FIFTH THIRD BANCORP
Form 10-Q
August 07, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2014

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

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

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

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

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

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

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

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

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

There were 834,234,230 shares of the Registrant s common stock, without par value, outstanding as of July 31, 2014.

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FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, forecast, projected, intends to, or may include other similar words or phrases such as believes, plans, trend, objective, co or similar expressions, or future or conditional verbs such as will, would, should, could, might, can, or similar verbs. You should not plac reliance on these statements, as they are subject to risks and uncertainties, including but not limited to the risk factors set forth in our most recent Annual Report on Form 10-K. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic 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, relationship with, and nature of the operations of Vantiv, LLC; (21) loss of income from any sale or potential sale of businesses that could have an adverse effect on Fifth Third s earnings and future growth; (22) 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 Condensed Consolidated Financial Statements and the Notes to Condensed Consolidated Financial Statements.

ABS: Asset-Backed Securities

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

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion

bps: Basis points

CCAR: Comprehensive Capital Analysis and Review

CD: Certificate of Deposit

CDC: Fifth Third Community Development Corporation

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

CMBS: Commercial Mortgage-Backed Securities

DCF: Discounted Cash Flow

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London InterBank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

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

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

NM: Not Meaningful

NPR: Notice of Proposed Rulemaking

NSFR: Net Stable Funding Ratio

OCC: Office of the Comptroller of the Currency

OCI: Other Comprehensive Income

OREO: Other Real Estate Owned

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

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GDP: Gross Domestic Product

GSE: Government Sponsored Enterprise

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

SBA: Small Business Administration

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

U.S.: United States of America

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

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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

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

TABLE 1: Selected Financial Data

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions, except for per share data)	**2014**	2013	% Change	**2014**	2013	% Change
Income Statement Data						
Net interest income[(a)]	**$ 905**	885	2	**$ 1,803**	1,777	1
Noninterest income	**736**	1,060	(31)	**1,300**	1,803	(28)
Total revenue[(a)]	**1,641**	1,945	(16)	**3,103**	3,580	(13)
Provision for loan and lease losses	**76**	64	20	**146**	126	16
Noninterest expense	**954**	1,035	(8)	**1,903**	2,013	(5)
Net income attributable to Bancorp	**439**	591	(26)	**756**	1,013	(25)
Net income available to common shareholders	**416**	582	(29)	**724**	995	(27)
Common Share Data						
Earnings per share, basic	**$ 0.49**	0.67	(27)	**$ 0.85**	1.14	(25)
Earnings per share, diluted	**0.49**	0.65	(25)	**0.84**	1.11	(23)
Cash dividends per common share	**0.13**	0.12	8	**0.25**	0.23	9
Book value per share	**16.74**	15.56	8	**16.74**	15.56	8
Market value per share	**21.35**	18.05	18	**21.35**	18.05	18
Financial Ratios (%)						
Return on average assets	**1.34 %**	1.94	(31)	**1.17 %**	1.68	(30)
Return on average common equity	**11.9**	17.3	(31)	**10.5**	14.9	(30)
Dividend payout ratio	**26.5**	17.9	48	**29.4**	20.2	46
Average Bancorp shareholders equity as a percent of average assets	**11.57**	11.64	(1)	**11.55**	11.51	
Tangible common equity[(b)]	**8.74**	8.83	(1)	**8.74**	8.83	(1)
Net interest margin[(a)]	**3.15**	3.33	(5)	**3.18**	3.38	(6)
Efficiency[(a)]	**58.2**	53.2	9	**61.4**	56.2	9
Credit Quality						
Net losses charged off	**$ 101**	112	(9)	**$ 270**	245	10
Net losses charged off as a percent of average loans and leases[(d)]	**0.45 %**	0.51	(12)	**0.60 %**	0.57	6
ALLL as a percent of portfolio loans and leases	**1.61**	1.99	(19)	**1.61**	1.99	(19)
Allowance for credit losses as a percent of portfolio loans and leases[(c)]	**1.77**	2.18	(19)	**1.77**	2.18	(19)
Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned[(d)]	**0.92**	1.32	(30)	**0.92**	1.32	(30)
Average Balances						
Loans and leases, including held for sale	**$ 91,241**	89,473	2	**$ 90,742**	89,179	2
Total securities and other short-term investments	**23,940**	16,962	41	**23,443**	16,904	39
Total assets	**130,965**	122,212	7	**129,953**	121,668	7
Transaction deposits[(e)]	**89,148**	81,678	9	**88,526**	81,311	9
Core deposits[(f)]	**92,841**	85,537	9	**92,181**	85,231	8

Wholesale funding[g]	**19,204**	17,508	10	**18,726**	17,595	6
Bancorp shareholders equity	**15,157**	14,221	7	**15,011**	14,001	7
Regulatory Capital Ratios (%)						
Tier I risk-based capital	**10.80 %**	11.14	(3)	**10.80 %**	11.14	(3)
Total risk-based capital	**14.30**	14.43	(1)	**14.30**	14.43	(1)
Tier I leverage	**9.86**	10.45	(6)	**9.86**	10.45	(6)
Tier I common equity[b]	**9.61**	9.49	1	**9.61**	9.49	1

(a) *Amounts presented on an FTE basis. The FTE adjustment for the three months ended **June 30, 2014** and 2013 was **$5** and for the six months ended **June 30, 2014** and 2013 was **$10** and $9, 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 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.*

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At June 30, 2014, the Bancorp had $132.6 billion in assets, operated 15 affiliates with 1,309 full-service Banking Centers, including 102 Bank Mart® locations open seven days a week inside select grocery stores, and 2,619 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 23% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $384 million as of June 30, 2014.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013. 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 quarterly report on Form 10-Q. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements.

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 three months ended June 30, 2014, net interest income, on an FTE basis, and noninterest income provided 55% and 45% of total revenue, respectively. For the six months ended June 30, 2014, net interest income, on an FTE basis, and noninterest income provided 58% and 42% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Bancorp s Condensed Consolidated Financial Statements. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section, 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 service charges on deposits, corporate banking revenue, investment advisory revenue, mortgage banking net 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.

Accelerated Share Repurchase Transactions

During 2013 and the six months ended June 30, 2014, 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 delivered at settlement was based generally on a discount to the average daily volume weighted average price of the Bancorp s common stock during the term of the repurchase agreements. For more information on the accelerated share repurchase program, see Note 14 of the Notes to Condensed Consolidated Financial Statements. For a summary of the Bancorp s accelerated share repurchase transactions that were entered into or settled during the six months ended June 30, 2014 refer to Table 2.

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

TABLE 2: Summary of Accelerated Share Repurchase Transactions

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Settlement Date
November 18, 2013	$ 200	8,538,423	1,132,495	9,670,918	March 5, 2014
December 13, 2013	456	19,084,195	2,294,932	21,379,127	March 31, 2014
January 31, 2014	99	3,950,705	602,109	4,552,814	March 31, 2014
May 1, 2014	150	6,216,480	1,016,514	7,232,994	July 21, 2014

Preferred Stock Offering

On June 5, 2014, the Bancorp issued in a registered public offering 300,000 depositary shares, representing 12,000 shares of 4.90% fixed-to-floating rate non-cumulative Series J perpetual preferred stock, for net proceeds of $297 million. The Series J preferred shares are not convertible into Bancorp common shares or any other securities. For additional information on the preferred stock offering, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements.

Senior Notes Offerings

On February 28, 2014, the Bancorp issued and sold $500 million of 2.30% unsecured senior fixed rate notes, with a maturity of five years, due on March 1, 2019. These notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding the redemption date.

On April 25, 2014, the Bank issued and sold $1.5 billion in aggregate principal amount of unsecured senior bank notes. The bank notes consisted of $850 million of 2.375% senior fixed rate notes, with a maturity of five years, due on April 25, 2019; and $650 million of 1.35% senior fixed rate notes with a maturity of three years, due on June 1, 2017. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date. For additional information on the senior notes offerings, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements.

Automobile Loan Securitizations

During the six months ended June 30, 2014, the Bancorp transferred approximately $2.8 billion in fixed-rate consumer automobile loans to bankruptcy remote trusts which were deemed to be VIEs. The Bancorp concluded that it is the primary beneficiary of these VIEs and, therefore, has consolidated these VIEs. For additional information on the automobile loan securitizations, refer to Note 9 of the Notes to Condensed Consolidated Financial Statements.

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 rules governing regulatory capital ratios. This act also calls for federal regulatory agencies to conduct multiple studies over 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.

The FRB launched the 2014 capital planning and stress testing program, CCAR, on November 1, 2013. The CCAR program requires BHCs with $50 billion or more of total consolidated assets to submit annual capital plans to the FRB for review and to conduct stress tests under a number of economic scenarios. The capital plan and stress testing results were submitted by the Bancorp to the FRB on January 6, 2014.

In March of 2014, the FRB disclosed its estimates of participating institutions results under the FRB supervisory stress scenario, including capital results, which assume all banks take certain consistently applied future capital actions. In addition, the FRB disclosed its estimates of participating institutions results under the FRB supervisory severe stress scenarios including capital results based on each company s own base scenario capital actions.

On March 26, 2014, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2014 CCAR. The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning April 1, 2014 and ending March 31, 2015:

- The potential increase in the quarterly common stock dividend to $0.13 per share;
- The potential repurchase of common shares in an amount up to $669 million;
- The additional ability to repurchase shares in the amount of any after-tax gains from the sale of Vantiv, Inc. common stock; and
- The issuance of $300 million in preferred stock

For more information on the 2014 CCAR results, refer to the Capital Management section of MD&A.

The Bancorp and other large bank holding companies are 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 2014. For further discussion on the 2014 mid-year stress test, see the Capital Management section of MD&A.

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

Fifth Third offers qualified deposit customers a deposit advance product if they choose to avail themselves of this product to meet short term, small-dollar financial needs. In April of 2013, the CFPB issued a White Paper which studied financial services industry offerings and customer use of deposit advance products as well as payday loans and is considering whether rules governing these products are warranted. At the same time, the OCC and FDIC each issued proposed supervisory guidance for public comment to institutions they supervise which supplements existing OCC and FDIC guidance, detailing the principles they expect financial institutions to follow in connection with deposit advance products and supervisory expectations for the use of deposit advance products. The Federal Reserve also issued a statement in April 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 Condensed 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 Condensed Consolidated Statements of Income and in Tables 4 and 5 in the Statements of Income Analysis section of 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 Condensed Consolidated Financial Statements of both the phase out of the deposit advance product and the 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, 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. Refer to the Non-GAAP section of MD&A for an estimate of the Basel III Tier I common equity ratio.

On December 10, 2013, the banking agencies finalized section 619 of the Dodd-Frank Act, known as the Volcker Rule, which became effective April 1, 2014. Though the final rule was 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, as well as holding certain collateralized loan obligations that are deemed to contain ownership interests. Exemptions are provided for certain activities such as underwriting, market making, hedging, trading in certain government obligations and organizing and offering a hedge fund or private equity fund. Fifth Third does not sponsor any private equity or hedge funds that, under the final rule, it is prohibited from sponsoring. As of June 30, 2014, the Bancorp held no collateralized loan obligations. As of June 30, 2014, the Bancorp had approximately $180 million in interests and approximately $72 million in binding commitments to invest in private equity funds that are affected by the Volcker Rule. It is expected that over time the Bancorp may need to sell or redeem these investments, however no formal plan to sell has been approved as of June 30, 2014. The Bancorp believes it is likely that these investments will be reduced over time in the ordinary course before compliance is required.

On January 7, 2013, the BCBS issued a final international standard for the LCR for large, internationally active banks. 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 of MD&A for further

discussion on these ratios.

On July 31, 2013, the U.S. District Court for the District of Columbia issued an order granting summary judgment to the plaintiffs in a case challenging certain provisions of the FRB s rule concerning electronic debit card transaction fees and network exclusivity arrangements (the Current Rule) that were adopted to implement Section 1075 of the 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 appealed this decision and on March 21, 2014, the D.C. Circuit Court of Appeals reversed the District Court s grant of summary judgment and remanded the case for further proceedings in accordance with its opinion. If this decision is ultimately overturned and/or the FRB re-issues rules for purposes of implementing the Durbin Amendment in a manner consistent with the District Court 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.

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

Earnings Summary

The Bancorp s net income available to common shareholders for the second quarter of 2014 was $416 million, or $0.49 per diluted share, which was net of $23 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the second quarter of 2013 was $582 million, or $0.65 per diluted share, which was net of $9 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the six months ended June 30, 2014 was $724 million, or $0.84 per diluted share, which was net of $32 million in preferred stock dividends. For the six months ended June 30, 2013, the Bancorp s net income available to common shareholders was $995 million, or $1.11 per diluted share, which was net of $18 million in preferred stock dividends. Pre-provision net revenue was $682 million and $1.2 billion for the three and six months ended June 30, 2014, respectively, compared to $905 million and $1.6 billion in the same periods in 2013. Pre-provision net revenue is a non-GAAP measure. For further information, see the Non-GAAP Financial Measures section of MD&A.

Net interest income was $905 million and $1.8 billion for the three and six months ended June 30, 2014, respectively, compared to $885 million and $1.8 billion for the three and six months ended June 30, 2013, respectively. For the three and six months ended June 30, 2014, net interest income was positively impacted by increases in average taxable securities of $6.4 billion and $5.8 billion, respectively, coupled with increases in yields on these securities of 25 bps and 30 bps for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. Net interest income also included the impact of increases in average loans and leases of $1.8 billion and $1.6 billion for the three and six months ended June 30, 2014, respectively, as well as decreases in the rates paid on long-term debt compared to the same periods in the prior year. These benefits were partially offset by lower yields on loans and leases and increases in average long-term debt of $5.0 billion and $3.9 billion for the three and six months ended June 30, 2014, respectively. Net interest margin was 3.15% and 3.18% for the three and six months ended June 30, 2014, respectively, compared to 3.33% and 3.38% for the same periods in the prior year.

Noninterest income decreased $324 million and $503 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year due to decreases in mortgage banking net revenue and other noninterest income. Mortgage banking net revenue decreased $155 million and $266 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year primarily due to a decrease in origination fees and gains on loan sales and a decrease in positive net valuation adjustments on mortgage servicing rights and free standing derivatives entered into to economically hedge the MSR portfolio, partially offset by a decrease in MSR amortization. Other noninterest income decreased $188 million and $255 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year primarily due to a $125 million gain on the sale of Vantiv, Inc. shares recognized in the second quarter of 2014 compared to a gain of $242 million recognized during the second quarter of 2013. Additionally, other noninterest income decreased due to a decrease in the positive valuation adjustment on the stock warrant associated with Vantiv Holding LLC, a decrease in equity method earnings from Vantiv Holding, LLC, and an increase in the loss associated with the Visa total return swap.

Noninterest expense decreased $81 million and $110 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. The decreases were primarily due to decreases in total personnel costs and other noninterest expense. Total personnel costs decreased $40 million and $93 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year primarily due to a decrease in incentive compensation primarily in the mortgage business due to lower production levels and a decrease in base compensation and employee benefits as a result of a decline in the number of full-time equivalent employees. Other noninterest expense decreased $52 million for the three months ended June 30, 2014 compared to the same period in the prior year primarily due to decreases in the provision for representation and warranty claims, loan closing and appraisal costs, and FDIC insurance and other taxes partially offset by an increase in litigation expense. Other noninterest expense decreased $33 million for the six months ended June 30, 2014 compared to the same period in the prior year primarily due to decreases in loan closing and appraisal costs, provision for representation and warranty claims, and FDIC insurance and other taxes partially offset by an increase in impairment on affordable housing investments and litigation expense.

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

Credit Summary

The 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. The provision

for loan and lease losses was $76 million and $146 million for the three and six months ended June 30, 2014, respectively, compared to $64 million and $126 million during the same periods in 2013. Net charge-offs as a percent of average portfolio loans and leases decreased to 0.45% during the second quarter of 2014 compared to 0.51% during the second quarter of 2013 and increased to 0.60% for the six months ended June 30, 2014 compared to 0.57% for the six months ended June 30, 2013. At June 30, 2014, nonperforming assets as a percent of portfolio loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 0.92%, compared to 1.10% at December 31, 2013. For further discussion on credit quality, see the Credit Risk Management section of MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the Board of Governors of the Federal Reserve System. As of June 30, 2014, the Tier I risk-based capital ratio was 10.80%, the Tier I leverage ratio was 9.86% and the Total risk-based capital ratio was 14.30%.

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

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

The following table reconciles non-GAAP financial measures to U.S. GAAP:

TABLE 3: Non-GAAP Financial Measures

($ in millions)		For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Income before income taxes (U.S. GAAP)	$	**606**	841	**1,044**	1,432
Add: Provision expense (U.S. GAAP)		**76**	64	**146**	126
Pre-provision net revenue		**682**	905	**1,190**	1,558
Net income available to common shareholders (U.S. GAAP)	$	**416**	582	**724**	995
Add: Intangible amortization, net of tax		**1**	1	**1**	2
Tangible net income available to common shareholders	$	**417**	583	**725**	997

As of		June 30, 2014	December 31, 2013
Total Bancorp shareholders equity (U.S. GAAP)	$	**15,469**	14,589
Less: Preferred stock		**(1,331)**	(1,034)
Goodwill		**(2,416)**	(2,416)
Intangible assets		**(17)**	(19)
Tangible common equity, including unrealized gains / losses		**11,705**	11,120
Less: Accumulated other comprehensive income		**(382)**	(82)
Tangible common equity, excluding unrealized gains / losses (1)		**11,323**	11,038
Add: Preferred stock		**1,331**	1,034
Tangible equity (2)	$	**12,654**	12,072
Total assets (U.S. GAAP)	$	**132,562**	130,443
Less: Goodwill		**(2,416)**	(2,416)
Intangible assets		**(17)**	(19)
Accumulated other comprehensive income, before tax		**(588)**	(126)
Tangible assets, excluding unrealized gains / losses (3)	$	**129,541**	127,882
Total Bancorp shareholders equity (U.S. GAAP)	$	**15,469**	14,589
Less: Goodwill and certain other intangibles		**(2,484)**	(2,492)
Accumulated other comprehensive income		**(382)**	(82)
Add: Qualifying TruPS		**60**	60
Other		**(19)**	19

Tier I risk-based capital		**12,644**	12,094
Less: Preferred stock		**(1,331)**	(1,034)
Qualifying TruPS		**(60)**	(60)
Qualified noncontrolling interests in consolidated subsidiaries		**(1)**	(37)
Tier I common equity (4)	$	**11,252**	10,963
Risk-weighted assets[(a)](5)	$	**117,117**	115,969
Ratios:			
Tangible equity (2) / (3)		**9.77 %**	9.44
Tangible common equity (1) / (3)		**8.74 %**	8.63
Tier I common equity (4) / (5)		**9.61 %**	9.45
Basel III Final Rule Estimated Tier I common equity ratio			
Tier I common equity (Basel I)	$	**11,252**	10,963
Add: Adjustment related to capital components[(b)]		**96**	82
Estimated Tier I common equity under Basel III Final Rule without AOCI (opt out) (6)		**11,348**	11,045
Add: Adjustment related to AOCI[(c)]		**382**	82
Estimated Tier I common equity under Basel III Final Rule with AOCI (non opt out) (7)		**11,730**	11,127
Estimated risk-weighted assets under Basel III Final Rule [(d)] (8)		**122,465**	122,074
Estimated Tier I common equity ratio under Basel III Final Rule (opt out) (6) / (8)		**9.27 %**	9.05
Estimated Tier I common equity ratio under Basel III Final Rule (non opt out) (7) / (8)		**9.58 %**	9.12

(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.*

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

RECENT ACCOUNTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES

The Bancorp s Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements and goodwill. These accounting policies are discussed in detail in Management s Discussion and Analysis Critical Accounting Policies in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2013. No material changes were made to the valuation techniques or models during the six months ended June 30, 2014.

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

Tables 4 and 5 present the components of net interest income, net interest margin and net interest rate spread for the three and six months ended June 30, 2014 and 2013, as well as the relative impact of changes in the balance sheet and changes in interest rates on net interest income. Nonaccrual loans and leases and loans held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses on available-for-sale securities included in other assets.

Net interest income was $905 million and $1.8 billion for the three and six months ended June 30, 2014, respectively, an increase of $20 million and $26 million compared to the three and six months ended June 30, 2013, respectively. Net interest income was positively impacted by increases in average taxable securities of $6.4 billion and $5.8 billion for the three and six months ended June 30, 2014, respectively, coupled with increases in yields on these securities of 25 bps and 30 bps for the three and six months ended June 30, 2014, respectively, compared to the same periods in the prior year. Net interest income also included the impact of increases in average loans and leases of $1.8 billion and $1.6 billion for the three and six months ended June 30, 2014, respectively, as well as a decrease in rates paid on long-term debt compared to the same periods in the prior year. These benefits were partially offset by lower yields on loans and leases and increases in average long-term debt of $5.0 billion and $3.9 billion for the three and six months ended June 30, 2014, respectively. The net interest rate spread decreased to 2.99% and 3.03% during the three and six months ended June 30, 2014, respectively, from 3.16% and 3.20% in the same periods in 2013, as the benefit of the decrease in rates on average interest-bearing liabilities was more than offset by a 20 bps and 23 bps decrease in yields on average interest-earning assets for the three and six months ended June 30, 2014, respectively.

Net interest margin was 3.15% and 3.18% for the three and six months ended June 30, 2014, respectively, compared to 3.33% and 3.38% for the three and six months ended June 30, 2013, respectively. The decrease from both periods in 2013 was driven primarily by the previously mentioned decrease in net interest rate spreads, partially offset by increases in average free funding balances.

Interest income from loans and leases decreased $39 million compared to the three months ended June 30, 2013 and decreased $97 million compared to the six months ended June 30, 2013. The decrease from the three and six months ended June 30, 2013 was primarily the result of a decrease of 24 bps and 28 bps, respectively, in yields on average loans and leases partially offset by an increase of two percent in average loans and leases for the three and six months ended June 30, 2014 compared to the same periods in the prior year. The increase in average loans and leases for the three and six months ended June 30, 2014 was driven primarily by an increase of 10% and 11%, respectively, in average commercial and industrial loans partially offset by a decrease in average residential mortgage loans of 12% and 11%, respectively, compared to the same periods in the prior year. For more information on the Bancorp s loan and lease portfolio, see the Loans and Leases section of the Balance Sheet Analysis section of MD&A. Interest income from investment securities and other short-term investments increased $63 million and $120 million compared to the three and six months ended June 30, 2013, respectively. The increase was primarily the result of an increase in average taxable securities of $6.4 billion and $5.8 billion for the three and six months ended June 30, 2014 coupled with a 25 bps and 30 bps increase in yields on average taxable securities for the three and six months ended June 30, 2014, respectively.

Average core deposits increased $7.3 billion compared to the three months ended June 30, 2013 and increased $7.0 billion compared to the six months ended June 30, 2013. The increase from both the three and six months ended June 30, 2013 was primarily due to an increase in average money market deposits, average interest checking deposits and average demand deposits partially offset by decreases in average savings deposits and average other time deposits. The cost of average core deposits decreased to 17 bps for the three and six months ended June 30, 2014 from 18 bps and 19 bps for the three and six months ended June 30, 2013, respectively. This decrease was primarily the result of a mix shift to lower cost

core deposits as a result of run-off of higher priced CDs coupled with a decrease of 45 bps and 48 bps in the rate paid on other time deposits for the three and six months ended June 30, 2014, respectively, partially offset by an increase of 9 bps and 7 bps in the rates paid on average money market deposits compared to the three and six months ended June 30, 2013, respectively.

For the three months ended June 30, 2014, interest expense on average wholesale funding increased $3 million compared to the three months ended June 30, 2013, primarily as a result of an increase in interest expense related to long-term debt partially offset by a $2.7 billion decrease in average certificates $100,000 and over. Interest expense on long-term debt increased during the three months ended June 30, 2014 compared to the same period in the prior year, driven by a $5.0 billion increase in average long-term debt partially offset by a 76 bps decrease in the rate paid on long-term debt primarily due to the redemption of $750 million of outstanding TruPS during the fourth quarter of 2013.

For the six months ended June 30, 2014, interest expense on average wholesale funding decreased $2 million compared to the six months ended June 30, 2013, primarily as a result of a decrease in interest expense on certificates $100,000 and over and other short term borrowings partially offset by an increase in interest expense on long-term debt. Interest expense on certificates $100,000 and over decreased during the six months ended June 30, 2014 compared to the same period in the prior year primarily due to a 17 bps decrease in the rate paid on certificates $100,000 and over coupled with a $572 million decrease in average certificates $100,000 and over. Interest expense on other short-term borrowings decreased during the six months ended June 30, 2014 compared to the same period in the prior year, primarily due to a $2.1 billion decrease in average short-term borrowings. Interest expense on long-term debt increased during the six months ended June 30,

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

2014 compared to the same period in the prior year, primarily due to a $3.9 billion increase in average long-term debt partially offset by a decrease in the rate paid on long-term debt of 84 bps primarily due to the redemption of $750 million of outstanding TruPS during the fourth quarter of 2013. Refer to the Borrowings section of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During the three and six months ended June 30, 2014, average wholesale funding represented 24% and 23%, respectively, of average interest bearing liabilities compared to 24% during the three and six months ended June 30, 2013. 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.

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

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

For the three months ended	June 30, 2014			June 30, 2013			Attribution of Change in Net Interest Income*(a)*		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Yield/Rate	Total
Assets									
Interest-earning assets:									
Loans and leases:[(b)]									
Commercial and industrial loans	**$ 41,451**	**$ 338**	**3.27 %**	$ 37,636	$ 336	3.58 %	$ 33	(31)	2
Commercial mortgage	**7,886**	**67**	**3.39**	8,627	79	3.65	(7)	(5)	(12)
Commercial construction	**1,364**	**12**	**3.54**	717	6	3.41	6		6
Commercial leases	**3,556**	**27**	**3.04**	3,553	30	3.36		(3)	(3)
Subtotal commercial	**54,257**	**444**	**3.28**	50,533	451	3.58	32	(39)	(7)
Residential mortgage loans	**13,202**	**129**	**3.93**	14,984	146	3.91	(18)	1	(17)
Home equity	**9,101**	**84**	**3.71**	9,625	90	3.76	(5)	(1)	(6)
Automobile loans	**12,070**	**83**	**2.77**	11,887	94	3.16	1	(12)	(11)
Credit card	**2,232**	**56**	**10.06**	2,071	51	9.97	5		5
Other consumer loans/leases	**379**	**34**	**35.63**	373	37	39.49	1	(4)	(3)
Subtotal consumer	**36,984**	**386**	**4.19**	38,940	418	4.31	(16)	(16)	(32)
Total loans and leases	**91,241**	**830**	**3.65**	89,473	869	3.89	16	(55)	(39)
Securities:									
Taxable	**21,706**	**181**	**3.34**	15,346	118	3.09	53	10	63
Exempt from income taxes[(b)]	**52**	**1**	**4.69**	55	1	5.01			
Other short-term investments	**2,182**	**1**	**0.28**	1,561	1	0.24			
Total interest-earning assets	**115,181**	**1,013**	**3.53**	106,435	989	3.73	69	(45)	24
Cash and due from banks	**2,847**			2,359					
Other assets	**14,417**			15,198					
Allowance for loan and lease losses	**(1,480)**			(1,780)					
Total assets	**$ 130,965**			$ 122,212					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 25,222**	**$ 14**	**0.22 %**	$ 22,796	$ 13	0.23 %	$ 1		1
Savings	**16,509**	**4**	**0.11**	18,864	6	0.12	(2)		(2)
Money market	**13,942**	**12**	**0.33**	8,918	6	0.24	3	3	6
Foreign office deposits	**2,200**	**2**	**0.29**	1,418	1	0.29	1		1
Other time deposits	**3,693**	**9**	**1.03**	3,859	14	1.48	(1)	(4)	(5