Shares. The swap terminates on the later of the third anniversary of Visa s IPO or the date on which the

Covered Litigation is settled. Refer to Note 20 for additional information on the valuation of the swap. The counterparty to the swap as a result of its ownership of the Class B Shares will be impacted by dilutive adjustments to the conversion rate of the Class B Shares into Class A Shares caused by any Covered Litigation losses in excess of the litigation escrow account. If actual judgments in, or settlements of, the Covered Litigation significantly exceed current expectations, then additional funding by Visa of the litigation escrow account and the resulting dilution of the Class B Shares could result in a scenario where the Bancorp s ultimate exposure associated with the Covered Litigation (the Visa Litigation Exposure) exceeds the value of the Class B Shares owned by the swap counterparty (the Class B Value). In the event the Bancorp concludes that it is probable that the Visa Litigation Exposure exceeds the Class B Value, the Bancorp would record a litigation reserve liability and a corresponding amount of other noninterest expense for the amount of the excess. Any such litigation reserve liability would be separate and distinct from the fair value derivative liability associated with the total return swap.

As of the date of the Bancorp s sale of Visa Class B Shares and through June 30, 2015, the Bancorp has concluded that it is not probable that the Visa Litigation Exposure will exceed the Class B value. Based on this determination, upon the sale of Class B Shares, the Bancorp reversed its net Visa litigation reserve liability and recognized a free-standing derivative liability associated with the total return swap. The fair value of the swap liability was $55 million at June 30, 2015 and $49 million at December 31, 2014. Refer to Notes 12 and 16 for further information.

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After the Bancorp s sale of Visa Class B Shares, Visa has funded additional amounts into the litigation escrow account which have resulted in further dilutive adjustments to the conversion of Class B Shares into Class A Shares, and along with other terms of the total return swap, required the Bancorp to make cash payments in varying amounts to the swap counterparty as follows:

($ in millions)

Period	Visa Funding Amount	Bancorp Cash Payment Amount
Q2 2010	$ 500	$ 20
Q4 2010	800	35
Q2 2011	400	19
Q1 2012	1,565	75
Q3 2012	150	6
Q3 2014	450	18

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16. Legal and Regulatory Proceedings

During April 2006, the Bancorp was added as a defendant in a consolidated antitrust class action lawsuit originally filed against Visa®, MasterCard® and several other major financial institutions in the United States District Court for the Eastern District of New York. The plaintiffs, merchants operating commercial businesses throughout the U.S. and trade associations, claimed that the interchange fees charged by card-issuing banks were unreasonable and sought injunctive relief and unspecified damages. In addition to being a named defendant, the Bancorp is also subject to a possible indemnification obligation of Visa as discussed in Note 15 and has also entered into judgment and loss sharing agreements with Visa, MasterCard and certain other named defendants. In October 2012, the parties to the litigation entered into a settlement agreement. The court entered a Class Settlement Preliminary Approval Order in November 2012. Pursuant to the terms of the settlement agreement, the Bancorp paid $46 million into a class settlement escrow account. Previously, the Bancorp paid an additional $4 million in another settlement escrow in connection with the settlement of claims from plaintiffs not included in the class action. Approximately 8,000 merchants have requested exclusion from the class settlement. Pursuant to the terms of the settlement agreement, 25% of the funds paid into the class settlement escrow account have been returned to the control of the defendants through Class Exclusion Takedown Payments. More than 460 of the merchants who requested exclusion from the class have filed separate federal lawsuits against Visa, MasterCard and certain other defendants alleging similar antitrust violations. These opt-out federal lawsuits have been transferred to the United States District Court for the Eastern District of New York. The Bancorp was not named as a defendant in any of the opt-out federal lawsuits, but may have obligations pursuant to indemnification arrangements and/or the judgment or loss sharing agreements noted above. In addition, one merchant filed a separate state court lawsuit against Visa, MasterCard and certain other defendants, including the Bancorp, alleging similar antitrust violations. The state court lawsuit has been settled. On January 14, 2014, the court entered a final order approving the class settlement. A number of merchants have filed appeals from that approval. The appellate court has scheduled a hearing on those appeals in late September 2015. On July 18, 2014, the court in which all but one of the opt-out federal lawsuits have been consolidated denied defendants motion to dismiss the complaints. Approximately one third of the opt-out federal lawsuits have been resolved as of June 30, 2015. Refer to Note 15 for more information on the Visa Litigation.

In 2008, two cases were filed in the United States District Court for the Southern District of Ohio against the Bancorp and certain officers styled Dudenhoeffer v Fifth Third Bancorp et al. Case No. 1:08-cv-538. The complaints alleged violations of ERISA based on allegations similar to those set forth in the previously reported securities class action cases. The ERISA actions were dismissed by the trial court, but the Sixth Circuit Court of Appeals reversed the trial court decision. The Bancorp petitioned the United States Supreme Court to review and reverse the Sixth Circuit decision and sought a stay of proceedings in the trial court pending appeal. On December 13, 2013, the Supreme Court granted certiorari and agreed to hear the appeal. Oral arguments were held on April 2, 2014 and on June 25, 2014 the Supreme Court unanimously vacated the Sixth Circuit decision and remanded the case for further proceedings consistent with the standards articulated in its decision. The Supreme Court issued its mandate remanding the case back to the Sixth Circuit Court of Appeals but no further proceedings have occurred.

In November 2014, a shareholder of the Bancorp filed a shareholder derivative suit in the Court of Common Pleas for Hamilton County, Ohio, against current and former members of the Bancorp s Board of Directors, the Bancorp s former Chief Financial Officer and current Executive Vice President, Daniel T. Poston, the Bancorp s Chief Executive Officer, Kevin T. Kabat, and, nominally, the Bancorp. The suit alleges breach of fiduciary duty, waste of corporate assets and unjust enrichment in connection with the Bancorp s alleged violations of federal and state securities laws, among other charges, in relation to its administrative settlement with the United States Securities and Exchange Commission announced on December 4, 2013 to resolve the previously reported investigation of the Bancorp s historical accounting and reporting with respect to certain commercial loans that were sold or reclassified as held for sale by the Bancorp in the fourth quarter of 2008. The suit seeks, among other things, unspecified monetary damages, disgorgement of profits, certain corporate governance and personnel actions and compliance and disclosure changes. On January 16, 2015, a motion to dismiss the complaint was filed on behalf of all defendants, which the plaintiff opposed. On May 18, 2015, the court dismissed the complaint with prejudice and no appeal was filed. This matter has been concluded.

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

The Bancorp and/or its affiliates are involved in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by various governmental regulatory agencies and law enforcement authorities, as well as self-regulatory bodies regarding their respective businesses. Additional matters will likely arise from time to time. Any of these matters may result in material adverse consequences to the Bancorp, its affiliates and/or their respective directors, officers and other personnel, including adverse judgments, findings, settlements, fines, penalties, orders, injunctions or other actions, amendments and/or restatements of the Bancorp s SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in our disclosure controls and procedures. Investigations by regulatory authorities may from time to time result in civil or criminal referrals to law enforcement authorities such as the Department of Justice or a United States Attorney. Among other matters, the Bancorp has been cooperating with the Department of Justice, the Department of Housing and Urban Development and the Federal Housing Finance Authority in civil investigations regarding compliance with requirements relating to certain Federal Housing Agency-insured loans and certain loans sold to government sponsored entities originated by affiliates of the Bancorp. The investigations could lead to liability under the Federal False Claims Act and the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989, which allow up to treble and other special damages substantially in excess of actual losses. Additionally, the Bancorp is also cooperating with an investigation by the Department of Justice to determine whether the Bank engaged in any discriminatory practices in connection with the Bank's indirect automobile loan portfolio. Any claim resulting from this investigation could include direct and indirect damages and civil money penalties.

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The Bancorp is party to numerous claims and lawsuits as well as threatened or potential actions or claims concerning matters arising from the conduct of its business activities. The outcome of claims or litigation and the timing of ultimate resolution are inherently difficult to predict. The following factors, among others, contribute to this lack of predictability: plaintiff claims often include significant legal uncertainties, damages alleged by plaintiffs are often unspecified or overstated, discovery may not have started or may not be complete and material facts may be disputed or unsubstantiated. As a result of these factors, the Bancorp is not always able to provide an estimate of the range of reasonably possible outcomes for each claim. An accrual for a potential litigation loss is established when information related to the loss contingency indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such accrual is adjusted from time to time thereafter as appropriate to reflect changes in circumstances. The Bancorp also determines, when possible (due to the uncertainties described above), estimates of reasonably possible losses or ranges of reasonably possible losses, in excess of amounts accrued. Under U.S. GAAP, an event is reasonably possible if the chance of the future event or events occurring is more than remote but less than likely and an event is remote if the chance of the future event or events occurring is slight. Thus, references to the upper end of the range of reasonably possible loss for cases in which the Bancorp is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the Bancorp believes the risk of loss is more than slight. For matters where the Bancorp is able to estimate such possible losses or ranges of possible losses, the Bancorp currently estimates that it is reasonably possible that it could incur losses related to legal and regulatory proceedings including the matters discussed above in an aggregate amount up to approximately $60 million in excess of amounts accrued, with it also being reasonably possible that no losses will be incurred in these matters. The estimates included in this amount are based on the Bancorp s analysis of currently available information, and as new information is obtained the Bancorp may change its estimates.

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

17. Income Taxes

The Bancorp s provision for income taxes was $108 million and $167 million for the three months ended June 30, 2015 and 2014, respectively, and was $232 million and $287 million for the six months ended June 30, 2015 and 2014, respectively. The effective tax rates for the three months ended June 30, 2015 and 2014 were 26.1% and 27.6%, respectively, and were 25.8% and 27.5% for the six months ended June 30, 2015 and 2014, respectively. The decrease in the effective tax rate for the three and six months ended June 30, 2015 compared to the same periods in the prior year included the benefit from an increase in the amount of 2015 forecasted income tax credits.

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

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18. Accumulated Other Comprehensive Income

The tables below present the activity of the components of OCI and AOCI for the three months ended June 30, 2015 and 2014:

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
June 30, 2015						
Unrealized holding losses on available-for-sale securities arising during period	**$ (436)**	**151**	**(285)**			
Reclassification adjustment for net losses on available-for-sale securities included in net income	**6**	**(2)**	**4**			
Net unrealized gains on available-for-sale securities	**(430)**	**149**	**(281)**	**608**	**(281)**	**327**
Unrealized holding losses on cash flow hedge derivatives arising during period	**(8)**	**3**	**(5)**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(19)**	**6**	**(13)**			
Net unrealized gains on cash flow hedge derivatives	**(27)**	**9**	**(18)**	**47**	**(18)**	**29**
Reclassification of amounts to net periodic benefit costs	**3**	**(1)**	**2**			
Defined benefit pension plans, net	**3**	**(1)**	**2**	**(67)**	**2**	**(65)**
Total	**$ (454)**	**157**	**(297)**	**588**	**(297)**	**291**

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
June 30, 2014						
Unrealized holding gains on available-for-sale securities arising during period	$ 288	(100)	188			
	(14)	5	(9)			

Reclassification adjustment for net gains on available-for-sale securities included in net income						
Net unrealized gains on available-for-sale securities	274	(95)	179	231	179	410
Unrealized holding gains on cash flow hedge derivatives arising during period	19	(7)	12			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(11)	5	(6)			
Net unrealized gains on cash flow hedge derivatives	8	(2)	6	16	6	22
Reclassification of amounts to net periodic benefit costs	1		1			
Defined benefit pension plans, net	1		1	(51)	1	(50)
Total	$ 283	(97)	186	196	186	382

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The tables below present the activity of the components of OCI and AOCI for the six months ended June 30, 2015 and 2014:

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
June 30, 2015						
Unrealized holding losses on available-for-sale securities arising during period	**$ (221)**	**77**	**(144)**			
Reclassification adjustment for net gains on available-for-sale securities included in net income	**(6)**	**2**	**(4)**			
Net unrealized gains on available-for-sale securities	**(227)**	**79**	**(148)**	**475**	**(148)**	**327**
Unrealized holding gains on cash flow hedge derivatives arising during period	**44**	**(15)**	**29**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(35)**	**12**	**(23)**			
Net unrealized gains on cash flow hedge derivatives	**9**	**(3)**	**6**	**23**	**6**	**29**
Reclassification of amounts to net periodic benefit costs	**6**	**(2)**	**4**			
Defined benefit pension plans, net	**6**	**(2)**	**4**	**(69)**	**4**	**(65)**
Total	**$ (212)**	**74**	**(138)**	**429**	**(138)**	**291**

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
June 30, 2014						
Unrealized holding gains on available-for-sale securities arising during period	$ 461	(160)	301			
Reclassification adjustment for net gains on available-for-sale securities included in net income	(19)	7	(12)			
Net unrealized gains on available-for-sale securities	442	(153)	289	121	289	410

Unrealized holding gains on cash flow hedge derivatives arising during period	34	(12)	22			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(21)	8	(13)			
Net unrealized gains on cash flow hedge derivatives	13	(4)	9	13	9	22
Reclassification of amounts to net periodic benefit costs	3	(1)	2			
Defined benefit pension plans, net	3	(1)	2	(52)	2	(50)
Total	$ 458	(158)	300	82	300	382

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The table below presents reclassifications out of AOCI:

Components of AOCI: ($ in millions)	Affected Line Item in the Condensed Consolidated Statements of Income	For the three months ended June 30,		For the six months ended June 30,	
		2015	2014	**2015**	2014
Net unrealized gains on available-for-sale securities:[b]					
Net gains (losses) included in net income	Securities gains, net	**$ (6)**	14	**6**	19
	Income before income taxes	**(6)**	14	**6**	19
	Applicable income tax expense	**2**	(5)	**(2)**	(7)
	Net income	**(4)**	9	**4**	12
Net unrealized gains on cash flow hedge derivatives:[b]					
Interest rate contracts related to C&I loans	Interest and fees on loans and leases	**19**	11	**35**	21
	Income before income taxes	**19**	11	**35**	21
	Applicable income tax expense	**(6)**	(5)	**(12)**	(8)
	Net income	**13**	6	**23**	13
Net periodic benefit costs:[b]					
Amortization of net actuarial loss	Employee benefits expense[a]	**(3)**	(1)	**(6)**	(3)
	Income before income taxes	**(3)**	(1)	**(6)**	(3)
	Applicable income tax expense	**1**		**2**	1

	Net income		**(2)**	(1)	**(4)**	(2)
Total reclassifications for the period	Net income	**$**	**7**	14	**23**	23

(a) This AOCI component is included in the computation of net periodic benefit cost. Refer to Note 21 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014 for information on the computation of net periodic benefit cost.

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

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19. Earnings Per Share

The following tables provide the calculation of earnings per share and the reconciliation of earnings per share and earnings per diluted share:

For the three months ended June 30,	2015			2014		
(in millions, except per share data)	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Earnings per share:						
Net income attributable to Bancorp	**$ 315**			439		
Dividends on preferred stock	**23**			23		
Net income available to common shareholders	**292**			416		
Less: Income allocated to participating securities	**3**			4		
Net income allocated to common shareholders	**$ 289**	**804**	**0.36**	412	838	0.49
Earnings per diluted share:						
Net income available to common shareholders	**$ 292**			416		
Effect of dilutive securities:						
Stock-based awards		**9**			10	
Net income available to common shareholders plus assumed conversions	**292**			416		
Less: Income allocated to participating securities	**3**			4		
Net income allocated to common shareholders plus assumed conversions	**$ 289**	**813**	**0.36**	412	848	0.49

For the six months ended June 30,	2015			2014		
(in millions, except per share data)	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Earnings per share:						
Net income attributable to Bancorp	**$ 676**			756		

Dividends on preferred stock	**38**			32		
Net income available to common shareholders	**638**			724		
Less: Income allocated to participating securities	**6**			6		
Net income allocated to common shareholders	**$ 632**	**807**	**0.78**	718	842	0.85
Earnings per diluted share:						
Net income available to common shareholders	**$ 638**			724		
Effect of dilutive securities:						
Stock-based awards		**9**			11	
Net income available to common shareholders plus assumed conversions	**638**			724		
Less: Income allocated to participating securities	**6**			6		
Net income allocated to common shareholders plus assumed conversions	**$ 632**	**816**	**0.77**	718	853	0.84

Shares are excluded from the computation of net income per diluted share when their inclusion has an anti-dilutive effect on earnings per share. The diluted earnings per share computation for the three and six months ended June 30, 2015 excludes 16 million and 17 million, respectively, of SARs and an immaterial amount of stock options because their inclusion would have been anti-dilutive. The diluted earnings per share computation for the three and six months ended June 30, 2014 excludes 13 million and 12 million, respectively, of SARs and an immaterial amount of stock options because their inclusion would have been anti-dilutive.

The diluted earnings per share computation for the three and six months ended June 30, 2015 excludes the impact of the forward contract related to the April 30, 2015 accelerated share repurchase transaction. Based upon the average daily volume weighted average price of the Bancorp s common stock during the second quarter of 2015, the counterparty to the transaction would have been required to deliver additional shares for the settlement of the forward contract as of June 30, 2015, and thus the impact of the accelerated share repurchase transaction would have been anti-dilutive to earnings per share.

The diluted earnings per share computation for the three and six months ended June 30, 2014 excludes the impact of the forward contract related to the May 1, 2014 accelerated share repurchase transaction. Based upon the average daily volume weighted average price of the Bancorp s common stock during the second quarter of 2014, the counterparty to the transaction would have been required to deliver additional shares for the settlement of the forward contract as of June 30, 2014, and thus the impact of the accelerated share repurchase transaction would have been anti-dilutive to earnings per share.

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20. Fair Value Measurements

The Bancorp measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument s fair value measurement. For more information regarding the fair value hierarchy, refer to Note 1 in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements Using			
June 30, 2015 ($ in millions)	Level 1[(c)]	Level 2[(c)]	Level 3	Total Fair Value
Assets:				
Available-for-sale and other securities:				
U.S. Treasury and federal agencies securities	**$ 25**	**1,590**		**1,615**
Obligations of states and political subdivisions securities		**177**		**177**
Mortgage-backed securities:				
Agency residential mortgage-backed securities		**15,954**		**15,954**
Agency commercial mortgage-backed securities		**5,751**		**5,751**
Non-agency commercial mortgage-backed securities		**2,414**		**2,414**
Asset-backed securities and other debt securities		**1,374**		**1,374**
Equity securities[(a)]	**81**	**20**		**101**
Available-for-sale and other securities[(a)]	**106**	**27,280**		**27,386**
Trading securities:				
U.S. Treasury and federal agencies securities		**9**		**9**
Obligations of states and political subdivisions securities		**17**		**17**
Mortgage-backed securities:				
Agency residential mortgage-backed securities		**4**		**4**
Asset-backed securities and other debt securities		**13**		**13**
Equity securities	**327**			**327**

Trading securities	**327**	**43**		**370**
Residential mortgage loans held for sale		**628**		**628**
Residential mortgage loans[(b)]			**178**	**178**
Derivative assets:				
Interest rate contracts	**7**	**861**	**14**	**882**
Foreign exchange contracts		**495**		**495**
Equity contracts			**500**	**500**
Commodity contracts	**32**	**202**		**234**
Derivative assets	**39**	**1,558**	**514**	**2,111**
Total assets	**$ 472**	**29,509**	**692**	**30,673**
Liabilities:				
Derivative liabilities:				
Interest rate contracts	**$ 1**	**277**	**4**	**282**
Foreign exchange contracts		**441**		**441**
Equity contracts			**55**	**55**
Commodity contracts	**20**	**203**		**223**
Derivative liabilities	**21**	**921**	**59**	**1,001**
Short positions	**19**	**4**		**23**
Total liabilities	**$ 40**	**925**	**59**	**1,024**

*(a) Excludes FHLB and FRB restricted stock totaling **$248** and **$353**, respectively, at **June 30, 2015**.*
(b) Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.
(c) During the three and six months ended June 30, 2015, no assets or liabilities were transferred between Level 1 and Level 2

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	Fair Value Measurements Using			
December 31, 2014 ($ in millions)	Level 1[(c)]	Level 2[(c)]	Level 3	Total Fair Value
Assets:				
Available-for-sale and other securities:				
U.S. Treasury and federal agencies securities	$ 25	1,607		1,632
Obligations of states and political subdivisions securities		192		192
Mortgage-backed securities:				
Agency residential mortgage-backed securities		12,404		12,404
Agency commercial mortgage-backed securities		4,565		4,565
Non-agency commercial mortgage-backed securities		1,550		1,550
Asset-backed securities and other debt securities		1,362		1,362
Equity securities[(a)]	84	19		103
Available-for-sale and other securities[(a)]	109	21,699		21,808
Trading securities:				
U.S. Treasury and federal agencies securities		14		14
Obligations of states and political subdivisions securities		8		8
Mortgage-backed securities:				
Agency residential mortgage-backed securities		9		9
Asset-backed securities and other debt securities		13		13
Equity securities	316			316
Trading securities	316	44		360
Residential mortgage loans held for sale		561		561
Residential mortgage loans[(b)]			108	108
Derivative assets:				
Interest rate contracts		888	12	900
Foreign exchange contracts		417		417
Equity contracts			415	415
Commodity contracts	68	280		348
Derivative assets	68	1,585	427	2,080
Total assets	$ 493	23,889	535	24,917
Liabilities:				
Derivative liabilities:				
Interest rate contracts	$ 6	276	2	284

Foreign exchange contracts		372		372
Equity contracts			49	49
Commodity contracts	58	280		338
Derivative liabilities	64	928	51	1,043
Short positions	16	5		21
Total liabilities	$ 80	933	51	1,064

(a) Excludes FHLB and FRB restricted stock totaling $248 and $352, respectively, at December 31, 2014.
(b) Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.
(c) During the year ended December 31, 2014, no assets or liabilities were transferred between Level 1 and Level 2.
The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale and other securities and trading securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or DCFs. Examples of such instruments, which are classified within Level 2 of the valuation hierarchy, include federal agencies, obligations of states and political subdivisions, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities and asset-backed securities and other debt securities. Corporate bonds are included in asset-backed securities and other debt securities in the previous table. Federal agencies, obligations of states and political subdivisions, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities and asset-backed securities and other debt securities are generally valued using a market approach based on observable prices of securities with similar characteristics.

Residential mortgage loans held for sale

For residential mortgage loans held for sale for which the fair value election has been made, fair value is estimated based upon mortgage-backed securities prices and spreads to those prices or, for certain ARM loans, DCF models that may incorporate the anticipated portfolio composition, credit spreads of asset-backed securities with similar collateral and market conditions.

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The anticipated portfolio composition includes the effect of interest rate spreads and discount rates due to loan characteristics such as the state in which the loan was originated, the loan amount and the ARM margin. Residential mortgage loans held for sale that are valued based on mortgage-backed securities prices are classified within Level 2 of the valuation hierarchy as the valuation is based on external pricing for similar instruments. ARM loans classified as held for sale are also classified within Level 2 of the valuation hierarchy due to the use of observable inputs in the DCF model. These observable inputs include interest rate spreads from agency mortgage-backed securities, market rates and observable discount rates.

Residential mortgage loans

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

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

Derivatives

Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation hierarchy. Most of the Bancorp s derivative contracts are valued using DCF or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and structured interest rate, foreign exchange and commodity swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At June 30, 2015 and December 31, 2014, derivatives classified as Level 3, which are valued using models containing unobservable inputs, consisted primarily of a warrant associated with the initial sale of the Bancorp s 51% interest in Vantiv Holding, LLC to Advent International and a total return swap associated with the Bancorp s sale of Visa, Inc. Class B shares. Level 3 derivatives also include IRLCs, which utilize internally generated loan closing rate assumptions as a significant unobservable input in the valuation process.

The warrant allows the Bancorp to purchase approximately 20 million incremental nonvoting units in Vantiv Holding, LLC at an exercise price of $15.98 per unit and requires settlement under certain defined conditions involving change of control. The fair value of the warrant is calculated in conjunction with a third party valuation provider by applying Black-Scholes option valuation models using probability weighted scenarios which contain the following inputs: Vantiv, Inc. stock price, strike price per the Warrant Agreement and several unobservable inputs, such as expected term, expected volatility and expected dividend rate.

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

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

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

The net fair value asset of the IRLCs at June 30, 2015 was $13 million. Immediate decreases in current interest rates of 25 bps and 50 bps would result in increases in the fair value of the IRLCs of approximately $8 million and $15 million, respectively. Immediate increases of current interest rates of 25 bps and 50 bps would result in decreases in the fair value of the IRLCs of approximately $8 million and $17 million, respectively. The decrease in fair value of IRLCs due to immediate 10% and 20% adverse changes in the assumed loan closing rates would be approximately $1 million and $3 million, respectively, and the increase in fair value due to immediate 10% and 20% favorable changes in the assumed loan closing rates would be approximately $1 million and $3 million, respectively. These sensitivities are hypothetical and should be used with caution, as changes in fair value based on a variation in assumptions typically cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear.

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

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the three months ended June 30, 2015		Residential	Interest Rate	Equity	
	Trading	Mortgage	Derivatives,	Derivatives,	Total Fair
($ in millions)	Securities	Loans	Net[(a)]	Net[(a)]	Value
Beginning balance	$	126	17	425	568
Total gains (losses) (realized/unrealized):					
Included in earnings		**(1)**	**17**	**13**	**29**
Sales			**(1)**		**(1)**
Settlements		**(8)**	**(23)**	**7**	**(24)**
Transfers into Level 3[(b)]		**61**			**61**
Ending balance	**$**	**178**	**10**	**445**	**633**
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2015[(c)]	**$**	**(1)**	**13**	**13**	**25**

*(a) Net interest rate derivatives include derivative assets and liabilities of **$14** and **$4**, respectively, as of **June 30, 2015**. Net equity derivatives include derivative assets and liabilities of **$500** and **$55**, respectively, as of **June 30, 2015**.*
(b) Includes certain residential mortgage loans held for sale that were transferred to held for investment.
(c) Includes interest income and expense.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the three months ended June 30, 2014		Residential	Interest Rate	Equity	
	Trading	Mortgage	Derivatives,	Derivatives,	Total Fair
($ in millions)	Securities	Loans	Net[(a)]	Net[(a)]	Value

Beginning balance	$ 1	103	13	305	422
Total gains (realized/unrealized):					
Included in earnings		1	37	48	86
Settlements		(5)	(35)	5	(35)
Ending balance	$ 1	99	15	358	473
The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2014[(b)]	$	1	16	48	65

(a) Net interest rate derivatives include derivative assets and liabilities of $17 and $2, respectively, as of June 30, 2014. Net equity derivatives include derivative assets and liabilities of $412 and $54, respectively, as of June 30, 2014.

(b) Includes interest income and expense.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3				
For the six months ended June 30, 2015		Residential	Interest Rate	Equity	
($ in millions)	Trading Securities	Mortgage Loans	Derivatives, Net[(a)]	Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$	108	10	366	484
Total gains (realized/unrealized):					
Included in earnings		**1**	**52**	**66**	**119**
Sales			**(1)**		**(1)**
Settlements		**(15)**	**(51)**	**13**	**(53)**
Transfers into Level 3[(b)]		**84**			**84**
Ending balance	**$**	**178**	**10**	**445**	**633**
The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2015[(c)]	**$**	**1**	**14**	**66**	**81**

*(a) Net interest rate derivatives include derivative assets and liabilities of **$14** and **$4**, respectively, as of **June 30, 2015**. Net equity derivatives include derivative assets and liabilities of **$500** and **$55**, respectively, as of **June 30, 2015**.*

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

(c) Includes interest income and expense.

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the six months ended June 30, 2014 ($ in millions)	Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[a]	Equity Derivatives, Net[a]	Total Fair Value
Beginning balance	$ 1	92	8	336	$ 437
Total gains (realized/unrealized):					
Included in earnings		3	74	13	90
Settlements		(8)	(67)	9	(66)
Transfers into Level 3[b]		12			12
Ending balance	$ 1	99	15	358	$ 473
The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2014[c]	$	3	17	13	$ 33

(a) Net interest rate derivatives include derivative assets and liabilities of $17 and $2, respectively, as of June 30, 2014. Net equity derivatives include derivative assets and liabilities of $412 and $54, respectively, as of June 30, 2014.

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

(c) Includes interest income and expense.

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Mortgage banking net revenue	**$ 16**	39	**52**	76
Corporate banking revenue			**1**	1
Other noninterest income	**13**	47	**66**	13
Total gains	**$ 29**	86	**119**	90

The total gains and losses included in earnings attributable to changes in unrealized gains and losses related to Level 3 assets and liabilities still held at June 30, 2015 and 2014 were recorded in the Condensed Consolidated Statements of Income as follows:

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2015**	2014	**2015**	2014
Mortgage banking net revenue	**$ 12**	18	**14**	20
Corporate banking revenue			**1**	
Other noninterest income	**13**	47	**66**	13
Total gains	**$ 25**	65	**81**	33

The following tables present information as of June 30, 2015 and 2014 about significant unobservable inputs related to the Bancorp s material categories of Level 3 financial assets and liabilities measured on a recurring basis:

As of June 30, 2015 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Residential mortgage loans				**(9.7) - 20.0%**	
			Interest rate risk factor		**2.7%**
	$ 178	Loss rate model	Credit risk factor	**0 - 85.5%**	**0.9%**
IRLCs, net	**13**	Discounted cash flow	Loan closing rates	**34.3 - 88.9%**	**70.6%**
Stock warrant associated with Vantiv					
		Black-Scholes option	Expected term (years)	**2.0 - 14.0**	**5.9**
Holding, LLC	**500**	valuation model	Expected volatility[(a)]	**22.1 - 31.9%**	**25.9%**
Swap associated with the sale of Visa, Inc. Class B shares	**(55)**	Discounted cash flow	Timing of the resolution of the Covered Litigation	**9/30/16 - 3/31/2021**	**NM**

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

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As of June 30, 2014 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Residential mortgage loans				(16.6) - 19.5%	
			Interest rate risk factor		4.6%
	$ 99	Loss rate model	Credit risk factor	0 - 62.4%	2.1%
IRLCs, net	17	Discounted cash flow	Loan closing rates	16.5 - 95.0%	62.7%
Stock warrant associated with Vantiv					
		Black-Scholes option	Expected term (years)	2.0 - 15.0	6.0
Holding, LLC	412	valuation model	Expected volatility[(a)]	23.8 - 32.3%	27.3%
Swap associated with the sale of Visa, Inc. Class B shares			Timing of the resolution of the Covered Litigation	6/30/2015 - 12/31/2019	NM
			Proportional share of litigation loss estimate		
	(54)	Discounted cash flow	in excess of escrow funds	$ 1 - 19	$ 18

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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The following tables provide the fair value hierarchy and carrying amount of all assets that were held as of June 30, 2015 and 2014 and for which a nonrecurring fair value adjustment was recorded during the three and six months ended June 30, 2015 and 2014, and the related gains and losses from fair value adjustments on assets sold during the period as well as assets still held as of the end of the period:

	Fair Value Measurements Using				Total (Losses) Gains	Total (Losses) Gains
					For the three months	
			Level		**ended June**	**For the six months**
As of June 30, 2015 ($ in millions)	Level 1	Level 2	3	Total	**30, 2015**	**ended June 30, 2015**
Commercial loans held for sale	**$**		**15**	**15**	**(1)**	**3**
Residential mortgage loans held for sale			**91**	**91**	**(2)**	**(2)**
Automobile loans held for sale			**3**	**3**		
Commercial and industrial loans			**397**	**397**	**2**	**(41)**
Commercial mortgage loans			**85**	**85**	**(4)**	**(17)**
Residential mortgage loans			**55**	**55**		**(1)**
MSRs			**854**	**854**	**87**	**39**
OREO			**46**	**46**	**(5)**	**(13)**
Bank premises			**130**	**130**	**(98)**	**(101)**
Operating lease equipment			**57**	**57**	**(4)**	**(34)**
Total	**$**		**1,733**	**1,733**	**(25)**	**(167)**

	Fair Value Measurements Using				Total Losses For the three months ended June	Total Losses For the six months ended June
		Level	Level			
As of June 30, 2014 ($ in millions)	Level 1	2	3	Total	30, 2014	30, 2014
Commercial loans held for sale	$		45	45	(1)	(2)
Commercial and industrial loans			62	62	(83)	(124)
Commercial mortgage loans			76	76	(6)	(17)
Commercial construction loans			2	2		
MSRs			928	928	(32)	(28)
OREO			124	124	(6)	(19)
Bank premises			15	15	(18)	(18)

Total	$	1,252	1,252	(146)	(208)

The following tables present information as of June 30, 2015 and 2014 about significant unobservable inputs related to the Bancorp s material categories of Level 3 financial assets and liabilities measured on a nonrecurring basis:

As of June 30, 2015 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans held for sale	**$ 15**	Discounted cash flow	Discount spread	**NM**	**4.4%**
Residential mortgage loans held for sale	**91**	Loss rate model	Interest rate risk factor	**(7.5) -0.1%**	**(1.6)%**
			Credit risk factor	**NM**	**0.1%**
Automobile loans held for sale	**3**	Discounted cash flow	Discount spread	**NM**	**3.1%**
Commercial and industrial loans	**397**	Appraised value	Collateral value	**NM**	**NM**
Commercial mortgage loans	**85**	Appraised value	Collateral value	**NM**	**NM**
Residential mortgage loans	**55**	Appraised value	Appraised value	**NM**	**NM**
					(Fixed) 7.6%
MSRs	**854**	Discounted cash flow	Prepayment speed	**1.0 - 100%**	**(Adjustable) 32.7%**
					(Fixed) 930
			OAS spread (bps)	**430 - 1,750**	**(Adjustable) 651**
OREO	**46**	Appraised value	Appraised value	**NM**	**NM**
Bank premises	**130**	Appraised value	Appraised value	**NM**	**NM**
Operating lease equipment	**57**	Appraised value	Appraised value	**NM**	**NM**

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As of June 30, 2014 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans held for sale	$ 45	Appraised value	Appraised value	NM	NM
			Cost to sell	NM	10.0%
Commercial and industrial loans	62	Appraised value	Collateral value	NM	NM
Commercial mortgage loans	76	Appraised value	Collateral value	NM	NM
Commercial construction loans	2	Appraised value	Collateral value	NM	NM
MSRs	928	Discounted cash flow	Prepayment speed	0 - 100%	(Fixed) 11.1% (Adjustable) 26.5%
			Discount rates	9.6 - 13.2%	(Fixed) 9.9% (Adjustable) 11.8%
OREO	124	Appraised value	Appraised value	NM	NM
Bank premises	15	Appraised value	Appraised value	NM	NM

Commercial loans held for sale

The Bancorp transferred $26 million of commercial loans from the portfolio to loans held for sale that upon transfer were measured at lower of cost or fair value during both the three and six months ended June 30, 2015. The Bancorp transferred $1 million of commercial loans from the portfolio to loans held for sale that upon transfer were measured at fair value during the three and six months ended June 30, 2014. There was $1 million in fair value adjustments taken on these loans for both the three and six months ended June 30, 2015. These loans had no fair value adjustments during the three months ended June 30, 2014 and $1 million during the six months ended June 30, 2014. The fair value adjustments were generally based on either appraisals of the underlying collateral or were estimated by discounting future cash flows using the current market rates of loans to borrowers with similar credit characteristics, similar remaining maturities, prepayment speeds and loss severities and were, therefore, classified within Level 3 of

the valuation hierarchy. Additionally, fair value adjustments on existing loans held for sale were immaterial and $1 million for the three and six months ended June 30, 2015, respectively, and $1 million for both the three and six months ended June 30, 2014. The Bancorp recognized an immaterial amount of gains on sale during the three months ended June 30, 2015 and 2014, respectively. The Bancorp recognized a $5 million and $1 million gain on sale of certain commercial loans held for sale during the six months ended June 30, 2015 and 2014, respectively. The fair value adjustments were also based on appraisals of the underlying collateral.

The Accounting department determines the procedures for the valuation of commercial held for sale loans using appraised value which may include a comparison to recently executed transactions of similar type loans. A monthly review of the portfolio is performed for reasonableness. Quarterly, appraisals approaching a year old are updated and the Real Estate Valuation group, which reports to the Bancorp s Chief Risk Officer, in conjunction with the Commercial Line of Business review the third party appraisals for reasonableness. Additionally, the Commercial Line of Business Finance department, which reports to the Bancorp s Chief Financial Officer, in conjunction with Accounting review all loan appraisal values, carry values and vintages. The Treasury department, which reports to the Bancorp s Chief Financial Officer, is responsible for the estimate of fair value adjustments when a discounted future cash flow valuation technique is employed.

Residential mortgage loans held for sale

During the three months ended June 30, 2015, the Bancorp transferred $233 million of residential mortgage loans from the portfolio to loans held for sale that upon transfer were measured at lower of cost or fair value using significant unobservable inputs. Fair values were estimated based on mortgage-backed securities prices, interest rate risk and an internally developed credit component. These loans had fair value adjustments during both the three and six months ended June 30, 2015 totaling $2 million. The Secondary Marketing department, which reports to the Bancorp s Chief Operating Officer, in conjunction with the Consumer Credit Risk department, which reports to the Bancorp s Chief Risk Officer, are responsible for determining the valuation methodology for residential mortgage loans held for investment. The Secondary Marketing department reviews loss severity assumptions quarterly to determine if adjustments are necessary based on decreases in observable housing market data. This group also reviews trades in comparable benchmark securities and adjusts the values of loans as necessary. Consumer Credit Risk is responsible for the credit component of the fair value which is based on internally developed loss rate models that take into account historical loss rates and loss severities based on underlying collateral values.

Automobile loans held for sale

During the three months ended June 30, 2015, the Bancorp transferred $5 million of automobile loans from the portfolio to loans held for sale that upon transfer were measured at lower of cost or fair value using significant unobservable inputs. Fair values were estimated by discounting future cash flows using the current market rates of loans to borrowers with similar credit characteristics, similar remaining maturities, prepayment speeds and loss severities. These loans had an immaterial amount of fair value adjustments for the three months ended June 30, 2015. The Treasury department, which reports to the Bancorp s Chief Financial Officer, is responsible for the estimate of fair value adjustments.

Commercial loans held for investment

During the three and six months ended June 30, 2015 and 2014, the Bancorp recorded nonrecurring impairment adjustments to certain commercial and industrial loans, commercial mortgage loans, and commercial construction loans held for investment. Larger commercial loans included within aggregate borrower relationship balances exceeding $1 million that exhibit probable or observed credit weaknesses are subject to individual review for impairment. The Bancorp considers the current value of collateral, credit quality of any guarantees, the guarantor s liquidity and willingness to cooperate, the loan structure and other factors when evaluating whether an individual loan is impaired.

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When the loan is collateral dependent, the fair value of the loan is generally based on the fair value of the underlying collateral supporting the loan and therefore these loans were classified within Level 3 of the valuation hierarchy. In cases where the carrying value exceeds the fair value, an impairment loss is recognized. The fair values and recognized impairment losses are reflected in the previous table. Commercial Credit Risk, which reports to the Bancorp s Chief Risk Officer, is responsible for preparing and reviewing the fair value estimates for commercial loans held for investment.

Residential mortgage loans held for investment

During the three months ended March 31, 2015, the Bancorp transferred approximately $55 million of restructured residential mortgage loans from held for sale to portfolio as the Bancorp no longer had the intent to sell the loans. Upon transfer, the Bancorp recognized a nonrecurring fair value adjustment of $1 million on these loans, which had previously been transferred to held for sale in the fourth quarter of 2014.

MSRs

Mortgage interest rates increased during the three and six months ended June 30, 2015 and the Bancorp recognized a recovery of temporary impairment on servicing rights. The Bancorp recognized temporary impairments in certain classes of the MSR portfolio during the three and six months ended June 30, 2014 and the carrying value was adjusted to the fair value. MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Bancorp estimates the fair value of MSRs using internal OAS models with certain unobservable inputs, primarily prepayment speed assumptions, OAS and weighted average lives, resulting in a classification within Level 3 of the valuation hierarchy. Refer to Note 11 for further information on the assumptions used in the valuation of the Bancorp s MSRs. The Secondary Marketing department and Treasury department are responsible for determining the valuation methodology for MSRs. Representatives from Secondary Marketing, Treasury, Accounting and Risk Management are responsible for reviewing key assumptions used in the internal OAS model. Two external valuations of the MSR portfolio are obtained from third parties that use valuation models in order to assess the reasonableness of the internal OAS model. Additionally, the Bancorp participates in peer surveys that provide additional confirmation of the reasonableness of key assumptions utilized in the MSR valuation process and the resulting MSR prices.

OREO

During the three and six months ended June 30, 2015 and 2014, the Bancorp recorded nonrecurring adjustments to certain commercial and residential real estate properties classified as OREO and measured at the lower of carrying amount or fair value. These nonrecurring losses are primarily due to declines in real estate values of the properties recorded in OREO. These losses include $3 million and $8 million in losses, recorded as charge-offs, on new OREO properties transferred from loans during the three and six months ended June 30, 2015, respectively, and $3 million and $6 million for the three and six months ended June 30, 2014, respectively. These losses also include $2 million and $5 million in losses for the three and six months ended June 30, 2015, respectively, and $3 million and $13

million in losses for the three and six months ended June 30, 2014, respectively, recorded as negative fair value adjustments on OREO in other noninterest income subsequent to their transfer from loans. As discussed in the following paragraphs, the fair value amounts are generally based on appraisals of the property values, resulting in a classification within Level 3 of the valuation hierarchy. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. The previous tables reflect the fair value measurements of the properties before deducting the estimated costs to sell.

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

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

Bank premises

The Bancorp monitors changing customer preferences associated with the channels it uses for banking transactions to evaluate the efficiency, competitiveness and quality of the customer service experience in its consumer distribution network. As part of this ongoing assessment, the Bancorp may determine that it is no longer fully committed to maintaining full-service branches at certain of its existing banking center locations. Similarly, the Bancorp may also determine that it is no longer fully committed to building banking centers on certain parcels of land which had previously been held for future branch expansion. On June 16, 2015, the Bancorp s Board of Directors authorized management to pursue a plan to further develop its distribution strategy, including a plan to consolidate and/or sell 105 branch locations and to sell an additional 31 parcels of undeveloped land that had been acquired by the Bancorp for further branch expansion. The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. These properties were written down to their lower of cost or market values. At least annually thereafter, the Bancorp will review these properties for market fluctuations. The fair value amounts were generally based on appraisals of the property values, resulting in a classification within Level 3 of the valuation hierarchy. Corporate Facilities, which reports to the Bancorp s Chief Strategy and Administrative Officer, in conjunction with Accounting are responsible for preparing and reviewing the fair value estimates for bank premises. For further information on bank premises, refer to Note 7.

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Operating lease equipment

During the three and six months ended June 30, 2015, the Bancorp recorded nonrecurring impairment adjustments to certain operating lease equipment. When evaluating whether an individual asset is impaired, the Bancorp considers the current fair value of the asset, the changes in overall market demand for the asset and the rate of change in advancements associated with technological improvements that impact the demand for the specific asset under review. As part of this ongoing assessment, the Bancorp determined that the carrying values of certain operating lease equipment were not recoverable and as a result, the Bancorp recorded an impairment loss equal to the amount by which the carrying value of the assets exceeded the fair value. The fair value amounts were generally based on appraised values of the assets, resulting in a classification within Level 3 of the valuation hierarchy. The Commercial Leasing department, which reports to the Bancorp s Chief Operating Officer, is responsible for preparing and reviewing the fair value estimates for operating lease equipment. Refer to Note 8 for further information on the impairment charge related to certain operating lease equipment.

Fair Value Option

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

Fair value changes recognized in earnings for instruments held at June 30, 2015 and 2014 for which the fair value option was elected, as well as the changes in fair value of the underlying IRLCs, included gains of $18 million for the three and six months ended June 30, 2015 and gains of $29 million for the three and six months ended June 30, 2014. These gains are reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

Valuation adjustments related to instrument-specific credit risk for residential mortgage loans measured at fair value negatively impacted the fair value of those loans by $2 million at both June 30, 2015 and December 31, 2014. Interest on residential mortgage loans measured at fair value is accrued as it is earned using the effective interest method and is reported as interest income in the Condensed Consolidated Statements of Income.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

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

($ in millions)	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
June 30, 2015			
Residential mortgage loans measured at fair value	**$ 806**	**788**	**18**
Past due loans of 90 days or more	**2**	**2**	
Nonaccrual loans	**2**	**2**	
December 31, 2014			
Residential mortgage loans measured at fair value	669	643	26
Past due loans of 90 days or more	2	2	
Nonaccrual loans	3	3	

Fair Value of Certain Financial Instruments

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

		Fair Value Measurements Using			
As of June 30, 2015 ($ in millions)	Net Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and due from banks	**$ 2,785**	**2,785**			**2,785**
Other securities	**601**		**601**		**601**
Held-to-maturity securities	**157**			**157**	**157**
Other short-term investments	**3,451**	**3,451**			**3,451**
Loans held for sale	**367**			**367**	**367**
Portfolio loans and leases:					
Commercial and industrial loans	**42,132**			**42,873**	**42,873**
Commercial mortgage loans	**7,033**			**6,791**	**6,791**
Commercial construction loans	**2,687**			**2,436**	**2,436**
Commercial leases	**3,833**			**3,569**	**3,569**
Residential mortgage loans	**12,651**			**12,923**	**12,923**
Home equity	**8,470**			**9,091**	**9,091**

Automobile loans		**11,867**		**11,636**	**11,636**
Credit card		**2,180**		**2,508**	**2,508**
Other consumer loans and leases		**482**		**490**	**490**
Unallocated ALLL		**(103)**			
Total portfolio loans and leases, net	**$**	**91,232**		**92,317**	**92,317**
Financial liabilities:					
Deposits	**$**	**103,023**	**103,026**		**103,026**
Federal funds purchased		**126**	**126**		**126**
Other short-term borrowings		**4,136**	**4,138**		**4,138**
Long-term debt		**13,521**	**13,471**	**603**	**14,074**

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

As of December 31, 2014 ($ in millions)	Net Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and due from banks	$ 3,091	3,091			3,091
Other securities	600		600		600
Held-to-maturity securities	187			187	187
Other short-term investments	7,914	7,914			7,914
Loans held for sale	700			700	700
Portfolio loans and leases:					
Commercial and industrial loans	40,092			40,781	40,781
Commercial mortgage loans	7,259			6,878	6,878
Commercial construction loans	2,052			1,735	1,735
Commercial leases	3,675			3,426	3,426
Residential mortgage loans	12,177			12,249	12,249
Home equity	8,799			9,224	9,224
Automobile loans	12,004			11,748	11,748
Credit card	2,297			2,586	2,586
Other consumer loans and leases	405			414	414
Unallocated ALLL	(106)				
Total portfolio loans and leases, net	$ 88,654			89,041	89,041
Financial liabilities:					
Deposits	$ 101,712		101,715		101,715
Federal funds purchased	144	144			144
Other short-term borrowings	1,556		1,561		1,561
Long-term debt	14,967	14,993	655		15,648

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

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

terms.

Held-to-maturity securities

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

Loans held for sale

Fair values for commercial loans held for sale were valued based on executable bids when available, or on DCF models incorporating appraisals of the underlying collateral, as well as assumptions about investor return requirements and amounts and timing of expected cash flows. Fair values for residential mortgage loans held for sale were valued based on estimated third-party valuations utilizing recent sales data from similar transactions. Broker opinion statements were also obtained as additional evidence to support the third-party valuations. Fair values for other consumer loans held for sale were based on contractual values upon which the loans may be sold to a third party, and approximate their carrying value.

Portfolio loans and leases, net

Fair values were estimated by discounting future cash flows using the current market rates of loans to borrowers with similar credit characteristics, similar remaining maturities, prepayment speeds and loss severities. The Bancorp estimates fair values at the transaction level whenever possible. For certain products with a large number of homogenous transactions, the Bancorp employs a pool approach. This approach involves stratifying and sorting the entire population of transactions into a smaller number of pools with like characteristics. Characteristics may include maturity date, coupon, origination date and principal amortization method.

Long-term debt

Fair value of long-term debt was based on quoted market prices, when available, or a DCF calculation using LIBOR/swap interest rates and, in some cases, Fifth Third credit and/or debt instrument spreads for new issuances with similar terms.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

21. Business Segments

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

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

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities and by the review of the estimated durations for the indeterminate-lived deposits. The credit rate provided for demand deposit accounts is reviewed annually based upon the account type, its estimated duration and the corresponding fed funds, U.S. swap curve or swap rate. The credit rates for several deposit products were reset January 1, 2015 to reflect the current market rates and updated market assumptions. These rates were generally lower than those in place during 2014, thus net interest income for deposit providing businesses was negatively impacted during 2015.

The business segments are charged provision expense based on the actual net charge-offs experienced by the loans and leases owned by each business segment. Provision expense attributable to loan and lease growth and changes in ALLL factors are captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Additionally, the business segments form synergies by taking advantage of cross-sell opportunities and when funding operations, by accessing the capital markets as a collective unit.

The results of operations and financial position for the three and six months ended June 30, 2014 were adjusted to reflect the transfer of certain customers and Bancorp employees from Commercial Banking to Branch Banking, effective January 1, 2015. In addition, the prior year balances were adjusted to reflect a change in internal allocation methodology.

The following is a description of each of the Bancorp s business segments, and the products and services they provide to their respective client bases.

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.

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,299 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.

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

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

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

The following tables present the results of operations and assets by business segment for the three months ended June 30, 2015 and 2014:

June 30, 2015 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate and Other	Eliminations	Total
Net interest income	$ 402	376	63	29	17		887
Provision for loan and lease losses	38	38	8	2	(7)		79
Net interest income after provision for loan and lease losses	364	338	55	27	24		808
Total noninterest income	232[(c)]	94[(b)]	122	103	44	(39)[(a)]	556
Total noninterest expense	356	396	112	115	7	(39)	947
Income before income taxes	240	36	65	15	61		417
Applicable income tax expense	34	13	23	6	32		108
Net income	206	23	42	9	29		309
Less: Net income attributable to noncontrolling interests					(6)		(6)
Net income attributable to Bancorp	206	23	42	9	35		315
Dividends on preferred stock					23		23
Net income available to common shareholders	$ 206	23	42	9	12		292
Total goodwill	$ 613	1,655		148			2,416
Total assets	$ 58,695	52,497	22,534	10,264	(2,332)		141,658

(a) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

*(b) Includes an impairment charge of **$98** for branches and land. For more information refer to Note 7 and Note 20.*

*(c) Includes an impairment charge of **$4** for operating lease equipment. For more information refer to Note 8 and Note 20.*

June 30, 2014 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate and Other	Eliminations	Total
Net interest income	$ 403	384	65	29	19		900
Provision for loan and lease losses	40	47	13	1	(25)		76
Net interest income after provision for loan and lease losses	363	337	52	28	44		824
Total noninterest income	216	171[(b)]	90	101	196	(38)[(a)]	736
Total noninterest expense	330	385	165	111	1	(38)	954
Income (loss) before income taxes	249	123	(23)	18	239		606
Applicable income tax expense (benefit)	41	43	(8)	6	85		167
Net income (loss)	208	80	(15)	12	154		439
Less: Net income attributable to noncontrolling interests							
Net income (loss) attributable to Bancorp	208	80	(15)	12	154		439
Dividends on preferred stock					23		23
Net income (loss) available to common shareholders	$ 208	80	(15)	12	131		416
Total goodwill	$ 613	1,655		148			2,416
Total assets	$ 56,001	49,764	22,365	9,251	(4,819)		132,562

(a) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

(b) Includes an impairment charge of $18 for branches and land. For more information refer to Note 7 and Note 20.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

The following tables present the results of operations and assets by business segment for the six months ended June 30, 2015 and 2014:

June 30, 2015 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate and Other	Eliminations	Total
Net interest income	$ 794	752	125	58	5		1,734
Provision for loan and lease losses	71	81	22	3	(29)		148
Net interest income after provision for loan and lease losses	723	671	103	55	34		1,586
Total noninterest income	404[(c)]	270[(b)]	251	212	126	(76)[(a)]	1,187
Total noninterest expense	713	787	214	231	2	(76)	1,871
Income before income taxes	414	154	140	36	158		902
Applicable income tax expense	46	55	49	13	69		232
Net income	368	99	91	23	89		670
Less: Net income attributable to noncontrolling interests					(6)		(6)
Net income attributable to Bancorp	368	99	91	23	95		676
Dividends on preferred stock					38		38
Net income available to common shareholders	$ 368	99	91	23	57		638
Total goodwill	$ 613	1,655		148			2,416
Total assets	$ 58,695	52,497	22,534	10,264	(2,332)		141,658

(a) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

*(b) Includes an impairment charge of **$102** for branches and land. For more information refer to Note 7 and Note 20.*

*(c) Includes an impairment charge of **$34** for operating lease equipment. For more information refer to Note 8 and Note 20.*

					General		

June 30, 2014 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	Corporate and Other	Eliminations	Total
Net interest income	$ 801	775	129	60	28		1,793
Provision for loan and lease losses	139	91	38	2	(124)		146
Net interest income after provision for loan and lease losses	662	684	91	58	152		1,647
Total noninterest income	425	343[(b)]	209	205	190	(72)[(a)]	1,300
Total noninterest expense	663	775	330	222	(15)	(72)	1,903
Income (loss) before income taxes	424	252	(30)	41	357		1,044
Applicable income tax expense (benefit)	58	89	(11)	14	137		287
Net income (loss)	366	163	(19)	27	220		757
Less: Net income attributable to noncontrolling interests					1		1
Net income (loss) attributable to Bancorp	366	163	(19)	27	219		756
Dividends on preferred stock					32		32
Net income (loss) available to common shareholders	$ 366	163	(19)	27	187		724
Total goodwill	$ 613	1,655		148			2,416
Total assets	$ 56,001	49,764	22,365	9,251	(4,819)		132,562

(a) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

(b) Includes an impairment charge of $18 for branches and land. For more information refer to Note 7 and Note 20.

22. Subsequent Events

On July 27, 2015, the Bancorp issued and sold $1.1 billion in aggregate principal amount of unsecured senior notes. The notes consisted of $1.1 billion of 2.875% senior fixed rate notes, with a maturity of five years, due on July 27, 2020. 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 plus accrued and unpaid interest up to, but excluding, the redemption date.

On July 29, 2015, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 6,039,792 shares, or approximately $150 million, of its outstanding common stock on August 3, 2015. The Bancorp repurchased the shares of its common stock as part of its Board approved 100 million share repurchase program previously announced on March 18, 2014. The Bancorp expects the settlement of the transaction to occur on or before October 30, 2015.

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PART II. OTHER INFORMATION

Legal Proceedings (Item 1)

Refer to Note 16 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for information regarding legal proceedings.

Risk Factors (Item 1A)

The following is a change to the risk factors as previously disclosed in the Registrant s Annual Report on Form 10-K for the year ended December 31, 2014.

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

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

In June 2012, Federal banking agencies proposed enhancements to the regulatory capital requirements for U.S. banking organizations, which implemented aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. In July 2013, the Federal banking agencies issued final rules for the enhanced regulatory capital requirements, which included modifications to the proposed rules. The final rules provide the option for certain banking organizations, including the Bancorp, to opt out of including accumulated other comprehensive income in Tier I capital and retain the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The new capital rules are effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain components and other provisions. The need to maintain more and higher quality capital as well as greater liquidity going forward could limit our business activities, including lending, and our ability to expand, either organically or through acquisitions. Moreover, although these new requirements are being phased in over time, U.S. Federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases and share repurchases.

The Bancorp s banking subsidiary must remain well-capitalized, well-managed and maintain at least a Satisfactory Community Reinvestment Act (CRA) rating for the Bancorp to retain its status as a financial holding company. Failure to meet these requirements could result in the Federal Reserve Board placing limitations or conditions on the Bancorp s activities (and the commencement of new activities) and could ultimately result in the loss of financial holding company status. In 2014, the Federal Reserve Board conducted a regularly scheduled examination covering 2011 through 2013 to determine the Bancorp s banking subsidiary s compliance with the CRA. Although the Federal Reserve Board has not made a final determination, the Bancorp believes that its banking subsidiary s rating in that CRA examination may result in a rating of Needs to Improve . If that would occur, such rating would last at least until the Bancorp s banking subsidiary s next CRA examination. The next CRA examination is expected to occur during

2016, although the precise timing of the completion of that examination and any results therefrom may not occur until later.

In addition, failure by the Bancorp s banking subsidiary to meet applicable capital guidelines could subject the bank to a variety of enforcement remedies available to the federal regulatory authorities. These include limitations on the ability to pay dividends, the issuance by the regulatory authority of a capital directive to increase capital, and the termination of deposit insurance by the FDIC.

Unregistered Sales of Equity Securities and Use of Proceeds (Item 2)

Refer to the Capital Management section within Management s Discussion and Analysis in Part I, Item 2 for information regarding purchases and sales of equity securities by the Bancorp during the second quarter of 2015.

Defaults Upon Senior Securities (Item 3)

None.

Mine Safety Disclosures (Item 4)

Not applicable.

Other Information (Item 5)

None.

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Exhibits (Item 6)

3.1	Amended Articles of Incorporation of Fifth Third Bancorp, as amended. Incorporated by reference to Exhibit 3.1 to the Registrant s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2014.
3.2	Code of Regulations of Fifth Third Bancorp as Amended as of September 15, 2014. Incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K filed with the Commission on September 17, 2014.
10.1	Master Confirmation, as supplemented by a Supplemental Confirmation, for accelerated share repurchase transaction dated April 27, 2015 between Fifth Third Bancorp and Barclays Bank PLC, through its agent Barclays Capital Inc.*
10.2	Offer letter from Fifth Third Bancorp to Lars C. Anderson. Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed with the Commission on July 16, 2015**
12.1	Computations of Consolidated Ratios of Earnings to Fixed Charges.
12.2	Computations of Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
31(i)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
31(ii)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
32(i)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
32(ii)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Changes in Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements tagged as blocks of text and in detail.

* An application for confidential treatment for selected portions of this exhibit has been filed with the Securities and Exchange Commission.

** Denotes management contract or compensatory plan or arrangement.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fifth Third Bancorp
Registrant

Date: August 5, 2015

/s/ Tayfun Tuzun
Tayfun Tuzun
Executive Vice President and
Chief Financial Officer