FIFTH THIRD BANCORP
Form 10-K
February 24, 2014
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2013 ANNUAL REPORT

FINANCIAL CONTENTS

FORWARD-LOOKING STATEMENTS

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

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 Consolidated Financial Statements and the Notes to Consolidated Financial Statements.

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

ARM: Adjustable Rate Mortgage

ATM: Automated Teller Machine

BBA: British Bankers Association

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

bps: Basis points

BPO: Broker Price Opinion

CapPR: Capital Plan Review

CCAR: Comprehensive Capital Analysis and Review

CD: Certificate of Deposit

CDC: Fifth Third Community Development Corporation

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

CPP: Capital Purchase Program

CRA: Community Reinvestment Act

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

IRS: Internal Revenue Service

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

NASDAQ: National Association of Securities Dealers Automated Quotations

NII: Net Interest Income

NM: Not Meaningful

NPR: Notice of Proposed Rulemaking

NSFR: Net Stable Funding Ratio

OCC: Office of the Comptroller of the Currency

DCF: Discounted Cash Flow

DIF: Deposit Insurance Fund

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FSOC: Financial Stability Oversight Council

FTAM: Fifth Third Asset Management, Inc.

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GNMA: Government National Mortgage Association

GSE: Government Sponsored Enterprise

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

HFS: Held for Sale

OCI: Other Comprehensive Income

OIS: Overnight Index Swap Rate

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

RSAs: Restricted Stock Awards

SARs: Stock Appreciation Rights

SBA: Small Business Administration

SCAP: Supervisory Capital Assessment Program

SEC: United States Securities and Exchange Commission

TARP: Troubled Asset Relief Program

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

TSA: Transition Service Agreement

U.S.: United States of America

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

UST: United States Treasury

VaR: Value-at-Risk

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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

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

TABLE 1: SELECTED FINANCIAL DATA

For the years ended December 31 ($ in millions, except for per share data)		2013	2012	2011	2010	2009
Income Statement Data						
Net interest income[(a)]	$	**3,581**	3,613	3,575	3,622	3,373
Noninterest income		**3,227**	2,999	2,455	2,729	4,782
Total revenue[(a)]		**6,808**	6,612	6,030	6,351	8,155
Provision for loan and lease losses		**229**	303	423	1,538	3,543
Noninterest expense		**3,961**	4,081	3,758	3,855	3,826
Net income attributable to Bancorp		**1,836**	1,576	1,297	753	737
Net income available to common shareholders		**1,799**	1,541	1,094	503	511
Common Share Data						
Earnings per share, basic	$	**2.05**	1.69	1.20	0.63	0.73
Earnings per share, diluted		**2.02**	1.66	1.18	0.63	0.67
Cash dividends per common share		**0.47**	0.36	0.28	0.04	0.04
Book value per share		**15.85**	15.10	13.92	13.06	12.44
Market value per share		**21.03**	15.20	12.72	14.68	9.75
Financial Ratios (%)						
Return on average assets		**1.48 %**	1.34	1.15	0.67	0.64
Return on average common equity		**13.1**	11.6	9.0	5.0	5.6
Dividend payout ratio		**22.9**	21.3	23.3	6.3	5.5
Average Bancorp shareholders equity as a percent of average assets		**11.56**	11.65	11.41	12.22	11.36
Tangible common equity[(b)]		**8.63**	8.83	8.68	7.04	6.45
Net interest margin[(a)]		**3.32**	3.55	3.66	3.66	3.32
Efficiency[(a)]		**58.2**	61.7	62.3	60.7	46.9
Credit Quality						
Net losses charged off	$	**501**	704	1,172	2,328	2,581
Net losses charged off as a percent of average loans and leases[(d)]		**0.58 %**	0.85	1.49	3.02	3.20
ALLL as a percent of portfolio loans and leases		**1.79**	2.16	2.78	3.88	4.88
Allowance for credit losses as a percent of portfolio loans and leases[(c)]		**1.97**	2.37	3.01	4.17	5.27
Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned[(d)]		**1.10**	1.49	2.23	2.79	4.22
Average Balances						
Loans and leases, including held for sale	$	**89,093**	84,822	80,214	79,232	83,391

Total securities and other short-term investments	**18,861**	16,814	17,468	19,699	18,135
Total assets	**123,732**	117,614	112,666	112,434	114,856
Transaction deposits*(e)*	**82,915**	78,116	72,392	65,662	55,235
Core deposits*(f)*	**86,675**	82,422	78,652	76,188	69,338
Wholesale funding*(g)*	**17,797**	16,978	16,939	18,917	28,539
Bancorp shareholders equity	**14,302**	13,701	12,851	13,737	13,053
Regulatory Capital Ratios (%)					
Tier I risk-based capital	**10.36 %**	10.65	11.91	13.89	13.30
Total risk-based capital	**14.08**	14.42	16.09	18.08	17.48
Tier I leverage	**9.64**	10.05	11.10	12.79	12.34
Tier I common equity*(b)*	**9.39**	9.51	9.35	7.48	6.99

(a) Amounts presented on an FTE basis. The FTE adjustment for years ended ***December 31, 2013****, 2012, 2011, 2010, and 2009 were* ***$20,*** *$18, $18, $18 and $19, respectively.*

(b) The tangible common equity and Tier I common equity ratios are non-GAAP measures. For further information, see the Non-GAAP Financial Measures section of the MD&A.

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

(d) Excludes nonaccrual loans held for sale.

(e) 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.

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At December 31, 2013, the Bancorp had $130.4 billion in assets, operated 17 affiliates with 1,320 full-service Banking Centers, including 104 Bank Mart® locations open seven days a week inside select grocery stores, and 2,586 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 a 25% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $423 million as of December 31, 2013.

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

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

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

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the year ended December 31, 2013, net interest income, on a FTE basis, and noninterest income provided 53% and 47% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the United States. Revenue from foreign countries and external customers domiciled in foreign countries is immaterial to the Bancorp s Consolidated Financial Statements. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

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

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

Vantiv, Inc. Share Sales

The Bancorp s ownership position in Vantiv Holding, LLC was reduced in the second quarter of 2013 when the Bancorp sold an approximate five percent interest and recognized a $242 million gain. The Bancorp s ownership position was further reduced in the third quarter of 2013 when the Bancorp sold an approximate three percent interest and recognized an $85 million gain. The Bancorp s remaining approximate 25% ownership in Vantiv Holding, LLC continues to be accounted for as an equity method investment in the Bancorp s Consolidated Financial Statements and had a carrying value of $423 million as of December, 31, 2013.

As of December 31, 2013, the Bancorp continued to hold approximately 48.8 million Class B units of Vantiv Holding, LLC and a warrant to purchase approximately 20.4 million Class C non-voting units of Vantiv Holding, LLC, both of which may be exchanged for Class A Common Stock of Vantiv, Inc. on a one for one basis or at Vantiv, Inc. s option for cash. In addition, the Bancorp holds approximately 48.8 million Class B common shares of Vantiv, Inc. The Class B common shares give the Bancorp voting rights, but no economic interest in Vantiv, Inc. The voting rights attributable to the Class B common shares are limited to 18.5% of the voting power in Vantiv, Inc. at any time other than in connection with a stockholder vote with respect to a change in control in Vantiv, Inc. These securities are subject to certain terms and restrictions.

Redemption of TruPS

The Bancorp redeemed all $750 million of the outstanding TruPS issued by Fifth Third Capital Trust IV on December 30, 2013. For more information on the redemption of these instruments, see the Capital Management section of MD&A.

Accelerated Share Repurchase Transactions

During 2013 and 2012, the Bancorp entered into 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 to be delivered at settlement was or will be based generally on a discount to the average daily volume-weighted average price of the Bancorp s common stock during the term of the Repurchase Agreement. For more information on the accounting for these instruments, see the Capital Management section of the MD&A. For a summary of all accelerated share repurchase transactions during 2013 and 2012 please refer to Table 2.

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TABLE 2: SUMMARY OF ACCELERATED SHARE REPURCHASE TRANSACTIONS

Repurchase Date	Amount ($ in millions)	Shares Repurchased	Shares Received from Forward Contract Settlement	Settlement Date
April 26, 2012	$ 75	4,838,710	631,986	June 1, 2012
August 28, 2012	350	21,531,100	1,444,047	October 24, 2012
November 9, 2012	125	7,710,761	657,914	February 12, 2013
December 19, 2012	100	6,267,410	127,760	February 27, 2013
January 31, 2013	125	6,953,028	849,037	April 5, 2013
May 24, 2013	539	25,035,519	4,270,250	October 1, 2013
November 18, 2013	200	8,538,423	*(a)*	*(a)*
December 13, 2013	456	19,084,195	*(b)*	*(b)*
January 31, 2014	99	3,950,705	*(b)*	*(b)*

(a) The Bancorp expects the settlement of this transaction to occur on or before February 28, 2014.
(b) The Bancorp expects the settlement of these transactions to occur on or before March 26, 2014.

Preferred Stock Offerings and Conversion

During 2013, the Bancorp had two preferred stock offerings and converted the outstanding Series G preferred stock into Fifth Third common stock. A description of the preferred stock offerings and conversion is below. For more information, see Note 23 in the Notes to Consolidated Financial Statements.

As contemplated by the 2013 CCAR, on May 16, 2013 the Bancorp issued in a registered public offering 600,000 depositary shares, representing 24,000 shares of 5.10% fixed-to-floating rate non-cumulative Series H perpetual preferred stock, for net proceeds of $593 million. The Series H preferred shares are not convertible into Bancorp common shares or any other securities. On June 11, 2013, the Bancorp s Board of Directors authorized the conversion into common stock, no par value, of all outstanding shares of the Bancorp s 8.50% non-cumulative convertible perpetual preferred stock, Series G. On July 1, 2013, the Bancorp converted the remaining 16,442 outstanding shares of Series G preferred stock, which represented 4,110,500 depositary shares, into shares of Fifth Third s common stock. On December 9, 2013, the Bancorp issued, in a registered public offering, 18,000,000 depositary shares, representing 18,000 shares of 6.625% fixed-to-floating rate non-cumulative Series I perpetual preferred stock, for net proceeds of $441 million. The Series I preferred shares are not convertible into Bancorp common shares or any other securities.

Senior Notes and Subordinated Notes Offering

On February 25, 2013, the Bancorp s banking subsidiary updated and amended its existing global bank note program. The amended global bank note program increased the Bank s capacity to issue its senior and subordinated unsecured bank notes from $20 billion to $25 billion. Additionally, on February 28, 2013, the Bank issued and sold, under its amended bank notes program, $1.3 billion in aggregate principal amount of unsecured senior bank notes. The bank notes consisted of: $600 million of 1.45% senior fixed rate notes due on February 28, 2018; $400 million of 0.90% senior fixed rate notes due on February 26, 2016; and $300 million of senior floating rate notes. Interest on the floating rate notes is 3-month LIBOR plus 41 bps due on February 26, 2016. The bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest through the redemption date.

On November 20, 2013, the Bancorp issued and sold $750 million of 4.30% unsecured subordinated fixed rate notes with a maturity date of January 16, 2024. These fixed rate 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.

Additionally, on November 20, 2013, the Bank issued and sold, under its amended bank notes program, $1.8 billion in aggregate principal amount of unsecured senior bank notes. The bank notes consisted of: $1 billion of 1.15% senior fixed rate notes due on November 18, 2016 and $750 million of senior floating rate notes due on November 18, 2016. Interest on the floating rate notes is 3-month LIBOR plus 51 bps. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest through the redemption date.

Automobile Loan Securitizations

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. As part of the sale, the Bancorp obtained servicing responsibilities and recognized a servicing asset with an initial fair value of $6 million.

In August of 2013, the Bancorp transferred approximately $1.3 billion in fixed-rate consumer automobile loans to a bankruptcy remote trust which was deemed to be a VIE. The Bancorp concluded that it is the primary beneficiary of the VIE and, therefore, has consolidated this VIE. For additional information on the automobile loan securitizations, refer to the Liquidity Risk Management section of MD&A.

Legislative Developments

On July 21, 2010, the Dodd-Frank Act was signed into federal law. This act implements changes to the financial services industry and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The legislation establishes a CFPB responsible for implementing and enforcing compliance with consumer financial laws, changes the methodology for determining deposit insurance assessments, gives the FRB the ability to regulate and limit interchange rates charged to merchants for the use of debit cards, enacts new limitations on proprietary trading, broadens the scope of derivative instruments subject to regulation, requires on-going stress tests and the submission of annual capital plans for certain organizations and requires changes to regulatory capital ratios. This act also calls for federal regulatory agencies to conduct multiple studies over the next several years in order to implement its provisions. While the total impact of the fully implemented Dodd-Frank Act on the Bancorp is not currently known, the impact is expected to be substantial and may have an adverse impact on the Bancorp s financial performance and growth opportunities.

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The Bancorp was impacted by a number of components of the Dodd-Frank Act which were implemented in 2012 and 2013. On October 9, 2012, the FRB published final stress testing rules that implement section 165(i)(1) and (i)(2) of the Dodd-Frank Act. The BHC s that participated in the 2009 SCAP and subsequent CCAR, which includes the Bancorp, are subject to the final stress testing rules. The rules require both supervisory and company-run stress tests, which provide forward-looking information to supervisors to help assess whether institutions have sufficient capital to absorb losses and support operations during adverse economic conditions.

The FRB launched the 2013 capital planning and stress testing program on November 9, 2012. The program includes the CCAR, which included the 19 BHCs that participated in the 2009 SCAP, as well as the CapPR which includes an additional 11 BHCs with $50 billion or more of total consolidated assets. The mandatory elements of the capital plan were an assessment of the expected use and sources of capital over the planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the Bancorp s business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the Bancorp s process for assessing capital adequacy and the Bancorp s capital policy. The stress testing results and capital plan were submitted by the Bancorp to the FRB on January 7, 2013. In March of 2013, 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.

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 Dodd-Frank Act.

In March 2013, the FRB announced it had completed the 2013 CCAR. For BHCs that proposed capital distributions in their plan, the FRB either objected to the plan or provided a non-objection whereby the FRB concurred with the proposed 2013 capital distributions. The FRB indicated to the Bancorp that it did not object to the following proposed capital actions for the period beginning April 1, 2013 and ending March 31, 2014:

- Increase in the quarterly common stock dividend to $0.12 per share;
- Repurchase of up to $750 million in TruPS subject to the determination of a regulatory capital event and replacement with the issuance of a similar amount of Tier II-qualifying subordinated debt;
- Conversion of the $398 million in outstanding Series G 8.5% convertible preferred stock into approximately 35.5 million common shares issued to the holders. The Bancorp would intend to repurchase common shares equivalent to those issued in the conversion up to $550 million in market value, and issue $550 million in preferred stock;
- Repurchase of common shares in an amount up to $984 million, including any shares issued in a Series G preferred stock conversion;

Incremental repurchase of common shares in the amount of any after-tax gains from the sale of Vantiv, Inc. stock; and

Issuance of an additional $500 million in preferred stock.

Beginning in 2013, the Bancorp and other large bank holding companies were required to conduct a separate mid-year stress test using financial data as of March 31st under three company-derived macro-economic scenarios (base, adverse and severely adverse). The Bancorp submitted the results of its mid-year stress test to the FRB in July of 2013 and the Bancorp published a summary of the results under the severely adverse scenario in September of 2013 which is available on Fifth Third s website at https://www.53.com. The FRB launched the 2014 stress testing program and CCAR on November 1, 2013. The stress testing results and capital plan were submitted by the Bancorp to the FRB on January 6, 2014. For further discussion on the 2013 and 2014 Stress Tests and CCAR, see the Capital Management section in MD&A.

Fifth Third offers qualified deposit customers a deposit advance product if they choose to avail themselves of this service 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 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 is designed to fully comply with the applicable federal and state laws and use of this product is subject to strict eligibility requirements and advance restriction guidelines to limit dependency on this product as a borrowing source. Fifth Third believes this product provides customers with a relatively low-cost alternative for such needs. On January 17, 2014, given developments in industry practice, Fifth Third announced that it will no longer enroll new customers in its deposit advance product and will phase out the service to existing customers by the end of 2014. These advance balances are included in other consumer loans and leases in the Bancorp s Consolidated Balance Sheets and represent substantially all of the revenue reported in interest and fees on other consumer loans and leases in the Bancorp s Consolidated Statements of Income and in Table 5 in the Statements of Income Analysis section of the MD&A. Fifth Third has been monitoring industry developments and is working to develop and implement alternative products and services in order to address the needs of its customers. The Bancorp is currently in the process of evaluating the impact to the Bancorp s Consolidated Financial Statements of both the phase out of our deposit advance product and our development of alternative products and services.

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,

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such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. In July of 2013, U.S. banking regulators approved the final enhanced regulatory capital rules (Basel III Final Rule), which included modifications to the proposed rules. The Bancorp continues to evaluate the Basel III Final Rule and its potential impact. 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 becomes effective April 1, 2014. Though the final rule is effective April 1, 2014, the Federal Reserve has granted the industry an extension of time until July 21, 2015 to conform activities to be in compliance with the Volcker Rule. 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. 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 December 31, 2013, the Bancorp had approximately $181 million in interests and approximately $80 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 although it is likely that these investments will be reduced over time in the ordinary course before compliance is required.

In November 2010, the FDIC implemented a final rule amending its deposit insurance regulations to implement section 343 of the Dodd-Frank Act providing for unlimited deposit insurance for noninterest-bearing transaction accounts for two years starting December 31, 2010. The FDIC did not charge a separate assessment for the insurance unlike the previous Transaction

Account Guarantee Program. Beginning January 1, 2013, noninterest-bearing transaction accounts are no longer insured separately from depositors other accounts at the same insured depository institution.

On January 7, 2013, the BCBS issued a final international standard for the LCR for large, internationally active banks, which would phase in the LCR beginning in 2015 with full implementation in 2019. In addition, the BCBS plans on introducing the NSFR final standard in the next two years. On October 24, 2013, the U.S. banking agencies issued an NPR that would implement a LCR requirement for U.S. banks that is generally consistent with the international LCR standards 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, and a Modified LCR for BHCs with at least $50 billion in total consolidated assets that are not internationally active, like Fifth Third. The NPR was open for public comment until January 31, 2014. Refer to the Liquidity Risk Management section in 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 Dodd-Frank Act, 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 has appealed this decision. If this decision is ultimately upheld and/or the FRB re-issues rules for purposes of implementing the Durbin Amendment in a manner consistent with this decision, the amount of debit card interchange fees the Bancorp would be permitted to charge likely would be reduced. 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.

TABLE 3: CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 ($ in millions, except per share data)		**2013**	2012	2011	2010	2009
Interest income (FTE)	$	**3,993**	4,125	4,236	4,507	4,687
Interest expense		**412**	512	661	885	1,314
Net interest income (FTE)		**3,581**	3,613	3,575	3,622	3,373
Provision for loan and lease losses		**229**	303	423	1,538	3,543
Net interest income (loss) after provision for loan and lease losses (FTE)		**3,352**	3,310	3,152	2,084	(170)
Noninterest income		**3,227**	2,999	2,455	2,729	4,782
Noninterest expense		**3,961**	4,081	3,758	3,855	3,826
Income before income taxes (FTE)		**2,618**	2,228	1,849	958	786
Fully taxable equivalent adjustment		**20**	18	18	18	19
Applicable income tax expense		**772**	636	533	187	30
Net income		**1,826**	1,574	1,298	753	737
Less: Net income attributable to noncontrolling interests		**(10)**	(2)	1	-	-
Net income attributable to Bancorp		**1,836**	1,576	1,297	753	737
Dividends on preferred stock		**37**	35	203	250	226
Net income available to common shareholders	$	**1,799**	1,541	1,094	503	511
Earnings per share	$	**2.05**	1.69	1.20	0.63	0.73
Earnings per diluted share		**2.02**	1.66	1.18	0.63	0.67
Cash dividends declared per common share	$	**0.47**	0.36	0.28	0.04	0.04

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Earnings Summary

The Bancorp s net income available to common shareholders for the year ended December 31, 2013 was $1.8 billion, or $2.02 per diluted share, which was net of $37 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the year ended December 31, 2012 was $1.5 billion, or $1.66 per diluted share, which was net of $35 million in preferred stock dividends. Pre-provision net revenue was $2.8 billion and $2.5 billion for the years ended 2013 and 2012, respectively. Pre-provision net revenue is a non-GAAP measure. For further information, see the Non-GAAP Financial Measures section in the MD&A.

Net interest income was $3.6 billion for the years ended December 31, 2013 and 2012. Net interest income was negatively impacted by a decline of 36 bps in yields on the Bancorp s interest-earning assets, partially offset by a $4.3 billion increase in average loans and leases due primarily to increases in average commercial and industrial loans and average residential mortgage loans. In addition, interest expense decreased primarily due to a decrease in rates paid on average long-term debt and a reduction in higher cost average long-term debt. Net interest margin was 3.32% and 3.55% for the years ended December 31, 2013 and 2012, respectively.

Noninterest income increased $228 million, or eight percent, in 2013 compared to 2012. The increase from the prior year was primarily due to increases in other noninterest income partially offset by decreases in mortgage banking net revenue. Other noninterest income increased $305 million compared to the prior year, primarily due to positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC. In addition, the Bancorp recognized gains of $242 million and $85 million, on the sales of Vantiv, Inc. shares in the second and third quarters of 2013, respectively, compared to gains of $115 million related to the Vantiv, Inc. IPO recorded in the first quarter of 2012 and a $157 million gain on the sale of Vantiv shares during the fourth quarter of 2012. Mortgage banking net revenue decreased $145 million for the year ended December 31, 2013 compared to the prior year primarily due to a decrease in origination fees and gains on loan sales partially offset by an increase in positive net valuation adjustments on mortgage servicing rights and free-standing derivatives entered into to economically hedge the MSR portfolio.

Noninterest expense decreased $120 million, or three percent, in 2013 compared to 2012 primarily due to a decrease in other noninterest expense driven by a decrease in debt extinguishment costs and a decrease in the provision for representation and warranty claims partially offset by an increase in litigation expense.

Credit Summary

The Bancorp does not originate subprime mortgage loans and does not hold asset-backed securities backed by subprime mortgage loans in its securities portfolio. However, the Bancorp has exposure to disruptions in the capital markets and weakened economic conditions. During 2013, credit trends have improved, and as a result, the provision for loan and lease losses decreased to $229 million in 2013 compared to $303 million in 2012. In addition, net charge-offs as a percent of average portfolio loans and leases decreased to 0.58% during 2013 compared to 0.85% during 2012. At December 31, 2013, nonperforming assets as a percent of loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 1.10%, compared to 1.49% at December 31, 2012. For further discussion on credit quality, see the Credit Risk Management section in MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the Board of Governors of the Federal Reserve

System. As of December 31, 2013, the Tier I risk-based capital ratio was 10.36%, the Tier I leverage ratio was 9.64% and the total risk-based capital ratio was 14.08%.

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NON-GAAP FINANCIAL MEASURES

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

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

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

U.S. banking regulators approved final capital rules (Basel III Final Rule) in July of 2013 that substantially amend the existing risk-based capital rules (Basel I) for banks. The Bancorp believes providing an estimate of its capital position based upon the final rules is important to complement the existing capital ratios and for comparability to other financial institutions. Since these rules are not effective for the Bancorp until January 1, 2015, they are considered non-GAAP measures and therefore are included in the following non-GAAP financial measures table.

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

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

TABLE 4: NON-GAAP FINANCIAL MEASURES

($ in millions)		2013	2012
Income before income taxes (U.S. GAAP)	$	**2,598**	2,210
Add: Provision expense (U.S. GAAP)		**229**	303
Pre-provision net revenue		**2,827**	2,513
Net income available to common shareholders (U.S. GAAP)	$	**1,799**	1,541
Add: Intangible amortization, net of tax		**5**	9
Tangible net income available to common shareholders		**1,804**	1,550
Total Bancorp shareholders equity (U.S. GAAP)	$	**14,589**	13,716
Less: Preferred stock		**(1,034)**	(398)
Goodwill		**(2,416)**	(2,416)
Intangible assets		**(19)**	(27)
Tangible common equity, including unrealized gains / losses		**11,120**	10,875
Less: Accumulated other comprehensive income		**(82)**	(375)
Tangible common equity, excluding unrealized gains / losses (1)		**11,038**	10,500
Add: Preferred stock		**1,034**	398
Tangible equity (2)		**12,072**	10,898
Total assets (U.S. GAAP)	$	**130,443**	121,894
Less: Goodwill		**(2,416)**	(2,416)
Intangible assets		**(19)**	(27)
Accumulated other comprehensive income, before tax		**(126)**	(577)
Tangible assets, excluding unrealized gains / losses (3)	$	**127,882**	118,874
Total Bancorp shareholders equity (U.S. GAAP)	$	**14,589**	13,716
Less: Goodwill and certain other intangibles		**(2,492)**	(2,499)
Accumulated other comprehensive income		**(82)**	(375)
Add: Qualifying TruPS		**60**	810
Other		**19**	33
Tier I risk-based capital		**12,094**	11,685
Less: Preferred stock		**(1,034)**	(398)
Qualifying TruPS		**(60)**	(810)
Qualified noncontrolling interests in consolidated subsidiaries		**(37)**	(48)
Tier I common equity (4)	$	**10,963**	10,429
Risk-weighted assets (5)[(a)]	$	**116,736**	109,699

Ratios:			
Tangible equity (2) / (3)		**9.44%**	9.17
Tangible common equity (1) / (3)		**8.63%**	8.83
Tier I common equity (4) / (5)		**9.39%**	9.51
Basel III Final Rule - Estimated Tier I common equity ratio			
Tier I common equity (Basel I)	$	**10,963**	
Add: Adjustment related to capital components[(b)]		**82**	
Estimated Tier I common equity under Basel III Final Rule without AOCI (opt out) (6)		**11,045**	
Add: Adjustment related to AOCI[(c)]		**82**	
Estimated Tier I common equity under Basel III Final Rule with AOCI (non opt out) (7)		**11,127**	
Estimated risk-weighted assets under Basel III Final Rule (8)[(d)]		**122,851**	
Estimated Tier I common equity ratio under Basel III Final Rule (opt out) (6) / (8)		**8.99%**	
Estimated Tier I common equity ratio under Basel III Final Rule (non opt out) (7) / (8)		**9.06%**	

(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) Adjustments related to capital components include MSRs and deferred tax assets subject to threshold limitations and deferred tax liabilities related to intangible assets, which were deductions to capital under Basel I capital rules.

(c) Under final Basel III rules, non-advanced approach banks are permitted to make a one-time election to opt out of the requirement to include AOCI in Tier I common equity.

(d) Key differences under Basel III in the calculation of risk-weighted assets compared to Basel I include: (1) Risk weighting for commitments under 1 year; (2) Higher risk weighting for exposures to securitizations, past due loans, foreign banks and certain commercial real estate; (3) Higher risk weighting for MSRs and deferred tax assets that are under certain thresholds as a percent of Tier I capital; and (4) Derivatives are differentiated between exchange clearing and over-the-counter and the 50% risk-weight cap is removed.

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RECENT ACCOUNTING STANDARDS

Note 1 of the Notes to Consolidated Financial Statements provides a discussion of the significant new accounting standards adopted by

the Bancorp during 2013 and the expected impact of significant accounting standards issued, but not yet required to be adopted.

CRITICAL ACCOUNTING POLICIES

The Bancorp s Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements and goodwill. No material changes were made to the valuation techniques or models described below during the year ended December 31, 2013.

ALLL

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

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

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

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

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

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

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

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

Reserve for Unfunded Commitments

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

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

Income Taxes

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

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

Accrued taxes represent the net estimated amount due to taxing jurisdictions and are reported in accrued taxes, interest and expenses in the Consolidated Balance Sheets. The Bancorp evaluates and assesses the relative risks and appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other information and maintains tax accruals consistent with its evaluation of these relative risks and merits. Changes to the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by taxing authorities and changes to statutory, judicial and regulatory guidance that impact the relative risks of tax positions. These changes, when they occur, can affect deferred taxes and accrued taxes as well as the current period s income tax expense and can be significant to the operating results of the Bancorp. For additional information on income taxes, see Note 20 of the Notes to Consolidated Financial Statements.

Valuation of Servicing Rights

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

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

Fair Value Measurements

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

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

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

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

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

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

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Available-for-sale and trading securities

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

Residential mortgage loans held for sale and held for investment

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

Derivatives

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

the valuation hierarchy. Such derivatives include basic and structured interest rate swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At December 31, 2013, derivatives classified as Level 3, which are valued using an option-pricing model containing unobservable inputs, consisted primarily of the 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 its Visa, Inc. Class B shares. Level 3 derivatives also include interest rate lock commitments, which utilize internally generated loan closing rate assumptions as a significant unobservable input in the valuation process.

In addition to the assets and liabilities measured at fair value on a recurring basis, the Bancorp measures servicing rights, certain loans and long-lived assets at fair value on a nonrecurring basis. Refer to Note 27 of the Notes to Consolidated Financial Statements for further information on fair value measurements.

Goodwill

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

Impairment exists when a reporting unit s carrying amount of goodwill exceeds its implied fair value. In testing goodwill for impairment, U.S. GAAP permits the Bancorp to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, the Bancorp evaluates events and circumstances which may include, but are not limited to, the general economic environment, banking industry and market conditions, the overall financial performance of the Bancorp, the performance of the Bancorp s stock, the key financial performance metrics of the reporting units, and events affecting the reporting units. If, after assessing the totality of events and circumstances, the Bancorp determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test would be unnecessary. However, if the Bancorp concludes otherwise, it would then be required to perform the first step (Step 1) of the goodwill impairment test, and continue to the second step (Step 2), if necessary. Step 1 compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, Step 2 of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

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

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incorporating an additional control premium, and compares this market-based fair value measurement to the aggregate fair value of the Bancorp s reporting units in order to corroborate the results of the income approach.

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

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

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RISK FACTORS

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

RISKS RELATING TO ECONOMIC AND MARKET CONDITIONS

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

If the strength of the U.S. economy in general or the strength of the local economies in which Fifth Third conducts operations declines this could result in, among other things, a deterioration in credit quality or a reduced demand for credit, including a resultant effect on Fifth Third s loan portfolio and ALLL and in the receipt of lower proceeds from the sale of loans and foreclosed properties. A portion of Fifth Third s residential mortgage and commercial real estate loan portfolios are comprised of borrowers in Florida, whose markets have been particularly adversely affected by job losses, declines in real estate value, declines in home sale volumes, and declines in new home building. These factors could result in higher delinquencies, greater charge-offs and increased losses on foreclosed real estate in future periods, which could materially adversely affect Fifth Third s financial condition and results of operations.

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

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

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

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

funding. The impact of these changes may be magnified if Fifth Third does not effectively manage the relative sensitivity of its assets and liabilities to changes in market interest rates. Fluctuations in these areas may adversely affect Fifth Third and its shareholders.

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

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

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

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

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

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

Fifth Third s stock price is volatile.

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

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

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Geopolitical conditions such as acts or threats of terrorism or military conflicts.

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

RISKS RELATING TO FIFTH THIRD S GENERAL BUSINESS

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

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

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

Fifth Third believes that both the allowance for loan and lease losses and reserve for unfunded commitments are adequate to cover inherent losses at December 31, 2013; however, there is no assurance that they will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions, Fifth Third may be required to increase reserves in future periods, which would reduce earnings.

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

Fifth Third must maintain adequate sources of funding and liquidity.

Fifth Third must maintain adequate funding sources in the normal course of business to support its operations and fund outstanding liabilities, as well as meet regulatory expectations. Fifth Third primarily relies on bank deposits to be a low cost and stable source of funding for the loans Fifth Third makes and the operations of Fifth Third s business. Core customer deposits, which include transaction deposits and other time deposits, have historically provided Fifth Third with a sizeable source of relatively stable and low-cost funds (average core deposits funded 70% of average total assets at December 31, 2013). In addition to customer deposits, sources of liquidity include investments in the securities portfolio, Fifth Third s ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the FHLB and the FRB, and Fifth Third s ability to raise funds in domestic and international money and capital markets.

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

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

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

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

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

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

Fifth Third sells residential mortgage loans to various parties, including GSEs and other financial institutions that purchase residential mortgage loans for investment or private label securitization. Fifth Third may be required to repurchase residential mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for

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credit losses incurred on loans in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 60 days or less) after Fifth Third receives notice of the breach. Contracts for residential mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. If economic conditions and the housing market deteriorate or future investor repurchase demand and success at appealing repurchase requests differ from past experience, Fifth Third could have increased repurchase obligations and increased loss severity on repurchases, requiring material additions to the repurchase reserve.

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

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

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

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

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

Fifth Third Bancorp is a separate and distinct legal entity from its subsidiaries. Fifth Third Bancorp typically receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on Fifth Third Bancorp s stock and interest and principal on its debt. Various federal and/or state laws and regulations, as well as regulatory expectations, limit the amount of dividends that the Bancorp s banking subsidiary and certain nonbank subsidiaries may pay. Regulatory scrutiny of capital levels at bank holding companies and insured depository institution subsidiaries has increased since the financial crisis and has resulted in increased regulatory focus on all aspects of capital planning, including dividends and other distributions to shareholders of banks such as the parent bank

holding companies. Also, Fifth Third Bancorp s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of that subsidiary s creditors. Limitations on the Bancorp s ability to receive dividends from its subsidiaries could have a material adverse effect on its liquidity and ability to pay dividends on stock or interest and principal on its debt.

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

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

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

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

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

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

In June 2010, the federal banking agencies issued joint guidance on executive compensation designed to help ensure that a banking organization s incentive compensation policies do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the Dodd-Frank Act requires those agencies, along with the SEC, to adopt rules to

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require reporting of incentive compensation and to prohibit certain compensation arrangements. The federal banking agencies and the SEC proposed such rules in April 2011. In addition, in June 2012, the SEC issued final rules to implement Dodd-Frank s requirement that the SEC direct the national securities exchanges to adopt certain listing standards related to the compensation committee of a company s board of directors as well as its compensation advisers. If Fifth Third is unable to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if compensation costs required to attract and retain employees become more expensive, Fifth Third s performance, including its competitive position, could be materially adversely affected.

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

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

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

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

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

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

Fifth Third acquires MSRs when it keeps the servicing rights after the sale or securitization of the loans that have been originated or when it purchases the servicing rights to mortgage loans originated by other lenders. Fifth Third initially measures all residential MSRs at fair value and subsequently amortizes the MSRs in proportion to, and over the period of, estimated net servicing income. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. Servicing rights

are assessed for impairment monthly, based on fair value, with temporary impairment recognized through a valuation allowance and permanent impairment recognized through a write-off of the servicing asset and related valuation allowance.

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

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

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

Fifth Third regularly reviews its litigation reserve for adequacy considering its litigation and regulatory investigation risks and probability of incurring losses related to litigation and regulatory investigations. However, Fifth Third cannot be certain that its current litigation reserves will be adequate over time to cover its losses in litigation or regulatory proceedings due to higher than anticipated settlement costs, prolonged litigation, adverse judgments, or other factors that are largely outside of Fifth Third s control. If Fifth Third s litigation reserves are not adequate, Fifth Third s business, financial condition, including its liquidity and capital, and results of operations could be materially adversely affected. Additionally, in the future, Fifth Third may increase its litigation reserves, which could have a material adverse effect on its capital and results of operations. In addition, if a material change to a reserve amount is made to reflect new information, such a change could result in a change to previously announced financial results.

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

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

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

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

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

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

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

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

Fifth Third owns several non-strategic businesses that are not significantly synergistic with its core financial services businesses. Fifth Third has, from time to time, considered the sale of such businesses. If it were to determine to sell such businesses, Fifth Third would be subject to market forces that may make completion of a sale unsuccessful or may not be able to do so within a desirable time frame. If Fifth Third were to complete the sale of non-core businesses, it would suffer the loss of income from the sold businesses, and such loss of income could have an adverse effect on its future earnings and growth.

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

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

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

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

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

Fifth Third is exposed to operational and reputational risk.

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

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

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

In 2009, Fifth Third sold an approximate 51% interest in its processing business, Vantiv Holding, LLC (formerly Fifth Third Processing Solutions). As a result of additional share sales completed by Fifth Third in 2012 and 2013, the Bancorp s current ownership share in Vantiv Holding, LLC is approximately 25%. Vantiv Holding, LLC is accounted for under the equity method and is not consolidated based on Fifth Third s remaining ownership share in Vantiv Holding, LLC. Vantiv Holding, LLC s operating results could be poor or favorable and could disproportionately affect the operating results of Fifth Third. In addition, Fifth Third participates in a multi-lender credit facility to Vantiv Holding, LLC and repayment of these loans is contingent on future cash flows from Vantiv Holding, LLC.

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

Fifth Third s footprint stretches from the upper Midwestern to lower Southeastern regions of the United States. This area has experienced weather events including hurricanes and other natural disasters. The nature and level of these events and the impact of global climate change upon their frequency and severity cannot be

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predicted. If large scale events occur, they may significantly impact its loan portfolios by damaging properties pledged as collateral as well as impairing its borrowers ability to repay their loans.

RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT

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

The Bancorp is a bank holding company and a financial holding company. As such, it is subject to the comprehensive, consolidated supervision and regulation of the FRB, including risk-based and leverage capital requirements. The Bancorp must maintain certain risk-based and leverage capital ratios as required by the FRB 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 1 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 AOCI in Tier 1 capital and retain the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The new capital rules are effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain 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. In addition, the new liquidity standards could require us to increase our holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term assets even if more desirable from a balance sheet management perspective. Moreover, although these new requirements are being phased in over time, U.S. Federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases and share repurchases.

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

Fifth Third s business, financial condition and results of operations could be adversely affected by new or changed

regulations and by the manner in which such regulations are applied by regulatory authorities.

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

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

On November 21, 2013, the OCC and FDIC separately issued guidance on deposit advance loans. The guidance establishes numerous expectations for institutions that offer such products. It covers matters such as consumer eligibility, capital adequacy, fees, compliance, management oversight, and third-party relationships. Fifth Third s deposit advance product was designed to fully comply with all applicable federal and state laws. However, given industry developments, Fifth Third determined to cease enrolling customers in its deposit advance product as of January 31, 2014 and will phase out its service to existing deposit advance customers by December 31, 2014.

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

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

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

In some cases, regulatory agencies may take supervisory actions that may not be publicly disclosed, which restrict or limit a financial institution. Finally, as part of Fifth Third s regular examination process, Fifth Third s and its banking subsidiary s respective regulators may advise it and its banking subsidiary to operate under various restrictions as a prudential matter. Such supervisory actions

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

or restrictions, if and in whatever manner imposed, could have a material adverse effect on Fifth Third s business and results of operations and may not be publicly disclosed.

Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, investigations and proceedings by various governmental regulatory agencies and law enforcement authorities, as well as self-regulatory agencies which may lead to adverse consequences.

Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by governmental regulatory agencies and law enforcement authorities, as well as self-regulatory agencies, including the SEC, regarding their respective businesses. Such matters may result in material adverse consequences, including without limitation, adverse judgments, settlements, fines, penalties, injunctions or other actions, amendments and/or restatements of Fifth Third s SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in its disclosure controls and procedures.

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

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

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

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

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

The CFPB has been given authority to regulate consumer financial products and services sold by banks and non-bank companies and to supervise banks with assets of more than $10 billion and their affiliates for compliance with Federal consumer protection laws. Any new regulatory requirements promulgated by the CFPB could require changes to our consumer businesses, result in increased compliance costs and affect the streams of revenue of such businesses. The FSOC has been charged with identifying systemic risks, promoting stronger financial regulation and identifying those non-bank companies that are systemically important and thus should be subject to regulation by the Federal Reserve.

The Dodd-Frank Act Volcker Rule provisions and implementing final rule generally prohibit any banking entity from (i) engaging in short-term proprietary trading for its own account and (ii) sponsoring or acquiring ownership interests in private equity or hedge funds. The Volcker Rule, however, contains a number of exceptions to these prohibitions. For example, transactions on behalf of customers or in connection with certain underwriting and market making activities, as well as risk-mitigating hedging activities and certain foreign banking activities are permitted. The risk-mitigating hedging exemption applies to hedging activities that are designed to reduce or significantly mitigate specific, identifiable risks of individual or aggregated positions. Fifth Third is required to conduct an analysis supporting its hedging strategy and the effectiveness of hedges must be monitored and recalibrated as necessary. Fifth Third will be required to document, contemporaneously with the transaction, the hedging rationale for certain transactions that present heighted compliance risks. Under the market-making exemption, a trading desk is required to routinely stand ready to purchase and sell one or more types of financial instruments. The trading desk s inventory in these types of financial instruments has to be designed not to exceed, on an ongoing basis, the reasonably expected near-term demands of customers.

The Volcker Rule and the rulemakings promulgated thereunder restrict banks and their affiliated entities from investing in or sponsoring certain private equity and hedge funds. Fifth Third does not sponsor any private equity or hedge funds that it is prohibited from sponsoring. As of December 31, 2013, the Bancorp had approximately $181 million in interests and approximately $80 million in binding commitments to invest in private equity funds likely to be affected by the Volcker rule. It is expected that over time the Bancorp may need to eliminate these investments although it is likely that these investments will be reduced over time in the ordinary course before compliance is required. Fifth Third expects to be able to hold these investments until July 2015 with no restriction, and be eligible to obtain up to two one-year extension periods, subject to regulatory approvals. A forced sale of some of these investments could result in Fifth Third receiving less value than it would otherwise have received.

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The FDIC and the Federal Reserve adopted a final rule that requires bank holding companies that have $50 billion or more in assets, like Fifth Third, to periodically submit to the Federal Reserve, the FDIC and the FSOC a plan discussing how the company could be resolved in a rapid and orderly fashion if the company were to fail or experience material financial distress. In a related rulemaking, the FDIC adopted a final rule that requires insured depository institutions with $50 billion or more in assets, like Fifth Third, to annually prepare and submit a resolution plan to the FDIC, which would include, among other things, an analysis of how the institution could be resolved under the Federal Deposit Insurance Act, as amended (the FDIA) in a manner that protects depositors and limits losses or costs to creditors of the bank. Initial plans for Fifth Third and its bank subsidiary have been submitted, in accordance with the final regulatory rules, for review by the FDIC, the Federal Reserve, and the FSOC. The Federal Reserve and the FDIC may jointly impose restrictions on Fifth Third or its bank subsidiary, including additional capital requirements or limitations on growth, if the agencies determine that the institution s plan is not credible or would not facilitate a rapid and orderly resolution of Fifth Third under the U.S. Bankruptcy Code, or Fifth Third Bank under the FDIA, and additionally could require Fifth Third to divest assets or take other actions if it did not submit an acceptable resolution within two years after any such restrictions were imposed.

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

Financial institutions may be required, regardless of risk, to pay taxes or other fees to the U.S. Treasury. Such taxes or other fees could be designed to reimburse the U.S. Treasury for the many government programs and initiatives it has taken or may undertake as part of its economic stimulus efforts. The Department of Treasury issued an interim final rule in 2012 to establish an assessment schedule for the collection of fees from bank holding companies with at least $50 billion in assets and foreign banks with at least $50 billion in assets in the U.S. to cover the expenses of the Office of Financial Research and FSOC. In August 2013, the FRB also adopted a final rule to implement an assessment provision under the Dodd-Frank Act equal to the expense the FRB estimates are necessary or appropriate to supervise and regulate bank holding companies with $50 billion or more in assets.

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 that were adopted to implement Section 1075 of the Dodd-Frank Act, 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 invalidated portions. The FRB has appealed this decision. If this decision is ultimately upheld and/or the FRB re-issues rules for purposes of implementing the Durbin Amendment in a manner consistent with this decision, the amount of debit card interchange fees the Bancorp would be permitted to charge would likely be reduced, thereby negatively affecting the Bancorp s financial performance.

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

Fifth Third and/or its affiliates are or may become the subject of litigation which could result in legal liability and damage to Fifth Third s reputation.

Fifth Third and certain of its directors and officers have been named from time to time as defendants in various class actions and other litigation relating to Fifth Third s business and activities. Past, present and future litigation have included or could include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. These matters could result in material adverse judgments, settlements, fines, penalties, injunctions or other relief, amendments and/or restatements of Fifth Third s SEC filings and/or financial statements, as applicable and/or determinations of material weaknesses in its disclosure controls and procedures. Like other large financial institutions and companies, Fifth Third is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. Substantial legal liability or significant regulatory action against Fifth Third could materially adversely affect its business, financial condition or results of operations and/or cause significant reputational harm to its business.

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

Fifth Third s ability to pay dividends or repurchase stock is subject to regulatory requirements and the need to meet regulatory expectations. Fifth Third is subject to an annual assessment by the FRB as part of CCAR. The mandatory elements of the capital plan are an assessment of the expected use and sources of capital over the planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the Bancorp s business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the Bancorp s process for assessing capital adequacy and the Bancorp s capital policy. The capital plan must reflect the revised capital framework that the FRB adopted in connection with the implementation of the Basel III accord, including the framework s minimum regulatory capital ratios and transition arrangements. Fifth Third s stress testing results and 2014 capital plan were submitted to the FRB on January 6, 2014.

The FRB s review of the capital plan will assess the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB will review the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above the minimum regulatory capital ratios and above a Tier 1 common ratio of 5 percent under baseline and stressful conditions throughout a nine-quarter planning horizon.

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

Table 5 presents the components of net interest income, net interest margin and net interest rate spread for the years ended December 31, 2013, 2012 and 2011. Nonaccrual loans and leases and loans held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses on available-for-sale securities included in other assets. Table 6 provides the relative impact of changes in the balance sheet and changes in interest rates on net interest income.

Net interest income was $3.6 billion for the years ended December 31, 2013 and 2012. Included within net interest income are amounts related to the amortization and accretion of premiums and discounts on acquired loans and deposits, primarily as a result of acquisitions in previous years, which increased net interest income by $17 million during 2013 and $31 million during 2012. The original purchase accounting discounts reflected the high discount rates in the market at the time of the acquisitions; the total loan discounts are being accreted into net interest income over the remaining period to maturity of the loans acquired. Based upon the remaining period to maturity, and excluding the impact of prepayments, the Bancorp anticipates recognizing approximately $5 million in additional net interest income during 2014 as a result of the amortization and accretion of premiums and discounts on acquired loans and deposits.

For the year ended December 31, 2013, net interest income was negatively impacted by a 36 bps decline in yields on the Bancorp s interest-earning assets compared to the year ended December 31, 2012. The decrease in yields on interest earning assets was partially offset by an increase in average loans and leases of $4.3 billion as well as a decrease in interest expense compared to the prior year. The decrease in interest expense was primarily the result of a 59 bps decrease in the rate paid on average long-term debt coupled with a $1.1 billion decrease in average long-term debt for the year ended December 31, 2013 compared to the year ended December 31, 2012. For the year ended December 31, 2013, the net interest rate spread decreased to 3.15% from 3.35% in 2012 as the benefit of the decreases in rates on interest-bearing liabilities was more than offset by a decrease in yield on average interest-earning assets.

Net interest margin was 3.32% for the year ended December 31, 2013 compared to 3.55% for the year ended December 31, 2012. Net interest margin was impacted by the amortization and accretion of premiums and discounts on acquired loans and deposits that resulted in an increase in net interest margin of 2 bps during 2013 compared to 3 bps during 2012. Exclusive of these amounts, net interest margin decreased 22 bps for the year ended December 31, 2013 compared to the prior year driven primarily by the previously mentioned decline in the yield on average interest-earning assets coupled with an increase in average interest-earning assets, partially

offset by a decrease in interest expense primarily related to long-term debt.

Interest income from loans and leases decreased $126 million, or four percent, compared to the year ended December 31, 2012 primarily due to a decrease of 34 bps in yields on average loans and leases partially offset by an increase of five percent in average loans and leases for the year ended December 31, 2013 compared to 2012. The increase in average loans and leases for the year ended December 31, 2013 was driven primarily by an increase of 15% in average commercial and industrial loans and an increase of eight percent in average residential mortgage loans compared to the year ended December 31, 2012. For more information on the Bancorp s loan and lease portfolio, see the Loans and Leases section of the Balance Sheet Analysis of the MD&A. In addition, interest income from investment securities and other short-term investments decreased $6 million, or one percent, compared to the year ended 2012 primarily due to a 29 bps decrease in the average yield on taxable securities partially offset by an increase of $1.1 billion in average taxable securities.

Average core deposits increased $4.3 billion, or five percent, compared to the year ended December 31, 2012 primarily due to an increase in average money market deposits and average demand deposits partially offset by a decrease in average savings deposits. The cost of interest bearing core deposits decreased to 27 bps for the year ended December 31, 2013 from 31 bps for the year ended December 31, 2012. This decrease was primarily the result of a mix shift to lower cost interest bearing core deposits as a result of run-off of higher priced CDs combined with decreases of 5 bps in the rate paid on average savings deposits and a decrease of 26 bps on average other time deposits compared to the year ended December 31, 2012.

Interest expense on average wholesale funding for the year ended December 31, 2013 decreased $83 million, or 24%, compared to the prior year, primarily due to a decrease in the rates paid on average long-term debt of 59 bps for the year ended December 31, 2013 compared to 2012 coupled with a decrease of $1.1 billion in average long-term debt. The reduction in higher cost long-term debt was primarily the result of the full year impact of the redemption of outstanding TruPS and FHLB debt in the second half of 2012. In the third quarter of 2012, the Bancorp redeemed $1.4 billion of outstanding TruPS which had a 7.25% distribution rate. Additionally, in the fourth quarter of 2012, the Bancorp terminated $1.0 billion of FHLB debt with a fixed rate of 4.56%. These decreases were partially offset by the issuance of $1.3 billion of unsecured senior bank notes in the first quarter of 2013. Refer to the Borrowings section of MD&A for additional information on the Bancorp s changes in average borrowings. During the years ended December 31, 2013 and 2012, wholesale funding represented 24% of interest-bearing liabilities. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management section of MD&A.

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LE 5: CONSOLIDATED AVERAGE BALANCE SHEET AND ANALYSIS OF NET INTEREST INCOME

he years ended December 31	**2013**			2012			2011		
millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Avera Yiel Rat
ts									
est-earning assets:									
s and leases:[a]									
mercial and industrial loans	**$ 37,770**	**$ 1,361**	**3.60%**	$ 32,911	$ 1,349	4.10%	$ 28,546	$ 1,240	4.
mercial mortgage	**8,481**	**306**	**3.60**	9,686	369	3.81	10,447	417	3.
mercial construction	**793**	**27**	**3.45**	835	25	2.99	1,740	53	3.
mercial leases	**3,565**	**116**	**3.26**	3,502	127	3.62	3,341	133	3.
otal commercial	**50,609**	**1,810**	**3.58**	46,934	1,870	3.98	44,074	1,843	4.
dential mortgage loans	**14,428**	**564**	**3.91**	13,370	543	4.06	11,318	503	4.
e equity	**9,554**	**355**	**3.71**	10,369	393	3.79	11,077	433	3.
mobile loans	**12,021**	**373**	**3.10**	11,849	439	3.70	11,352	530	4.
it card	**2,121**	**209**	**9.87**	1,960	192	9.79	1,864	184	9.
r consumer loans/leases	**360**	**155**	**42.93**	340	155	45.32	529	136	25.
otal consumer	**38,484**	**1,656**	**4.30**	37,888	1,722	4.54	36,140	1,786	4.
loans and leases	**89,093**	**3,466**	**3.89**	84,822	3,592	4.23	80,214	3,629	4.
rities:									
ble	**16,395**	**518**	**3.16**	15,262	527	3.45	15,334	596	3.
npt from income taxes[a]	**49**	**3**	**5.29**	57	2	3.29	103	6	5.
r short-term investments	**2,417**	**6**	**0.26**	1,495	4	0.26	2,031	5	0.
interest-earning assets	**107,954**	**3,993**	**3.70**	101,636	4,125	4.06	97,682	4,236	4.
and due from banks	**2,482**			2,355			2,352		
r assets	**15,053**			15,695			15,335		
wance for loan and lease s	**(1,757)**			(2,072)			(2,703)		
assets	**$ 123,732**			$ 117,614			$ 112,666		
ilities and Equity									
est-bearing liabilities:									
est checking	**$ 23,582**	**$ 53**	**0.23%**	$ 23,096	$ 49	0.22%	$ 18,707	$ 49	0.
ngs	**18,440**	**22**	**0.12**	21,393	37	0.17	21,652	67	0.
ey market	**9,467**	**23**	**0.25**	4,903	11	0.22	5,154	14	0.
gn office deposits	**1,501**	**4**	**0.28**	1,528	4	0.27	3,490	10	0.
r time deposits	**3,760**	**50**	**1.33**	4,306	68	1.59	6,260	140	2.
ficates - $100,000 and over	**6,339**	**50**	**0.78**	3,102	46	1.48	3,656	72	1.
r deposits	**17**	**-**	**0.11**	27	-	0.13	7	-	0.
ral funds purchased	**503**	**1**	**0.12**	560	1	0.14	345	-	0.
r short-term borrowings	**3,024**	**5**	**0.18**	4,246	8	0.18	2,777	3	0.
-term debt	**7,914**	**204**	**2.58**	9,043	288	3.17	10,154	306	3.
interest-bearing liabilities	**74,547**	**412**	**0.55**	72,204	512	0.71	72,202	661	0.

and deposits	**29,925**		27,196		23,389	
r liabilities	**4,917**		4,462		4,189	
liabilities	**109,389**		103,862		99,780	
equity	**14,343**		13,752		12,886	
liabilities and equity	**$ 123,732**		$ 117,614		$ 112,666	
nterest income		**$ 3,581**		$ 3,613		$ 3,575
nterest margin		**3.32%**		3.55%		3.(
nterest rate spread		**3.15**		3.35		3.4
est-bearing liabilities to interest-earning assets		**69.05**		71.04		73.9

*(a) The FTE adjustments included in the above table are **$20** for the year ended **December 31, 2013** and $18 for the years ended 2012 and 2011. The federal statutory rate utilized was 35% for all periods presented.*

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TABLE 6: CHANGES IN NET INTEREST INCOME ATTRIBUTABLE TO VOLUME AND YIELD/RATE[(a)]

For the years ended December 31	**2013 Compared to 2012**			2012 Compared to 2011		
($ in millions)	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
Assets						
Interest-earning assets:						
Loans and leases:						
Commercial and industrial loans	**$ 187**	**(175)**	**12**	$ 180	(71)	109
Commercial mortgage	**(44)**	**(19)**	**(63)**	(30)	(18)	(48)
Commercial construction	**(2)**	**4**	**2**	(27)	(1)	(28)
Commercial leases	**2**	**(13)**	**(11)**	7	(13)	(6)
Subtotal commercial loans and leases	**143**	**(203)**	**(60)**	130	(103)	27
Residential mortgage loans	**42**	**(21)**	**21**	87	(47)	40
Home equity	**(31)**	**(7)**	**(38)**	(27)	(13)	(40)
Automobile loans	**6**	**(72)**	**(66)**	23	(114)	(91)
Credit card	**15**	**2**	**17**	9	(1)	8
Other consumer loans/leases	**8**	**(8)**	**-**	(59)	78	19
Subtotal consumer loans and leases	**40**	**(106)**	**(66)**	33	(97)	(64)
Total loans and leases	**183**	**(309)**	**(126)**	163	(200)	(37)
Securities:						
Taxable	**38**	**(47)**	**(9)**	(2)	(67)	(69)
Exempt from income taxes	**1**	**-**	**1**	(2)	(2)	(4)
Other short-term investments	**2**	**-**	**2**	(1)	-	(1)
Subtotal securities and other short-term investments	**41**	**(47)**	**(6)**	(5)	(69)	(74)
Total change in interest income	**$ 224**	**(356)**	**(132)**	$ 158	(269)	(111)
Liabilities						
Interest-bearing liabilities:						
Interest checking	**$ -**	**4**	**4**	$ 9	(9)	-
Savings	**(4)**	**(11)**	**(15)**	-	(30)	(30)
Money market	**11**	**1**	**12**	(1)	(2)	(3)
Foreign office deposits	**-**	**-**	**-**	(6)	-	(6)
Other time deposits	**(8)**	**(10)**	**(18)**	(38)	(34)	(72)
Certificates - $100,000 and over	**33**	**(29)**	**4**	(10)	(16)	(26)
Federal funds purchased	**-**	**-**	**-**	1	-	1
Other short-term borrowings	**(3)**	**-**	**(3)**	3	2	5
Long-term debt	**(34)**	**(50)**	**(84)**	(34)	16	(18)
Total change in interest expense	**(5)**	**(95)**	**(100)**	(76)	(73)	(149)
Total change in net interest income	**$ 229**	**(261)**	**(32)**	$ 234	(196)	38

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

Provision for Loan and Lease Losses

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

The provision for loan and lease losses decreased to $229 million in 2013 compared to $303 million in 2012. The decrease in provision expense for 2013 compared to the prior year was due to

decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases, and improvement in underlying loss trends. The ALLL declined $272 million from $1.9 billion at December 31, 2012 to $1.6 billion at December 31, 2013. As of December 31, 2013, the ALLL as a percent of portfolio loans and leases decreased to 1.79%, compared to 2.16% at December 31, 2012.

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

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Noninterest Income

Noninterest income increased $228 million, or eight percent, for the year ended December 31, 2013 compared to the year ended December 31, 2012. The components of noninterest income are as follows:

TABLE 7: NONINTEREST INCOME

For the years ended December 31 ($ in millions)		2013	2012	2011	2010	2009
Mortgage banking net revenue	$	**700**	845	597	647	553
Service charges on deposits		**549**	522	520	574	632
Corporate banking revenue		**400**	413	350	364	372
Investment advisory revenue		**393**	374	375	361	326
Card and processing revenue		**272**	253	308	316	615
Gain on sale of the processing business		**-**	-	-	-	1,758
Other noninterest income		**879**	574	250	406	479
Securities gains (losses), net		**21**	15	46	47	(10)
Securities gains, net, non-qualifying hedges on mortgage servicing rights		**13**	3	9	14	57
Total noninterest income	$	**3,227**	2,999	2,455	2,729	4,782

Mortgage banking net revenue

Mortgage banking net revenue decreased $145 million, or 17%, in 2013 compared to 2012. The components of mortgage banking net revenue are as follows:

TABLE 8: COMPONENTS OF MORTGAGE BANKING NET REVENUE

For the years ended December 31 ($ in millions)		2013	2012	2011
Origination fees and gains on loan sales	$	**453**	821	396
Net mortgage servicing revenue:				
Gross mortgage servicing fees		**251**	250	234
Mortgage servicing rights amortization		**(166)**	(186)	(135)
Net valuation adjustments on servicing rights and free-standing derivatives entered into to economically hedge MSR		**162**	(40)	102
Net mortgage servicing revenue		**247**	24	201
Mortgage banking net revenue	$	**700**	845	597

Origination fees and gains on loan sales decreased $368 million in 2013 compared to 2012 primarily as the result of a decrease in profit margins on sold residential mortgage loans coupled with an 11% decrease in residential mortgage loan originations. Residential mortgage loan originations decreased to $22.3 billion in 2013 from $25.2 billion in

2012. The decrease in originations is primarily due to a decrease in refinancing activity during the second half of 2013 as mortgage rates continued to rise and fewer borrowers were able to achieve savings by refinancing their mortgages.

Net servicing revenue is comprised of gross servicing fees and related servicing rights amortization as well as valuation adjustments on MSRs and mark-to-market adjustments on both settled and outstanding free-standing derivative financial instruments used to economically hedge the MSR portfolio. Net servicing revenue increased $223 million in 2013 compared to 2012 driven primarily by increases of $202 million in net valuation adjustments. Additionally, servicing rights amortization decreased by $20 million in 2013 compared to 2012 driven by lower prepayments due to an increase in interest rates in 2013 compared to 2012.

The net valuation adjustment gain of $162 million during 2013 included a recovery of temporary impairment of $192 million on MSRs partially offset by $30 million in losses from derivatives economically hedging the MSRs. The net valuation adjustment loss of $40 million during 2012 included $103 million of temporary impairment on the MSRs partially offset by $63 million in gains from derivatives economically hedging the MSRs. 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. Mortgage rates increased during 2013 which caused modeled prepayments speeds to slow, and led to the

recovery of temporary impairment on servicing rights during the year. Mortgage rates decreased in 2012 causing modeled prepayment speeds to increase, which led to the temporary impairment on servicing rights in 2012. Further detail on the valuation of MSRs can be found in Note 11 of the Notes to Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation on the MSR portfolio. See Note 12 of the Notes to Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. The Bancorp recognized net gains of $13 million and $3 million during the years ended 2013 and 2012, respectively, recorded in securities gains, net, non-qualifying hedges on mortgage servicing rights in the Bancorp s Consolidated Statement of Income.

The Bancorp s total residential loans serviced as of December 31, 2013 and 2012 was $82.7 billion and $77.3 billion, respectively, with $69.2 billion and $62.5 billion, respectively, of residential mortgage loans serviced for others.

Service charges on deposits

Service charges on deposits increased $27 million in 2013 compared to 2012. Commercial deposit revenue increased $17 million in 2013 compared to 2012 primarily due to increased treasury management fees as a result of pricing changes implemented in the third quarter of 2012 and the third quarter of 2013 and the acquisition of new customers. Consumer deposit revenue increased $10 million due to an increase in consumer checking fees due to new deposit product

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offerings partially offset by the elimination of daily overdraft fees on continuing consumer overdraft positions which took effect in the second quarter of 2012.

Corporate banking revenue

Corporate banking revenue decreased $13 million in 2013 compared to 2012. The decrease from the prior year was primarily the result of a decrease in lease remarketing fees partially offset by an increase in syndication fees. The decline in lease remarketing fees was driven by a $9 million write-down of equipment value on an operating lease during the fourth quarter of 2013.

Investment advisory revenue

Investment advisory revenue increased $19 million in 2013 compared to 2012. The increase was primarily due to an increase of $17 million in securities and brokerage fees due to strong production and an increase in equity and bond market values

coupled with an increase of $15 million in private client service fees, partially offset by a decrease in mutual fund fees. Due to the sale of certain funds by ClearArc Capital, Inc., formerly Fifth Third Asset Management, during the third quarter of 2012, mutual fund fees decreased $13 million in 2013 compared to 2012. The Bancorp had approximately $302 billion and $308 billion in total assets under care as of December 31, 2013 and December 31, 2012, respectively, and managed $27 billion in assets for individuals, corporations and not-for-profit organizations as of December 31, 2013 and 2012.

Card and processing revenue

Card and processing revenue increased $19 million in 2013 compared to 2012. The increase was primarily the result of higher transaction volumes. Debit card interchange revenue, included in card and processing revenue, was $122 million and $119 million for the years ended December 31, 2013 and 2012, respectively.

Other noninterest income

The major components of other noninterest income are as follows:

TABLE 9: COMPONENTS OF OTHER NONINTEREST INCOME

For the years ended December 31 ($ in millions)		**2013**	2012	2011
Gain on sale of Vantiv, Inc. shares and Vantiv, Inc. IPO	**$**	**336**	272	-
Valuation adjustments on the warrant and put options associated with Vantiv Holding, LLC		**206**	67	39

Equity method income from interest in Vantiv Holding, LLC	**77**	61	57
Operating lease income	**75**	60	58
BOLI income	**52**	35	41
Cardholder fees	**47**	46	41
Banking center income	**34**	32	27
Consumer loan and lease fees	**27**	27	31
Insurance income	**25**	28	28
Gain on loan sales	**3**	20	37
TSA revenue	**1**	1	21
Loss on OREO	**(26)**	(57)	(71)
Loss on swap associated with the sale of Visa, Inc. class B shares	**(31)**	(45)	(83)
Other, net	**53**	27	24
Total other noninterest income	**$ 879**	574	250

Other noninterest income increased $305 million in 2013 compared to 2012. The positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC increased $139 million in 2013 compared to 2012. In addition, gains of $242 million and $85 million on the sale of Vantiv, Inc. shares were recorded in the second and third quarters of 2013, respectively, compared to gains of $115 million related to the Vantiv, Inc. IPO recorded in the first quarter of 2012 and a $157 million gain from the sale of Vantiv, Inc. shares during the fourth quarter of 2012. The Bancorp recognized a gain of $9 million associated with a tax receivable agreement with Vantiv, Inc. in the fourth quarter of 2013. The equity method earnings from the Bancorp s interest in Vantiv Holding, LLC increased $16 million from 2012.

BOLI income increased $17 million in 2013 compared to 2012 primarily due to a $10 million settlement in the second quarter of 2013 related to a previously surrendered BOLI policy. The loss on OREO decreased $31 million from 2012 due to a decrease in OREO balances year over year and a decrease in losses on

commercial real estate in 2013 relating to fair value adjustments on OREO. Additionally, the Bancorp recognized $31 million and $45 million in negative valuation adjustments related to the Visa total return swap for the years ended December 31, 2013 and 2012, respectively. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B shares and the valuation of the warrant and put options associated with the sale of Vantiv Holding, LLC, see Note 27 of the Notes to Consolidated Financial Statements.

The other caption increased $26 million for the year ended 2013 compared to 2012. The increase was primarily due to a decrease in lower of cost or market adjustments associated with the bank premises as the Bancorp recorded $6 million in lower of cost or market adjustments in 2013 compared to $21 million in 2012. Additionally, in response to the issuance of the Volcker Rule, the Bancorp recognized $4 million of OTTI on certain investments in private equity funds in 2013.

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TABLE 10: NONINTEREST EXPENSE

For the years ended December 31 ($ in millions)		2013	2012	2011	2010	2009
Salaries, wages and incentives	$	**1,581**	1,607	1,478	1,430	1,339
Employee benefits		**357**	371	330	314	311
Net occupancy expense		**307**	302	305	298	308
Technology and communications		**204**	196	188	189	181
Card and processing expense		**134**	121	120	108	193
Equipment expense		**114**	110	113	122	123
Other noninterest expense		**1,264**	1,374	1,224	1,394	1,371
Total noninterest expense	$	**3,961**	4,081	3,758	3,855	3,826
Efficiency ratio		**58.2 %**	61.7	62.3	60.7	46.9

Noninterest Expense

Total noninterest expense decreased $120 million, or three percent, in 2013 compared to 2012 primarily due to a decrease in total personnel costs (salaries, wages and incentives plus employee benefits) and other noninterest expense. Total personnel costs decreased $40 million, or two percent, in 2013 compared to 2012

primarily due to a decrease in incentive compensation driven by the mortgage business due to lower production levels in 2013, a decrease in base compensation, and a decrease in the number of full time equivalent employees from 2012. Full time equivalent employees totaled 19,446 at December 31, 2013 compared to 20,798 at December 31, 2012.

The major components of other noninterest expense are as follows:

TABLE 11: COMPONENTS OF OTHER NONINTEREST EXPENSE

For the years ended December 31 ($ in millions)		2013	2012	2011
Losses and adjustments	$	**221**	187	129
Loan and lease		**158**	183	195
FDIC insurance and other taxes		**127**	114	201
Marketing		**114**	128	115
Impairment of affordable housing investments		**108**	90	85
Professional service fees		**76**	56	58
Operating lease		**57**	43	41
Travel		**54**	52	52
Postal and courier		**48**	48	49
Data processing		**42**	40	29
Recruitment and education		**26**	28	31

Insurance		**17**	18	25
OREO expense		**16**	21	34
Supplies		**16**	17	18
Intangible asset amortization		**8**	13	22
Loss (gain) on debt extinguishment		**8**	169	(8)
Benefit from the reserve for unfunded commitments and letters of credit		**(17)**	(2)	(46)
Other, net		**185**	169	194
Total other noninterest expense	$	**1,264**	1,374	1,224

Total other noninterest expense decreased $110 million, or eight percent, in 2013 compared to 2012 primarily due to a decline in debt extinguishment costs, decreases in loan and lease expenses and an increase in the benefit from the reserve for unfunded commitments and letters of credit, partially offset by increases in losses and adjustments and FDIC insurance and other taxes.

Debt extinguishment costs decreased $161 million in 2013 compared to 2012. During the fourth quarter of 2013, the Bancorp incurred $8 million of debt extinguishment costs associated with the redemption of outstanding TruPS issued by Fifth Third Capital Trust IV. During the third quarter of 2012, the Bancorp incurred $26 million of debt extinguishment costs associated with the redemption of the outstanding TruPS issued by Fifth Third Capital Trust V and Fifth Third Capital Trust VI. In addition, during the fourth quarter of 2012, the Bancorp incurred $134 million of debt extinguishment costs associated with the termination of $1 billion of FHLB debt. Loan and lease expenses decreased $25 million in 2013 compared to 2012 primarily due to a decrease in legal costs related to OREO and a decrease in loan closing fees due to a decline in mortgage originations. The benefit from the reserve for unfunded commitments and letters of credit was $17 million and $2 million in

2013 and 2012, respectively. The increase in the benefit recognized reflects a decrease in estimated loss rates related to unfunded commitments and letters of credit due to improved credit trends partially offset by an increase in unfunded commitments for which the Bancorp holds reserves.

Losses and adjustments increased $34 million in 2013 compared to 2012 primarily due to an increase in litigation expense partially offset by a decrease in representation and warranty expense. Litigation expense increased $127 million in 2013 compared to 2012 due to increased litigation and regulatory activity. The provision for representation and warranty claims decreased $92 million in 2013 compared to 2012 due to the Bancorp recording significant additions to the reserve in 2012 as the result of additional information obtained from FHLMC regarding their file selection criteria which enabled the Bancorp to better estimate the losses that were probable on loans sold to FHLMC with representation and warranty provisions. In addition, 2013 included a decrease in the representation and warranty reserve due to improving underlying repurchase metrics and the settlement with FHLMC.

Additionally, FDIC insurance and other taxes increased $13 million in 2013 compared to 2012 primarily due to a $23 million

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reduction in other taxes in the first quarter of 2012 from an agreement reached on certain disputes for non-income tax related assessments.

The Bancorp continues to focus on efficiency initiatives as part of its core emphasis on operating leverage and expense control. The efficiency ratio (noninterest expense divided by the sum of net interest income (FTE) and noninterest income) was 58.2% for 2013 compared to 61.7% in 2012.

Applicable Income Taxes

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

The effective tax rates for the years ended December 31, 2013 and December 31, 2012 were primarily impacted by $155 million and $149 million, respectively, in tax credits, $9 million and $19 million, respectively, of non-cash charges relating to previously recognized tax benefits associated with stock-based compensation that were not realized, and $27 million and $46 million, respectively, of tax-exempt income, which includes net interest income on tax-exempt investments, income on life insurance policies held by the

Bancorp, and certain gains on the sale of leases that are exempt from federal taxation.

As required under U.S. GAAP, the Bancorp established a deferred tax asset for stock-based awards granted to its employees. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised, the Bancorp is required to write-off the deferred tax asset previously established for these stock-based awards. As a result of the expiration of certain stock options and SARs and the lapse of restrictions on certain shares of restricted stock during the year ended December 31, 2013, the Bancorp recorded additional income tax expense of approximately $9 million related to the write-off of a portion of the deferred tax asset previously established.

As a result of the Bancorp s stock price at December 31, 2013, the Bancorp does not believe it will need to recognize a material non-cash charge to income tax expense over the next twelve months related to stock-based awards. 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 need to recognize a non-cash charge to income tax expense in the future.

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

TABLE 12: APPLICABLE INCOME TAXES

For the years ended December 31 ($ in millions)		2013	2012	2011	2010	2009
Income before income taxes	$	**2,598**	2,210	1,831	940	767
Applicable income tax expense		**772**	636	533	187	30
Effective tax rate		**29.7 %**	28.8	29.1	19.8	3.9

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BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. Additional detailed financial information on each business segment is included in Note 30 of the Notes to Consolidated Financial Statements. Results of the Bancorp s business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp s business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management s accounting practices or businesses change.

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

net impact of the FTP methodology is captured in General Corporate and Other.

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

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

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

TABLE 13: BUSINESS SEGMENT NET INCOME AVAILABLE TO COMMON SHAREHOLDERS

For the years ended December 31 ($ in millions)		2013	2012	2011
Income Statement Data				
Commercial Banking	$	**766**	694	441
Branch Banking		**255**	186	190
Consumer Lending		**183**	223	56
Investment Advisors		**68**	43	24
General Corporate & Other		**554**	428	587
Net income		**1,826**	1,574	1,298
Less: Net income attributable to noncontrolling interests		**(10)**	(2)	1
Net income attributable to Bancorp		**1,836**	1,576	1,297
Dividends on preferred stock		**37**	35	203
Net income available to common shareholders	$	**1,799**	1,541	1,094

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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 14: COMMERCIAL BANKING

For the years ended December 31 ($ in millions)		2013	2012	2011
Income Statement Data				
Net interest income (FTE)[(a)]	$	**1,507**	1,449	1,374
Provision for loan and lease losses		**187**	223	490
Noninterest income:				
Corporate banking revenue		**386**	395	332
Service charges on deposits		**242**	225	207
Other noninterest income		**152**	117	102
Noninterest expense:				
Salaries, incentives and benefits		**273**	268	240
Other noninterest expense		**870**	838	833
Income before taxes		**957**	857	452
Applicable income tax expense[(a)(b)]		**191**	163	11
Net income	$	**766**	694	441
Average Balance Sheet Data				
Commercial loans, including held for sale	$	**45,035**	41,364	38,384
Demand deposits		**15,255**	15,046	13,130
Interest checking		**6,908**	7,613	7,901
Savings and money market		**4,284**	2,669	2,776
Other time and certificates - $100,000 and over		**1,299**	1,793	1,778
Foreign office deposits and other deposits		**1,467**	1,282	1,581

*(a) Includes FTE adjustments of **$20** for the year ended **December 31, 2013** and $17 for the years ended December 31, 2012 and 2011.*

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

section of the MD&A for additional information.

Comparison of 2013 with 2012

Net income was $766 million for the year ended December 31, 2013, compared to net income of $694 million for the year ended December 31, 2012. The increase in net income was primarily driven by increases in net interest income and noninterest income and a decrease in the provision for loan and lease losses, partially offset by higher noninterest expense.

Net interest income increased $58 million primarily due to an increase in interest income related to an increase in average commercial and industrial portfolio loans, a decrease in the FTP charges on loans and an increase in FTP credits due to an increase in savings and money market deposits, partially offset by a decrease in yields of 29 bps on average commercial loans and a decrease in average commercial mortgage portfolio loans.

Provision for loan and lease losses decreased $36 million from 2012 as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 42 bps for 2013 compared to 54 bps for 2012.

Noninterest income increased $43 million from 2012 to 2013, due to increases in service charges on deposits and other noninterest income, partially offset by a decrease in corporate banking revenue. Service charges on deposits increased $17 million from 2012 primarily driven by commercial deposit revenue which increased due to fee repricing and the acquisition of new customers. The increase in other noninterest income was primarily due to decreases in negative valuation adjustments on OREO, increases in operating lease income, and decreases in negative valuation adjustments on loans held for sale, partially offset by decreases in gains on loan sales. The decrease in corporate banking revenue was primarily driven by a decrease in lease remarketing and letter of credit fees,

partially offset by increases in syndication, business lending and foreign exchange fees.

Noninterest expense increased $37 million from the prior year as a result of increases in salaries, incentives and benefits and other noninterest expense. The increase in salaries, incentives and benefits of $5 million was primarily the result of an increase in base compensation primarily driven by improved production levels. The increase from 2012 to 2013 in other noninterest expense was driven by increases in both impairment on affordable housing investments and operating lease expense. These increases were partially offset by a decrease in loan and lease expense, primarily due to a decrease in legal costs related to OREO, and a decrease in corporate overhead allocations.

Average commercial loans increased $3.7 billion compared to the prior year primarily due to an increase in average commercial and industrial loans, partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial portfolio loans increased $4.8 billion as a result of an increase in new origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage portfolio loans decreased $1.1 billion due to continued run-off as the level of new originations was less than the repayments of the existing portfolio.

Average core deposits increased $1.3 billion compared to 2012. The increase was primarily driven by strong growth in savings and money market deposits, which increased $1.6 billion, and demand deposits, which increased $209 million, compared to the prior year, partially offset by a decrease in interest checking deposits of $705 million.

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Comparison of 2012 with 2011

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

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

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

Noninterest expense increased $33 million from 2011 as a result of increases in salaries, incentives and benefits and other noninterest expense. The increase in salaries, incentives and benefits of $28 million was primarily the result of increased base and incentive compensation due to improved production levels. The increase from 2011 to 2012 in other noninterest expense was due to higher corporate overhead allocations as a result of strategic growth initiatives, partially offset by a decrease in loan and lease expenses and recognized derivative credit losses.

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

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

Branch Banking

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,320 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 15: BRANCH BANKING

For the years ended December 31 ($ in millions)		**2013**	2012	2011
Income Statement Data				
Net interest income	$	**1,461**	1,362	1,423
Provision for loan and lease losses		**217**	294	393
Noninterest income:				
Service charges on deposits		**304**	294	309
Card and processing revenue		**291**	279	305
Investment advisory revenue		**148**	129	117
Other noninterest income		**111**	110	106
Noninterest expense:				
Salaries, incentives and benefits		**584**	573	581
Net occupancy and equipment expense		**243**	241	235
Card and processing expense		**126**	115	114
Other noninterest expense		**752**	663	645
Income before taxes		**393**	288	292
Applicable income tax expense		**138**	102	102
Net income	$	**255**	186	190
Average Balance Sheet Data				
Consumer loans, including held for sale	$	**15,223**	14,926	14,151
Commercial loans, including held for sale		**4,534**	4,569	4,621
Demand deposits		**12,611**	10,087	8,408
Interest checking		**9,028**	9,262	8,086
Savings and money market		**22,813**	22,729	22,241
Other time and certificates - $100,000 and over		**4,712**	5,389	7,778

Comparison of 2013 with 2012

Net income was $255 million for the year ended December 31, 2013, compared to net income of $186 million for the year ended December 31, 2012. The increase in net income of $69 million was

driven by an increase in net interest income and noninterest income and a decline in the provision for loan and lease losses, partially offset by an increase in noninterest expense.

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

Net interest income increased $99 million compared to the prior year primarily driven by an increase in the FTP credits due to an increase in savings and money market and interest checking deposits, a decrease in the FTP charges on loans and leases, a decline in interest expense on core deposits due to favorable shifts from certificates of deposit to lower cost transaction deposits and an increase in average consumer loans and leases. These increases to net interest income were partially offset by lower yields on average commercial loans.

Provision for loan and lease losses for 2013 decreased $77 million compared to the prior year as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 110 bps for 2013 compared to 151 bps for 2012.

Noninterest income increased $42 million compared to the prior year. The increase was primarily driven by increases in investment advisory revenue, card and processing revenue and service charges on deposits. Investment advisory revenue increased $19 million from 2012 primarily due to increased securities and brokerage fees due to an increase in equity and bond market values. Card and processing revenue increased $12 million compared to the prior year due to higher transaction volumes, higher levels of consumer spending and the benefit of new products. Service charges on deposits increased $10 million from 2012 primarily due to an increase in account maintenance fees due to the full year impact of new deposit product offerings.

Noninterest expense increased $113 million compared to the prior year, primarily driven by increases in salaries, incentives and benefits, card and processing expense and other noninterest expense. Salaries, incentives and benefits increased compared to the prior year primarily due to an increase in bonus and incentive compensation associated with improved securities and brokerage revenue. Card and processing expense increased from 2012 due primarily to increases in debit and credit card transaction volumes, consumer spending, fraud insurance costs and credit card rewards expense. The increase in other noninterest expense was primarily due to increases in corporate overhead allocations during 2013 compared to 2012.

Average consumer loans increased $297 million in 2013 primarily due to increases in average residential mortgage portfolio loans of $942 million compared to the prior year as a result of continued retention of certain shorter term residential mortgage loans. In addition, average credit card loans increased due to increases in average balances per account and the volume of new customers. These increases were partially offset by decreases in average home equity portfolio loans of $743 million from 2012 as payoffs exceeded new loan production.

Average core deposits increased $1.8 billion compared to the prior year as the growth in demand deposits due to excess customer liquidity and a continued low interest rate environment was partially offset by the run-off of higher priced other time deposits.

Comparison of 2012 with 2011

Net income decreased $4 million compared to 2011, driven by a decrease in net interest income and noninterest income and an increase in noninterest expense, partially offset by a decline in the provision for loan and lease losses. Net interest income decreased

$61 million compared to 2011 primarily driven by decreases in the FTP credits for checking and savings products and lower yields on average commercial and consumer loans. These decreases were partially offset by higher consumer loan balances and a decline in interest expense on core deposits due to favorable shifts from certificates of deposit to lower cost transaction and savings products.

Provision for loan and lease losses for 2012 decreased $99 million compared to 2011 as a result of improved credit trends. Net charge-offs as a percent of average portfolio loans and leases decreased to 151 bps for 2012 compared to 210 bps for 2011. The decrease was primarily due to decreases in home equity net charge-offs as a result of improvements in several key markets. In addition, net charge-offs were positively impacted by lower commercial net charge-offs due to improved delinquency trends, aggressive line management, and stabilization in unemployment levels.

Noninterest income decreased $25 million compared to 2011. The decrease was primarily driven by lower card and processing revenue, which declined $26 million from 2011 due to the implementation of the Dodd-Frank Act s debit card interchange fee cap in the fourth quarter of 2011, partially offset by higher debit and credit card transaction volumes and the impact of the Bancorp s initial mitigation activity, and allocated commission revenue associated with merchant sales. Service charges on deposits declined $15 million primarily due to the elimination of daily overdraft fees on continuing customer overdraft positions in the second quarter of 2012. These decreases were partially offset by a $12 million increase in investment advisory revenue due to increased amounts from revenue sharing agreements between investment advisors and branch banking.

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

Average consumer loans increased $775 million in 2012 primarily due to increases in average residential mortgage portfolio loans of $1.3 billion due to the retention of certain shorter-term originated mortgage loans. The increases in average residential mortgage portfolio loans was partially offset by decreases in average home equity portfolio loans of $560 million as payoffs exceeded new loan production. Average core deposits increased $1.4 billion compared to 2011 as the growth in transaction accounts due to excess customer liquidity and historically low interest rates outpaced the runoff of higher priced other time deposits.

Consumer Lending

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

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

TABLE 16: CONSUMER LENDING

For the years ended December 31 ($ in millions)		**2013**	2012	2011
Income Statement Data				
Net interest income	$	**312**	314	343
Provision for loan and lease losses		**92**	176	261
Noninterest income:				
Mortgage banking net revenue		**687**	830	585
Other noninterest income		**61**	46	45
Noninterest expense:				
Salaries, incentives and benefits		**215**	231	183
Other noninterest expense		**470**	439	443
Income before taxes		**283**	344	86
Applicable income tax expense		**100**	121	30
Net income	$	**183**	223	56
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	$	**10,222**	10,143	9,348
Home equity		**560**	643	730
Automobile loans, including held for sale		**11,409**	11,191	10,665
Other consumer loans and leases		**16**	30	156

Comparison of 2013 with 2012

Net income was $183 million in 2013 compared to net income of $223 million in 2012. The decrease was driven by a decrease in noninterest income and an increase in noninterest expense, partially offset by a decline in the provision for loan and lease losses.

Net interest income decreased $2 million from 2012 due primarily to lower yields on average residential mortgage and automobile loans, partially offset by a decrease in FTP charges on loans and leases and increases in average residential mortgage and average automobile loans.

The provision for loan and lease losses decreased $84 million compared to the prior year as delinquency metrics and underlying loss trends improved across all consumer loan types. Net charge-offs as a percent of average loans and leases decreased to 46 bps for 2013 compared to 88 bps for 2012.

Noninterest income decreased $128 million from 2012 primarily due to a decrease in mortgage banking net revenue of $143 million, partially offset by an increase in other noninterest income of $15 million. The decrease in mortgage banking net revenue was primarily due to a decrease in gains on loan sales of $368 million as a result of a decrease in profit margins on sold residential mortgage loans coupled with a decrease in residential mortgage loan originations, partially offset by a $223 million increase in net residential mortgage servicing revenue. The increase in net residential mortgage servicing revenue was driven by an increase of $202 million in net valuation adjustments on MSRs and free-standing derivatives entered into to economically hedge the MSRs and a decrease of $20 million in servicing rights amortization. The increase in other noninterest income was primarily due to a $12 million increase in securities gains and a $7 million decline in losses on the sale of OREO.

Noninterest expense increased $15 million driven by an increase of $31 million in other noninterest expense, partially offset by a decrease of $16 million in salaries, incentives and benefits compared to the prior year. The increase in other noninterest expense was primarily due to higher litigation expense and an increase in corporate overhead allocations, partially offset by a decrease in loan and lease expense due to lower appraisal costs. The decrease in salaries, incentives and benefits was due to a decline in incentive compensation driven primarily by a decline in originations during 2013 compared to 2012, partially offset by an increase in deferred compensation for 2013 compared to 2012.

Average consumer loans and leases increased $200 million from the prior year. Average residential mortgage loans, including held for sale, increased $79 million for 2013 compared to 2012 due to strong refinancing activity that occurred in the first half of 2013. Average automobile loans increased $218 million for the current year compared to the prior year due to an increase in originations primarily driven by modest improvement in general economic conditions and a continued low interest rate environment. Average home equity portfolio loans decreased $83 million for 2013 compared to 2012 as payoffs exceeded new loan production. Average other consumer loans and leases decreased $14 million in the current year resulting from a decrease in average consumer leases due to run-off as the Bancorp discontinued automobile leasing in 2008, partially offset by an increase in average other consumer loans.

Comparison of 2012 with 2011

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

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

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

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

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

Average consumer loans and leases increased $1.1 billion from 2011. Average automobile loans increased $526 million due to a strategic focus to increase automobile lending throughout 2011 and 2012 through consistent and competitive pricing, disciplined sales execution, and enhanced customer service with our dealership network. Average residential mortgage loans increased $795 million as a result of higher origination volumes. Average home equity loans decreased $87 million due to continued runoff in the discontinued brokered home equity product. Average consumer leases decreased $126 million due to runoff as the Bancorp discontinued this product in the fourth quarter of 2008.

Investment Advisors

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

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

TABLE 17: INVESTMENT ADVISORS

For the years ended December 31 ($ in millions)		**2013**	2012	2011
Income Statement Data				
Net interest income	$	**154**	117	113
Provision for loan and lease losses		**2**	10	27
Noninterest income:				
Investment advisory revenue		**384**	366	364
Other noninterest income		**22**	30	9
Noninterest expense:				
Salaries, incentives and benefits		**159**	161	164
Other noninterest expense		**294**	276	257
Income before taxes		**105**	66	38
Applicable income tax expense		**37**	23	14
Net income	$	**68**	43	24

Average Balance Sheet Data				
Loans and leases	$	**2,014**	1,877	2,037
Core deposits		**8,815**	7,709	6,798

Comparison of 2013 with 2012

Net income was $68 million in 2013 compared to net income of $43 million for 2012. The increase in net income was primarily due to increases in net interest income and noninterest income and a decrease in the provision for loan and lease losses, partially offset by an increase in noninterest expense.

Net interest income increased $37 million from 2012 due to an increase in FTP credits resulting from an increase in interest checking deposits.

Provision for loan and lease losses decreased $8 million from the prior year. Net charge-offs as a percent of average loans and leases decreased to 9 bps compared to 53 bps for the prior year reflecting improved credit trends during 2013.

Noninterest income increased $10 million compared to 2012 due to an increase in investment advisory revenue, partially offset a decrease in other noninterest income. The increase in investment advisory revenue was primarily driven by increases in securities and brokerage fees and private client service fees due to strong production and an increase in equity and bond market values. The decrease in other noninterest income was due to a decrease in gains on sales of held for sale loans and the impact of the gain on the sale of certain FTAM funds in the third quarter of 2012.

Noninterest expense increased $16 million compared to 2012 due to an increase in other noninterest expense primarily driven by increases in corporate allocations and fraud losses.

Average loans and leases increased $137 million compared to the prior year primarily driven by increases in average residential mortgage, average other consumer and average commercial and industrial loans, partially offset by a decrease in average commercial mortgage loans. Average core deposits increased $1.1 billion compared to 2012 due to growth in interest checking as customers have opted to maintain excess funds in liquid transaction accounts as a result of the low interest rate environment.

Comparison of 2012 with 2011

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

Provision for loan and lease losses decreased $17 million from 2011. Net charge-offs as a percent of average loans and leases decreased to 53 bps compared to 132 bps for 2011 reflecting improved credit trends during 2012.

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

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

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

General Corporate and Other

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

Comparison of 2013 with 2012

Results for 2013 and 2012 were impacted by a benefit of $269 million and $400 million, respectively, due to reductions in the ALLL. The decrease in provision expense was primarily due to a decrease in nonperforming loans and leases and improvements in delinquency metrics and underlying loss trends. Net interest income decreased from $370 million in 2012 to $147 million for 2013 primarily due to a decrease in FTP charges partially offset by a decrease in interest expense on long-term debt. Noninterest income increased $278 million compared to the prior year primarily due to positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC which increased $139 million in 2013 compared to 2012. In addition, gains of $242 million and $85 million were recognized on the sales of Vantiv, Inc. shares in the second and third quarters of 2013, respectively, compared to gains of $115 million related to the Vantiv, Inc. IPO and $157 million on the sale of Vantiv, Inc. shares in 2012. The Bancorp also recognized a gain of $9 million associated with a tax receivable agreement with Vantiv, Inc. in the fourth quarter of 2013. The equity method earnings from the Bancorp s interest in Vantiv Holding, LLC increased $16 million from 2012.

Noninterest expense decreased $284 million compared to 2012 due to decreases in other noninterest expense and total personnel costs. Other noninterest expense decreased due to a decrease in debt extinguishment costs, an increase in corporate overhead allocations assigned to the segments, a decrease in loan and lease expense and a decrease in losses and adjustments. Debt extinguishment costs decreased $161 million during 2013 compared to the prior year. During the fourth quarter of 2013, the Bancorp incurred $8 million of debt extinguishment costs associated with the redemption of outstanding TruPS issued by Fifth Third Capital Trust IV. During 2012, the Bancorp incurred $160 million of debt extinguishment costs associated with the redemption of certain TruPS and the termination of certain FHLB debt. Loan and lease expense decreased $72 million during 2013 compared to 2012 primarily due to a decrease in loan closing fees due to a decline in mortgage originations. Losses and adjustments decreased $17 million compared to 2012 primarily driven by a decline in the provision for representation and warranty claims partially offset by

an increase in litigation expense. The provision for representation and warranty claims changed from a $49 million expense for the year ended December 31, 2012 to a benefit of $39 million for the year ended December 31, 2013 due to the Bancorp recording significant additions to the reserve in 2012 as the result of additional information obtained from FHLMC regarding their file selection criteria which enabled the Bancorp to better estimate the losses that were probable on loans sold to FHLMC with representation and warranty provisions. In addition, 2013 included a decrease in the representation and warranty reserve due to improving underlying repurchase metrics and the settlement with FHLMC. The decrease in representation and warranty expense was partially offset by a $54 million increase in litigation expense. Total personnel costs decreased $38 million from 2012 due primarily to decreases in incentive compensation and employee benefits.

Comparison of 2012 with 2011

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

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FOURTH QUARTER REVIEW

The Bancorp s 2013 fourth quarter net income available to common shareholders was $383 million, or $0.43 per diluted share, compared to net income available to common shareholders of $421 million, or $0.47 per diluted share, for the third quarter of 2013 and net income available to common shareholders of $390 million, or $0.43 per diluted share, for the fourth quarter of 2012. Fourth quarter 2013 earnings included a $91 million positive adjustment on the valuation of the warrant associated with the sale of Vantiv Holding, LLC, $69 million in net charges to increase litigation reserves, an $18 million charge related to the valuation of the total return swap entered into as part of the 2009 sale of Visa, Inc. Class B shares and $8 million of debt extinguishment costs associated with the redemption of TruPS issued by Fifth Third Capital Trust IV. Third quarter 2013 results included an $85 million gain on the sale of Vantiv Inc. shares, $30 million in net charges to increase litigation reserves and a $6 million positive adjustment on the valuation of the warrant associated with the sale of Vantiv Holding, LLC. Fourth quarter 2012 earnings included a $157 million gain on the sale of Vantiv Inc. shares, $134 million in debt extinguishment costs associated with the termination of $1.0 billion of FHLB borrowings and $38 million of mortgage representation and warranty provision expense primarily due to additional information obtained from FHLMC regarding future mortgage repurchase file requests. The ALLL as a percentage of portfolio loans and leases was 1.79% as of December 31, 2013, compared to 1.92% as of September 30, 2013 and 2.16% as of December 31, 2012.

Fourth quarter 2013 net interest income of $905 million increased $7 million from the third quarter of 2013 and $2 million from the same period a year ago. Interest income increased $10 million from the third quarter of 2013 primarily driven by higher balances and yields on investment securities. Interest expense increased $3 million from the third quarter of 2013 primarily driven by the issuance of $2.5 billion of long-term debt during the quarter, partially offset by the benefit from high-priced CDs that matured during the quarter. The increase in net interest income in comparison to the fourth quarter of 2012 was driven by higher average loan balances, lower long-term debt expense due to a reduction in higher cost average long-term debt and run-off of higher priced CDs, partially offset by lower yields on interest-earning assets.

Fourth quarter 2013 noninterest income of $703 million decreased $18 million compared to the third quarter of 2013 and $177 million compared to the fourth quarter of 2012. The decrease from the third quarter of 2013 was primarily due to lower corporate banking revenue and other noninterest income. The year-over year decline was primarily the result of lower mortgage banking net revenue, corporate banking revenue and other noninterest income.

Mortgage banking net revenue was $126 million in the fourth quarter of 2013, compared to $121 million in the third quarter of 2013 and $258 million in the fourth quarter of 2012. Fourth quarter 2013 originations were $2.6 billion, compared with $4.8 billion in the previous quarter and $7.0 billion in the fourth quarter of 2012. Fourth quarter 2013 originations resulted in gains of $60 million on mortgages sold, compared with gains of $74 million during the previous quarter and $239 million during the fourth quarter of 2012. The decrease from the prior quarter reflected the lower production partially offset by increased gain on sale margins, while the decrease from the prior year reflected lower production and lower gain on sale margins. Mortgage servicing fees were $63 million in both the fourth and third quarters of 2013 compared with $64 million in the fourth quarter of 2012. Mortgage banking net revenue is also affected by net servicing asset valuation adjustments, which include MSR amortization and MSR valuation adjustments, including mark-to-market adjustments on free-standing derivatives used to

economically hedge the MSR portfolio. These net servicing asset valuation adjustments were positive $2 million in the fourth quarter of 2013, negative $16 million in the third quarter of 2013 and negative $45 million in the fourth quarter of 2012. Net gains on nonqualifying hedges on MSRs were zero in the fourth quarter of 2013, compared with net gains of $5 million in the third quarter of 2013 and net losses of $2 million in the fourth quarter of 2012.

Service charges on deposits of $142 million increased $2 million from the previous quarter and $8 million compared to the fourth quarter of 2012. Retail service charges were flat compared to the previous quarter and increased six percent from the fourth quarter of 2012. The year over-year increase was primarily related to the transition to the Bancorp s new and simplified deposit product offerings. Commercial service charges increased two percent from the previous quarter and six percent from a year ago primarily as a result of new customer accounts and higher treasury management fees.

Corporate banking revenue of $94 million decreased $8 million from the previous quarter and $20 million from the fourth quarter of 2012. The decrease from the third quarter of 2013 was primarily driven by lower lease remarketing fees and syndication fees, partially offset by higher institutional sales revenue, foreign exchange fees and business lending fees. The year-over-year decline was primarily driven by lower lease remarketing fees, syndication fees, derivative fees and letter of credit fees, which benefited the year-ago quarter due to higher activity in anticipation of changes to tax rules. The decline in lease remarketing fees was driven by a $9 million write-down of equipment value on an operating lease during the fourth quarter of 2013.

Investment advisory revenue of $98 million increased $1 million from the previous quarter and $5 million from the fourth quarter of 2012. The increase from the third quarter of 2013 and from the previous year was attributable to higher brokerage fees and private client services revenue reflecting strong production and market performance. These increases were partially offset by a decrease in institutional trust fees.

Card and processing revenue of $71 million increased $2 million compared to the third quarter of 2013 and $5 million from the fourth quarter of 2012. Both increases were driven by higher transaction volumes.

Other noninterest income of $170 million decreased $15 million compared to the third quarter of 2013 and $45 million from the fourth quarter of 2012. Fourth quarter 2013 results included a $91 million positive valuation adjustment on the Vantiv Holding, LLC warrant as well as $9 million in payments received pursuant to Fifth Third s tax receivable agreement with Vantiv Holding, LLC. This compares with an $85 million gain on the sale of Vantiv Inc. shares and a $6 million positive warrant valuation adjustment in the third quarter of 2013, and a $157 million gain on the sale of Vantiv Inc. shares and a $19 million negative warrant valuation adjustment in the fourth quarter of 2012. Quarterly results also included charges related to the valuation of the total return swap entered into as part of the 2009 sale of Visa, Inc. Class B shares. Negative valuation adjustments on this swap were $18 million, $2 million, and $15 million in the fourth quarter of 2013, the third quarter of 2013 and the fourth quarter of 2012, respectively.

The net gain on investment securities was $2 million in the fourth and third quarters of 2013 and the fourth quarter of 2012.

Noninterest expense of $989 million increased $30 million from the previous quarter and decreased $174 million from the fourth quarter of 2012. Fourth quarter 2013 expenses included $69 million in charges to increase litigation reserves, a $25 million benefit associated with the mortgage representation and warranty reserve, $8 million of debt extinguishment costs associated with the

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redemption of Fifth Third Capital Trust IV TruPS, an $8 million contribution to Fifth Third Foundation, and $8 million in severance expense. Third quarter 2013 expenses included $30 million in charges to increase litigation reserves, $5 million in severance expense, $5 million in large bank assessment fees and a $3 million benefit associated with the mortgage representation and warranty reserve due to improving underlying purchase metrics. Fourth quarter 2012 expenses included $134 million of debt extinguishment costs associated with the termination of $1 billion of FHLB debt, $38 million of expenses associated with the mortgage representation and warranty reserve and $13 million in charges to increase litigation reserves.

Net charge-offs were $148 million in the fourth quarter of 2013, or 67 bps of average loans on an annualized basis, compared with net charge-offs of $109 million in the third quarter 2013 and $147 million in the fourth quarter 2012. During the fourth quarter of 2013, the Bancorp restructured a single large credit resulting in a charge-off of $43 million. Additionally, during the fourth quarter of 2013, the Bancorp modified its charge-off policy for home equity loans and lines of credit to assess for a charge-off when such loans have been past due 120 days if the senior lien is also 120 or more days past due. This resulted in additional home equity net charge-offs of $6 million.

TABLE 18: QUARTERLY INFORMATION (unaudited)

	2013				2012			
For the three months ended ($ in millions, except per share data)	**12/31**	**9/30**	**6/30**	**3/31**	12/31	9/30	6/30	3/31
Net interest income (FTE)	**$ 905**	**898**	**885**	**893**	903	907	899	903
Provision for loan and lease losses	**53**	**51**	**64**	**62**	76	65	71	91
Noninterest income	**703**	**721**	**1,060**	**743**	880	671	678	769
Noninterest expense	**989**	**959**	**1,035**	**978**	1,163	1,006	937	973
Net income attributable to Bancorp	**402**	**421**	**591**	**422**	399	363	385	430
Net income available to common shareholders	**383**	**421**	**582**	**413**	390	354	376	421
Earnings per share, basic	**0.44**	**0.47**	**0.67**	**0.47**	0.44	0.39	0.41	0.46
Earnings per share, diluted	**0.43**	**0.47**	**0.65**	**0.46**	0.43	0.38	0.40	0.45

COMPARISON OF THE YEAR ENDED 2012 WITH 2011

The Bancorp s net income available to common shareholders for the year ended December 31, 2012 was $1.5 billion, or $1.66 per diluted share, which was net of $35 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the year ended December 31, 2011 was $1.1 billion, or $1.18 per diluted share, which was net of $203 million in preferred stock dividends. The preferred stock dividends during 2011 included $153 million in discount accretion resulting from the Bancorp s repurchase of Series F preferred stock. Overall, credit trends improved in 2012, and as a result, the provision for loan and lease losses decreased to $303 million in 2012 compared to $423 million in 2011.

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

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

and a $157 million gain from the sale of Vantiv, Inc. shares in the fourth quarter of 2012. Card and processing revenue decreased $55 million, or 18%, primarily as the result of the full year impact of the implementation of the Dodd-Frank Act s debit card interchange fee cap in the fourth quarter of 2011.

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

Net charge-offs as a percent of average portfolio loans and leases decreased to 0.85% during 2012 compared to 1.49% during 2011 largely due to improved credit trends across all commercial and consumer loan types, excluding commercial leases.

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

The Bancorp resubmitted its capital plan to the FRB in the second quarter of 2012. The resubmitted plan included capital actions and distributions for the covered period through March 31, 2013 that were substantially similar to those included in the original submission, with adjustments primarily reflecting the change in the expected timing of capital actions and distributions relative to the timing assumed in the original submission. On August 21, 2012, the

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Bancorp announced the FRB did not object to the Bancorp s resubmitted capital plan which included potential increases to the quarterly common stock dividend and potential repurchases of common shares of up to $600 million through the first quarter of 2013, in addition to any incremental repurchase of common shares related to any after-tax gains realized by the Bancorp from the sale of Vantiv, Inc. common shares by either the Bancorp or Vantiv, Inc. As a result, the Board of Directors authorized the Bancorp to repurchase up to 100 million common shares in the open market or in privately negotiated transactions. In addition, in the third quarter of 2012 the Bancorp declared a quarterly common dividend of $0.10 per share, an increase of $0.02 per share from the second quarter of 2012.

On August 8, 2012, consistent with the 2012 CCAR plan, the Bancorp redeemed all $862.5 million of the outstanding TruPS issued by Fifth Third Capital Trust VI. The Bancorp recognized a $9 million loss on extinguishment of these TruPS within other noninterest expense in the Bancorp s Consolidated Statements of Income. Additionally, on August 15, 2012, the Bancorp redeemed all $575 million of the outstanding TruPS issued by Fifth Third Capital Trust V. The Bancorp recognized a $17 million loss on extinguishment within other noninterest expense in the Bancorp s Consolidated Statements of Income.

Additionally, the Bancorp entered into a number of accelerated share repurchase transactions in 2012. See Note 23 of the Notes to Consolidated Financial Statements for more information on the accelerated share repurchase transactions.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its loans and leases based upon the primary purpose of the loan. Table 19 summarizes end of period loans and

leases, including loans held for sale and Table 20 summarizes average total loans and leases, including loans held for sale.

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

As of December 31 ($ in millions)		**2013**	2012	2011	2010	2009
Commercial:						
Commercial and industrial loans	$	**39,347**	36,077	30,828	27,275	25,687
Commercial mortgage loans		**8,069**	9,116	10,214	10,992	11,936
Commercial construction loans		**1,041**	707	1,037	2,111	3,871
Commercial leases		**3,626**	3,549	3,531	3,378	3,535
Subtotal commercial		**52,083**	49,449	45,610	43,756	45,029
Consumer:						
Residential mortgage loans		**13,570**	14,873	13,474	10,857	9,846
Home equity		**9,246**	10,018	10,719	11,513	12,174
Automobile loans		**11,984**	11,972	11,827	10,983	8,995
Credit card		**2,294**	2,097	1,978	1,896	1,990
Other consumer loans and leases		**381**	312	364	702	812
Subtotal consumer		**37,475**	39,272	38,362	35,951	33,817
Total loans and leases	$	**89,558**	88,721	83,972	79,707	78,846
Total portfolio loans and leases (excludes loans held for sale)	$	**88,614**	85,782	81,018	77,491	76,779

Loans and leases, including loans held for sale, increased $837 million, or one percent, from December 31, 2012. The increase in loans and leases from December 31, 2012 was the result of a $2.6 billion, or five percent, increase in commercial loans and leases partially offset by a $1.8 billion, or five percent, decrease in consumer loans and leases.

The increase in commercial loans and leases from December 31, 2012 was primarily due to an increase in commercial and industrial loans and commercial construction loans partially offset by a decrease in commercial mortgage loans. Commercial and industrial loans increased $3.3 billion, or nine percent, from December 31, 2012 and commercial construction loans increased $334 million, or 47%, from December 31, 2012 as a result of an increase in new loan origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Commercial mortgage loans decreased $1.0 billion, or 11%, from December 31, 2012 due to continued runoff as the level of new originations was less than the repayments on the current portfolio.

The decrease in consumer loans and leases from December 31, 2012 was primarily due to a decrease in residential mortgage and home equity loans partially offset by an increase in credit card loans. Residential mortgage loans decreased $1.3 billion, or nine percent, from December 31, 2012 primarily due to a decline in loans held for sale of $2.0 billion from reduced origination volumes driven by higher mortgage rates. This decline was partially offset by an increase in portfolio residential mortgage loans which increased $663 million from December 31, 2012 due to the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches. Home equity loans decreased $772 million, or eight percent, from December 31, 2012 as payoffs exceeded new loan production. Credit card loans increased $197 million, or nine percent, from December 31, 2012 due to an increase in average balances per account and the volume of new customer accounts.

TABLE 20: COMPONENTS OF AVERAGE TOTAL LOANS AND LEASES (INCLUDES HELD FOR SALE)

For the years ended December 31 ($ in millions)		**2013**	2012	2011	2010	2009
Commercial:						
Commercial and industrial loans	$	**37,770**	32,911	28,546	26,334	27,556
Commercial mortgage loans		**8,481**	9,686	10,447	11,585	12,511
Commercial construction loans		**793**	835	1,740	3,066	4,638
Commercial leases		**3,565**	3,502	3,341	3,343	3,543
Subtotal commercial		**50,609**	46,934	44,074	44,328	48,248
Consumer:						
Residential mortgage loans		**14,428**	13,370	11,318	9,868	10,886
Home equity		**9,554**	10,369	11,077	11,996	12,534
Automobile loans		**12,021**	11,849	11,352	10,427	8,807
Credit card		**2,121**	1,960	1,864	1,870	1,907
Other consumer loans and leases		**360**	340	529	743	1,009
Subtotal consumer		**38,484**	37,888	36,140	34,904	35,143
Total average loans and leases	$	**89,093**	84,822	80,214	79,232	83,391
Total average portfolio loans and leases (excludes loans held for sale)	$	**86,950**	82,733	78,533	77,045	80,681

Average loans and leases, including held for sale, increased $4.3 billion, or five percent, from December 31, 2012. The increase from December 31, 2012 was comprised of an increase of $3.7 billion, or

eight percent, in average commercial loans and leases and an increase of $596 million, or two percent, in average consumer loans and leases.

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The increase in average commercial loans and leases was primarily driven by an increase in average commercial and industrial loans partially offset by a decrease in average commercial mortgage loans. Average commercial and industrial loans increased $4.9 billion, or 15%, from December 31, 2012 due to an increase in new loan origination activity from an increase in demand due to a strengthening economy and targeted marketing efforts. Average commercial mortgage loans decreased $1.2 billion, or 12%, from December 31, 2012 due to continued runoff as the level of new originations was less than the repayments on the current portfolio.

The increase in average consumer loans and leases from December 31, 2012 was driven by an increase in average residential mortgage loans, average automobile loans, and average credit card loans partially offset by a decrease in average home equity loans.

Average residential mortgage loans increased $1.1 billion, or eight percent, from December 31, 2012 due to strong refinancing activity during the first half of 2013 and due to the continued retention of certain shorter term residential mortgage loans originated through the Bancorp s retail branches. Average automobile loans increased $172 million, or one percent, from December 31, 2012 due to loan originations exceeding runoff, partially offset by the impact of the securitization and sale of $509 million of automobile loans in the first quarter of 2013. Average credit card loans increased $161 million, or eight percent, from December 31, 2012 due to an increase in average balances per account and the volume of new customer accounts. Average home equity loans decreased $815 million, or eight percent, from December 31, 2012 as payoffs exceeded new loan production.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing liquidity support and providing collateral for pledging purposes. As of December 31, 2013, total investment securities were $19.1 billion compared to $15.7 billion at December 31, 2012. See Note 1 of the Notes to Consolidated Financial Statements for the Bancorp s methodology for both classifying investment securities and management s evaluation of securities in an unrealized loss position for OTTI.

At December 31, 2013, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. The Bancorp did not hold asset-backed securities backed by subprime

mortgage loans in its investment portfolio. Additionally, securities classified as below investment grade were immaterial as of December 31, 2013 and had a carrying value of $31 million as of December 31, 2012.

The Bancorp s management has evaluated the securities in an unrealized loss position in the available-for-sale and held-to-maturity portfolios for OTTI. During the years ended December 31, 2013, 2012, and 2011, the Bancorp recognized $74 million, $58 million and $19 million of OTTI on its available-for-sale and other investment securities portfolio, respectively. The Bancorp did not recognize any OTTI on any of its held-to-maturity investment securities during the years ended December 31, 2013, 2012 or 2011.

TABLE 21: COMPONENTS OF INVESTMENT SECURITIES

As of December 31 ($ in millions)		2013	2012	2011	2010	2009
Available-for-sale and other: (amortized cost basis)						
U.S. Treasury and government agencies	$	**26**	41	171	225	464
U.S. Government sponsored agencies		**1,523**	1,730	1,782	1,564	2,143
Obligations of states and political subdivisions		**187**	203	96	170	240
Agency mortgage-backed securities		**12,294**	8,403	9,743	10,570	11,074
Other bonds, notes and debentures(a)		**3,514**	3,161	1,792	1,338	2,541
Other securities(b)		**865**	1,033	1,030	1,052	1,417
Total available-for-sale and other securities	$	**18,409**	14,571	14,614	14,919	17,879
Held-to-maturity: (amortized cost basis)						
Obligations of states and political subdivisions	$	**207**	282	320	348	350
Other bonds, notes and debentures		**1**	2	2	5	5
Total held-to-maturity	$	**208**	284	322	353	355
Trading: (fair value)						
U.S. Treasury and government agencies	$	**1**	1	-	1	-
U.S. Government sponsored agencies		**4**	6	-	-	-
Obligations of states and political subdivisions		**13**	17	9	21	57
Agency mortgage-backed securities		**3**	7	11	8	24
Other bonds, notes and debentures		**7**	15	13	120	205
Other securities		**315**	161	144	144	69
Total trading	$	**343**	207	177	294	355

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

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

As of December 31, 2013, available-for-sale securities on an amortized cost basis increased $3.8 billion, or 26%, from December 31, 2012 due to a increase in agency mortgage-backed securities and other bonds, notes and debentures partially offset by an decrease in U.S. Government sponsored agencies. Agency mortgage-backed securities increased $3.9 billion, or 46%, from December 31, 2012 due to $15.0 billion in purchases of agency mortgage-backed securities partially offset by $8.4 billion in sales and $2.7 billion in paydowns on the portfolio during the year ended December 31, 2013. Other bonds, notes, and debentures increased $353 million, or 11%, due to the purchase of $1.6 billion of asset backed securities,

collateralized loan obligations and collateralized mortgage backed securities partially offset by the sale of $1.1 billion of asset backed securities, collateralized loan obligations and corporate bonds and $126 million of paydowns and TruPS that were called during the year ended December 31, 2013. U.S. Government sponsored agencies securities decreased $207 million, or 12%, primarily due to approximately $204 million of agency debentures that were called in 2013.

At December 31, 2013 and 2012, available-for-sale securities were 16% and 14% of total interest-earning assets. The estimated weighted-average life of the debt securities in the available-for-sale

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portfolio was 6.7 years at December 31, 2013, compared to 3.8 years at December 31, 2012. In addition, at December 31, 2013, the available-for-sale securities portfolio had a weighted-average yield of 3.39%, compared to 3.30% at December 31, 2012.

Information presented in Table 22 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using historical cost balances. Maturity and yield calculations for the total available-for-sale portfolio exclude equity securities that have no stated yield or

maturity. Total net unrealized gains on the available-for-sale securities portfolio were $188 million at December 31, 2013, compared to $636 million at December 31, 2012. The decrease from December 31, 2012 was primarily due to an increase in interest rates during 2013. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally decreases when interest rates increase or when credit spreads widen.

TABLE 22: CHARACTERISTICS OF AVAILABLE-FOR-SALE AND OTHER SECURITIES

As of December 31, 2013 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and government agencies:				
Average life 1 5 years	$ 25	25	2.7	0.82 %
Average life 5 10 years	1	1	5.4	1.50
Total	26	26	2.7	0.83
U.S. Government sponsored agencies:				
Average life 1 5 years	1,523	1,644	3.0	3.64
Total	1,523	1,644	3.0	3.64
Obligations of states and political subdivisions:(a)				
Average life 1 5 years	123	125	2.7	2.40
Average life 5 10 years	55	57	6.6	4.00
Average life greater than 10 years	9	10	10.9	3.87
Total	187	192	4.3	2.95
Agency mortgage-backed securities:				
Average life of one year or less	118	121	0.6	6.03
Average life 1 5 years	1,564	1,616	4.3	4.03
Average life 5 10 years	9,547	9,480	7.2	3.47
Average life greater than 10 years	1,065	1,067	14.4	3.94
Total	12,294	12,284	7.4	3.61

Other bonds, notes and debentures:					
Average life of one year or less		225	230	0.1	1.68
Average life 1 5 years		1,529	1,569	3.1	2.84
Average life 5 10 years		1,188	1,193	7.1	2.61
Average life greater than 10 years		572	590	15.1	1.92
Total		3,514	3,582	6.2	2.54
Other securities		865	869		
Total available-for-sale and other securities	$	18,409	18,597	6.7	3.39 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.01%, 0.89%, 2.06% and 0.37% for securities with an average life of 1-5 years, 5-10 years, greater than 10 years and in total, respectively.

Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises

by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 71% of the Bancorp s asset funding base for both of the years ended December 31, 2013 and 2012.

TABLE 23: DEPOSITS

As of December 31 ($ in millions)		**2013**	2012	2011	2010	2009
Demand	$	**32,634**	30,023	27,600	21,413	19,411
Interest checking		**25,875**	24,477	20,392	18,560	19,935
Savings		**17,045**	19,879	21,756	20,903	17,898
Money market		**11,644**	6,875	4,989	5,035	4,431
Foreign office		**1,976**	885	3,250	3,721	2,454
Transaction deposits		**89,174**	82,139	77,987	69,632	64,129
Other time		**3,530**	4,015	4,638	7,728	12,466
Core deposits		**92,704**	86,154	82,625	77,360	76,595
Certificates - $100,000 and over		**6,571**	3,284	3,039	4,287	7,700
Other		**-**	79	46	1	10
Total deposits	$	**99,275**	89,517	85,710	81,648	84,305

Core deposits increased $6.6 billion, or eight percent, compared to December 31, 2012, driven by an increase of $7.0 billion, or nine percent, in transaction deposits, partially offset by a decrease of

$485 million, or 12%, in other time deposits. Total transaction deposits increased from December 31, 2012 due to increases in money market deposits, demand deposits, interest checking deposits

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and foreign office deposits partially offset by a decrease in savings deposits. Money market deposits increased $4.8 billion, or 69%, from December 31, 2012 partially driven by account migration from savings deposits which decreased $2.8 billion, or 14%. The remaining increase in money market deposits was due to new customer accounts, an increase in average balance per account, and account migration from interest checking deposits. Demand deposits increased $2.6 billion, or nine percent, from December 31, 2012 due to an increase in the average balance per account for consumer customers, new product offerings, and new commercial deposit growth. Interest checking deposits increased $1.4 billion, or six percent, from December 31, 2012 due to new commercial customer growth, partially offset by the previously mentioned account migration to money market deposits. Foreign office deposits increased $1.1 billion from December 31, 2012 due to new

customer accounts. The foreign office deposits are primarily Eurodollar sweep accounts from the Bancorp s commercial customers. These accounts bear interest rates at slightly higher than money market accounts and unlike repurchase agreements the Bancorp does not have to pledge collateral. The decrease in other time deposits from December 31, 2012 was primarily the result of continued run-off of certificates of deposits due to the low interest rate environment, as customers have opted to maintain balances in more liquid transaction accounts.

The Bancorp uses certificates $100,000 and over as a method to fund earning assets. At December 31, 2013, certificates $100,000 and over increased $3.3 billion compared to December 31, 2012 due to the diversification of funding sources through the issuance of retail and institutional certificates of deposits in 2013.

The following table presents average deposits for the years ended December 31:

TABLE 24: AVERAGE DEPOSITS

($ in millions)		**2013**	2012	2011	2010	2009
Demand	$	**29,925**	27,196	23,389	19,669	16,862
Interest checking		**23,582**	23,096	18,707	18,218	15,070
Savings		**18,440**	21,393	21,652	19,612	16,875
Money market		**9,467**	4,903	5,154	4,808	4,320
Foreign office		**1,501**	1,528	3,490	3,355	2,108
Transaction deposits		**82,915**	78,116	72,392	65,662	55,235
Other time		**3,760**	4,306	6,260	10,526	14,103
Core deposits		**86,675**	82,422	78,652	76,188	69,338
Certificates - $100,000 and over		**6,339**	3,102	3,656	6,083	10,367
Other		**17**	27	7	6	157
Total average deposits	$	**93,031**	85,551	82,315	82,277	79,862

On an average basis, core deposits increased $4.3 billion, or five percent, compared to December 31, 2012 due to an increase of $4.8 billion, or six percent, in average transaction deposits partially offset by a decrease of $546 million, or 13%, in average other time deposits. The increase in average transaction deposits was driven by an increase in average money market deposits, average demand deposits and average interest checking deposits, partially offset by a decrease in average savings deposits. Average money market deposits increased $4.6 billion, or 93%, from December 31, 2012 primarily due to account migration from savings deposits which decreased $3.0 billion, or 14%. The remaining increase in average money market deposits is due to new customer accounts, an increase in average balances per account, and account migration from interest checking deposits. Average demand deposits increased

$2.7 billion, or 10%, from December 31, 2012 due to an increase in average balances per account for consumer customers, new product offerings, and new commercial deposit growth. Average interest checking deposits increased $486 million, or two percent from December 31, 2012 due to new commercial customer growth, partially offset by the previously mentioned account migration to money market deposits. Average other time deposits decreased $546 million, or 13%, from December 31, 2012 primarily as a result of continued run-off of certificates of deposits due to the low interest rate environment, as customers have opted to maintain balances in more liquid transaction accounts. Average certificates $100,000 and over increased $3.2 billion from 2012 due to the diversification of funding sources through the issuance of retail and institutional certificates of deposits during 2013.

The contractual maturities of certificates $100,000 and over as of December 31, 2013 are summarized in the following table:

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

($ in millions)		2013
Three months or less	$	2,922
After three months through six months		1,561
After six months through 12 months		1,032
After 12 months		1,056
Total	$	6,571

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The contractual maturities of other time deposits and certificates $100,000 and over as of December 31, 2013 are summarized in the following table:

TABLE 26: CONTRACTUAL MATURITIES OF OTHER TIME DEPOSITS AND CERTIFICATES $100,000 AND OVER

($ in millions)		2013
Next 12 months	$	7,424
13-24 months		1,200
25-36 months		702
37-48 months		488
49-60 months		232
After 60 months		55
Total	$	10,101

Borrowings

Total borrowings decreased $3.0 billion, or 21%, from December 31, 2012 due to decreases in other short-term borrowings and

federal funds purchased, partially offset by an increase in long-term debt. Total borrowings as a percentage of interest-bearing liabilities were 14% and 19% at December 31, 2013 and 2012, respectively.

TABLE 27: BORROWINGS

As of December 31 ($ in millions)		**2013**	2012	2011	2010	2009
Federal funds purchased	$	**284**	901	346	279	182
Other short-term borrowings		**1,380**	6,280	3,239	1,574	1,415
Long-term debt		**9,633**	7,085	9,682	9,558	10,507
Total borrowings	$	**11,297**	14,266	13,267	11,411	12,104

Federal funds purchased decreased by $617 million, or 68%, from December 31, 2012 driven by a decrease in excess balances in reserve accounts held at Federal Reserve Banks that the Bancorp purchased from other member banks on an overnight basis. Other short-term borrowings decreased $4.9 billion, or 78%, from December 31, 2012 driven by a decrease of $4.7 billion in short-term FHLB borrowings. The Bancorp decreased its reliance on short-term funding in 2013 in anticipation of future regulatory standards which require a greater dependency on long-term and stable funding. Long-term debt increased by $2.5 billion, or 36%, from December 31, 2012 primarily driven by the issuance of $3.1 billion of unsecured senior bank notes, $750 million of subordinated notes and the issuance of asset-backed securities by a consolidated VIE of $1.3 billion related to an automobile loan securitization during 2013. These issuances were partially offset by the maturity of $1.3 billion of senior notes, the redemption of $750 million of outstanding TruPS and $277 million of declines due to fair value adjustments on hedged debt. For additional information regarding long-term debt, see Note 16 of the Notes to Consolidated Financial Statements.

TABLE 28: AVERAGE BORROWINGS

As of December 31 ($ in millions)		2013	2012	2011	2010	2009
Federal funds purchased	$	**503**	560	345	291	517
Other short-term borrowings		**3,024**	4,246	2,777	1,635	6,463
Long-term debt		**7,914**	9,043	10,154	10,902	11,035
Total average borrowings	$	**11,441**	13,849	13,276	12,828	18,015

Average total borrowings decreased $2.4 billion, or 17%, compared to December 31, 2012, due to decreases in average federal funds purchased, average other short-term borrowings and average long-term debt. Average federal funds purchased decreased $57 million, or 10%, primarily due to 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. Average other short-term borrowings decreased $1.2 billion, or 29%, primarily due to the previously mentioned decrease in short-term FHLB borrowings. 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 Bancorp decreased its reliance on short-term funding in 2013 in anticipation of future regulatory standards which require a greater dependency on long-term and stable funding. Average long-term debt decreased $1.1 billion, or 12%, driven by the maturity of $1.3 billion of unsecured senior bank notes in the second quarter of 2013, the redemption of $1.4 billion of TruPS during the third quarter of 2012 and the extinguishment of $1.0 billion of long-term FHLB advances during

the fourth quarter of 2012 partially offset by the issuance of $1.3 billion of unsecured senior bank notes in the first quarter of 2013 and the issuance of $1.8 billion of unsecured senior bank notes and $750 million of subordinated notes in the fourth quarter of 2013.

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

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

RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 as those rated substandard that do not meet the definition of a nonperforming asset or a restructured loan. See Note 6 of the Notes to the Consolidated Financial Statements for further information on the Bancorp s credit grade categories, which are derived from standard regulatory rating definitions.

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

TABLE 29: POTENTIAL PROBLEM LOANS

2013 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial	$	**1,032**	**1,034**	**1,323**
Commercial mortgage		**517**	**520**	**520**
Commercial construction		**44**	**44**	**50**
Commercial leases		**18**	**18**	**18**
Total	$	**1,611**	**1,616**	**1,911**

TABLE 30: POTENTIAL PROBLEM LOANS

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

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

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

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

Overview

The economy grew slightly during 2013. Domestic economic risks remain elevated as several weak economic factors persist (including continued high unemployment, sluggish economic growth, weak job creation), and could be further compounded by an extended European recession. Other global issues include slower growth in China and persistent fears regarding the Middle East. Housing prices have largely stabilized and are increasing in many markets, but overall current economic conditions are causing weaker than desirable qualified loan demand and a relatively low interest rate environment, which directly impacts the Bancorp s growth and profitability. Geographically, the Bancorp continues to experience the most stress in Michigan and Florida due to previous declines in real estate values. Real estate value deterioration, as measured by the Home Price Index, was most prevalent in Florida due to past real estate price appreciation and related over-development, and in Michigan due in part to cutbacks in automobile manufacturing and the state s economic downturn.

Among consumer portfolios, residential mortgage and brokered home equity portfolios exhibited the most stress. Management suspended homebuilder and developer lending in 2007 and new commercial non-owner occupied real estate lending in 2008, discontinued the origination of brokered home equity products at the end of 2007 and tightened underwriting standards across both the commercial and consumer loan product offerings. As of December 31, 2013, consumer real estate loans originated from 2005 through 2008 represent approximately 30% of the consumer real estate portfolio and approximately 68% of total losses in 2013. Loss rates continue to improve as newer vintages are performing within expectations. With the stabilization of certain real estate markets, the Bancorp began to selectively originate new homebuilder and developer lending and non-owner occupied commercial lending real estate in the third quarter of 2011. However, the level of new fundings are below the amortization and pay-off of the current portfolio. Since the fourth quarter of 2008, in an effort to reduce loan exposure to the real estate and construction industries, the Bancorp has sold certain consumer loans and sold or transferred to held for sale certain commercial loans. The Bancorp continues to aggressively engage in other loss mitigation strategies such as reducing credit commitments, restructuring certain commercial and consumer loans, as well as utilizing commercial and consumer loan workout teams. For commercial and consumer loans owned by the Bancorp, loan modification strategies are developed that are workable for both the borrower and the Bancorp when the borrower displays a willingness to cooperate. These strategies typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan s accrued interest. For residential mortgage loans serviced for FHLMC and FNMA, the Bancorp participates in the HAMP and HARP 2.0 programs. For loans refinanced under the HARP 2.0 program, the Bancorp strictly adheres to the underwriting requirements of the program and promptly sells the refinanced loan back to the agencies. Loan restructuring under the HAMP program is performed on behalf of FHLMC or FNMA and the Bancorp does not take possession of these loans during the modification process. Therefore, participation in these programs does not significantly impact the Bancorp s credit quality statistics. The Bancorp participates in trial modifications in conjunction with the HAMP program for loans it services for FHLMC and FNMA. As these trial modifications relate to loans serviced for others, they are not included in the Bancorp s troubled debt restructurings as they are not assets of the Bancorp. In the event there is a representation and warranty violation on loans sold through the

programs, the Bancorp may be required to repurchase the sold loan. As of December 31, 2013, repurchased loans restructured or refinanced under these programs were immaterial to the Bancorp s Consolidated Financial Statements.

Additionally, as of December 31, 2013 and 2012, $111 million and $475 million, respectively, of loans refinanced under HARP 2.0 were included in loans held for sale in the Bancorp s Consolidated Balance Sheets. For the years ended December 31, 2013 and 2012, the Bancorp recognized $97 million and $218 million, respectively, of noninterest income in mortgage banking net revenue in the Bancorp s Consolidated Statements of Income related to the sale of loans restructured or refinanced under the HAMP and HARP 2.0 programs.

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

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.

Commercial Portfolio

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

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

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

currently be up to 20-30% of the appraised value based on the type of collateral. These incremental valuation adjustments generally reflect the age of the most recent appraisal as well as collateral type. Trends in collateral values, such as home price indices and recent asset dispositions, are monitored in order to determine whether changes to the appraisal adjustments are warranted. Other factors such as local market conditions or location may also be considered as necessary.

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

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

As of December 31, 2013 ($ in millions)	LTV > 100%	LTV 80-100%	LTV £ 80%
Commercial mortgage owner occupied loans	$ **240**	**345**	**2,152**
Commercial mortgage non-owner occupied loans	**274**	**353**	**1,798**
Total	$ **514**	**698**	**3,950**

TABLE 32: COMMERCIAL MORTGAGE LOANS OUTSTANDING BY LTV, LOANS GREATER THAN $1 MILLION

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

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

TABLE 33: COMMERCIAL LOAN AND LEASE PORTFOLIO (EXCLUDING LOANS HELD FOR SALE)

		2013			2012		
As of December 31 ($ in millions)		Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By industry:							
Manufacturing	$	**10,299**	**19,955**	**55**	$ 9,982	18,414	58
Financial services and insurance		**5,998**	**14,010**	**25**	4,886	12,062	54
Real estate		**5,027**	**7,302**	**70**	5,588	6,840	198
Business services		**4,910**	**7,411**	**55**	4,600	6,917	56
Wholesale trade		**4,407**	**8,406**	**35**	4,042	7,401	26
Healthcare		**4,038**	**6,220**	**26**	4,079	6,094	14
Retail trade		**3,301**	**6,673**	**18**	2,624	5,699	38
Transportation and warehousing		**3,134**	**4,416**	**1**	3,105	4,222	3
Construction		**1,865**	**3,196**	**36**	1,995	3,254	105
Communication and information		**1,801**	**3,295**	**2**	1,547	2,631	19
Accommodation and food		**1,668**	**2,556**	**12**	1,478	2,160	17
Mining		**1,580**	**3,206**	**55**	1,683	2,767	-
Entertainment and recreation		**1,149**	**1,955**	**12**	914	1,393	11
Other services		**1,013**	**1,362**	**24**	1,156	1,517	42
Utilities		**773**	**2,332**	**-**	608	2,009	-
Public administration		**541**	**734**	**-**	441	693	-
Agribusiness		**356**	**504**	**26**	376	527	44
Individuals		**174**	**218**	**6**	281	335	12
Other		**12**	**12**	**-**	3	2	-
Total	$	**52,046**	**93,763**	**458**	$ 49,388	84,937	697
By loan size:							
Less than $200,000		**1%**	**1**	**8**	2%	1	9
$200,000 to $1 million		**5**	**4**	**18**	6	5	22
$1 million to $5 million		**13**	**10**	**23**	15	12	28
$5 million to $10 million		**10**	**8**	**10**	11	9	13
$10 million to $25 million		**27**	**23**	**34**	27	25	24
Greater than $25 million		**44**	**54**	**7**	39	48	4

Total	**100%**	**100**	**100**	100%	100	100
By state:						
Ohio	**19%**	**22**	**16**	20%	24	13
Michigan	**10**	**8**	**11**	11	10	17
Illinois	**7**	**7**	**8**	8	8	8
Florida	**7**	**6**	**19**	7	6	19
Indiana	**5**	**5**	**9**	5	5	11
Kentucky	**3**	**3**	**2**	4	3	4
North Carolina	**3**	**3**	**1**	3	3	2
Tennessee	**3**	**3**	**1**	3	3	5
Pennsylvania	**3**	**3**	**7**	3	2	1
All other states	**40**	**40**	**26**	36	36	20
Total	**100%**	**100**	**100**	100%	100	100

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

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

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The following table provides analysis of each of the categories of loans (excluding loans held for sale) by state as of December 31, 2013 and 2012:

TABLE 34: NON-OWNER OCCUPIED COMMERCIAL REAL ESTATE[a]

($ in millions)					**For the Year Ended December 31, 2013**
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	**$ 1,086**	**1,377**	**-**	**14**	**12**
Michigan	**851**	**925**	**-**	**17**	**5**
Florida	**508**	**629**	**-**	**7**	**3**
Illinois	**353**	**593**	**-**	**6**	**4**
North Carolina	**248**	**428**	**-**	**2**	**1**
Indiana	**161**	**253**	**-**	**4**	**1**
All other states	**1,270**	**2,173**	**-**	**7**	**1**
Total	**$ 4,477**	**6,378**	**-**	**57**	**27**

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

TABLE 35: NON-OWNER OCCUPIED COMMERCIAL REAL ESTATE[a]

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

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

TABLE 36: HOMEBUILDER AND DEVELOPER[a]

($ in millions) **For the Year Ended**

					December 31, 2013
			90 Days		Net Charge-offs
By State:	Outstanding	Exposure	Past Due	Nonaccrual	(Recoveries)
Ohio	$ **106**	**173**	**-**	**7**	**-**
Michigan	**33**	**40**	**-**	**4**	**(2)**
North Carolina	**18**	**25**	**-**	**-**	**-**
Indiana	**10**	**11**	**-**	**2**	**1**
Illinois	**5**	**8**	**-**	**2**	**4**
Florida	**3**	**14**	**-**	**-**	**-**
All other states	**19**	**73**	**-**	**1**	**1**
Total	$ **194**	**344**	**-**	**16**	**4**

(a) Homebuilder and Developer loans, exclusive of commercial and industrial loans with an outstanding balance of $51 and a total exposure of $135 are also included in Table 34: Non-Owner Occupied Commercial Real Estate.

TABLE 37: HOMEBUILDER AND DEVELOPER[(a)]

($ in millions)					For the Year Ended December 31, 2012
			90 Days		
By State:	Outstanding	Exposure	Past Due	Nonaccrual	Net Charge-offs
Ohio	$ 133	199	-	11	7
Michigan	52	60	-	6	7
North Carolina	24	34	-	4	1
Indiana	18	21	-	8	-
Illinois	28	31	-	8	3
Florida	32	59	-	3	10
All other states	31	35	-	2	-
Total	$ 318	439	-	42	28

(a) Homebuilder and Developer loans, exclusive of commercial and industrial loans with an outstanding balance of $73 and a total exposure of $132 are also included in Table 35: Non-Owner Occupied Commercial Real Estate.

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Consumer Portfolio

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

Residential Mortgage Portfolio

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

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

less than the accruing interest. The Bancorp originates both fixed and adjustable rate residential mortgage loans. Resets of rates on adjustable rate mortgages are not expected to have a material impact on credit costs in the current interest rate environment, as approximately $975 million of adjustable rate residential mortgage loans will have rate resets during the next twelve months, with less than one percent of those resets expected to experience an increase in monthly payments in comparison to the monthly payment at the time of origination.

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

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

TABLE 38: RESIDENTIAL MORTGAGE PORTFOLIO LOANS BY LTV AT ORIGINATION

		2013			2012	
			Weighted			Weighted
As of December 31 ($ in millions)		Outstanding	Average LTV		Outstanding	Average LTV
LTV £ 80%	$	**9,507**	**65.2%**	$	8,993	65.8%

LTV > 80%, with mortgage insurance		**1,242**	**93.7**		1,165	93.6
LTV > 80%, no mortgage insurance		**1,931**	**95.9**		1,859	95.6
Total	$	**12,680**	**72.7%**	$	12,017	73.1%

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

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

As of December 31, 2013 ($ in millions)					For the Year Ended December 31, 2013
By State:		Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	**$**	**583**	**3**	**20**	**10**
Michigan		**305**	**2**	**7**	**5**
Florida		**260**	**1**	**11**	**3**
Illinois		**236**	**-**	**5**	**2**
Indiana		**120**	**1**	**4**	**1**
North Carolina		**94**	**-**	**2**	**-**
Kentucky		**83**	**-**	**3**	**2**
All other states		**250**	**1**	**2**	**1**
Total	**$**	**1,931**	**8**	**54**	**24**

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TABLE 40: RESIDENTIAL MORTGAGE PORTFOLIO LOANS, LTV GREATER THAN 80%, NO MORTGAGE INSURANCE

As of December 31, 2012 ($ in millions)					For the Year Ended December 31, 2012
By State:		Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$	600	4	24	13
Michigan		310	1	10	10
Florida		262	-	17	15
Illinois		193	1	5	3
Indiana		115	1	5	2
North Carolina		111	1	5	3
Kentucky		89	1	2	1
All other states		179	-	5	5
Total	$	1,859	9	73	52

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

The home equity portfolio is managed in two primary groups: loans outstanding with a LTV greater than 80% and those loans with a LTV 80% or less based upon appraisals at origination. The carrying value of the greater than 80% LTV home equity loans and 80% or less LTV home equity loans were $3.2 billion and $6.0 billion, respectively, as of

December 31, 2013. Of the total $9.2 billion of outstanding home equity loans:

- 82% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois;
- 33% are in senior lien positions and 67% are in junior lien positions at December 31, 2013;
- Over 90% of non-delinquent borrowers made at least one payment greater than the minimum payment during the year ended December 31, 2013; and
- The portfolio had an average refreshed FICO score of 736 and 735 at December 31, 2013 and 2012, respectively.

The Bancorp actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation. The Bancorp does not routinely obtain appraisals on performing loans to update LTV ratios after origination. However, the Bancorp monitors the local housing markets by reviewing various home price indices and incorporates the impact of the changing market conditions in its on-going credit monitoring processes. For 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, unless it is well-secured and in the process of collection. Refer to the Analysis of Nonperforming Assets section of the MD&A for more information.

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

TABLE 41: HOME EQUITY LOANS OUTSTANDING BY REFRESHED FICO SCORE

($ in millions)	December 31, 2013	% of Total	December 31, 2012	% of Total
Senior Liens:				
FICO < 620	$ 201	2%	$ 224	2%
FICO 621-719	638	7	653	6
FICO > 720	2,253	24	2,374	24
Total Senior Liens	3,092	33	3,251	32
Junior Liens:				
FICO < 620	565	6	661	7
FICO 621-719	1,662	18	1,817	18
FICO > 720	3,927	43	4,289	43
Total Junior Liens	6,154	67	6,767	68
Total	$ 9,246	100%	$ 10,018	100%

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

TABLE 42: HOME EQUITY LOANS OUTSTANDING BY LTV AT ORIGINATION

	2013		2012	
As of December 31 ($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
Senior Liens:				
LTV £ 80%	$ 2,645	54.9%	$ 2,763	54.9%
LTV > 80%	447	89.2	488	88.9
Total Senior Liens	3,092	60.1	3,251	60.2
Junior Liens:				
LTV £ 80%	3,353	67.3	3,602	67.3
LTV > 80%	2,801	91.4	3,165	91.6
Total Junior Liens	6,154	80.2	6,767	80.5
Total	$ 9,246	72.9%	$ 10,018	73.4%

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

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

As of December 31, 2013 ($ in millions)						For the Year Ended December 31, 2013
By State:		Outstanding	Exposure	90 Days Past Due	Nonaccrual[(a)]	Net Charge-offs[(b)]
Ohio	$	**1,161**	**1,868**	**-**	**10**	**18**
Michigan		**697**	**987**	**-**	**7**	**14**
Illinois		**383**	**554**	**-**	**6**	**9**
Indiana		**296**	**454**	**-**	**3**	**4**
Kentucky		**278**	**436**	**-**	**2**	**3**
Florida		**116**	**157**	**-**	**3**	**4**
All other states		**317**	**425**	**-**	**4**	**7**
Total	$	**3,248**	**4,881**	**-**	**35**	**59**

(a) During the fourth quarter of 2013, the Bancorp modified its nonaccrual policy for home equity loans and lines of credit. For further information, refer to the Analysis of Nonperforming Assets section of MD&A.

(b) During the fourth quarter of 2013, the Bancorp modified its charge-off policy for home equity loans and lines of credit. For further information, refer to the Analysis of Net Loan Charge-offs section of MD&A.

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TABLE 44: HOME EQUITY LOANS OUTSTANDING WITH LTV GREATER THAN 80%

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

Automobile Portfolio

The automobile portfolio is characterized by direct and indirect lending products to consumers. As of December 31, 2013, 51% 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 loans outstanding by LTV at origination:

TABLE 45: AUTOMOBILE LOANS OUTSTANDING WITH LTV AT ORIGINATION

	2013		2012	
As of December 31 ($ in millions)	Outstanding	Weighted Average LTV	Outstanding	Weighted Average LTV
LTV £ 100%	**$ 8,306**	**81.4%**	$ 8,123	81.5%
LTV > 100%	**3,678**	**110.7**	3,849	110.8
Total	**$ 11,984**	**90.7%**	$ 11,972	91.2%

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

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

As of December 31, 2013 ($ in millions)					**For the Year Ended December 31, 2013**
By State:		Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
Ohio	$	**371**	**1**	**-**	**1**
Illinois		**201**	**-**	**-**	**1**
Michigan		**185**	**-**	**-**	**1**
Florida		**185**	**-**	**-**	**1**
Indiana		**147**	**-**	**-**	**-**
Kentucky		**119**	**-**	**-**	**-**
All other states		**2,470**	**4**	**1**	**10**
Total	$	**3,678**	**5**	**1**	**14**

TABLE 47: AUTOMOBILE LOANS OUTSTANDING WITH LTV GREATER THAN 100%

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

European Exposure

The Bancorp has no direct sovereign exposure to any European government as of December 31, 2013. In providing services to our customers, the Bancorp routinely enters into financial transactions

with foreign domiciled and U.S. subsidiaries of foreign businesses as well as foreign financial institutions. These financial transactions are in the form of loans, loan commitments, letters of credit, derivatives and securities. The Bancorp s risk appetite for foreign country

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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 $3.3 billion and funded exposure was $1.8 billion as of December 31, 2013. Additionally, the Bancorp was within its established country exposure limits for all European countries.

Certain European countries have been experiencing increased levels of stress throughout 2012 and 2013 including Greece, Ireland, Italy, Portugal and Spain. The Bancorp s total exposure to businesses domiciled or owned by companies and financial institutions in these countries was approximately $212 million and funded exposure was $103 million as of December 31, 2013.

The following table provides detail about the Bancorp s exposure to all European domiciled and owned businesses and financial institutions as of December 31, 2013:

TABLE 48: EUROPEAN EXPOSURE

		Sovereigns		Financial Institutions		Non-Financial Institutions		Total	
($ in millions)		Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure	Funded Exposure	Total Exposure[(a)]	Funded Exposure
Peripheral Europe[(b)]	$	-	-	10	-	202	103	212	103
Other Eurozone[(c)]		-	-	56	14	2,031	1,161	2,087	1,175
Total Eurozone		-	-	66	14	2,233	1,264	2,299	1,278
Other Europe[(d)]		-	-	83	23	889	500	972	523
Total Europe	$	-	-	149	37	3,122	1,764	3,271	1,801

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

Analysis of Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial and credit card loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 49.

Residential mortgage loans are typically placed on nonaccrual status when principal and interest payments have become past due 150 days unless such loans are both well secured and in the process of collection. Residential mortgage loans may stay on nonaccrual status for an extended time as the foreclosure process typically lasts longer than 180 days. During the fourth quarter of 2013, the Bancorp modified its nonaccrual policy for home equity loans and lines of credit. Home equity loans and lines of credit are reported on nonaccrual status if principal or interest has been in default for 90 days or more unless the loan is both well secured and in the process of collection. Home equity loans and lines of credit that have been in default for 60 days or more are also reported on nonaccrual status if the senior lien has been in default 120 days or more, unless the loan is both well secured and in the process of collection. As a result of the modification of the nonaccrual policy for home equity loans and lines of credit, $46 million of home equity loans and lines of credit were reclassified from accrual to nonaccrual status during the fourth quarter of 2013. Residential mortgage, home equity, automobile and other consumer loans and leases that have been modified in a TDR and subsequently become past due 90 days are placed on nonaccrual status unless the loan is both well secured and in the process of collection. Commercial and credit card loans that have been modified in a TDR are classified as nonaccrual unless such loans have a sustained repayment performance of six months or greater and the Bancorp is reasonably assured of repayment in accordance with the restructured terms. Well secured loans are collateralized by perfected security interests in real and/or personal property for which the Bancorp estimates proceeds from sale would be sufficient to recover the outstanding principal and accrued interest balance of the loan and pay all costs to sell the collateral.

The Bancorp considers a loan in the process of collection if collection efforts or legal action is proceeding and the Bancorp expects to collect funds sufficient to bring the loan current or recover the entire outstanding principal and accrued interest balance. When a loan is placed on nonaccrual status, the accrual of interest, amortization of loan premiums, accretion of loan discounts and amortization or accretion of deferred net loan fees or costs are discontinued and previously accrued, but unpaid interest is reversed. Commercial loans on nonaccrual status are reviewed for impairment at least quarterly. If the principal or a portion of the principal is deemed a loss, the loss amount is charged off to the ALLL.

Total nonperforming assets, including loans held for sale, were $986 million at December 31 2013 compared to $1.3 billion at December 31, 2012. At December 31, 2013, $6 million of nonaccrual loans, consisting primarily of real estate secured loans, were held for sale, compared to $29 million at December 31, 2012.

Total nonperforming assets, including loans held for sale, as a percentage of total loans, leases and other assets, including OREO as of December 31, 2013 were 1.10%, compared to 1.48% as of December 31, 2012. Excluding nonaccrual loans held for sale, nonperforming assets as a percentage of portfolio loans, leases and other assets, including OREO were 1.10% as of December 31, 2013, compared to 1.49% as of December 31, 2012. The composition of nonaccrual loans and leases continues to be concentrated in real estate as 60% of nonaccrual loans and leases were secured by real estate as of December 31, 2013 compared to 67% as of December 31, 2012.

Commercial nonperforming loans and leases were $464 million at December 31, 2013, a decrease of $262 million from December 31, 2012 due primarily to the impact of loss mitigation actions and modest improvement in general economic conditions. Excluding commercial nonperforming loans and leases held for sale, commercial nonperforming loans and leases at December 31, 2013 decreased $239 million compared to December 31, 2012.

Consumer nonperforming loans and leases were $293 million at December 31, 2013, a decrease of $39 million from December 31, 2012. The decrease is primarily due to a decline in new nonaccrual levels due to modest improvement in general economic conditions in 2013. Home equity nonaccrual levels increased $39 million from the prior year due to the aforementioned nonaccrual policy change

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which occurred during the fourth quarter of 2013. Geographical market conditions continue to be a large driver of nonaccrual activity as Florida properties represent approximately 13% and 8% of residential mortgage and home equity balances, respectively, but represent 38% and 15% of nonaccrual loans for each category. Refer to Table 50 for a rollforward of the nonperforming loans and leases.

OREO and other repossessed property, excluding OREO related to government insured loans, was $229 million at December 31, 2013, compared to $257 million at December 31, 2012. The decrease from December 31, 2012 was primarily due to the sale of OREO properties coupled with a decrease in new OREO properties reflecting the changes made to the Bancorp s underwriting of real estate loans in prior periods as well as modest improvements in general economic conditions during 2013. The Bancorp recognized $45 million and $74 million in losses on the sale or write-down of OREO properties in 2013 and 2012, respectively. These losses are primarily reflective of the continued stress in the Michigan and Florida markets for commercial real estate and residential mortgage loans as Michigan and Florida represented 15% and 15%, respectively, of total OREO losses in 2013 compared with 14% and 17%, respectively, in 2012. Properties in Michigan and Florida accounted for 36% of OREO at December 31, 2013, compared to 38% at December 31, 2012.

In 2013 and 2012, approximately $71 million and $102 million, respectively, of interest income would have been recorded if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

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TABLE 49: SUMMARY OF NONPERFORMING ASSETS AND DELINQUENT LOANS

As of December 31 ($ in millions)	**2013**	2012	2011	2010	2009
Nonaccrual loans and leases:					
Commercial and industrial loans	**$ 127**	234	408	473	734
Commercial mortgage loans	**90**	215	358	407	898
Commercial construction loans	**10**	70	123	182	646
Commercial leases	**3**	1	9	11	67
Residential mortgage loans	**83**	114	134	152	275
Home equity	**74**	30	25	23	21
Automobile loans	**-**	-	-	1	1
Other consumer loans and leases	**-**	1	1	84	-
Restructured loans and leases:					
Commercial and industrial loans	**154**	96	79	95	35
Commercial mortgage loans[(f)]	**53**	67	63	28	4
Commercial construction loans	**19**	6	15	10	8
Commercial leases	**2**	8	3	8	-
Residential mortgage loans	**83**	123	141	116	137
Home equity	**19**	23	29	33	33
Automobile loans	**1**	2	2	2	1
Credit card and other	**33**	39	48	55	87
Total nonperforming loans and leases[(d)]	**751**	1,029	1,438	1,680	2,947
OREO and other repossessed property[(c)]	**229**	257	378	494	297
Total nonperforming assets	**980**	1,286	1,816	2,174	3,244
Nonaccrual loans held for sale	**6**	29	138	294	224
Total nonperforming assets including loans held for sale	**$ 986**	1,315	1,954	2,468	3,468
Loans and leases 90 days past due and accruing:					
Commercial and industrial loans	**$ -**	1	4	16	118
Commercial mortgage loans	**-**	22	3	11	59
Commercial construction loans	**-**	1	1	3	17
Commercial leases	**-**	-	-	-	4
Residential mortgage loans[(b)]	**66**	75	79	100	189
Home equity	**-**	58	74	89	99
Automobile loans	**8**	8	9	13	17
Credit card and other	**29**	30	30	42	64
Total loans and leases 90 days past due and accruing[(e)]	**$ 103**	195	200	274	567
Nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO[(a)]	**1.10%**	1.49	2.23	2.79	4.22
	161	144	124	138	116

Allowance for loan and lease losses as a percent of nonperforming assets[(a)]	

(a) Excludes nonaccrual loans held for sale.

(b) Information for all periods presented excludes advances made pursuant to servicing agreements to GNMA mortgage loan pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of ***December 31, 2013****, 2012, 2011, 2010, and 2009 these advances were* ***$378****, $414, $309, $279 and $130, respectively. The Bancorp recognized credit losses of* ***$5*** *for the year ended* ***December 31, 2013*** *and $2 for 2012 due to claim denials and curtailments associated with these advances.*

(c) Excludes ***$77****, $72, $64, $38 and $15 of OREO related to government insured loans at* ***December 31, 2013****, 2012, 2011, 2010, and 2009, respectively.*

(d) Includes ***$10****, $10, $17, $24, and $32 of nonaccrual government insured commercial loans whose repayments are insured by the SBA at* ***December 31, 2013****, 2012, 2011, 2010, and 2009, respectively, and* ***$2,*** *$1, $2, $0, and $0 of restructured nonaccrual government insured commercial loans at* ***December 31, 2013****, 2012, 2011, 2010, and 2009, respectively.*

(e) Includes an immaterial amount of government insured commercial loans 90 days past due and accruing whose repayments are insured by the SBA at ***December 31, 2013****, 2012, 2011, 2010, and 2009.*

(f) Excludes ***$21*** *of restructured nonaccrual loans at* ***December 31, 2013*** *associated with a consolidated variable interest entity in which the Bancorp has no continuing credit risk due to the risk being assumed by a third party.*

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

TABLE 50: ROLLFORWARD OF PORTFOLIO NONPERFORMING LOANS AND LEASES

For the year ended December 31, 2013 ($ in millions)		Commercial	Residential Mortgage	Consumer	Total
Beginning Balance	$	**697**	**237**	**95**	**1,029**
Transfers to nonperforming		**409**	**204**	**297**	**910**
Transfers to performing		**(9)**	**(52)**	**(60)**	**(121)**
Transfers to performing (restructured)		**(15)**	**(41)**	**(62)**	**(118)**
Transfers to held for sale		**(3)**	**-**	**-**	**(3)**
Loans sold from portfolio		**(38)**	**-**	**-**	**(38)**
Loan paydowns/payoffs		**(295)**	**(112)**	**(11)**	**(418)**
Transfers to other real estate owned		**(81)**	**(73)**	**(13)**	**(167)**
Charge-offs (recoveries)		**(221)**	**3**	**(122)**	**(340)**
Draws/other extensions of credit		**14**	**-**	**3**	**17**
Ending Balance	$	**458**	**166**	**127**	**751**
For the year ended December 31, 2012 ($ in millions)					
Beginning Balance	$	1,058	275	105	1,438
Transfers to nonperforming		560	318	354	1,232
Transfers to performing		(22)	(45)	(73)	(140)
Transfers to performing (restructured)		(31)	(57)	(90)	(178)
Transfers to held for sale		(13)	-	-	(13)
Loans sold from portfolio		(36)	(4)	-	(40)
Loan paydowns/payoffs		(466)	(121)	(12)	(599)
Transfers to other real estate owned		(108)	(71)	-	(179)
Charge-offs		(297)	(58)	(194)	(549)
Draws/other extensions of credit		52	-	5	57
Ending Balance	$	697	237	95	1,029

Troubled Debt Restructurings

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

At the time of modification, the Bancorp maintains certain consumer loan TDRs (including residential mortgage loans, home equity loans, and other consumer loans) on accrual status, provided there is reasonable assurance of repayment and performance according to the modified terms based upon a current, well-documented credit evaluation. Commercial loans modified as part

of a TDR are maintained on accrual status provided there is a sustained payment history of six months or greater prior to the modification in accordance with the modified terms and all remaining contractual payments under the modified terms are reasonably assured of collection. TDRs of commercial loans and credit card loans that do not have a sustained payment history of six months or greater in accordance with the modified terms remain on nonaccrual status until a six-month payment history is sustained.

Consumer restructured loans on accrual status totaled $1.7 billion at December 31, 2013 and December 31, 2012. As of December 31, 2013, the percentage of restructured residential mortgage loans, home equity loans, and credit card loans that are past due 30 days or more were 17%, 11% and 16%, respectively.

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

TABLE 51: PERFORMING AND NONPERFORMING TDRs

As of December 31, 2013 ($ in millions)		Current	Performing 30-89 Days Past Due	90 Days or More Past Due	Nonaccrual		Total
Commercial[(b)(c)]	$	869	-	-	228	$	1,097
Residential mortgages[(a)]		1,045	82	114	84		1,325
Home equity		368	26	-	18		412
Credit card		25	-	-	33		58
Automobile and other consumer loans and leases		24	1	-	1		26
Total	$	2,331	109	114	364	$	2,918

(a) *Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of December 31, 2013, these advances represented $155 of current loans, $31 of 30-89 days past due loans and $88 of 90 days or more past due loans.*

(b) *Excludes $8 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.*

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Analysis of Net Loan Charge-offs

Net charge-offs were 58 bps and 85 bps of average portfolio loans and leases for the years ended December 31, 2013 and 2012, 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 44 bps during 2013 compared to 63 bps in 2012, as a result of decreases in net charge-offs of $77 million coupled with an increase in average portfolio commercial loan and lease balances of $3.7 billion. Decreases in net charge-offs were realized across all commercial loan types, excluding commercial and industrial loans which increased primarily due to a $43 million charge-off on a single large credit during the fourth quarter of 2013, and were primarily due to improvements in general economic conditions and previous actions taken by the Bancorp to address problem loans. Actions taken by the Bancorp included suspending homebuilder and developer lending in 2007 and non-owner occupied commercial real estate lending in 2008 and tightened underwriting standards across all commercial loan product offerings. The Bancorp resumed homebuilder and developer lending and non-owner occupied commercial real estate lending in the third quarter of 2011. Net charge-offs for 2013 related to non-owner occupied commercial real estate were $27 million compared to $87 million in 2012. Net charge-offs related to non-owner occupied commercial real estate are recorded in the commercial mortgage loans and commercial construction loans captions in Table 52. Net charge-offs on these loans represented 12% of total commercial loan and lease net charge-offs in 2013 and 29% in 2012.

The ratio of consumer loan and lease net charge-offs to average consumer loans and leases decreased to 77 bps in 2013 compared to 113 bps in 2012. Net charge-offs on residential

mortgage loans, which typically involve partial charge-offs based upon appraised values of underlying collateral, decreased $62 million from the prior year as a result of improvements in delinquencies and a decrease in the average loss recorded per charge-off. The Bancorp s Florida and Michigan markets, in aggregate, accounted for 42% and 66% of net charge-offs on residential mortgage loans in the portfolio in 2013 and 2012, respectively. The Bancorp expects the composition of the residential mortgage portfolio to improve as it continues to retain high quality, shorter duration residential mortgage loans that are originated through its branch network as a low-cost, refinance product of conforming residential mortgage loans.

Home equity net charge-offs decreased $60 million compared to the prior year, primarily due to improvements in loss severities and delinquencies, partially offset by the impact of the change in the home equity charge-off policy during the fourth quarter of 2013. Home equity loans and lines of credit that have been in default 120 days or more are assessed for a charge-off if the senior lien has been in default 120 days or more. In addition, management actively manages lines of credit and makes reductions in lending limits when it believes it is necessary based on FICO score deterioration and property devaluation.

Automobile loan net charge-offs decreased $9 million compared to 2012, due to the origination of high credit quality loans and higher resale on automobiles sold at auction.

Credit card and other consumer loans and leases net charge-offs increased $5 million from 2012. Credit card net charge-offs increased $4 million from 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. Other consumer loan net charge-offs remained relatively flat compared to the same period in the prior year.

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TABLE 52: SUMMARY OF CREDIT LOSS EXPERIENCE

For the years ended December 31 ($ in millions)		**2013**	2012	2011	2010	2009
Losses charged off:						
Commercial and industrial loans	$	**(207)**	(194)	(314)	(631)	(768)
Commercial mortgage loans		**(66)**	(120)	(211)	(541)	(436)
Commercial construction loans		**(9)**	(34)	(89)	(265)	(420)
Commercial leases		**(2)**	(10)	(1)	(7)	(11)
Residential mortgage loans		**(70)**	(129)	(180)	(441)	(359)
Home equity		**(114)**	(172)	(234)	(276)	(330)
Automobile loans		**(44)**	(55)	(85)	(132)	(189)
Credit card		**(92)**	(90)	(114)	(164)	(178)
Other consumer loans and leases		**(33)**	(33)	(86)	(28)	(28)
Total losses		**(637)**	(837)	(1,314)	(2,485)	(2,719)
Recoveries of losses previously charged off:						
Commercial and industrial loans		**39**	29	38	45	50
Commercial mortgage loans		**19**	21	16	17	14
Commercial construction loans		**5**	9	4	13	4
Commercial leases		**1**	2	3	5	4
Residential mortgage loans		**10**	7	7	2	2
Home equity		**17**	15	14	12	8
Automobile loans		**22**	24	32	44	41
Credit card		**14**	16	16	9	8
Other consumer loans and leases		**9**	10	12	10	7
Total recoveries		**136**	133	142	157	138
Net losses charged off:						
Commercial and industrial loans		**(168)**	(165)	(276)	(586)	(718)
Commercial mortgage loans		**(47)**	(99)	(195)	(524)	(422)
Commercial construction loans		**(4)**	(25)	(85)	(252)	(416)
Commercial leases		**(1)**	(8)	2	(2)	(7)
Residential mortgage loans		**(60)**	(122)	(173)	(439)	(357)
Home equity		**(97)**	(157)	(220)	(264)	(322)
Automobile loans		**(22)**	(31)	(53)	(88)	(148)
Credit card		**(78)**	(74)	(98)	(155)	(170)
Other consumer loans and leases		**(24)**	(23)	(74)	(18)	(21)
Total net losses charged off	$	**(501)**	(704)	(1,172)	(2,328)	(2,581)
Net charge-offs as a percent of average loans and leases (excluding held for sale):						
Commercial and industrial loans		**0.44%**	0.50	0.97	2.23	2.61
Commercial mortgage loans		**0.56**	1.02	1.89	4.58	3.43
Commercial construction loans		**0.51**	3.08	4.96	8.48	9.24
Commercial leases		**0.04**	0.22	(0.08)	0.05	0.22
Total commercial loans		**0.44**	0.63	1.26	3.10	3.27

Residential mortgage loans	**0.48**	1.07	1.75	5.49	4.15
Home equity	**1.02**	1.51	1.97	2.20	2.57
Automobile loans	**0.18**	0.26	0.47	0.85	1.68
Credit card	**3.67**	3.79	5.19	8.28	8.87
Other consumer loans and leases	**6.71**	7.02	15.29	2.58	2.14
Total consumer loans and leases	**0.77**	1.13	1.79	2.92	3.10
Total net losses charged off	**0.58%**	0.85	1.49	3.02	3.20

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. The ALLL provides coverage for probable and estimable losses in the loan and lease portfolio. The Bancorp evaluates the ALLL each quarter to determine its adequacy to cover inherent losses. Several factors are taken into consideration in the determination of the overall ALLL, including an unallocated component. These factors include, but are not limited to, the overall risk profile of the loan and lease portfolios, net charge-off experience, the extent of impaired loans and leases, the level of nonaccrual loans and leases, the level of 90 days past due loans and leases and the overall percentage level of the ALLL relative to portfolio loans and leases. The Bancorp also considers overall asset quality trends, credit administration and portfolio management practices, risk identification practices, credit policy and underwriting practices, overall portfolio growth, portfolio

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

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

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

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

The Bancorp s determination of the ALLL for commercial loans is sensitive to the risk grades it assigns to these loans. In the event that 10% of commercial loans in each risk category would experience a downgrade of one risk category, the allowance for commercial loans would increase by approximately $152 million at December 31, 2013. In addition, the Bancorp s determination of the allowance for residential and consumer loans is sensitive to changes in estimated loss rates. In the event that estimated loss rates would increase by 10%, the allowance for residential and consumer loans would increase by approximately $41 million at December 31, 2013. As several qualitative and quantitative factors are considered in determining the ALLL, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the ALLL. They are intended to provide insights into the impact of adverse changes to risk grades and estimated loss rates and do not imply any expectation of future deterioration in the risk ratings or loss rates. Given current processes employed by the Bancorp, management believes the risk grades and estimated loss rates currently assigned are appropriate.

TABLE 53: CHANGES IN ALLOWANCE FOR CREDIT LOSSES

For the years ended December 31 ($ in millions)		**2013**	2012	2011	2010	2009
ALLL:						
Balance, beginning of period	$	**1,854**	2,255	3,004	3,749	2,787
Impact of change in accounting principle		**-**	-	-	45	-
Losses charged off		**(637)**	(837)	(1,314)	(2,485)	(2,719)
Recoveries of losses previously charged off		**136**	133	142	157	138
Provision for loan and lease losses		**229**	303	423	1,538	3,543
Balance, end of period	$	**1,582**	1,854	2,255	3,004	3,749
Reserve for unfunded commitments and letters of credit:						
Balance, beginning of period	$	**179**	181	227	294	195

Impact of change in accounting principle		**-**	-	-	(43)	-
Provision (benefit) for unfunded commitments and letters of credit		**(17)**	(2)	(46)	(24)	99
Balance, end of period	$	**162**	179	181	227	294

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

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

As shown in Table 54, the ALLL as a percent of portfolio loan and leases was 1.79% at December 31, 2013, compared to 2.16% at December 31, 2012. The ALLL was $1.6 billion as of December 31, 2013, compared to $1.9 billion at December 31, 2012. The decrease is reflective of a number of factors including decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases and improvement in underlying loss trends.

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TABLE 54: ATTRIBUTION OF ALLOWANCE FOR LOAN AND LEASE LOSSES TO PORTFOLIO LOANS AND LEASES

As of December 31 ($ in millions)		**2013**	2012	2011	2010	2009
Allowance attributed to:						
Commercial and industrial loans	$	**767**	802	929	1,123	1,282
Commercial mortgage loans		**212**	333	441	597	734
Commercial construction loans		**26**	33	77	158	380
Commercial leases		**53**	68	80	111	121
Residential mortgage loans		**189**	229	227	310	375
Home equity		**94**	143	195	265	294
Automobile loans		**23**	28	43	73	127
Credit card		**92**	87	106	158	199
Other consumer loans and leases		**16**	20	21	59	44
Unallocated		**110**	111	136	150	193
Total ALLL	$	**1,582**	1,854	2,255	3,004	3,749
Portfolio loans and leases:						
Commercial and industrial loans	$	**39,316**	36,038	30,783	27,191	25,683
Commercial mortgage loans		**8,066**	9,103	10,138	10,845	11,803
Commercial construction loans		**1,039**	698	1,020	2,048	3,784
Commercial leases		**3,625**	3,549	3,531	3,378	3,535
Residential mortgage loans		**12,680**	12,017	10,672	8,956	8,035
Home equity		**9,246**	10,018	10,719	11,513	12,174
Automobile loans		**11,984**	11,972	11,827	10,983	8,995
Credit card		**2,294**	2,097	1,978	1,896	1,990
Other consumer loans and leases		**364**	290	350	681	780
Total portfolio loans and leases	$	**88,614**	85,782	81,018	77,491	76,779
Attributed allowance as a percent of respective portfolio loans and leases:						
Commercial and industrial loans		**1.95 %**	2.23	3.02	4.13	4.99
Commercial mortgage loans		**2.63**	3.66	4.35	5.50	6.22
Commercial construction loans		**2.50**	4.73	7.55	7.71	10.04
Commercial leases		**1.46**	1.92	2.27	3.29	3.42
Residential mortgage loans		**1.49**	1.91	2.13	3.46	4.67
Home equity		**1.02**	1.43	1.82	2.30	2.41
Automobile loans		**0.19**	0.23	0.36	0.66	1.41
Credit card		**4.01**	4.15	5.36	8.33	10.00
Other consumer loans and leases		**4.40**	6.90	6.00	8.66	5.64
Unallocated (as a percent of total portfolio loans and leases)		**0.12**	0.13	0.17	0.19	0.25
Total portfolio loans and leases		**1.79 %**	2.16	2.78	3.88	4.88

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

Net Interest Income Sensitivity

The Bancorp utilizes a variety of measurement techniques to identify and manage its interest rate risk, including the use of an NII simulation model to analyze the sensitivity of net interest income to changing interest rates. The model is based on contractual and assumed cash flows and repricing characteristics for all of the Bancorp s 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 for 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 these

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simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management strategies.

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

The following table shows the Bancorp s estimated net interest income sensitivity profile and ALCO policy limits as of December 31:

TABLE 55: ESTIMATED NII SENSITIVITY PROFILE

	2013				2012			
	Percent Change in NII (FTE)		ALCO Policy Limits		Percent 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	**1.73 %**	**6.89**	**(4.00)**	**(6.00)**	1.78 %	7.75	(4.00)	(6.00)
+ 100	**0.77**	**3.37**	**-**	**-**	0.90	3.78	-	-

At December 31, 2013, the Bancorp s net interest income would benefit modestly in year one and year two due to these parallel ramp increases. The benefit is attributable to the combination of floating-rate assets, including our predominantly floating-rate commercial loan portfolio, and certain intermediate-term fixed rate liabilities. The benefit is down modestly when compared to December 31, 2012. The lower net interest income benefit is attributable to an increase in fixed-rate securities balances and the realization of slower prepayments on the available-for-sale security portfolio in 2013. At December 31, 2012, prepayments speeds on certain available-for-sale securities were projected to slow in a rising rate environment, which provided a benefit to net interest income sensitivity at that time. During 2013, these slowing prepayments were realized as a result of an increase in the level of market interest rates and mortgage rates. Further increases in interest rates will not have the same impact on net interest income, which results in a modest reduction in the benefit. The impacts of the slowing prepayments and the increase in the fixed-rate securities portfolio were partly offset by an increase in core deposit balances and an increase in actual and projected fixed-rate borrowings and shareholder s equity.

Economic Value of Equity Sensitivity

The Bancorp also utilizes EVE as a measurement tool in managing interest rate risk. Whereas the net interest income sensitivity analysis highlights the impact on forecasted NII over 1- and 2-year time horizons, the EVE analysis is a point in time analysis of the current positions and incorporates all cash flows over their estimated remaining lives. The EVE of the balance sheet is defined as the discounted present value of all remaining asset and net derivative cash flows less the discounted value of all remaining 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 December 31:

TABLE 56: ESTIMATED EVE SENSITIVITY PROFILE

	2013		2012	
Change in Interest Rates (bps)	Change in EVE	ALCO Policy Limit	Change in EVE	ALCO Policy Limit
+200	**(5.78)%**	**(12.00)**	2.16 %	(12.00)
+100	**(2.91)**		1.50	
+25	**(0.70)**		0.43	
-25	**0.63**		(0.52)	

At December 31, 2013, the EVE sensitivity was modestly negative, compared to a small benefit at December 31, 2012. The primary factors contributing to the change are an increase in the average life of mortgage loan and securities positions as a result of slowing prepayments due to increases in the levels of market interest rates and mortgage rates, growth in fixed-rate securities balances, and a decreased benefit related to MSRs. At December 31, 2012, the MSR valuation was projected to benefit from slowing prepayments that would occur with rising interest rates. Slowing prepayments were realized during 2013 due to increased market rates, and consequently, future increases in interest rates will have a smaller benefit to the MSR valuation.

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

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actions that management may undertake to manage risk in response to anticipated changes in interest rates.

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

Use of Derivatives to Manage Interest Rate Risk

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

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

its exposure to mortgage loans held for sale through the use of forward contracts and mortgage options.

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

Portfolio Loans and Leases and Interest Rate Risk

Although the Bancorp s portfolio loans and leases contain both fixed and floating/adjustable rate products, the rates of interest earned by the Bancorp on the outstanding balances are generally established for a period of time. The interest rate sensitivity of loans and leases is directly related to the length of time the rate earned is established. The following table summarizes the expected principal cash flows of the Bancorp s portfolio loans and leases as of December 31, 2013.

TABLE 57: PORTFOLIO LOAN AND LEASE EXPECTED MATURITIES

($ in millions)		Less than 1 year	1-5 years	Over 5 years	Total
Commercial and industrial loans	$	18,523	19,785	1,008	39,316
Commercial mortgage loans		3,569	4,054	443	8,066
Commercial construction loans		457	557	25	1,039
Commercial leases		669	1,608	1,348	3,625

Subtotal - commercial loans and leases		23,218	26,004	2,824	52,046
Residential mortgage loans		2,160	4,298	6,222	12,680
Home equity		1,352	5,088	2,806	9,246
Automobile loans		4,684	7,104	196	11,984
Credit card		661	1,633	-	2,294
Other consumer loans and leases		312	51	1	364
Subtotal - consumer loans and leases		9,169	18,174	9,225	36,568
Total	$	32,387	44,178	12,049	88,614

Additionally, the following table displays a summary of expected principal cash flows occurring after one year for both fixed and floating or adjustable rate loans, as of December 31, 2013:

TABLE 58: PORTFOLIO LOAN AND LEASE PRINCIPAL CASH FLOWS OCCURING AFTER ONE YEAR

		Interest Rate	
($ in millions)		Fixed	Floating or Adjustable
Commercial and industrial loans	$	2,839	17,954
Commercial mortgage loans		1,167	3,330
Commercial construction loans		27	555
Commercial leases		2,956	-
Subtotal - commercial loans and leases		6,989	21,839
Residential mortgage loans		7,682	2,838
Home equity		951	6,943
Automobile loans		7,252	48
Credit card		694	939
Other consumer loans and leases		35	17
Subtotal - consumer loans and leases		16,614	10,785
Total	$	23,603	32,624

Residential Mortgage Servicing Rights and Interest Rate Risk

The net carrying amount of the residential MSR portfolio was $967 million and $697 million as of December 31, 2013 and 2012, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally,

as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk

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associated with changes in the value of its MSR portfolio as a result of changing interest rates.

Mortgage rates increased during 2013 and decreased during 2012. The increase in interest rates during 2013 caused modeled prepayment speeds to slow, which led to a recovery of $192 million in temporary impairment on servicing rights during the year ended December 31, 2013. The decrease in interest rates during 2012 caused modeled prepayment speeds to increase, which led to $103 million in temporary impairment on servicing rights during the year ended December 31, 2012. Servicing rights are deemed temporarily impaired when a borrower s loan rate is distinctly higher than prevailing rates. Temporary impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. In addition to the mortgage servicing rights valuation, the Bancorp recognized net losses of $17 million and net gains of $66 million on its non-qualifying hedging strategy for the years ended 2013 and 2012, respectively. These amounts include net gains on securities related to the Bancorp s non-qualifying hedging strategy of $13 million and $3 million for 2013 and 2012, respectively. The Bancorp may adjust its hedging strategy to reflect its assessment of the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges

given the economic environment. See Note 11 of the Notes to 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 Consolidated Statements of Income. The balance of the Bancorp s foreign denominated loans at December 31, 2013 and 2012 was $581 million and $549 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations. The Bancorp has internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of currency volatility and credit equivalent exposure on these contracts, counterparty credit approvals and country limits.

LIQUIDITY RISK MANAGEMENT

The goal of liquidity management is to provide adequate funds to meet changes in loan and lease demand, unexpected levels of deposit withdrawals and other contractual obligations. Mitigating liquidity risk is accomplished by maintaining liquid assets in the form of investment securities, maintaining sufficient unused borrowing capacity in the debt markets and delivering consistent growth in core deposits. A summary of certain obligations and commitments to make future payments under contracts is included in Note 17 of the Notes to Consolidated Financial Statements.

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

Sources of Funds

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

Projected contractual maturities from loan and lease repayments are included in Table 57 of the Market Risk Management section of MD&A. Of the $18.6 billion of securities in the Bancorp s available-for-sale and other portfolio at December 31, 2013, $3.7 billion in principal and interest is expected to be received in the next 12 months and an additional $2.0 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp s securities portfolio, see the Securities section of MD&A.

Asset-driven liquidity is provided by the Bancorp s ability to sell or securitize loans and leases. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination.

Additional assets such as certain other residential mortgages, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. For the years ended December 31, 2013 and 2012, the Bancorp sold or securitized loans totaling $23.4 billion and $21.7 billion, respectively. For further information on the transfer of financial assets, see Note 11 of the Notes to Consolidated Financial Statements.

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

As of December 31, 2013, $3.8 billion of debt or other securities were available for issuance under the current Bancorp s Board of Directors authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. Additionally, the Bancorp has approximately $40.8 billion of borrowing capacity available through secured borrowing sources including the FHLB and FRB.

In February of 2013, the Bancorp s banking subsidiary updated and amended its existing global bank note program to increase the capacity from $20 billion to $25 billion. On February 28, 2013, the Bank issued and sold, under its amended bank notes program, $1.3 billion in aggregate principal amount of bank notes. On November 20, 2013, the Bank issued and sold, under its amended bank notes program, $1.8 billion in aggregate principal amount of bank notes. The Bancorp has $21.5 billion of funding available for issuance under the global bank note program as of December 31, 2013.

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. The Bancorp utilized a securitization trust to facilitate the securitization process. The trust issued asset-backed securities in the form of notes and

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equity certificates, with varying levels of credit subordination and payment priority. The Bancorp does not hold any of the notes or equity certificates issued by the trust, and the investors in these securities have no credit recourse to the Bancorp s assets for failure of debtors to pay when due.

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

Liquidity Coverage Ratio and Net Stable Funding Ratio

The BCBS 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, which would phase in the LCR beginning in 2015 with full implementation in 2019. The BCBS plans on introducing the NSFR final standard in the next two years.

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

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

Section 165 of the Dodd-Frank Act requires the FRB to establish enhanced liquidity standards for BHCs with total assets of $50 billion or greater. On October 24, 2013, the U.S. Banking Agencies issued an NPR that would implement a LCR requirement that is generally consistent with the international LCR standards published by the BCBS for large internationally active banking organizations, generally those with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure. Additionally, a Modified LCR requirement was proposed for BHC s with total consolidated assets of at least $50 billion that are not large internationally active banking organizations, like Fifth Third. The Modified LCR requirement incorporates a shorter (21-calendar days) stress scenario for calculating total net cash outflows than the LCR s 30 calendar day requirement. Therefore, the estimated net cash outflows for the Modified LCR generally would be 70% of the LCR s estimated net cash outflows. The NPR s transition period will begin on January 1, 2015 whereby LCR and Modified LCR entities must comply with a minimum ratio of 80%. On January 1, 2016 and 2017, the minimum ratio would increase to 90% and 100%, respectively. The NPR was open for public comment until January 31, 2014. Management is currently reviewing the NPR and evaluating its impact upon the Bancorp s Consolidated Financial Statements.

Credit Ratings

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

The Bancorp s credit ratings are summarized in Table 59. 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 59: AGENCY RATINGS

As of February 24, 2014	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	Baa2	BBB	A-	BBBH
Fifth Third Bank:				
Short-term	P-2	A-2	F1	R-1L
Long-term deposit	A3	No rating	A+	A
Senior debt	A3	A-	A	A
Subordinated debt	Baa1	BBB+	A-	AL

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. The Capital Committee is responsible for execution oversight of the capital actions of the capital plan.

Capital Ratios

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

The Basel II advanced approach framework was finalized by U.S. banking agencies in 2007. Core banks, defined as those with consolidated total assets in excess of $250 billion or on balance

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sheet foreign exposures of $10 billion were required to adopt the advanced approach effective April 1, 2008. The Bancorp does not meet these thresholds and, therefore, is not subject to the requirements of Basel II.

The Dodd-Frank Act requires more stringent prudential standards, including capital and liquidity requirements, for larger institutions. It addresses the quality of capital components by limiting the degree to which certain hybrid instruments can be included. The Dodd-Frank Act will phase out the inclusion of certain TruPS as a component of Tier I risk-based capital when the Bancorp implements the revised regulatory capital rules known as Basel III.

In December of 2010 and revised in June of 2011, the BCBS issued Basel III, a global regulatory framework, to enhance international capital standards. In June of 2012, U.S. banking regulators proposed enhancements to the regulatory capital requirements for U.S. banks, which implement aspects of Basel III, such as re-defining the regulatory capital elements and minimum capital ratios, introducing regulatory capital buffers above those minimums, revising the agencies rules for calculating risk-weighted assets and introducing a new Tier I common equity ratio. In July of 2013, U.S. banking regulators approved final enhanced regulatory capital requirements (Basel III Final Rule), which included modifications to the proposed rules. The Basel III Final Rule provides for certain banks, including the Bancorp, to opt out of including AOCI in Tier 1 capital and retain the treatment of residential mortgage exposures consistent with the current Basel I capital rules. The Basel III Final Rule will phase 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 December 31, 2013 the Bancorp s Tier I capital included $60 million of TruPS representing approximately 5 bps of risk weighted assets. The Basel III Final Rule is effective for the Bancorp on January 1, 2015, subject to phase-in periods for certain of its components and other provisions. The Bancorp is in the process of evaluating the Basel III Final Rule and its potential impact. The Bancorp s current estimate of the pro-forma fully phased in Tier I common equity ratio at December 31, 2013 under the Basel III Final Rule is approximately 8.99% compared with 9.39% as calculated under the existing Basel I capital framework. The primary drivers of the change from the existing Basel I capital framework to the Basel III Final Rule are an increase in Tier I

common equity of approximately 75 bps (primarily from the elimination of the current 10% deduction of mortgage servicing rights from capital), which would be more than offset by the impact of increases in risk-weighted assets (primarily from the treatment of securitizations, mortgage servicing rights and commitments with an original maturity of one year or less). If the Bancorp elects to include AOCI components in capital, the December 31, 2013 pro forma Basel III Final Rule Tier 1 common ratio would be increased by approximately 7 bps. The pro-forma Tier I common equity ratio exceeds the proposed minimum Tier I common equity ratio of 7% comprised of a minimum of 4.5% plus a capital conservation buffer of 2.5%. The pro-forma Tier I common equity ratio does not include the effect of any mitigating actions the Bancorp may undertake to offset the impact of the proposed capital enhancements. Additionally, pursuant to the Basel III Final Rule, the minimum capital ratios as of January 1, 2015 will be 6% for the Tier I capital ratio, 8% for the total risk-based capital ratio and 4% for the Tier I capital to average consolidated assets (leverage ratio). For further discussion on the Basel I and Basel III Tier I common equity ratios, see the Non-GAAP Financial Measures section of MD&A.

Market Risk Rule

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

TABLE 60: CAPITAL RATIOS

As of December 31 ($ in millions)		**2013**		2012	2011	2010	2009
Average equity as a percent of average assets		**11.56**	%	11.65	11.41	12.22	11.36
Tangible equity as a percent of tangible assets[(a)]		**9.44**		9.17	9.03	10.42	9.71
Tangible common equity as a percent of tangible assets[(a)]		**8.63**		8.83	8.68	7.04	6.45
Tier I capital	$	**12,094**		11,685	12,503	13,965	13,428
Total risk-based capital		**16,440**		15,816	16,885	18,178	17,648
Risk-weighted assets[(b)]		**116,736**		109,699	104,945	100,561	100,933
Regulatory capital ratios:							
Tier I risk-based capital		**10.36**	%	10.65	11.91	13.89	13.30
Total risk-based capital		**14.08**		14.42	16.09	18.08	17.48
Tier I leverage		**9.64**		10.05	11.10	12.79	12.34
Tier I common equity[(a)]		**9.39**		9.51	9.35	7.48	6.99

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

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

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Preferred Stock Offering and Conversion

As contemplated by the 2013 CCAR, on May 16, 2013 the Bancorp issued in a registered public offering 600,000 depositary shares, representing 24,000 shares of 5.10% fixed-to-floating rate non-cumulative Series H perpetual preferred stock, for net proceeds of $593 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends, on a non-cumulative semi-annual basis, at an annual rate of 5.10% through but excluding June 30, 2023, at which time it converts to a quarterly floating rate dividend of three-month LIBOR plus 3.033%. Subject to any required regulatory approval, the Bancorp may redeem the Series H preferred shares at its option in whole or in part, at any time on or after June 30, 2023 and may redeem in whole, but not in part, following a regulatory capital event at any time prior to June 30, 2023. The Series H preferred shares are not convertible into Bancorp common shares or any other securities.

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

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

On December 9, 2013, the Bancorp issued, in a registered public offering, 18,000,000 depositary shares, representing 18,000 shares of 6.625% fixed-to-floating rate non-cumulative Series I perpetual preferred stock, for net proceeds of $441 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends, on a non-cumulative quarterly basis, at an annual rate of 6.625% through but excluding December 31, 2023, at which time it converts to a quarterly floating rate dividend of three-month LIBOR plus 3.71%. Subject to any required regulatory approval, the Bancorp may redeem the Series I preferred shares at its option in whole or in part, at any time on or after December 31, 2023 and may redeem in whole, but not in part, following a regulatory capital event at any time prior to December 31, 2023. The Series I preferred shares are not convertible into Bancorp common shares or any other securities.

Redemption of TruPS

The Bancorp redeemed all $750 million of the outstanding TruPS issued by Fifth Third Capital Trust IV on December 30, 2013. These securities had a distribution rate of 6.50% and a scheduled maturity date of April 1, 2067. Pursuant to the terms of the TruPS, the securities of Fifth Third Capital Trust IV were redeemable within ninety days of a Capital Treatment Event. The Bancorp determined that a Capital Treatment Event occurred upon the publication of a Final Rule regarding Regulatory Capital Rules jointly by the Federal Reserve System and the Office of the Comptroller of the Currency. The redemption price was $1,000 per security, which reflected 100% of the liquidation amount, plus accrued and unpaid distributions to the actual redemption date of $10 million. The Bancorp recognized an $8 million loss on the extinguishment of this debt within other noninterest expense in the Consolidated Statements of Income.

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 $0.47 and

$0.36 during the years ended December 31, 2013 and 2012, respectively.

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

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

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

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

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

On November 13, 2013, the Bancorp entered into an accelerated share repurchase transaction with a counterparty

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pursuant to which the Bancorp purchased 8,538,423 shares, or approximately $200 million, of its outstanding common stock on November 18, 2013. The Bancorp repurchased the shares of its common stock as part of its Board approved 100 million share repurchase program previously announced on March 19, 2013. The Bancorp expects the settlement of the transaction to occur on or before February 28, 2014.

On December 10, 2013, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 19,084,195 shares, or approximately $456 million, of its outstanding common stock on December 13, 2013. The Bancorp repurchased the shares of its

common stock as part of its Board approved 100 million share repurchase program previously announced on March 19, 2013. The Bancorp expects the settlement of the transaction to occur on or before March 26, 2014.

On January 28, 2014, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp purchased 3,950,705 shares, or approximately $99 million, of its outstanding common stock on January 31, 2014. The Bancorp repurchased the shares of its common stock as part of its Board approved 100 million share repurchase program previously announced on March 19, 2013. The Bancorp expects the settlement of the transaction to occur on or before March 26, 2014.

TABLE 61: SHARE REPURCHASES

For the years ended December 31	**2013**	2012	2011
Shares authorized for repurchase at January 1	**63,046,682**	19,201,518	19,201,518
Additional authorizations(a)	**45,541,057**	86,269,178	-
Share repurchases(b)	**(65,516,126)**	(42,424,014)	-
Shares authorized for repurchase at December 31	**43,071,613**	63,046,682	19,201,518
Average price paid per share	**$18.80**	$14.82	N/A

(a) *In March 2013, 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 transaction. The authorization does not include specific price targets or an expiration date. This share repurchase authorization replaces the Board s previous authorization pursuant to which approximately 54 million shares remained available for repurchase by the Bancorp.*

(b) *Excludes **1,863,097**, 2,059,003 and 1,164,254 shares repurchased during **2013**, 2012, and 2011, respectively, in connection with various employee compensation plans. These repurchases are not included in the calculation for average price paid and do not count against the maximum number of shares that may yet be repurchased under the Board of Directors authorization.*

Stress Tests and CCAR

The FRB issued guidelines known as CCAR, which provide a common, conservative approach to ensure BHCs, including the Bancorp, hold adequate capital to maintain ready access to funding, continue operations and meet their obligations to creditors and counterparties, and continue to serve as credit intermediaries, even in adverse conditions. The CCAR process requires the submission of a comprehensive capital plan that assumes a minimum planning horizon of nine quarters under various economic scenarios.

The mandatory elements of the capital plan are an assessment of the expected use and sources of capital over the planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the Bancorp s business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the Bancorp s process for assessing capital adequacy and the Bancorp s capital policy. The capital plan must reflect the revised capital framework that the FRB adopted in connection with the implementation of the Basel III accord, including the framework s minimum regulatory capital ratios and transition arrangements.

The FRB s review of the capital plan will assess the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB reviews the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above the minimum regulatory capital ratios as they transition to Basel III and above a Basel I Tier 1 common ratio of 5 percent under baseline and stressful conditions throughout a nine-quarter planning horizon.

The FRB issued stress testing rules that implement section 165(i)(1) and (i)(2) of the DFA. Large BHCs, including the Bancorp, are subject to the final stress testing rules. The rules require both supervisory and company-run stress tests, which provide forward-looking information to supervisors to help assess whether institutions have sufficient capital to absorb losses and support operations during adverse economic conditions.

In March of 2013, the FRB announced it had completed the 2013 CCAR. For BHCs that proposed capital distributions in their plan, the FRB either objected to the plan or provided a non-

objection whereby the FRB concurred with the proposed 2013 capital distributions. The FRB indicated to the Bancorp that it did not object to the following proposed capital actions for the period beginning April 1, 2013 and ending March 31, 2014:

- Increase in the quarterly common stock dividend to $0.12 per share;
- Repurchase of up to $750 million in TruPS subject to the determination of a regulatory capital event and replacement with the issuance of a similar amount of Tier II-qualifying subordinated debt;
- Conversion of the $398 million in outstanding Series G 8.5% convertible preferred stock into approximately 35.5 million common shares issued to the holders. If this conversion were to occur, the Bancorp would intend to repurchase common shares equivalent to those issued in the conversion up to $550 million in market value, and issue $550 million in preferred stock;
- Repurchase of common shares in an amount up to $984 million, including any shares issued in a Series G preferred stock conversion;
- Incremental repurchase of common shares in the amount of any after-tax gains from the sale of Vantiv, Inc stock; and
- Issuance of an additional $500 million in preferred stock.

The capital plan also included the assumption that the Bancorp would issue approximately 3.5 million shares in restricted stock under employee compensation plans in 2013. The above potential capital actions are subject to Board approval and other factors including regulatory developments and market conditions. Actions consistent with the above proposed capital actions were substantially completed in 2013.

The DFA requires that BHCs with over $50 billion in consolidated assets that participated in the 2009 Supervisory Capital Assessment Program, including the Bancorp, conduct two stress tests each year. On May 13, 2013, the FRB launched the 2013 Mid-Cycle Stress Tests, which was submitted to the FRB in July of 2013. The stress tests required the BHCs to develop their own baseline,

adverse and severely adverse scenarios to reflect its individual operations and risks. Each BHC was required to release its results under the severely adverse scenario, which the Bancorp disclosed on its website on September 24, 2013.

The FRB launched the 2014 stress testing program and CCAR on November 1, 2013. The stress testing results and capital plan were submitted by the Bancorp to the FRB on January 6, 2014.

The FRB expects to release summary results of the 2014 stress testing program and CCAR in March of 2014. The results will include supervisory projections of capital ratios, losses and revenues under the supervisory adverse and supervisory severely adverse scenarios. The FRB will also issue an objection or non-objection to each participating institution s capital plan submitted under CCAR. Additionally, as a CCAR institution, Fifth Third is required to disclose its own estimates of results under the supervisory severely adverse scenario using the same consistently applied capital actions noted above, and to provide information related to risks included in its stress testing; a summary description of the methodologies used; estimates of aggregate pre-provision net revenue, losses, provisions, and pro forma capital ratios at the end of the forward-looking planning horizon of at least nine quarters; and an explanation of the most significant causes of changes in regulatory capital ratios. These disclosures are required to be sent to the FRB and publicly disclosed by March 31, 2014.

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OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, the Bancorp enters into financial transactions to extend credit and various forms of commitments and guarantees that may be considered off-balance sheet arrangements. These transactions involve varying elements of market, credit and liquidity risk. Refer to Note 17 of the Notes to Consolidated Financial Statements for additional information. A discussion of these transactions is as follows:

Residential Mortgage Loan Sales

Conforming residential mortgage loans sold to unrelated third parties are generally sold with representation and warranty recourse provisions. Such provisions include the loan s compliance with applicable loan criteria, including certain documentation standards per agreements with unrelated third parties. Additional reasons for the Bancorp having to repurchase the loans include compliance with collateral appraisal standards, fraud related to the loan application and the rescission of mortgage insurance. Under these provisions, the Bancorp is required to repurchase any previously sold loan for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading.

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 December 31, 2013 and 2012, the Bancorp maintained reserves related to loans sold with representation and warranty recourse provisions totaling $44 million and $110 million, respectively, included in other liabilities in the Bancorp s Consolidated Balance Sheets.

During 2013 and 2012, the Bancorp paid $64 million and $34 million, respectively, in the form of make whole payments and repurchased $89 million and $114 million, respectively, in outstanding principal of loans to satisfy investor demands. Total repurchase demand requests during 2013 and 2012 were $263 million and $340 million, respectively. Total outstanding repurchase demand inventory was $46 million at December 31, 2013 compared to $67 million at December 31, 2012.

The Bancorp sold certain residential mortgage loans in the secondary market with credit recourse. In the event of any customer default, pursuant to the credit recourse provided, the Bancorp is required to reimburse the third party. The maximum amount of credit risk in the event of nonperformance by the underlying borrowers is equivalent to the total outstanding balance. In the event of nonperformance, the Bancorp has rights to the underlying collateral value securing the loan. At December 31, 2013, the outstanding balances on these loans sold with credit recourse was $579 million compared to $662 million at December 31, 2012. The Bancorp maintained an estimated credit loss reserve on these loans sold with credit recourse of $16 million and $20 million at December 31, 2013 and 2012, respectively, included in other liabilities in the Consolidated Balance Sheets. To determine the credit loss reserve, the Bancorp used an approach that is consistent with its overall approach in estimating credit losses for various categories of residential mortgage loans held in its loan portfolio.

Private Mortgage Insurance

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

reinsurance coverage typically ranges from 5% to 10% of the total PMI coverage.

The Bancorp s maximum exposure in the event of nonperformance by the underlying borrowers is equivalent to the Bancorp s total outstanding reinsurance coverage, which was $37 million at December 31, 2013 and $58 million at December 31, 2012. The Bancorp maintained a reserve, included in other liabilities in the Bancorp s Consolidated Balance Sheets, related to exposures within the reinsurance portfolio of $10 million as of December 31, 2013 and $18 million as of December 31, 2012. In 2009, the Bancorp suspended the practice of providing reinsurance of private mortgage insurance for newly originated mortgage loans. In the second quarter of 2011, the Bancorp allowed one of its third-party insurers to terminate its reinsurance agreement with the Bancorp, resulting in the Bancorp releasing collateral to the insurer in the form of investment securities and other assets with a carrying value of $5 million, and the insurer assuming the Bancorp s obligations under the reinsurance agreement, resulting in a decrease to the Bancorp s reserve liability of $11 million and decrease in the Bancorp s maximum exposure of $27 million. In the fourth quarter of 2012, the Bancorp allowed one of its third-party insurers to terminate its reinsurance agreement with the Bancorp, resulting in the insurer assuming the Bancorp s obligations under the reinsurance agreement, resulting in a decrease to the Bancorp s reserve liability of $2 million and decrease in the Bancorp s maximum exposure of $3 million.

Automobile Loan Securitization

In March of 2013, the Bancorp recognized an immaterial loss on the securitization and sale of certain automobile loans with a carrying amount of approximately $509 million. The Bancorp utilized a securitization trust to facilitate the securitization process. The trust issued asset-backed securities in the form of notes and equity certificates, with varying levels of credit subordination and payment priority. The Bancorp does not hold any of the notes or equity certificates issued by the trust, and the investors in these securities have no credit recourse to the Bancorp s assets for failure of debtors to pay when due. As part of the sale, the Bancorp obtained servicing responsibilities and recognized a servicing asset with an initial fair value of $6 million. For further information on this automobile securitization, see Notes 10 and 11 of the Notes to Consolidated Financial Statements.

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

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Bancorp has certain obligations and commitments to make future payments under contracts. The aggregate contractual obligations and commitments at December 31, 2013 are shown in Table 62. As of December 31, 2013, the Bancorp has unrecognized tax benefits that, if recognized, would impact the effective tax rate in future periods. Due to the uncertainty of the amounts to be

ultimately paid as well as the timing of such payments, all uncertain tax liabilities that have not been paid have been excluded from the Contractual Obligations and Other Commitments table. For further detail on the impact of income taxes see Note 20 of the Notes to Consolidated Financial Statements.

TABLE 62: CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

As of December 31, 2013 ($ in millions)		Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Contractually obligated payments due by period:						
Deposits with a stated maturity of less than one year[(a)]	$	89,174	-	-	-	89,174
Time deposits[(c)]		7,424	1,902	720	55	10,101
Short-term borrowings[(e)]		1,664	-	-	-	1,664
Long-term debt[(b)]		157	4,617	2,095	2,764	9,633
Forward contracts related to held for sale mortgage loans[(d)]		1,448	-	-	-	1,448
Noncancelable lease obligations[(f)]		91	170	146	339	746
Partnership investment commitments[(g)]		261	103	22	21	407
Pension benefit payments[(i)]		18	34	29	63	144
Purchase obligations and capital expenditures[(h)]		52	30	24	11	117
Capital lease obligations		8	11	-	-	19
Total contractually obligated payments due by period	$	100,297	6,867	3,036	3,253	113,453
Other commitments by expiration period						
Commitments to extend credit[(j)]	$	33,180	10,884	17,937	139	62,140
Letters of credit[(k)]		1,899	1,969	204	57	4,129
Total other commitments by expiration period	$	35,079	12,853	18,141	196	66,269

(a) Includes demand, interest checking, savings, money market and foreign office deposits. For additional information, see the Deposits discussion in the Balance Sheet Analysis section of MD&A.

(b) In the banking industry, interest-bearing obligations are principally used to fund interest-earning assets. As such, interest charges on contractual obligations were excluded from reported amounts, as the potential cash outflows would have corresponding cash inflows from interest-earning assets. See Note 16 of the Notes to Consolidated Financial Statements for additional information on these debt instruments.

(c) Includes other time and certificates $100,000 and over. For additional information, see the Deposits discussion in the Balance Sheet Analysis section of MD&A.

(d) See Note 12 of the Notes to Consolidated Financial Statements for additional information on forward contracts to sell residential mortgage loans.

(e) Includes federal funds purchased and borrowings with an original maturity of less than one year. For additional information, see Note 15 of the Notes to Consolidated Financial Statements.

(f) Includes rental commitments.

(g) Includes low-income housing, historic tax investments and market tax credits. For additional information, see Note 10 of the Notes to Consolidated Financial Statements.

(h) Represents agreements to purchase goods or services and includes commitments to various general contractors for work related to banking center construction.

(i) See Note 21 of the Notes to Consolidated Financial Statements for additional information on pension obligations.

(j) Commitments to extend credit are agreements to lend, typically having fixed expiration dates or other termination clauses that may require payment of a fee. Many of the commitments to extend credit may expire without being drawn upon. The total commitment amounts include capital commitments for private equity investments and do not necessarily represent future cash flow requirements. For additional information, see Note 17 of the Notes to Consolidated Financial Statements.

(k) Letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. For additional information, see Note 17 of the Notes to Consolidated Financial Statements.

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MANAGEMENT S ASSESSMENT AS TO THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

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 management on a timely basis.

The management of Fifth Third Bancorp is responsible for establishing and maintaining adequate internal control, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Bancorp s management assessed the effectiveness of the Bancorp s internal control over financial reporting as of December 31, 2013. Management s assessment is based on the criteria established in the *1992 Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and was designed to provide reasonable assurance that the Bancorp maintained effective internal control over financial reporting as of December 31, 2013. Based on this assessment, management believes that the Bancorp maintained effective internal control over financial reporting as of December 31, 2013. The Bancorp s independent registered public accounting firm, that audited the Bancorp s consolidated financial statements included in this annual report, has issued an audit report on our internal control over financial reporting as of December 31, 2013. This report appears on page 87 of the annual report.

The Bancorp s management also conducted an evaluation of internal control over financial reporting to determine whether any changes occurred during the year 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 year covered by this report.

Kevin T. Kabat	Tayfun Tuzun
Vice Chairman and Chief Executive Officer	Executive Vice President and Chief Financial Officer
February 24, 2014	February 24, 2014

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REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Fifth Third Bancorp:

We have audited the internal control over financial reporting of Fifth Third Bancorp and subsidiaries (the Bancorp) as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bancorp s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Assessment as to the Effectiveness of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bancorp s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Bancorp and our report dated February 24, 2014 expressed an unqualified opinion on those consolidated financial statements.

Cincinnati, Ohio

February 24, 2014

To the Shareholders and Board of Directors of Fifth Third Bancorp:

We have audited the accompanying consolidated balance sheets of Fifth Third Bancorp and subsidiaries (the Bancorp) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Bancorp s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Fifth Third Bancorp and subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bancorp s internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2014 expressed an unqualified opinion on the Bancorp s internal control over financial reporting.

Cincinnati, Ohio

February 24, 2014

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CONSOLIDATED BALANCE SHEETS

As of December 31 ($ in millions, except share data)		2013	2012
Assets			
Cash and due from banks[a]	$	**3,178**	2,441
Available-for-sale and other securities[b]		**18,597**	15,207
Held-to-maturity securities[c]		**208**	284
Trading securities		**343**	207
Other short-term investments		**5,116**	2,421
Loans held for sale[d]		**944**	2,939
Portfolio loans and leases:			
Commercial and industrial loans		**39,316**	36,038
Commercial mortgage loans[a]		**8,066**	9,103
Commercial construction loans		**1,039**	698
Commercial leases		**3,625**	3,549
Residential mortgage loans[e]		**12,680**	12,017
Home equity		**9,246**	10,018
Automobile loans[a]		**11,984**	11,972
Credit card		**2,294**	2,097
Other consumer loans and leases		**364**	290
Portfolio loans and leases		**88,614**	85,782
Allowance for loan and lease losses[a]		**(1,582)**	(1,854)
Portfolio loans and leases, net		**87,032**	83,928
Bank premises and equipment		**2,531**	2,542
Operating lease equipment		**730**	581
Goodwill		**2,416**	2,416
Intangible assets		**19**	27
Servicing rights		**971**	697
Other assets[a]		**8,358**	8,204
Total Assets	$	**130,443**	121,894
Liabilities			
Deposits:			
Demand	$	**32,634**	30,023
Interest checking		**25,875**	24,477
Savings		**17,045**	19,879
Money market		**11,644**	6,875
Other time		**3,530**	4,015
Certificates - $100,000 and over		**6,571**	3,284
Foreign office and other		**1,976**	964
Total deposits		**99,275**	89,517
Federal funds purchased		**284**	901
Other short-term borrowings		**1,380**	6,280
Accrued taxes, interest and expenses		**1,758**	1,708
Other liabilities[a]		**3,487**	2,639

Long-term debt[(a)]		**9,633**	7,085
Total Liabilities		**115,817**	108,130
Equity			
Common stock[(f)]		**2,051**	2,051
Preferred stock[(g)]		**1,034**	398
Capital surplus		**2,561**	2,758
Retained earnings		**10,156**	8,768
Accumulated other comprehensive income		**82**	375
Treasury stock[(f)]		**(1,295)**	(634)
Total Bancorp shareholders equity		**14,589**	13,716
Noncontrolling interests		**37**	48
Total Equity		**14,626**	13,764
Total Liabilities and Equity	$	**130,443**	121,894

*(a) At **December 31, 2013** and 2012, includes $**49** and $0 of cash and due from banks, **$48** and $50 of commercial mortgage loans, **$ 1,010** and $0 of automobile loans, **$(15)** and $(5) of ALLL, **$13** and $3 of other assets, **$1** and $0 of other liabilities, **$ 1,048** and $0 of long-term debt from consolidated VIEs that are included in their respective captions. See Note 10.*

*(b) Amortized cost of **$18,409** and $ 14,571 at **December 31, 2013** and 2012, respectively.*

*(c) Fair value of **$208** and $284 at **December 31, 2013** and 2012, respectively.*

*(d) Includes **$890** and $2,856 of residential mortgage loans held for sale measured at fair value at **December 31, 2013**, and 2012, respectively.*

*(e) Includes **$92** and $76 of residential mortgage loans measured at fair value at **December 31, 2013** and 2012, respectively.*

*(f) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at **December 31, 2013** **855,305,745 (excludes 68,586,836 treasury shares)** and December 31, 2012 882,152,057 (excludes 41,740,524 treasury shares).*

*(g) 458,000 shares of undesignated no par value preferred stock are authorized and unissued at **December 31, 2013**; fixed-to-floating rate non-cumulative Series H perpetual preferred stock with a $25,000 liquidation preference: **24,000** authorized, issued and outstanding at **December 31, 2013**; fixed-to-floating rate non-cumulative Series I perpetual preferred stock with a $25,000 liquidation preference: **18,000** authorized, issued and outstanding at **December 31, 2013** and 8.5% non-cumulative Series G convertible (into 2,159.8272 common shares) perpetual preferred stock with a $25,000 liquidation preference: 46,000 authorized and 16,450 issued and outstanding at December 31, 2012.*

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 ($ in millions, except per share data)		2013	2012	2011
Interest Income				
Interest and fees on loans and leases	$	**3,447**	3,574	3,613
Interest on securities		**520**	529	600
Interest on other short-term investments		**6**	4	5
Total interest income		**3,973**	4,107	4,218
Interest Expense				
Interest on deposits		**202**	216	352
Interest on other short-term borrowings		**6**	8	4
Interest on long-term debt		**204**	288	305
Total interest expense		**412**	512	661
Net Interest Income		**3,561**	3,595	3,557
Provision for loan and lease losses		**229**	303	423
Net Interest Income After Provision for Loan and Lease Losses		**3,332**	3,292	3,134
Noninterest Income				
Mortgage banking net revenue		**700**	845	597
Service charges on deposits		**549**	522	520
Corporate banking revenue		**400**	413	350
Investment advisory revenue		**393**	374	375
Card and processing revenue		**272**	253	308
Other noninterest income		**879**	574	250
Securities gains, net		**21**	15	46
Securities gains, net - non-qualifying hedges on mortgage servicing rights		**13**	3	9
Total noninterest income		**3,227**	2,999	2,455
Noninterest Expense				
Salaries, wages and incentives		**1,581**	1,607	1,478
Employee benefits		**357**	371	330
Net occupancy expense		**307**	302	305
Technology and communications		**204**	196	188
Card and processing expense		**134**	121	120
Equipment expense		**114**	110	113
Other noninterest expense		**1,264**	1,374	1,224
Total noninterest expense		**3,961**	4,081	3,758
Income Before Income Taxes		**2,598**	2,210	1,831
Applicable income tax expense		**772**	636	533
Net Income		**1,826**	1,574	1,298
Less: Net income attributable to noncontrolling interests		**(10)**	(2)	1
Net Income Attributable to Bancorp		**1,836**	1,576	1,297
Dividends on preferred stock		**37**	35	203
Net Income Available to Common Shareholders	$	**1,799**	1,541	1,094
Earnings Per Share	$	**2.05**	1.69	1.20

Earnings Per Diluted Share	**$**	**2.02**	1.66	1.18
Average common shares - basic		**869,462,977**	904,425,226	906,460,550
Average common shares - diluted		**894,736,445**	945,554,102	949,545,420
Cash dividends declared per common share	**$**	**0.47**	0.36	0.28

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 ($ in millions)		2013	2012	2011
Net income	$	**1,826**	1,574	1,298
Other comprehensive (loss) income, net of tax:				
Unrealized gains on available-for-sale securities:				
Unrealized holding (losses) gains on available-for-sale securities arising during the year		**(295)**	(63)	201
Reclassification adjustment for net losses (gains) included in net income		**4**	(10)	(37)
Unrealized gains on cash flow hedge derivatives:				
Unrealized holding (losses) gains on cash flow hedge derivatives arising during the year		**(8)**	24	58
Reclassification adjustment for net gains included in net income		**(29)**	(54)	(45)
Defined benefit pension plans:				
Net actuarial gain (loss) arising during the year		**25**	(5)	(33)
Reclassification of amounts to net periodic benefit costs		**10**	13	12
Other comprehensive (loss) income		**(293)**	(95)	156
Comprehensive income		**1,533**	1,479	1,454
Less: Comprehensive income attributable to noncontrolling interests		**(10)**	(2)	1
Comprehensive income attributable to Bancorp	$	**1,543**	1,481	1,453

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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, 2010	$ 1,779	3,654	1,715	6,719	314	(130)	14,051	29	14,080
Net income				1,297			1,297	1	1,298
Other comprehensive income					156		156		156
Cash dividends declared:									
Common stock at $0.28 per share				(257)			(257)		(257)
Preferred stock				(50)			(50)		(50)
Issuance of common stock	272		1,376				1,648		1,648
Redemption of preferred shares, Series F		(3,408)					(3,408)		(3,408)
Redemption of stock warrant			(280)				(280)		(280)
Accretion of preferred dividends, Series F		153		(153)			-		-
Impact of stock transactions under stock compensation plans, net			(21)			65	44		44
Noncontrolling interest							-	21	21
Other		(1)	2	(2)		1	-	(1)	(1)
Balance at December 31, 2011	2,051	398	2,792	7,554	470	(64)	13,201	50	13,251
Net income				1,576			1,576	(2)	1,574
Other comprehensive loss					(95)		(95)		(95)
Cash dividends declared:									
Common stock at $0.36 per share				(325)			(325)		(325)
Preferred stock				(35)			(35)		(35)
			(23)			(627)	(650)		(650)

Shares acquired for treasury									
Impact of stock transactions under stock compensation plans, net			(11)			54	43		43
Other				(2)		3	1		1
Balance at December 31, 2012	2,051	398	2,758	8,768	375	(634)	13,716	48	13,764
Net income				**1,836**			**1,836**	**(10)**	**1,826**
Other comprehensive loss					**(293)**		**(293)**		**(293)**
Cash dividends declared:									
Common stock at **$0.47 per share**				**(407)**			**(407)**		**(407)**
Preferred stock				**(37)**			**(37)**		**(37)**
Shares acquired for treasury			**(78)**			**(1,242)**	**(1,320)**		**(1,320)**
Issuance of preferred stock		**1,034**					**1,034**		**1,034**
Redemption of preferred stock, Series G		**(398)**	**(142)**			**540**	**-**		**-**
Impact of stock transactions under stock compensation plans, net			**22**			**38**	**60**		**60**
Other			**1**	**(4)**		**3**	**-**	**(1)**	**(1)**
Balance at December 31, 2013	**$ 2,051**	**1,034**	**2,561**	**10,156**	**82**	**(1,295)**	**14,589**	**37**	**14,626**

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 ($ in millions)		2013	2012	2011
Operating Activities				
Net income	$	**1,826**	1,574	1,298
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for loan and lease losses		**229**	303	423
Depreciation, amortization and accretion		**507**	531	455
Stock-based compensation expense		**78**	69	59
Provision for deferred income taxes		**253**	271	437
Securities gains		**(199)**	(69)	(58)
Securities gains non-qualifying hedges on mortgage servicing rights		**(13)**	(10)	(24)
Securities losses		**178**	54	12
Securities losses non-qualifying hedges on mortgage servicing rights		**-**	7	15
(Recovery of) provision for MSR impairment		**(192)**	103	242
Net gains on sales of loans and fair value adjustments on loans held for sale		**(372)**	(278)	(145)
Bank premises and equipment impairment		**6**	21	-
Capitalized servicing rights		**(250)**	(305)	(236)
Loss on extinguishment of debt		**8**	169	-
Proceeds from sales of loans held for sale		**22,047**	22,044	14,783
Loans originated for sale, net of repayments		**(19,003)**	(21,439)	(15,199)
Dividends representing return on equity method investments		**54**	45	13
Gain on sales of Vantiv, Inc. shares and Vantiv, Inc. IPO		**(336)**	(272)	-
Net change in:				
Trading securities		**(131)**	(28)	115
Other assets		**(672)**	4	(67)
Accrued taxes, interest and expenses		**8**	1	79
Other liabilities		**569**	(238)	164
Net Cash Provided by Operating Activities		**4,595**	2,557	2,366
Investing Activities				
Sales:				
Available-for-sale securities		**9,328**	2,521	2,471
Loans		**657**	275	371
Disposal of bank premises and equipment		**33**	13	35
Repayments / maturities:				
Available-for-sale securities		**3,191**	4,100	3,502
Held-to-maturity securities		**74**	36	29
Purchases:				
Available-for-sale securities		**(16,216)**	(6,813)	(5,689)
Bank premises and equipment		**(274)**	(362)	(319)
		674	393	63

Proceeds from sales and dividends representing return of equity method investments				
Net change in:				
Other short-term investments		**(2,695)**	(640)	(267)
Loans and leases		**(4,750)**	(5,930)	(5,422)
Operating lease equipment		**(206)**	(126)	(59)
Net Cash Used in Investing Activities		**(10,184)**	(6,533)	(5,285)
Financing Activities				
Net change in:				
Core deposits		**6,550**	3,529	5,264
Certificates - $100,000 and over, including foreign office and other		**3,208**	279	(1,202)
Federal funds purchased		**(618)**	555	67
Other short-term borrowings		**(4,900)**	3,041	1,665
Dividends paid on common stock		**(393)**	(309)	(192)
Dividends paid on preferred stock		**(37)**	(35)	(50)
Proceeds from issuance of long-term debt		**5,044**	523	1,500
Repayment of long-term debt		**(2,225)**	(3,159)	(1,607)
Repurchases of treasury shares and related forward contracts		**(1,320)**	(650)	-
Issuance of common stock		**-**	-	1,648
Issuance of preferred stock		**1,034**	-	-
Redemption of preferred stock, Series F		**-**	-	(3,408)
Redemption of stock warrant		**-**	-	(280)
Capital contributions from noncontrolling interests		**-**	-	21
Other		**(17)**	(20)	(3)
Net Cash Provided By Financing Activities		**6,326**	3,754	3,423
Increase (Decrease) in Cash and Due from Banks		**737**	(222)	504
Cash and Due from Banks at Beginning of Period		**2,441**	2,663	2,159
Cash and Due from Banks at End of Period	$	**3,178**	2,441	2,663

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of Operations

Fifth Third Bancorp, an Ohio corporation, conducts its principal lending, deposit gathering, transaction processing and service advisory activities through its banking and non-banking subsidiaries from banking centers located throughout the Midwestern and Southeastern regions of the United States.

Basis of Presentation

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

Use of Estimates

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.

Cash and Due From Banks

Cash and due from banks consist of currency and coin, cash items in the process of collection and due from banks. Currency and coin includes both U.S. and foreign currency owned and held at Fifth Third offices and that is in-transit to the FRB. Cash items in the process of collection include checks and drafts that are drawn on another depository institution or the FRB that are payable immediately upon presentation in the U.S. Balances due from banks include non-interest bearing balances that are funds on deposit at other depository institutions or the FRB.

Securities

Securities are classified as held-to-maturity, available-for-sale or trading on the date of purchase. Only those securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. 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 are classified as trading when bought and held principally for the purpose of selling them in the near term. Available-for-sale securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, included in other comprehensive income. Trading securities are reported at fair value with unrealized gains and losses included in noninterest income. The fair value of a security is determined based on quoted market prices. If quoted market prices are not available, fair value is determined based on quoted prices of similar instruments or discounted cash flow models that incorporate market inputs and assumptions including discount rates, prepayment speeds, and loss rates. Realized securities gains or losses are reported within noninterest income in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

Available-