FIFTH THIRD BANCORP
Form 10-Q
August 05, 2011
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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, 2011

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

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

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

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

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

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

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

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

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

There were 919,818,137 shares of the Registrant s common stock, without par value, outstanding as of June 30, 2011.

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FINANCIAL CONTENTS

This report may contain forward-looking statements about Fifth Third Bancorp and/or the company as combined acquired entities 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, that involve inherent risks and uncertainties. This report may contain certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Fifth Third Bancorp and/or the combined company including statements preceded by, followed by or that include the words or phrases such as will likely result, may, are expected to, is anticipated, estimate, forecast, projected, intends to, or may include other words or phrases such as believes, plans, trend, objective, continue, remain, or similar expressions, or future or conditional verbs such as would, should, could, might, can, or similar verbs. 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 recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank 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 in separating Vantiv, LLC, formerly Fifth Third Processing Solutions, LLC from Fifth Third; (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 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. Additional information concerning factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements is available in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the United States Securities and Exchange Commission (SEC). Copies of this filing are available at no cost on the SEC s Web site at www.sec.gov or on the Fifth Third Web site at www.53.com. Fifth Third undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this report.

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Glossary of Terms

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

ARM: Adjustable Rate Mortgage

BOLI: Bank Owned Life Insurance

bp: Basis point(s)

CDC: Fifth Third Community Development Corporation

CPP: Capital Purchase Program

DCF: Discounted Cash Flow

DDA: Demand Deposit Account

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

FTAM: Fifth Third Asset Management, Inc.

GNMA: Government National Mortgage Association

IFRS: International Financial Reporting Standards

IPO: Initial Public Offering

IRS: Internal Revenue Service

LIBOR: London InterBank Offered Rate

LTV: Loan-to-Value

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

MSR: Mortgage Servicing Right

NII: Net Interest Income

OCI: Other Comprehensive Income

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

SEC: United States Securities and Exchange Commission

SCAP: Supervisory Capital Assessment Program

TARP: Troubled Asset Relief Program

TDR: Troubled Debt Restructuring

TLGP: Temporary Liquidity Guarantee Program

TSA: Transition Service Agreement

U.S. GAAP: Accounting principles generally accepted in the United States of America

VIE: Variable Interest Entity

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTPS: Fifth Third Processing Solutions

FTS: Fifth Third Securities

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 per share data)	**2011**	2010	% Change	**2011**	2010	% Change
Income Statement Data						
Net interest income[(a)]	$ **869**	887	**(2)**	$ **1,752**	1,788	**(2)**
Noninterest income	**656**	620	**6**	**1,240**	1,247	**(1)**
Total revenue[(a)]	**1,525**	1,507	**1**	**2,992**	3,035	**(1)**
Provision for loan and lease losses	**113**	325	**(65)**	**281**	915	**(69)**
Noninterest expense	**901**	935	**(4)**	**1,819**	1,891	**(4)**
Net income attributable to Bancorp	**337**	192	**75**	**602**	182	**231**
Net income available to common shareholders	**328**	130	**153**	**417**	57	**625**
Common Share Data						
Earnings per share, basic	$ **0.36**	0.16	**125**	$ **0.46**	0.07	**557**
Earnings per share, diluted	**0.35**	0.16	**119**	**0.46**	0.07	**557**
Cash dividends per common share	**0.06**	0.01	**500**	**0.12**	0.02	**500**
Book value per share	**13.23**	12.65	**5**	**13.23**	12.65	**5**
Market value per share	**12.75**	12.29	**4**	**12.75**	12.29	**4**
Financial Ratios (%)						
Return on assets	**1.22**	0.68	**79**	**1.09**	0.32	**241**
Return on average common equity	**11.0**	5.2	**112**	**7.2**	1.2	**500**
Return on average tangible common equity[(b)]	**14.0**	7.4	**89**	**9.3**	3.9	**138**
Average equity as a percent of average assets	**11.1**	12.0	**(8)**	**11.4**	12.0	**(5)**
Tangible common equity[(b)]	**8.64**	6.55	**32**	**8.64**	6.55	**32**
Net interest margin[(a)]	**3.62**	3.57	**1**	**3.66**	3.60	**2**
Efficiency[(a)]	**59.1**	62.1	**(5)**	**60.8**	62.3	**(2)**
Credit Quality						
Net losses charged off	$ **304**	434	**(30)**	$ **671**	1,016	**(34)**
Net losses charged off as a percent of average loans and leases	**1.56**	2.26	**(31)**	**1.74**	2.64	**(34)**
ALLL as a percent of loans and leases	**3.35**	4.85	**(31)**	**3.35**	4.85	**(31)**
Allowance for credit losses as a percent of loans and leases[(c)]	**3.61**	5.18	**(30)**	**3.61**	5.18	**(30)**
Nonperforming assets as a percent of loans, leases and other assets, including other real estate owned[(d)]	**2.66**	3.87	**(31)**	**2.66**	3.87	**(31)**
Average Balances						
Loans and leases, including held for sale	$ **79,153**	78,807		$ **79,265**	79,468	
Total securities and other short-term investments	**17,192**	20,891	**(18)**	**17,241**	20,726	**(17)**
Total assets	**111,200**	112,613	**(1)**	**111,023**	113,021	**(2)**
Transaction deposits[(e)]	**71,506**	65,508	**9**	**70,838**	64,859	**9**
Core deposits[(f)]	**78,244**	76,844	**2**	**77,887**	76,555	**2**
Wholesale funding[(g)]	**16,433**	18,977	**(13)**	**16,430**	19,591	**(16)**
Bancorp shareholders equity	**12,365**	13,563	**(9)**	**12,706**	13,541	**(6)**

Regulatory Capital Ratios (%)						
Tier I capital	**11.93**	13.65	**(12)**	**11.93**	13.65	**(12)**
Total risk-based capital	**16.03**	17.99	**(11)**	**16.03**	17.99	**(11)**
Tier I leverage	**11.03**	12.24	**(10)**	**11.03**	12.24	**(10)**
Tier I common equity[(b)]	**9.20**	7.17	**28**	**9.20**	7.17	**28**

*(a) Amounts presented on an FTE basis. The FTE adjustment for the three months ended **June 30, 2011** and 2010 was $5 and for the six months ended **June 30, 2011** and 2010 was $9.*

(b) The return on average tangible common equity, 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 thousand and over, other deposits, federal funds purchased, 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, 2011, the Bancorp had $111 billion in assets, operated 15 affiliates with 1,316 full-service Banking Centers, including 103 Bank Mart® locations open seven days a week inside select grocery stores, and 2,456 Jeanie® ATMs in 12 states throughout the Midwestern and Southeastern regions of the United States. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has a 49% interest in Vantiv, LLC, formerly Fifth Third Processing Solutions, LLC.

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 Terms on page 3 of this report for a list of acronyms included as a tool for the reader of this quarterly report on Form 10-Q. The 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.

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the three months ended June 30, 2011, net interest income, on an FTE basis, and noninterest income provided 57% and 43% of total revenue, respectively. The Bancorp derives the majority of its revenues within the United States from customers domiciled in the United States. Revenue from foreign countries and external customers domiciled in foreign countries is 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 loan defaults and inadequate collateral due to a weakened economy within the Bancorp s footprint.

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.

Noninterest income is derived primarily from service charges on deposits, corporate banking revenue, mortgage banking net revenue, fiduciary and investment management fees and card and processing revenue. Noninterest expense is primarily driven by personnel costs and occupancy expenses, costs incurred in the origination of loans and leases and insurance premiums paid to the FDIC.

Redemption of Trust Preferred Securities

On March 18, 2011, the Bancorp announced that the Federal Reserve Board did not object to the Bancorp s capital plan submitted under the Federal Reserve s Comprehensive Capital Analysis and Review. Pursuant to this plan, during June of 2011 the Bancorp redeemed certain trust preferred securities, totaling $452 million, which related to the Fifth Third Capital Trust VII, First National Bankshares Statutory Trust I and R&G Capital Trust II, LLT.

Legislative Developments

On July 21, 2010, the Dodd-Frank Act was signed into 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 Bureau of Consumer Financial Protection responsible for implementing and enforcing compliance with consumer financial laws, changes the methodology for determining deposit insurance assessments, gives the Federal Reserve the ability to regulate and limit interchange rates charged to merchants for the use of debit cards, and excludes certain instruments currently included in determining Tier I regulatory capital. This act calls for federal regulatory agencies to adopt hundreds of new rules and conduct multiple studies over the next several years in order

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

to implement its provisions. While the total impact of this legislation on Fifth Third is not currently known, the impact is expected to be substantial and may have an adverse impact on Fifth Third s financial performance and growth opportunities.

Earnings Summary

The Bancorp s net income available to common shareholders for the second quarter of 2011 was $328 million, or $0.35 per diluted share, which was net of $9 million in preferred stock dividends. For the second quarter of 2010, the Bancorp s net income available to common shareholders was $130 million, or $0.16 per diluted share, which was net of $62 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the six months ended June 30, 2011 was $417 million, or $0.46 per diluted share, which was net of $185 million in preferred stock dividends. The preferred stock dividends for the six months ended June 30, 2011 included $153 million in discount accretion resulting from the Bancorp s repurchase of Series F preferred stock. For the six months ended June 30, 2010, the Bancorp s net income available to common shareholders was $57 million, or $0.07 per diluted share, which was net of $125 million in preferred stock dividends.

Net interest income (FTE) decreased two percent in the second quarter of 2011 to $869 million, compared to $887 million in the same period last year. The decrease from the second quarter of 2010 was primarily due to a 32 bp decrease in the average yield on loans and leases from the second quarter of 2010, as well as a $3.4 billion, or three percent, decline in total average interest-earnings assets. Partially offsetting these items was a 23 bp decrease in the average rate paid on interest-bearing liabilities primarily driven by a mix shift from higher cost term deposits to lower cost deposit products, coupled with a five percent decrease in average interest-bearing liabilities. Net interest income (FTE) was $1.8 billion for the six months ended June 30, 2011 and 2010. Net interest income for the six months ended June 30, 2011 compared to the same period in the prior year was impacted by a 14 bp decrease in average yield on average interest earning assets and a $3.7 billion decrease in average interest bearing assets offset by 25 bp decrease in the average rate paid on interest bearing liabilities and a $4.6 billion decrease in average interest bearing liabilities. Net interest income for the three and six months ended June 30, 2011 included $10 million and $23 million, respectively, in accretion of discounts on loans and deposits from acquisitions during 2008 compared to $17 million and $38 million for the three and six months ended June 30, 2010. Excluding these items, net interest income decreased $11 million from the second quarter of 2010 and $21 million from the six months ended June 30, 2010. Net interest margin increased to 3.62% and 3.66% for the three and six months ended June 30, 2011, respectively compared to 3.57% and 3.60% for the same periods in the prior year.

Noninterest income increased six percent to $656 million in the second quarter of 2011 compared to the same period last year. Noninterest income was $1.2 billion for the six months ended June 30, 2011 and 2010. The increase from the second quarter of 2010 was primarily due to an increase in mortgage banking net revenue and investment advisory revenue partially offset by a decrease in service charges on deposits. Mortgage banking net revenue increased $48 million, or 42%, primarily due to an increase in gains on net valuation adjustments on MSRs and MSR derivatives partially offset by a decline in origination fees and gains on loan sales. Investment advisory revenue increased $8 million, or 10%, due to improved market conditions and expansion of the sales force. Service charges on deposits decreased $23 million, or 16%, primarily due to the impact of Regulation E.

Noninterest expense decreased four percent to $901 million in the second quarter of 2011 and decreased four percent to $1.8 billion for the six months ended June 30, 2011 compared to the same periods in the prior year. The decrease from the second quarter of 2010 and the six months ended June 30, 2010 was primarily due to decreases of $16 million and $34 million, respectively, in FDIC insurance and other taxes, $14 million and $30 million, respectively, in the provision for unfunded commitments and letters of credit, and $4 million and $33 million, respectively in the provision for representation and warranty reserves related to residential mortgage loans sold to third parties. Partially offsetting this activity was an increase in personnel expenses of $15 million compared to the second quarter of 2010 and $47 million compared to the six months ended June 30, 2010.

The Bancorp does not originate subprime mortgage loans, does not hold credit default swaps 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. Throughout 2010 and into 2011, the Bancorp continued to be affected by high unemployment rates, weakened housing markets, particularly in the upper Midwest and Florida, and a challenging credit environment. Credit trends, however, continued to show signs of moderation and, as a result, the provision for loan and lease losses decreased 65% to $113 million and 69% to $281 million for the three and six months ended June 30, 2011 compared to $325 million and $915 million, respectively, for the same periods in 2010. In addition, net charge-offs as a percent of average loans and leases decreased to 1.56% during the second quarter of 2011 compared to 2.26% during the second quarter of 2010 and decreased to 1.74% for the six months ended June 30, 2011 compared to 2.64% for the six months ended June 30, 2010. At June 30, 2011, nonperforming assets as a percent of loans, leases and other assets, including OREO (excluding nonaccrual loans held for sale) decreased to 2.66%, compared to 2.79% at December 31, 2010 and 3.87% at June 30, 2010. For further discussion on credit quality, see the Credit Risk Management section.

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, 2011, the Tier I capital ratio was 11.93%, the Tier I leverage ratio was 11.03% and the total risk-based capital ratio was 16.03%. For additional information on the Bancorp s capital ratios, see the Capital Management section.

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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 return on average tangible common equity ratio, 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. Tier I common equity is not formally defined by U.S. GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. 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.

The following table reconciles non-GAAP financial measures to U.S. GAAP as of or for the three months ended:

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

TABLE 2: Non-GAAP Financial Measures

As of ($ in millions)	June 30, 2011	December 31, 2010	June 30, 2010
Net income available to common shareholders (U.S. GAAP)	**$ 328**	270	130
Add: Intangible amortization, net of tax	**4**	7	7
Tangible net income available to common shareholders	**332**	277	137
Tangible net income available to common shareholders (annualized) (1)	**1,332**	1,099	550
Average Bancorp shareholders equity (U.S. GAAP)	**12,365**	14,007	13,563
Less: Average preferred stock	**(398)**	(3,648)	(3,626)
Average goodwill	**(2,417)**	(2,417)	(2,417)
Average intangible assets	**(52)**	(67)	(88)
Average tangible common equity (2)	**9,498**	7,875	7,432
Total Bancorp shareholders equity (U.S. GAAP)	**$ 12,572**	14,051	13,701
Less: Preferred stock	**(398)**	(3,654)	(3,631)
Goodwill	**(2,417)**	(2,417)	(2,417)
Intangible assets	**(49)**	(62)	(83)
Tangible common equity, including unrealized gains / losses	**9,708**	7,918	7,570
Less: Accumulated other comprehensive income	**(396)**	(314)	(440)
Tangible common equity, excluding unrealized gains / losses (3)	**9,312**	7,604	7,130
Add: Preferred stock	**398**	3,654	3,631
Tangible equity (4)	**9,710**	11,258	10,761
Total assets (U.S. GAAP)	**$ 110,805**	111,007	112,025
Less: Goodwill	**(2,417)**	(2,417)	(2,417)
Intangible assets	**(49)**	(62)	(83)
Accumulated other comprehensive income, before tax	**(609)**	(483)	(677)
Tangible assets, excluding unrealized gains / losses (5)	**$ 107,730**	108,045	108,848
Total Bancorp shareholders equity (U.S. GAAP)	**$ 12,572**	14,051	13,701
Less: Goodwill and certain other intangibles	**(2,536)**	(2,546)	(2,537)
Accumulated other comprehensive income	**(396)**	(314)	(440)
Add: Qualifying trust preferred securities	**2,312**	2,763	2,763
Other	**20**	11	(25)
Tier I capital	**11,972**	13,965	13,462
Less: Preferred stock	**(398)**	(3,654)	(3,631)
Qualifying trust preferred securities	**(2,312)**	(2,763)	(2,763)
Qualified noncontrolling interest in consolidated subsidiaries	**(30)**	(30)	
Tier I common equity (6)	**$ 9,232**	7,518	7,068

Risk-weighted assets (7) [(a)]	**$ 100,320**	100,561	98,604
Ratios:			
Return on average tangible common equity (1) / (2)	**14.02%**	13.95	7.40
Tangible equity (4) / (5)	**9.01%**	10.42	9.89
Tangible common equity (3) / (5)	**8.64**	7.04	6.55
Tier I common equity (6) / (7)	**9.20**	7.48	7.17

(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.

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 complete discussion of the significant new accounting standards recently adopted by 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 value of the Bancorp s assets or liabilities and 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, 2010. No material changes have been made to the valuation techniques or models during the six months ended June 30, 2011.

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

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

Net interest income is the interest earned on 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 rate 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 3 and 4 present the components of net interest income, net interest margin and net interest rate spread for the three and six months ended June 30, 2011 and 2010. 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 $869 million for the second quarter of 2011, a decrease of $18 million from the second quarter of 2010. Net interest income was $1,752 million for the six months ended June 30, 2011 a decrease of $36 million from the six months ended June 30, 2010. Included within net interest income are amounts related to the accretion of discounts on acquired loans and deposits, primarily as a result of the second quarter 2008 acquisition of First Charter Corporation, which increased net interest income $10 million and $23 million during the three and six months ended June 30, 2011, respectively, compared to $17 million and $38 million during the three and six months ended June 30, 2010, respectively. The original purchase accounting discount reflected the high discount rate in the market at the time of the acquisition; 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 $14 million in additional net interest income during the remainder of 2011 as a result of the amortization and accretion of premiums and discounts on acquired loans and deposits. Exclusive of the impact of these items, net interest income decreased $11 million compared to the second quarter of 2010 and $21 million from the six months ended June 30, 2010.

For the three and six months ended June 30, 2011, net interest income was adversely impacted by lower yields on both the commercial and consumer loan portfolios partially offset by an increase in average consumer loans and a decrease in interest expense compared to the three and six months ended June 30, 2010, respectively. Yields on the commercial and consumer loan portfolio have decreased throughout 2011 as the result of low interest rates during 2011. Average consumer loans increased primarily as the result of increases in average residential mortgage loans and automobile loans compared to the three and six months ended June 30, 2010. The decreases in interest expense was primarily the result of a $3.9 billion and $4.6 billion decrease in average interest bearing liabilities for the three and six months ended June 30, 2010, respectively, coupled with a mix shift to lower cost core deposits as well as the benefit of lower rates offered on savings account balances. The decrease in average interest bearing liabilities was the result of migration from certificates of deposit into demand accounts due to low interest rates during 2011. The shift in funding composition partially offset by the decrease in yields on loans and leases resulted in an increase in the net interest rate spread to 3.37% and 3.41% for the three and six months ended June 30, 2011, respectively, compared to 3.28% and 3.30% for the three and six months ended June 30, 2010, respectively.

Net interest margin increased to 3.62% and 3.66% for the three and six months ended June 30, 2011, respectively, compared to 3.57% and 3.60% for the three and six months ended June 30, 2010, respectively. Net interest margin was impacted by the amortization and accretion of premiums and discounts on acquired loans and deposits that increased net interest margin approximately 4 bp and 8 bp during the three and six months ended June 30, 2011, respectively, compared to a 6 bp and 14 bp increase during the three and six months ended June 30, 2010, respectively. Exclusive of these amounts, net interest margin increased 7 bp for the second quarter of 2011 and 12 bp for the six months ended June 30, 2011 compared to the same periods in the prior year. The increase from both periods in 2010 was driven by the previously mentioned shift in funding composition to lower cost core deposits, an increase in free-funding balances and an increase in the net interest rate spread.

Total average interest-earning assets for the three and six months ended June 30, 2011 decreased three percent and four percent from the three and six months ended June 30, 2010, respectively. The decrease from the three months ended June 30, 2010 was the result of a two percent decline in average commercial loans and an 18% decrease in the average investment portfolio partially offset by the three percent increase in average consumer loans and leases. The decrease from the six months ended June 30, 2010 was the result of a three percent decrease in average commercial loans and a 17% decrease in the average investment portfolio partially offset by a three percent increase in average consumer loans.

Interest income from loans and leases decreased $58 million, or six percent, compared to second quarter of 2010 and $106 million, or six percent, compared to the six months ended June 30, 2010. The decrease from the three and six months ended June 30, 2010 was primarily the result of a 32 bp and 26 bp decrease in average yields, respectively, partially offset by a three percent increase in average consumer loans compared to both periods. Yields across much of the loan and lease portfolio decreased as the result of lower interest rates on newly originated loans and a decline in interest rates on automobile loans due to increased competition. Exclusive of the amortization and accretion of premiums and discounts on acquired loans, interest income from loans and leases decreased $51 million and $91 million compared to the

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

three and six months ended June 30, 2010. Interest income from investment securities and short-term investments decreased $13 million, or eight percent, compared to the three months ended June 30, 2010 primarily due to an 18% decrease in average balances. Interest income from investment securities and short-term investments decreased $48 million, or 14%, compared to the six months ended June 30, 2010 primarily due to a 17% decrease in the average balance and a 12 bp decrease on the yield of taxable securities.

Average core deposits increased $1.4 billion, or two percent, compared to the second quarter of 2010 and increased $1.3 billion, or two percent, compared to the six months ended June 30, 2010. The increase from both periods was primarily due to an increase in average savings, average demand deposits and average foreign office deposits, partially offset by a decrease in average time deposits. The cost of average core deposits decreased to 39 bp and 42 bp for the three and six months ended June 30, 2011, respectively, from 67 bp and 69 bp for the three and six months ended June 30, 2010. This decrease was primarily the result of a mix shift to lower cost core deposits and a 27 bp and 26 bp decrease in rates on average savings deposits compared to the three and six months ended June 30, 2010, respectively.

For the three months ended June 30, 2011, interest expense on wholesale funding decreased $2 million, or two percent, compared to the three months ended June 30, 2010, primarily as a result of a $2.5 billion decrease in the average balance partially offset by a 30 bp increase in the rate. During the six months ended June 30, 2011, interest expense on wholesale funding decreased $19 million, or nine percent, compared to the six months ended June 30, 2010 primarily as the result of a $3.2 billion decrease in the average balance partially offset by a 20 bp increase in rate. Both periods in 2011 were impacted by the repayment of $1.0 billion of long-term debt during the fourth quarter of 2010 and the Bancorp s redemption of $452 million of trust preferred securities, classified as long term debt, during June of 2011 partially offset by the issuance of $1.0 billion in long-term debt, that carries a 3.625% rate of interest, during the first quarter of 2011. During the three and six months ended June 30, 2011, wholesale funding represented 23% of interest-bearing liabilities compared to 25%, respectively, during the three and six months ended June 30, 2010. Refer to the Borrowings section of MD&A for additional information on the Bancorp s change in average long-term debt. For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management section of MD&A.

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

TABLE 3: Condensed Average Balance Sheets and Analysis of Net Interest Income

For the three months ended	**June 30, 2011**			June 30, 2010			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	**$ 27,970**	**$ 304**	**4.35%**	$ 26,179	$ 310	4.75%	$ 21	(27)	(6)
Commercial mortgage	**10,491**	**105**	**4.00**	11,772	120	4.10	(12)	(3)	(15)
Commercial construction	**1,950**	**15**	**3.01**	3,258	25	3.15	(9)	(1)	(10)
Commercial leases	**3,349**	**34**	**4.06**	3,336	38	4.51		(4)	(4)
Subtotal commercial	**43,760**	**458**	**4.19**	44,545	493	4.44		(35)	(35)
Residential mortgage loans	**10,655**	**120**	**4.54**	9,390	112	4.77	14	(6)	8
Home equity	**11,144**	**109**	**3.91**	12,102	121	4.01	(9)	(3)	(12)
Automobile loans	**11,188**	**134**	**4.81**	10,170	154	6.01	13	(33)	(20)
Credit card	**1,834**	**45**	**9.91**	1,859	50	10.91	(1)	(4)	(5)
Other consumer loans/leases	**572**	**31**	**22.02**	742	25	13.65	(7)	13	6
Subtotal consumer	**35,393**	**439**	**4.99**	34,263	462	5.40	10	(33)	(23)
Total loans and leases	**79,153**	**897**	**4.54**	78,808	955	4.86	10	(68)	(58)
Securities:									
Taxable	**15,115**	**150**	**3.97**	16,451	161	3.93	(11)		(11)
Exempt from income taxes[b]	**96**	**2**	**6.41**	154	3	6.98	(1)		(1)
Other short-term investments	**1,981**	**1**	**0.25**	4,285	2	0.20	(1)		(1)
Total interest-earning assets	**96,345**	**1,050**	**4.37**	99,698	1,121	4.51	(3)	(68)	(71)
Cash and due from banks	**2,356**			2,163					
Other assets	**15,298**			14,550					
Allowance for loan and lease losses	**(2,799)**			(3,798)					
Total assets	**$ 111,200**			$ 112,613					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 18,701**	**$ 12**	**0.26%**	$ 18,652	$ 14	0.30%	$	(2)	(2)
Savings	**21,817**	**18**	**0.33**	19,446	30	0.60	3	(15)	(12)
Money market	**5,009**	**4**	**0.29**	4,679	5	0.42		(1)	(1)
Foreign office deposits	**3,805**	**3**	**0.29**	3,325	3	0.36			
Other time deposits	**6,738**	**40**	**2.40**	11,336	76	2.70	(28)	(8)	(36)
Certificates - $100,000 and over	**3,955**	**20**	**2.05**	6,354	34	2.13	(13)	(1)	(14)
Other deposits	**2**		**0.02**	5		0.10			
Federal funds purchased	**344**		**0.11**	264		0.17			

Other short-term borrowings	**1,605**	**1**	**0.16**	1,478	1	0.21			
Long-term debt	**10,527**	**83**	**3.16**	10,876	71	2.64	(2)	14	12
Total interest-bearing liabilities	**72,503**	**181**	**1.00**	76,415	234	1.23	(40)	(13)	(53)
Demand deposits	**22,174**			19,406					
Other liabilities	**4,129**			3,229					
Total liabilities	**98,806**			99,050					
Total equity	**12,394**			13,563					
Total liabilities and equity	**$ 111,200**			$ 112,613					
Net interest income		**$ 869**			$ 887		$ 37	(55)	(18)
Net interest margin			**3.62%**			3.57%			
Net interest rate spread			**3.37**			3.28			
Interest-bearing liabilities to interest-earning assets			**75.25**			76.65			

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

(b) *The FTE adjustments included in the above table are $**5** for the three months ended **June 30, 2011** and 2010.*

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

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

For the six months ended	**June 30, 2011**			June 30, 2010			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	**$ 27,689**	**$ 605**	**4.40%**	$ 26,239	$ 609	4.68%	$ 33	(37)	(4)
Commercial mortgage	**10,652**	**214**	**4.06**	11,804	243	4.15	(24)	(5)	(29)
Commercial construction	**2,017**	**31**	**3.08**	3,518	53	3.03	(23)	1	(22)
Commercial leases	**3,356**	**69**	**4.12**	3,402	76	4.53		(7)	(7)
Subtotal commercial	**43,714**	**919**	**4.24**	44,963	981	4.40	(14)	(48)	(62)
Residential mortgage loans	**10,695**	**244**	**4.60**	9,434	233	4.98	29	(18)	11
Home equity	**11,259**	**220**	**3.94**	12,219	243	4.01	(18)	(5)	(23)
Automobile loans	**11,130**	**273**	**4.95**	10,178	309	6.13	27	(63)	(36)
Credit card	**1,843**	**93**	**10.17**	1,899	102	10.83	(3)	(6)	(9)
Other consumer loans/leases	**624**	**62**	**20.14**	775	49	12.73	(11)	24	13
Subtotal consumer	**35,551**	**892**	**5.06**	34,505	936	5.47	24	(68)	(44)
Total loans and leases	**79,265**	**1,811**	**4.61**	79,468	1,917	4.87	10	(116)	(106)
Securities:									
Taxable	**15,135**	**298**	**3.96**	16,843	341	4.08	(30)	(13)	(43)
Exempt from income taxes[b]	**147**	**3**	**5.31**	165	6	7.03	(1)	(2)	(3)
Other short-term investments	**1,959**	**2**	**0.25**	3,718	4	0.19	(3)	1	(2)
Total interest-earning assets	**96,506**	**2,114**	**4.42**	100,194	2,268	4.56	(24)	(130)	(154)
Cash and due from banks	**2,313**			2,205					
Other assets	**15,098**			14,407					
Allowance for loan and lease losses	**(2,894)**			(3,785)					
Total assets	**$ 111,023**			$ 113,021					
Liabilities and Equity									
Interest-bearing liabilities:									
Interest checking	**$ 18,621**	**$ 25**	**0.27%**	$ 19,090	$ 28	0.29%	$ (1)	(2)	(3)
Savings	**21,572**	**40**	**0.38**	18,960	60	0.64	7	(27)	(20)
Money market	**5,072**	**8**	**0.30**	4,651	10	0.44	1	(3)	(2)
Foreign office deposits	**3,693**	**6**	**0.30**	3,043	5	0.35	1		1
Other time deposits	**7,049**	**83**	**2.38**	11,696	158	2.73	(57)	(18)	(75)
Certificates - $100,000 and over	**4,090**	**41**	**2.02**	6,700	71	2.14	(26)	(4)	(30)
Other deposits	**2**		**0.03**	6		0.05			
Federal funds purchased	**327**		**0.12**	242		0.15			

Other short-term borrowings	**1,622**	**2**	**0.18**	1,464	2	0.22			
Long-term debt	**10,389**	**157**	**3.05**	11,179	146	2.64	(11)	22	11
Total interest-bearing liabilities	**72,437**	**362**	**1.01**	77,031	480	1.26	(86)	(32)	(118)
Demand deposits	**21,880**			19,115					
Other liabilities	**3,970**			3,334					
Total liabilities	**98,287**			99,480					
Total equity	**12,736**			13,541					
Total liabilities and equity	**$ 111,023**			$ 113,021					
Net interest income		**$ 1,752**			$ 1,788		$ 62	(98)	(36)
Net interest margin			**3.66%**			3.60%			
Net interest rate spread			**3.41**			3.30			
Interest-bearing liabilities to interest-earning assets			**75.06**			76.88			

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

(b) *The FTE adjustments included in the above table are **$9** for the six months ended **June 30, 2011** and 2010.*

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

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 discussed in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2010. The provision is recorded to bring the ALLL to a level deemed appropriate by the Bancorp to cover losses inherent in the portfolio. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans actually removed from the Condensed Consolidated Balance Sheets is referred to as charge-offs. Net charge-offs include current period charge-offs less recoveries on previously charged-off loans and leases.

The provision for loan and lease losses was $113 million and $281 million for the three and six months ended June 30, 2011, respectively, compared to $325 million and $915 million during the comparable periods in 2010. The decrease in provision expense compared to the same prior year periods was due to decreases in nonperforming loans and leases, improved delinquency metrics in commercial and consumer loans and leases, and improvement in underlying loss trends. As of June 30, 2011, the ALLL as a percent of loans and leases decreased to 3.35%, from 4.85% at June 30, 2010.

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

Noninterest Income

Noninterest income increased $36 million, or six percent, for the second quarter of 2011 compared to the second quarter of 2010 and decreased $7 million, or one percent, for the six months ended June 30, 2011 compared to the same period in the prior year. The components of noninterest income for the three and six months ended June 30, 2011 and 2010 are as follows:

TABLE 5: Noninterest Income

	For the three months ended June 30,		Percent	For the six months ended June 30,		Percent
($ in millions)	**2011**	2010	Change	**2011**	2010	Change
Mortgage banking net revenue	**$ 162**	114	42	**$ 264**	266	(1)
Service charges on deposits	**126**	149	(16)	**250**	291	(14)
Investment advisory revenue	**95**	87	10	**193**	177	9
Corporate banking revenue	**95**	93	2	**181**	174	4
Card and processing revenue	**89**	84	5	**169**	158	8
Other noninterest income	**83**	85	(2)	**164**	160	3
Securities gains, net	**6**	8	(25)	**14**	21	(33)
Securities gains, net, non-qualifying hedges on mortgage servicing rights			NM	**5**		NM
Total noninterest income	**$ 656**	620	6	**$ 1,240**	1,247	(1)

NM: Not meaningful

Mortgage banking net revenue increased $48 million during the three months ended June 30, 2011 compared to the three months ended June 30, 2010 and decreased $2 million during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The components of mortgage banking net revenue are as follows:

TABLE 6: Components of Mortgage Banking Net Revenue

($ in millions)	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Origination fees and gains on loan sales	**$ 64**	89	**$ 126**	160
Net servicing revenue:				
Servicing fees	**58**	54	**116**	107
Servicing rights amortization	**(25)**	(25)	**(53)**	(49)
Net valuation adjustments on servicing rights and free-standing derivatives entered into to economically hedge MSR	**65**	(4)	**75**	48
Net servicing revenue	**98**	25	**138**	106
Mortgage banking net revenue	**$ 162**	114	**$ 264**	266

Origination fees and gains on loan sales decreased $25 million and $34 million for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. The decrease from both periods in the prior year was primarily the result of an 18% and three percent decrease in loan originations from the three and six months ended June 30, 2010, respectively, and a decrease in margins on sold loans. Residential mortgage loan originations decreased to $3.1 billion during the second quarter of 2011 compared to $3.8 billion during the second quarter of 2010 and decreased to $7.1 billion during the six months ended June 30, 2011 from $7.3 billion during the six months ended June 30, 2010. The decrease in originations from both periods is primarily due to a decrease in refinancing activity as many customers have taken advantage of the low interest rate environment in prior periods.

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. Net servicing revenue increased $73 million and $32 million for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010 driven primarily by an increase of $69 million and $27 million, respectively, in net valuation adjustments. The net valuation adjustment of $65 million during the second quarter of 2011 included $129 million in gains from derivatives economically hedging the MSRs partially offset by $64 million in temporary impairment on the MSR portfolio. The net valuation adjustment of $75 million for the six months ended June 30, 2011 included $102 million in gains from derivatives economically hedging the MSR portfolio partially offset by $27 million of temporary impairment on the MSR portfolio. Refinancing activity in recent years has resulted in prepayments being less sensitive to lower mortgage rates due to customers taking advantage of lower rates in those earlier periods as well as the impact of tighter underwriting standards. The net MSR/hedge position has benefited from the positive carry of the hedge and the widening spread between mortgage and swap rates. The Bancorp s total residential loans serviced as of June 30, 2011, December 31, 2010, and June 30, 2010 was $66.8 billion, $63.2 billion, and $61.0 billion, respectively, with $56.0 billion, $54.2 billion, and $51.3 billion, respectively, of residential mortgage loans serviced for others.

Servicing rights are deemed impaired when a borrower s loan rate is distinctly higher than prevailing rates. Impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. Further detail on the valuation of MSRs can be found in Note 9 of the Notes to Condensed Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation on the MSR portfolio. See Note 10 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. Net gains on sales of these securities were $5 million for the six months ended June 30, 2011. There were no sales of securities related to the Bancorp s non-qualifying hedging strategy during the second quarter of 2011 or the three and six months ended June 30, 2010.

Service charges on deposits decreased $23 million and $41 million for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. Consumer deposit revenue decreased $26 million and $44 million for the three and six months ended June 30, 2011, respectively, compared to the same periods in the prior year primarily due to the impact of Regulation E and new overdraft policies that resulted in a decrease in overdraft occurrences. Regulation E became effective on July 1, 2010 for new accounts and August 15, 2010 for existing accounts. Regulation E is a FRB rule that prohibits financial institutions from charging consumers fees for paying overdrafts on ATMs and one-time debit card transactions unless a consumer consents, or opts in, to the overdraft service for those types of transactions. Commercial deposit revenue increased $2 million and $3 million for the three and six months ended June 30, 2011, respectively, compared to the same periods in the prior year. The increase from both periods in the prior year was primarily due to a decrease in earnings credits paid on customer balances as the result of a decrease in the crediting rate applied to balances. Commercial customers receive earnings credits to offset the fees charged for banking services on their deposit accounts such as account maintenance, lockbox, ACH transactions, wire transfers and other ancillary corporate treasury management services. Earnings credits are based on the customer s average balance in qualifying deposits multiplied by the crediting rate. Qualifying deposits include demand deposits and interest-bearing checking accounts. The Bancorp has a standard crediting rate that is adjusted as necessary based on the competitive market conditions and changes in short-term interest rates.

Investment advisory revenue increased $8 million and $16 million for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. The increases from both periods in the prior year was primarily due to improved market performance and sales force expansion that resulted in increased brokerage activity and assets under management and care. As of June 30, 2011, the Bancorp had approximately $276 billion in assets under care and managed $25 billion in assets for individuals, corporations and not-for-profit organizations.

Corporate banking revenue increased $2 million and $7 million for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. The increase from both prior year periods was primarily the result of increases in syndication fees, business lending fees, and derivative sales partially offset by decreases in international income and institutional sales.

Card and processing revenue increased $5 million and $11 million for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. The increase from both periods in the prior year was due to growth in debit and credit card transaction volumes.

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

The major components of other noninterest income are as follows:

TABLE 7: Components of Other Noninterest Income

($ in millions)	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Operating lease income	**$ 14**	15	**$ 30**	31
BOLI income	**11**	12	**21**	23
Cardholder fees	**9**	8	**18**	19
Gain on loan sales	**8**	6	**25**	31
Consumer loan and lease fees	**8**	9	**15**	15
Banking center income	**7**	5	**14**	10
TSA revenue	**5**	13	**16**	26
Insurance income	**5**	8	**13**	17
Loss on sale of OREO	**(26)**	(13)	**(28)**	(29)
Other	**42**	22	**40**	17
Total other noninterest income	**$ 83**	85	**$ 164**	160

Other noninterest income decreased $2 million, or two percent, in the second quarter of 2011 compared to the second quarter of 2010 and increased $4 million, or two percent, for the six months ended June 30, 2011 compared to the same period in the prior year. The decrease compared to the second quarter of 2010 was primarily due to a $13 million increase in the loss on sale of OREO, an $8 million decrease in TSA revenue and a $3 million decrease in insurance income partially offset by a $21 million increase in the valuation of warrants and put options issued as part of the Processing Business sale in 2009, recorded in the other caption. The increase compared to the six months ended June 30, 2010 was primarily due to the previously mentioned $21 million increase in valuation of warrants and put options partially offset by a $10 million decrease in TSA revenue and a $6 million decrease in gains on loan sales. As part of the Processing Business Sale in 2009, the Bancorp entered into a TSA that resulted in the Bancorp recognizing approximately $5 million and $16 million in revenue during the three and six months ended June 30, 2011, respectively, that were offset with expense from the TSA recorded in noninterest expense.

Net securities gains were $6 million and $14 million for the three and six months ended June 30, 2011, respectively, compared to $8 million and $21 million for the three and six months ended June 30, 2010, respectively.

Noninterest Expense

Total noninterest expense decreased $34 million, or four percent for the three months ended June 30, 2011, and $72 million, or four percent, for the six months ended June 30, 2011 compared to the three and six months ended June 30, 2010, respectively. The decrease from both periods in the prior year was primarily due to a decrease in other noninterest expense, partially offset by an increase in total personnel costs. The major components of noninterest expense are detailed in the following table.

TABLE 8: Noninterest Expense

($ in millions)	For the three months ended June 30, 2011	2010	Percent Change	For the six months ended June 30, 2011	2010	Percent Change

Salaries, wages and incentives	**$ 365**	356	2	**$ 716**	686	4
Employee benefits	**79**	73	9	**176**	159	11
Net occupancy expense	**75**	73	2	**152**	150	1
Technology and communications	**48**	45	6	**93**	90	3
Card and processing expense	**29**	31	(8)	**58**	56	3
Equipment expense	**28**	31	(9)	**57**	60	(6)
Other noninterest expense	**277**	326	(15)	**567**	690	(18)
Total noninterest expense	**$ 901**	935	(4)	**$ 1,819**	1,891	(4)

Total personnel costs (salaries, wages and incentives plus employee benefits) increased three and six percent, respectively, for the three and six months ended June 30, 2011, compared to the same periods last year, due to an increase in base and incentive compensation driven by investments in the sales force beginning in mid-2010. Full time equivalent employees totalled 20,953 at June 30, 2011 compared to 20,479 at June 30, 2010.

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The major components of other noninterest expense are as follows:

TABLE 9: Components of Other Noninterest Expense

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
FDIC insurance and other taxes	**$ 50**	66	**$ 101**	135
Loan and lease	**48**	47	**94**	95
Marketing	**31**	27	**53**	48
Affordable housing investments impairment	**26**	24	**50**	47
Losses and adjustments	**22**	30	**51**	93
Travel	**14**	13	**26**	24
Postal and courier	**12**	12	**25**	24
Professional services fees	**12**	11	**26**	21
Operating lease	**10**	11	**21**	22
Recruitment and education	**8**	8	**15**	15
Intangible asset amortization	**6**	11	**13**	23
OREO	**6**	7	**18**	14
Insurance	**1**	11	**13**	25
Provision for unfunded commitments and letters of credit	**(14)**	(6)	**(30)**	3
Other	**45**	54	**91**	101
Total other noninterest expense	**$ 277**	326	**$ 567**	690

Total other noninterest expense decreased $49 million and $123 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year. The decrease from both periods in the prior year was primarily due to decreases in FDIC insurance and other taxes, the provision for unfunded commitments and letters of credit, the provision for representation and warranty reserve related to residential mortgage loans sold to third-parties, insurance expense and expenses related to the TSA. FDIC insurance and other taxes decreased $16 million and $34 million, respectively, for the three and six months ended June 30, 2011 compared to same periods in the prior year due primarily to the FDIC s implementation of amended regulations that revise the Federal Deposit Insurance Act as a result of the Dodd-Frank Act. The amended regulations modified the definition of an institution s deposit insurance assessment base from domestic deposits to quarterly average total assets less quarterly average tangible equity as well as modified the assessment rate calculation; additionally, the six months ended June 30, 2010 included expenses due to the Bancorp s participation in the FDIC s TLGP transaction account guarantee program, which was exited during the first quarter of 2010. The provision for unfunded commitments and letters of credit was a benefit of $14 million and $30 million, respectively, for the three and six months ended June 30, 2011 compared to a benefit of $6 million and an expense of $3 million, respectively, for the three and six months ended June 30, 2010 due to lower estimates of inherent losses resulting from a decrease in delinquent loans as general economic conditions continued to show signs of moderation during 2011. The provision for representation and warranty claims, included in other losses and adjustments, decreased $4 million and $33 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year primarily due to a decrease in demand requests during 2011. Insurance expense decreased $10 million and $12 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year primarily due to the benefit recorded on the termination of a reinsurance agreement with a third-party during the second quarter of 2011. Refer to Note 12 of the Notes to Condensed Consolidated Financial Statements for additional information on the termination of the reinsurance agreement. TSA related expenses decreased to approximately $5 million and $16 million, respectively, for the three and six months ended June 30, 2011 compared to $16 million and $26 million in the same periods in the prior year due to Vantiv s transition to their own supporting systems. The three and six months ended June 30, 2011 also include $6 million of gains, recorded in the other caption, as a result of the redemption of certain trust preferred securities during June of 2011.

The Bancorp continues to focus on efficiency initiatives as part of its core emphasis on operating leverage and expense control. The efficiency ratio (noninterest expense divided by the sum of net interest income (FTE) and noninterest income) was 59.1% and 60.8% for the three and six months ended June 30, 2011 compared to 62.1% and 62.3% for the three and six months ended June 30, 2010, respectively.

Applicable Income Taxes

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

TABLE 10: Applicable Income Taxes

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Income before income taxes	**$ 506**	242	**883**	220
Applicable income tax expense	**169**	50	**281**	38
Effective tax rate	**33.3%**	20.5%	**31.8%**	17.3%

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Applicable income tax expense for all periods includes the tax benefit from tax-exempt income, tax-advantaged investments and general business 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 Internal Revenue Code (IRC), the New Markets Tax Credit program established under section 45D of the IRC and 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 increase in the effective tax rate for the three months ended June 30, 2011 from the prior year quarter was primarily due to higher forecasted pre-tax income as well as an increase in the amount of non-cash charges relating to previously recognized tax benefits associated with stock-based awards that will not be realized. The increase in the effective tax rate for the six months ended June 30, 2011 from the prior year period was primarily due to higher forecasted pre-tax income as well as a $24 million tax benefit resulting from the settlement of certain uncertain tax positions with the IRS during the first quarter of 2010.

Deductibility of Executive Compensation

Certain sections of the Internal Revenue Code limit the deductibility of compensation paid to or earned by certain executive officers of a public company. This has historically limited the deductibility of certain executive compensation to $1 million per executive officer, and the Bancorp s compensation philosophy has been to position pay to ensure deductibility. However, both the amount of the executive compensation that is deductible for certain executive officers and the allowable compensation vehicles changed as a result of the Bancorp s participation in TARP. In particular, the Bancorp was not permitted to deduct compensation earned by certain executive officers in excess of $500,000 per executive officer as a result of the Bancorp s participation in TARP. Therefore, a portion of the compensation earned by certain executive officers was not deductible by the Bancorp for the period in which the Bancorp participated in TARP. Subsequent to ending its participation in TARP, certain limitations on the deductibility of executive compensation will continue to apply to some forms of compensation earned while under TARP. The Bancorp s Compensation Committee determined that the underlying executive compensation programs are appropriate and necessary to attract, retain and motivate senior executives, and that failing to meet these objectives creates more risk for the Bancorp and its value than the financial impact of losing the tax deduction. For the year ended 2010, the total tax impact for non-deductible compensation was $6 million.

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BALANCE SHEET ANALYSIS

Loans and Leases

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

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

	June 30, 2011		December 31, 2010		June 30, 2010	
($ in millions)	**Balance**	**% of Total**	Balance	% of Total	Balance	% of Total
Commercial:						
Commercial and industrial loans	**$ 28,155**	**36**	$ 27,275	34	$ 26,011	33
Commercial mortgage loans	**10,331**	**13**	10,992	14	11,569	15
Commercial construction loans	**1,805**	**2**	2,111	3	3,042	4
Commercial leases	**3,326**	**4**	3,378	4	3,271	4
Subtotal commercial	**43,617**	**55**	43,756	55	43,893	56
Consumer:						
Residential mortgage loans	**10,838**	**14**	10,857	14	9,672	12
Home equity	**11,048**	**14**	11,513	14	11,987	15
Automobile loans	**11,315**	**14**	10,983	14	10,285	13
Credit card	**1,856**	**2**	1,896	2	1,841	3
Other consumer loans and leases	**478**	**1**	702	1	704	1
Subtotal consumer	**35,535**	**45**	35,951	45	34,489	44
Total loans and leases	**$ 79,152**	**100**	$ 79,707	100	$ 78,382	100
Total portfolio loans and leases (excludes loans held for sale)	**$ 77,967**		$ 77,491		$ 76,232	

Total loans and leases, including loans held for sale, decreased $555 million, or one percent, compared to December 31, 2010 , and increased $770 million, or one percent, from June 30, 2010. The decrease in total loans and leases from December 31, 2010 was the result of a $139 million decline in commercial loans and a $416 million decline in consumer loans. The increase in total loans and leases from June 30, 2010 was the result of a $1.0 billion increase in consumer loans partially offset by a $276 million decrease in commercial loans.

Total commercial loans and leases decreased $139 million from December 31, 2010 primarily due to declines in commercial mortgage loans and commercial construction loans, partially offset by an increase in commercial and industrial loans. Commercial mortgage loans decreased $661 million, or six percent, from December 31, 2010 as a result of tighter underwriting standards implemented in prior quarters in an effort to limit exposure to commercial real estate. Commercial construction loans decreased $306 million, or 14%, from December 31, 2010 due to runoff of non-owner occupied commercial real estate. The Bancorp decided to suspend lending on commercial non-owner occupied commercial real estate in 2008. Commercial and industrial loans increased $880 million, or three percent, from December 31, 2010, driven by an increase in new loan origination activity.

Total commercial loans and leases decreased $276 million, or one percent, compared to June 30, 2010 due primarily to decreases in commercial construction loans and commercial mortgage loans, partially offset by an increase in commercial and industrial loans. Commercial construction loans decreased $1.2 billion, or 41%, compared to June 30, 2010, primarily due to management s strategy to suspend new lending on commercial non-owner occupied real estate beginning in 2008. Despite the inflow from completed construction projects, commercial mortgage loans decreased $1.2 billion, or 11%, compared to June 30, 2010, due to tighter underwriting standards on commercial real estate loans in an effort to limit exposure to commercial real estate. Commercial and industrial loans increased $2.1 billion, or eight percent, compared to June 30, 2010, driven by an increase in new loan origination activity, despite the $852 million decrease in loans originally issued to Vantiv, LLC, formerly Fifth Third Processing Solutions, LLC, in conjunction with the Processing Business Sale. Vantiv, LLC, refinanced the original $1.25 billion in loans into a larger syndicated structure in connection with an acquisition in the fourth quarter of 2010.

Total consumer loans and leases decreased $416 million, or one percent, from December 31, 2010 primarily due to declines in home equity loans and other consumer loans and leases partially offset by an increase in automobile loans. Home equity loans decreased $465 million, or four percent, compared to December 31, 2010, due to tighter underwriting standards implemented in prior quarters and decreased customer demand. Other consumer loans and leases, primarily made up of automobile leases as well as some student loans designated as held for sale, decreased $224 million, or 32%, compared to December 31, 2010 due to a decline in new originations driven by tighter underwriting standards implemented in prior quarters. Automobile loans increased $332 million, or three percent, compared to December 31, 2010, due to strong loan origination volumes through consistent and competitive pricing, enhanced customer service with our dealership network and disciplined sales execution. Residential mortgage loans and credit card loans remained relatively flat from December 31, 2010.

Total consumer loans and leases increased $1.0 billion, or three percent, compared to June 30, 2010 primarily due to increases in residential mortgage loans and automobile loans, partially offset by decreases in home equity loans and other consumer loans and leases. Residential mortgage loans and leases increased $1.2 billion, or 12%, from June 30, 2010, primarily due to management s decision in the third quarter of

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2010 to retain certain shorter term residential mortgage loans originated through the Bancorp s retail branches. Automobile loans increased $1.0 billion, or 10 percent, from June 30, 2010, due to the previously mentioned strategic focus on increasing automobile lending during 2010 and throughout the first half of 2011. Home equity loans decreased $939 million, or 8%, compared to June 30, 2010 as a result of tighter underwriting standards and decreased customer demand. Other consumer loans and leases decreased $226 million, or 32%, compared to June 30, 2010 due to a decline in new originations driven by tighter underwriting standards.

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

	June 30, 2011		December 31, 2010		June 30, 2010	
($ in millions)	**Balance**	**% of Total**	Balance	% of Total	Balance	% of Total
Commercial:						
Commercial and industrial loans	**$ 27,970**	**36**	$ 26,509	34	$ 26,179	33
Commercial mortgage loans	**10,491**	**13**	11,276	14	11,772	15
Commercial construction loans	**1,950**	**2**	2,289	3	3,258	4
Commercial leases	**3,349**	**4**	3,314	4	3,336	5
Subtotal commercial	**43,760**	**55**	43,388	55	44,545	57
Consumer:						
Residential mortgage loans	**10,655**	**14**	10,693	13	9,390	12
Home equity	**11,144**	**14**	11,655	15	12,102	15
Automobile loans	**11,188**	**14**	10,825	14	10,170	13
Credit card	**1,834**	**2**	1,844	2	1,859	2
Other consumer loans and leases	**572**	**1**	743	1	741	1
Subtotal consumer	**35,393**	**45**	35,760	45	34,262	43
Total average loans and leases	**$ 79,153**	**100**	$ 79,148	100	$ 78,807	100
Total portfolio loans and leases (excludes loans held for sale)	**$ 77,937**		$ 76,236		$ 76,973	

Average total commercial loans and leases were relatively flat compared to December 31, 2010 and decreased $785 million, or two percent, compared to June 30, 2010. The decrease in average total commercial loans from June 30, 2010 was driven by tighter underwriting standards and lower demand for commercial mortgage loans, the suspension of lending on non-owner occupied commercial real estate in 2008, and the previously mentioned Vantiv, LLC, refinancing, partially offset by an increase in commercial and industrial originations.

Average total consumer loans and leases were relatively flat compared to December 31, 2010 and increased $1.1 billion, or three percent, compared to June 30, 2010. The increase in average total consumer loans and leases from June 30, 2010 was driven by increases in average residential mortgage loans and average automobile loans, partially offset by decreases in average home equity loans and average other consumer loans and leases. Average residential mortgage loans increased $1.3 billion, or 13%, average automobile loan balances increased $1.0 billion, or 10%, average home equity loans decreased $958 million, or eight percent, and other consumer loans and leases decreased $169 million, or 23%, from June 30, 2010 due to the reasons previously discussed.

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 June 30, 2011 and December 31, 2010, total investment securities were $16.1 billion, compared to $16.6 billion at

June 30, 2010.

Securities are classified as trading when bought and held principally for the purpose of selling them in the near term. Securities are classified as available-for-sale when, in management s judgment, they may be sold in response to, or in anticipation of, changes in market conditions. Securities that management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. 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. See Note 4 of the Notes to Condensed Consolidated Financial Statements for further information on OTTI.

For all periods presented, the Bancorp s investment portfolio consisted primarily of AAA-rated agency mortgage-backed securities, and did not hold asset-backed securities backed by subprime mortgage loans in its investment portfolio. Additionally, there was approximately $131 million of securities classified as below investment grade as of June 30, 2011, compared to $137 million as of December 31, 2010 and $142 million as of June 30, 2010.

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TABLE 13: Components of Investment Securities

($ in millions)	**June 30, 2011**	December 31, 2010	June 30, 2010
Available-for-sale and other: (amortized cost basis)			
U.S. Treasury and Government agencies	**$ 199**	225	475
U.S. Government sponsored agencies	**2,141**	1,564	1,692
Obligations of states and political subdivisions	**113**	170	196
Agency mortgage-backed securities	**10,269**	10,570	10,109
Other bonds, notes and debentures	**1,135**	1,338	946
Other securities	**1,032**	1,052	1,938
Total available-for-sale and other securities	**$ 14,889**	14,919	15,356
Held-to-maturity: (amortized cost basis)			
Obligations of states and political subdivisions	**$ 340**	348	349
Other bonds, notes and debentures	**4**	5	5
Total held-to-maturity	**$ 344**	353	354
Trading: (fair value)			
Variable rate demand notes	**$ 15**	106	169
Other securities	**202**	188	101
Total trading	**$ 217**	294	270

Available-for-sale securities on an amortized basis remained relatively flat compared to December 31, 2010 and decreased $467 million from June 30, 2010. The decrease from June 30, 2010 was due to a $906 million decrease in other securities partially offset by a $449 million increase in U.S. Government sponsored agency securities.

At June 30, 2011 and 2010, available-for-sale securities were 16% of total interest-earning assets, compared to 15% at December 31, 2010. The estimated weighted-average life of the debt securities in the available-for-sale portfolio was 4.5 years at June 30, 2011, compared to 4.4 years at December 31, 2010 and June 30, 2010. In addition, at June 30, 2011, the fixed-rate securities within the available-for-sale securities portfolio had a weighted-average yield of 4.28%, compared to 4.24% at December 31, 2010 and 4.41% at June 30, 2010.

Information presented in Table 14 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using historical cost balances. Maturity and yield calculations for the total available-for-sale portfolio exclude equity securities that have no stated yield or maturity. Market rates declined slightly in the second quarter of 2011 from the fourth quarter of 2010, resulting in an increase in net unrealized gains on agency mortgage-backed securities to $471 million at June 30, 2011, compared to $403 million in December 31, 2010. Total net unrealized gains on the available-for-sale securities portfolio were $613 million at June 30, 2011, compared to $495 million at December 31, 2010 and $665 million at June 30, 2010.

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

As of June 30, 2011 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and Government agencies:				
Average life of one year or less	$ 51	50	0.7	0.95%
Average life 1 5 years	49	51	1.2	1.44
Average life 5 10 years	99	105	8.4	3.58
Average life greater than 10 years				
Total	199	206	4.6	2.38
U.S. Government sponsored agencies:				
Average life of one year or less	50	50	0.3	1.42
Average life 1 5 years	388	392	4.2	2.55
Average life 5 10 years	1,703	1,817	5.6	3.60
Total	2,141	2,259	5.2	3.36
Obligations of states and political subdivisions:[(a)]				
Average life of one year or less	23	23	0.2	7.39
Average life 1 5 years	18	17	3.5	0.42
Average life 5 10 years	61	63	6.9	2.53
Average life greater than 10 years	11	12	11.3	5.02
Total	113	115	5.4	3.45
Agency mortgage-backed securities:				
Average life of one year or less	279	287	0.7	5.12
Average life 1 5 years	7,406	7,823	3.6	4.65
Average life 5 10 years	2,454	2,499	6.5	4.21
Average life greater than 10 years	130	131	12.1	4.22
Total	10,269	10,740	4.3	4.55
Other bonds, notes and debentures:[(b)]				
Average life of one year or less	105	107	0.7	1.78
Average life 1 5 years	750	758	2.9	3.87
Average life 5 10 years	211	210	5.7	3.40
Average life greater than 10 years	69	71	22.7	9.85
Total	1,135	1,146	4.4	3.95
Other securities[(c)]	1,032	1,036		
Total available-for-sale and other securities	$ 14,889	15,502	4.5	4.28%

(a) Taxable-equivalent yield adjustments included in the above table are 2.55%, 0.14%, 0.88%, 1.74% and 1.19% for securities with an average life of one year or less, 1-5 years, 5-10 years, greater than 10 years and in total, respectively.

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

(c)

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

Trading securities decreased $77 million, or 26%, compared to December 31, 2010 and decreased $53 million, or 20%, compared to June 30, 2010. The decreases from December 31, 2010 and June 30, 2010 were driven by the sale of VRDNs, which were held by the Bancorp in its trading securities portfolio. These securities were purchased from the market through FTS who was also the remarketing agent. Rates on these securities declined in 2010 and, as a result, the Bancorp continued to sell the VRDNs, replacing them with higher-yielding agency mortgage-backed securities classified as available-for-sale. For more information on VRDNs, see Note 12 of the Notes to Condensed Consolidated Financial Statements.

Deposits

Deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp is continuing to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Core deposits represented 69%, 70% and 68% of the Bancorp s asset funding base at June 30, 2011, December 31, 2010 and June 30, 2010, respectively.

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TABLE 15: Deposits

	June 30, 2011		December 31, 2010		June 30, 2010	
($ in millions)	Balance	% of Total	Balance	% of Total	Balance	% of Total
Demand	**$ 22,589**	**28**	21,413	26	19,256	23
Interest checking	**18,072**	**22**	18,560	23	17,759	22
Savings	**21,764**	**27**	20,903	26	19,646	24
Money market	**4,859**	**6**	5,035	6	4,666	6
Foreign office	**3,271**	**4**	3,721	5	3,430	4
Transaction deposits	**70,555**	**87**	69,632	86	64,757	79
Other time	**6,399**	**8**	7,728	9	10,966	13
Core deposits	**76,954**	**95**	77,360	95	75,723	92
Certificates - $100,000 and over	**3,642**	**5**	4,287	5	6,389	8
Other	**2**		1		3	
Total deposits	**$ 80,598**	**100**	81,648	100	82,115	100

Core deposits decreased $406 million, or one percent, compared to December 31, 2010, driven by a decrease in other time deposits, partially offset by an increase in transaction deposits. Other time deposits decreased $1.3 billion, or 17%, primarily as a result of continued runoff of CDs due to the low interest rate environment as customers have opted to maintain balances in more liquid transaction accounts. Transaction deposits increased $923 million, or one percent, primarily driven by an increase in demand deposits and saving deposits partially offset by a decrease in interest checking. Demand deposits increased $1.2 billion, or five percent, from December 31, 2010 due to commercial customers opting to hold money in demand deposit accounts rather than investing excess cash given current market conditions. Saving deposits increased $861 million, or four percent, primarily due to growth in the relationship savings program which offers customers double-interest bonus payments every month when an active checking account is held. These increases were partially offset by a decrease of $488 million, or three percent, in interest checking due to decreasing interest rates and seasonal decreases from year end balances

Core deposits increased $1.2 billion, or two percent, compared to June 30, 2010, driven by an increase in transaction deposits, partially offset by a decrease in other time deposits. The increase of $5.8 billion, or nine percent, in transaction deposits was driven primarily by increases in demand deposits and saving deposits. Demand deposits increased $3.3 billion, or 17%, due to an increase in new accounts from the relationship savings program, improved attrition levels, and growth from maturing certificate of deposits. Saving deposits increased $2.1 billion, or 11%, primarily due to the relationship savings program, an increase in new accounts in the Bancorp s growth markets due to competitive interest rates, and growth due to maturing certificate of deposit accounts. The increase in transaction deposits was offset by a decrease of $4.6 billion, or 42%, in other time deposits, as customers maintained their balances in more liquid accounts as interest rates remained near historical lows.

Included in core deposits are foreign office deposits, which are Eurodollar sweep accounts for the Bancorp s commercial customers. These accounts bear interest at rates slightly higher than money market accounts and unlike repurchase agreements the Bancorp does not have to pledge collateral. Foreign office deposits decreased $450 million, or 12%, from December 31, 2010 due to seasonality causing deposits to build up in the fourth quarter of 2010 and decrease over the first two quarters of 2011 along with a reduction in deposits due to decreasing interest rates.

The Bancorp uses certificates of deposit $100,000 and over, as a method to fund earning asset growth. At June 30, 2011, certificates $100,000 and over decreased $645 million, or 15%, compared to December 31, 2010, and decreased $2.7 billion, or 43%, compared to June 30, 2010, due to the reasons previously discussed.

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The following table presents average deposits for the three months ending June 30, 2011, December 31, 2010, and June 30, 2010.

TABLE 16: Average Deposits

	June 30, 2011		December 31, 2010		June 30, 2010	
($ in millions)	Balance	% of Total	Balance	% of Total	Balance	% of Total
Demand	$ 22,174	27	21,066	26	19,406	23
Interest checking	18,701	23	17,578	22	18,652	22
Savings	21,817	27	20,602	25	19,446	23
Money market	5,009	6	4,985	6	4,679	6
Foreign office	3,805	4	3,733	5	3,325	4
Transaction deposits	71,506	87	67,964	84	65,508	78
Other time	6,738	8	8,490	10	11,336	14
Core deposits	78,244	95	76,454	94	76,844	92
Certificates - $100,000 and over	3,955	5	4,858	6	6,354	8
Other	2		9		5	
Total average deposits	$ 82,201	100	81,321	100	83,203	100

On an average basis, core deposits increased $1.8 billion, or two percent, compared to the fourth quarter of 2010, and increased $1.4 billion, or two percent, compared to the second quarter of 2010 due to migration of higher priced certificates of deposit into transaction accounts, due to the impact of historically low rates and excess customer liquidity.

Borrowings

Total borrowings increased approximately $1.8 billion, or 16%, from December 31, 2010 and increased $472 million, or four percent, compared to June 30, 2010. The increase in total borrowings from December 31, 2010 was the result of increases in all components of borrowings. The increase in total borrowings compared to June 30, 2010 was driven by increases in federal funds purchased and other short-term borrowings, partially offset by a decrease in long-term debt. As of June 30, 2011, total borrowings as a percentage of interest-bearing liabilities was 19% compared to 16% at December 31, 2010 and 17% at June 30, 2010.

TABLE 17: Borrowings

($ in millions)	June 30, 2011	December 31, 2010	June 30, 2010
Federal funds purchased	$ 403	279	240
Other short-term borrowings	2,702	1,574	1,556
Long-term debt	10,152	9,558	10,989
Total borrowings	$ 13,257	11,411	12,785

Long-term debt increased $594 million, or 6%, compared to December 31, 2010 primarily due to the issuance of $1.0 billion in senior notes in the first quarter of 2011 and an increase of approximately $320 million in structured repurchase agreements. These increases were offset primarily by the June 2011 redemption of $452 million of certain trust preferred securities, classified as long term debt. Federal funds purchased increased $124 million, or 44% compared to December 31, 2010, due to an increase in borrowings from the Bank s correspondent banks. In order to meet its funding obligations, the Bancorp enters into repurchase agreements with customers, which are accounted for as collateralized financing transactions, where excess customer funds are borrowed overnight by the Bancorp, and later repurchased by the customers. Other short-term borrowings increased $1.1 billion, or 72%, compared to December 31, 2010, primarily due to an increase of $1.3 billion in short term FHLB borrowings in June of 2011.

Federal funds purchased increased $163 million, or 68%, compared to June 30, 2010, due to an increase in borrowings from the Bank s correspondent banks. Other short-term borrowings increased $1.1 billion, or 74%, driven by an increase in FHLB borrowings partially offset by a reduction in derivative collateral due to market movements. Long-term debt decreased $837 million, or 8%, compared to June 30, 2010 due to the repayment of $1.0 billion in FHLB advances during the fourth quarter of 2010, the previously mentioned redemption of certain trust preferred securities during the second quarter of 2011, and continual paydowns in securitization conduits and trusts. These decreases were partially offset by the aforementioned $1.0 billion in senior notes issued in the first quarter of 2011 and increases in structured repurchase agreements.

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

The following table presents average borrowings for the three months ending June 30, 2011, December 31, 2010, and June 30, 2010.

TABLE 18: Average Borrowings

($ in millions)	**June 30, 2011**	December 31, 2010	June 30, 2010
Federal funds purchased	**$ 344**	376	264
Other short-term borrowings	**1,605**	1,728	1,478
Long-term debt	**10,527**	10,298	10,876
Total average borrowings	**$ 12,476**	12,402	12,618

Average total borrowings increased $74 million, or one percent, compared to December 31, 2010, primarily due to an increase in long-term debt partially offset by a decrease in short-term borrowings. The increase in average long-term debt compared to December 31, 2010 was primarily the result of the aforementioned $1.0 billion senior note issued in the first quarter of 2011 and an increase in structured repurchase agreements. The increase was partially offset by the repayment of $1.0 billion of FHLB advances in the fourth quarter of 2010 and a reduction in commercial customer repurchase sweep agreements. Average total borrowings decreased $142 million, or one percent, compared to June 30, 2010 due to the previously mentioned activity during the fourth quarter of 2010 and the first and second quarters of 2011.

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

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

BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. Additional detailed financial information on each business segment is included in Note 20 of the Notes to Condensed Consolidated Financial Statements.

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

The Bancorp manages interest rate risk centrally at the corporate level by employing a FTP methodology. This methodology insulates the business segments from interest rate volatility, enabling them to focus on serving customers through loan originations and deposit taking. The FTP system assigns charge rates and credit rates to classes of assets and liabilities, respectively, based on expected duration and the LIBOR 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 liabilities. The credit rate provided for DDA s is reviewed annually based upon the account type, its estimated duration and the corresponding fed funds, LIBOR or swap rate. The credit rates for DDA s were reset January 1, 2011 to reflect the current market rates. These rates were significantly lower than those in place during the first six months of 2010, thus net interest income for deposit providing businesses was negatively impacted during the first six months of 2011.

The business segments are charged provision expense based on the actual net charge-offs experienced by the loans owned by each segment. Provision expense attributable to loan growth and changes in factors in the ALLL 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 (loss) by business segment is summarized in the following table.

TABLE 19: Business Segment Results

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Commercial Banking	**$ 86**	116	**$ 174**	167
Branch Banking	**52**	58	**70**	99
Consumer Lending	**30**	(18)	**5**	(10)
Investment Advisors	**10**	10	**18**	22
General Corporate & Other	**159**	26	**335**	(96)
Net income	**337**	192	**602**	182
Less: Net income attributable to noncontrolling interest				
Net income attributable to Bancorp	**337**	192	**602**	182

Dividends on preferred stock	**9**	62	**185**	125
Net income available to common shareholders	**$ 328**	130	**$ 417**	57

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

Commercial Banking

Commercial Banking offers banking, 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 20: Commercial Banking

($ in millions)	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Income Statement Data				
Net interest income (FTE)[(a)]	**$ 339**	390	**$ 671**	767
Provision for loan and lease losses	**147**	188	**299**	466
Noninterest income:				
Corporate banking revenue	**90**	89	**172**	165
Service charges on deposits	**52**	47	**101**	95
Other noninterest income	**21**	28	**65**	66
Noninterest expense:				
Salaries, incentives and benefits	**68**	62	**137**	126
Other noninterest expense	**212**	179	**416**	353
Income before taxes	**75**	125	**157**	148
Applicable income tax (benefit) expense	**(11)**	9	**(17)**	(19)
Net income	**$ 86**	116	**$ 174**	167
Average Balance Sheet Data				
Commercial loans	**$ 38,046**	38,499	**$ 38,034**	38,824
Demand deposits	**12,068**	10,813	**12,024**	10,668
Interest checking	**7,959**	8,659	**8,129**	9,331
Savings and money market	**2,721**	2,787	**2,820**	2,733
Certificates over $100,000	**1,818**	3,055	**1,928**	3,114
Foreign office deposits	**1,841**	2,007	**1,888**	1,763

*(a) Includes FTE adjustments of **$4** for the three months ended **June 30, 2011** and 2010 and **$8** and $7 for the six months ended **June 30, 2011** and 2010, respectively.*

Net income was $86 million for the three months ended June 30, 2011, compared to net income of $116 million for the three months ended June 30, 2010. The decline in net income was the result of lower net interest income and higher noninterest expense, partially offset by a decline in the provision for loan and lease losses. For the six months ended June 30, 2011, net income was $174 million compared to $167 million for the same period of the prior year. The increase in net income was driven by a decrease in the provision for loan and lease losses, partially offset by lower net interest income and higher noninterest expense.

Net interest income decreased $51 million and $96 million for the three and six months ended June 30, 2011, respectively, compared to the same periods of the prior year. The decreases in net interest income for the three and six months ended June 30, 2011 compared to the same periods of the prior year were primarily driven by declines in the FTP credits for DDA accounts and decreases in interest income. The decreases in interest income were driven primarily by declines in average commercial loan balances as well as declines in yields of 20 bp and 8 bp, respectively.

Provision for loan and lease losses decreased $41 million and $167 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year as a result of improved credit trends across all commercial loan types. Net charge-offs as a percent of average loans and leases decreased to 155 bp for the three months ended June 30, 2011 compared to 196 bp for the same period of the prior year and decreased to 159 bp for the six months ended June 30, 2011 compared to 243 bp for the same period of the prior year.

Noninterest income remained relatively flat in the second quarter of 2011 compared to the second quarter of 2010. For the six months ended June 30, 2011, noninterest income increased $12 million compared to the same period of the prior year as increases in corporate banking revenue and service charges on deposits were partially offset by declines in other noninterest income. The increase in corporate banking revenue of $7 million was primarily driven by increased business lending and syndication fees, partially offset by decreases in international income and institutional sales. The increase in service charges on deposits of $6 million was primarily driven by a decrease in earnings credits paid on customer balances.

Noninterest expense increased $39 million and $74 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year as a result of increases in salaries, incentives and benefits and FDIC insurance expense. The increases in salaries, incentives and benefits of $6 million and $11 million, respectively, was the result of increased incentive compensation due to higher corporate banking net revenue, as well as additions to the sales force. FDIC insurance expense increased $4 million and $6 million,

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

respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year due to a change in the methodology in determining FDIC insurance premiums to one based on total assets as opposed to the previous method that was based on total domestic deposits.

Average commercial loans decreased $453 million and $790 million for the three and six months ended June 30, 2011, respectively, compared to the same periods of the prior year, as declines in average commercial mortgage and commercial construction loan balances were partially offset by increased average commercial and industrial loans. Average commercial mortgage loans decreased $1.2 billion and $1.0 billion, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year as a result of tighter underwriting standards implemented in prior quarters in an effort to limit exposure to commercial real estate. Average commercial construction loans decreased $1.2 billion and $1.4 billion, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year, due to runoff as management suspended new lending on non-owner occupied real estate in 2008. The decreases in average commercial mortgage and construction loans were partially offset by growth in average commercial and industrial loans, which increased $2.0 billion and $1.7 billion, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year as a result of an increase in new loan origination activity.

Average core deposits increased $314 million for the three months ended June 30, 2011 compared to the three months ended June 30, 2010, and $354 million for the six months ended June 30, 2011 compared to the same period of 2010. The increases for both comparative periods were primarily driven by strong growth in demand deposit accounts, which increased $1.3 billion and $1.4 billion, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year. The increase in demand deposit accounts was partially offset by decreases of $941 million and $1.0 billion, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year in interest bearing deposits, 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 1,316 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 21: Branch Banking

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Income Statement Data				
Net interest income	**$ 359**	385	**$ 698**	770
Provision for loan and lease losses	**98**	125	**214**	282
Noninterest income:				
Card and processing revenue	**86**	79	**163**	148
Service charges on deposits	**73**	101	**147**	193
Investment advisory revenue	**29**	25	**58**	51
Other noninterest income	**25**	24	**49**	51
Noninterest expense:				
Salaries, incentives and benefits	**149**	143	**298**	279
Net occupancy and equipment expense	**59**	55	**117**	111
Card and processing expense	**28**	30	**55**	54
Other noninterest expense	**157**	169	**323**	330

Income before taxes	**81**	92	**108**	157
Applicable income tax expense	**29**	34	**38**	58
Net income	**$ 52**	58	**$ 70**	99
Average Balance Sheet Data				
Consumer loans	**$ 13,912**	12,974	**$ 13,858**	13,099
Commercial loans	**4,653**	4,871	**4,612**	4,936
Demand deposits	**8,337**	6,906	**8,111**	6,780
Interest checking	**8,061**	7,654	**7,806**	7,547
Savings and money market	**22,349**	19,788	**22,069**	19,272
Other time	**6,624**	11,138	**6,927**	11,470

Net income was $52 million for the three months ended June 30, 2011, compared to net income of $58 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, net income was $70 million compared to $99 million for the same period of the prior year. The decreases for both periods were driven by decreases in net interest income and noninterest income, partially offset by a decline in the provision for loan and lease losses.

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

Net interest income decreased $26 million and $72 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year due to decreases in the FTP credits for DDA accounts. These declines were partially offset by a favorable shift in the segment s deposit mix towards lower cost transaction deposits, resulting in declines in interest expense of $52 million and $102 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year.

Provision for loan and lease losses for the three months ended June 30, 2011 decreased $27 million compared to the second quarter of 2010, and declined $68 million for the six months ended June 30, 2011 compared to the same period of the prior year. The decline in the provision for both periods was the result of improved credit trends across all commercial and consumer loan types. Net charge-offs as a percent of average loans and leases decreased to 212 bp for the three months ended June 30, 2011 compared to 284 bp for the same period of the prior year and decreased to 234 bp for the six months ended June 30, 2011 compared to 319 bp for the same period of the prior year.

Noninterest income decreased $16 million and $26 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year. These decreases were primarily driven by lower service charges on deposits, which declined $28 million and $46 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year, due to the implementation of Regulation E. For both periods, these decreases were partially offset by increased card and processing revenue caused by higher debit and credit card transaction volumes, along with increased investment advisory revenue attributable to improved market performance and sales force expansion.

Noninterest expense decreased $4 million for the three months ended June 30, 2011 compared to the three months ended June 30, 2010 as declines in other noninterest expense were partially offset by increases in salaries, incentives and benefits expense of $6 million. Other noninterest expense declined $12 million for the three months ended June 30, 2011 compared to the same period of the prior year, primarily due to a decrease in FDIC insurance expense. The increase in salaries, incentives and benefits was primarily due to an increase in base and incentive compensation driven by investments in the sales force, as well as additional branch personnel.

Noninterest expense increased $19 million for the six months ended June 30, 2011 compared to the same period of the prior year primarily due to increases in salaries, incentives and benefits expense. The increase in salaries, incentives and benefits of $19 million for the six months ended June 30, 2011 compared to the same period of the prior year were due to the previously mentioned increases in base and incentive compensation primarily driven by investments in the sales force, and additional branch personnel.

Average consumer loans increased $938 million for the second quarter of 2011 and $759 million for the six months ended June 30, 2011 compared to the same periods in the prior year. These increases were primarily driven by increases in average residential mortgage loans of $1.5 billion and $1.3 billion, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year due to management s decision in the third quarter of 2010 to retain certain mortgage loans originated in the segment s retail branches. The increases in average residential mortgage loans were partially offset by decreases in average home equity loans of $452 million and $462 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year, due to decreased customer demand and tighter underwriting standards. For the three and six months ended June 30, 2011, average commercial loans decreased $218 million and $324 million, respectively, compared to the same prior year periods due to declines in commercial and industrial loans resulting from lower customer demand for new originations and tighter underwriting standards applied to both originations and renewals.

Average core deposits remained relatively flat for the three and six months ended June 30, 2011, declining $132 million and $171 million, respectively, compared to the same periods in the prior year as runoff of higher priced certificates of deposit was partially offset by growth in transaction accounts due to excess customer liquidity and historically low interest rates.

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 or pools of loans or lines of credit and all associated hedging activities. Other indirect lending activities include loans to consumers through mortgage brokers and automobile dealers. The following table contains selected financial data for the Consumer Lending segment.

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

TABLE 22: Consumer Lending

($ in millions)	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Income Statement Data				
Net interest income	**$ 81**	93	**$ 171**	197
Provision for loan and lease losses	**55**	114	**149**	246
Noninterest income:				
Mortgage banking net revenue	**160**	111	**259**	255
Other noninterest income	**7**	11	**22**	20
Noninterest expense:				
Salaries, incentives and benefits	**39**	48	**83**	84
Other noninterest expense	**108**	84	**213**	162
Income (loss) before taxes	**46**	(31)	**7**	(20)
Applicable income tax expense (benefit)	**16**	(13)	**2**	(10)
Net income (loss)	**$ 30**	(18)	**$ 5**	(10)
Average Balance Sheet Data				
Residential mortgage loans	**$ 8,906**	9,108	**$ 9,088**	9,147
Home equity	**740**	865	**756**	882
Automobile loans	**10,510**	9,452	**10,447**	9,457
Consumer leases	**181**	414	**213**	443

Net income was $30 million and $5 million for the three and six months ended June 30, 2011 compared to a net loss of $18 million and $10 million, respectively, for the same periods in the prior year. For both comparative periods, the increases in net income were driven by an increase in noninterest income and a decline in the provision for loan and lease losses, partially offset by a decrease in net interest income and an increase in noninterest expense.

Net interest income decreased $12 million for the three months ended June 30, 2011 compared to the three months ended June 30, 2010 and decreased $26 million for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. These decreases were primarily driven by lower yields on average residential mortgage and automobile loans, partially offset by favorable decreases in the FTP charge applied to the segment.

Provision for loan and lease losses decreased $59 million and $97 million, respectively, for the three and six months ended June 30, 2011, compared to the same periods of the prior year, as delinquency metrics and underlying loss trends improved across all consumer loan types. Net charge-offs as a percent of average loans and leases decreased to 113 bp for the three months ended June 30, 2011 compared to 248 bp for the same period of the prior year and decreased to 156 bp for the six months ended June 30, 2011 compared to 267 bp for the same period of the prior year.

Noninterest income increased $45 million for the three months ended June 30, 2011 and increased $6 million for the six months ended June 30, 2011 compared to the same periods of the prior year. The increase from both periods in the prior year was primarily due to increases in mortgage banking net revenue of $49 million and $4 million, respectively, for the three and six months ended June 30, 2011. These increases were driven by positive net valuation adjustments on mortgage servicing rights and free-standing derivatives used to economically hedge mortgage servicing rights, partially offset by declines in origination fees and gains on loan sales due to decreased margins and lower origination volume. Residential mortgage originations totaled $2.8 billion and $6.4 billion, respectively, for the three and six months ended June 30, 2011, compared to $3.5 billion and $6.5 billion for the same periods of the prior year.

Noninterest expense increased $15 million and $50 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year. For both periods, the increases were driven in part by increased FDIC insurance expense allocated to the Consumer Lending segment, as the methodology used to determine FDIC insurance premiums changed from one based on domestic deposits to one based on total assets.

Average consumer loans and leases increased $483 million and $561 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year. Average automobile loans increased $1.1 billion and $1.0 billion, respectively, compared to the three and six months ended June 30, 2011 due to a strategic focus to increase automobile lending throughout 2010 and into 2011 through consistent and competitive pricing, disciplined sales execution, and enhanced customer service with our dealership network. This increase was partially offset by declines across all other types of consumer loans. Average residential mortgage loans decreased $202 million and $59 million, respectively, from the three and six months ended June 30, 2011, compared to the same periods of the prior year as a result of the lower originations discussed previously. Average home equity loans decreased $125 million and $126 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year due to continued runoff in portfolios acquired in previous acquisitions. Average consumer leases decreased $233 million and $230 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods in the prior year due to runoff as the Bancorp discontinued this product in the fourth quarter of 2008.

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

Investment Advisors

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

TABLE 23: Investment Advisors

($ in millions)	For the three months ended June 30, **2011**	2010	For the six months ended June 30, **2011**	2010
Income Statement Data				
Net interest income	**$ 28**	36	**$ 56**	74
Provision for loan and lease losses	**4**	8	**9**	21
Noninterest income:				
Investment advisory revenue	**92**	84	**187**	171
Other noninterest income	**3**	3	**6**	7
Noninterest expense:				
Salaries, incentives and benefits	**42**	39	**85**	77
Other noninterest expense	**62**	61	**127**	120
Income before taxes	**15**	15	**28**	34
Applicable income tax expense	**5**	5	**10**	12
Net income	**$ 10**	10	**$ 18**	22
Average Balance Sheet Data				
Loans and leases	**$ 2,063**	2,596	**$ 2,096**	2,663
Core deposits	**6,746**	5,876	**6,601**	5,791

Net income was flat for second quarter of 2011 compared to the second quarter of 2010. Net income decreased $4 million for the six months ended June 30, 2011 compared to the same period of the prior year as a decline in net interest income was partially offset by an increase in investment advisory revenue.

Net interest income decreased $8 million and $18 million, respectively, for the three and six months ended June 30, 2011compared to the same periods of the prior year. The decreases for both periods compared to the six months ended June 30, 2010 were driven by a decline in average loan and lease balances as well as declines in yields of 34 bp and 54 bp, respectively.

Provision for loan and leases losses decreased $4 million and $12 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year as a result of improved credit trends across all loan types. Net charge-offs as a percent of average loans and leases decreased to 86 bps for the three months ended June 30, 2011 compared to 126 bps for the same period of the prior year and decreased to 90 bps for the six months ended June 30, 2011 compared to 159 bps for the same period of the prior year.

Noninterest income increased $8 million and $15 million, respectively, for the three and six months ended June 30, 2011compared to the same periods of the prior year, due primarily to increases in investment advisory revenue for both periods compared. Private Bank income increased $4 million for the three months ended June 30, 2011 compared to the same period of the prior year, and $7 million for the six months ended June 30, 2011 compared to the same period of the prior year, primarily due to market performance. Securities and broker income increased $3 million and $4 million, respectively, for the three months and six months ended June 30, 2011 compared to the same periods of the prior year, due to continued expansion of the sales force and market performance.

Noninterest expense increased $4 million and $15 million, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year, due to increases in salaries, incentives and benefit expense resulting from the expansion of the sales force and compensation related to improved performance in investment advisory revenue related fees.

Average loans and leases decreased $533 million and $567 million, respectively, for the three and six months ended June 30, 2011, compared to the same periods of the prior year. These decreases were primarily driven by declines in home equity loans of $385 million and $376 million, respectively, for the three and six months ended June 30, 2011 due to tighter underwriting standards. Average core deposits increased $870 million, or 15%, and $810 million, or 14%, respectively, for the three and six months ended June 30, 2011 compared to the same periods of the prior year due to growth in interest checking and foreign deposits as customers have opted to maintain excess funds in liquid transaction accounts as a result of interest rates remaining near historic lows.

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

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 income from the reduction of the ALLL, the payment of preferred stock dividends and certain support activities and other items not attributed to the business segments.

Results for the three and six months ended June 30, 2011 were impacted by income of $191 million and $390 million, respectively, due to reductions in the ALLL, dividends on preferred stock of $9 million and $185 million, respectively, and net interest income of $62 million and $156 million, respectively. For the three and six months ended June 30, 2010, results were impacted by income of $110 million and $100 million, respectively, due to reductions in the ALLL, dividends on preferred stock of $62 million and $125 million, respectively, and losses on net interest income of $17 million and $20 million, respectively. For the three and six months ended June 30, 2011 and 2010, benefits to provision expense resulting from reductions in the ALLL were driven by general improvements in credit quality and declines in net charge-offs. The six months ended June 30, 2011 included $153 million in preferred stock dividends as a result of the accelerated accretion of the remaining issuance discount on the Series F Preferred Stock that was repaid in the first quarter of 2011. The three and six months ended June 30, 2011 included increased net interest income compared to the same periods of the prior year due to a benefit in the FTP rate.

Quantitative and Qualitative Disclosures About Market Risk (Item 3)

RISK MANAGEMENT   OVERVIEW

Managing risk is an essential component of successfully operating a financial services company. The Bancorp s risk management approach includes processes for identifying, assessing, managing, monitoring and reporting risks. The ERM division, led by the Bancorp s Chief Risk Officer, ensures the consistency and adequacy of the Bancorp s risk management approach within the structure of the Bancorp s 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. Operating Risk Capacity 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 necessary 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 economic capital necessary in its business not exceed its Operating Risk Capacity less the aforementioned buffer.

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. ERM 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 fiduciary compliance processes. 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 four outside directors and has the responsibility for the oversight of risk management for the Bancorp, as well as for the Bancorp s overall aggregate risk profile. The Risk and Compliance

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Quantitative and Qualitative Disclosures About Market Risk (Item 3)

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 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.

Finally, 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, appropriate accounting for charge-offs, and non-accrual status and specific reserves. Credit Risk Review reports directly to the Risk and Compliance Committee of the Board of Directors and administratively to the Director of Internal Audit.

Quantitative and Qualitative Disclosures About Market Risk (continued)

CREDIT RISK MANAGEMENT

The objective of the Bancorp s credit risk management strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. The Bancorp s credit risk management strategy is based on three core principles: conservatism, diversification and monitoring. The Bancorp believes that effective credit risk management begins with conservative lending practices. These practices include conservative exposure and counterparty limits and conservative underwriting, documentation and collection standards. The Bancorp s credit risk management strategy also emphasizes diversification on a geographic, industry and customer level as well as regular credit examinations and monthly management reviews of large credit exposures and credits experiencing deterioration of credit quality. Lending 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, which reports to the Risk and Compliance Committee of the Board of Directors, 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. 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 that provides for 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-grade risk rating system. The Bancorp has completed significant validation and testing of the dual risk rating system and will make a decision on the implementation of the dual risk rating model for purposes of determining the Bancorp s ALLL once the FASB has issued a final standard regarding previously proposed methodology changes to the determination of credit impairment as outlined in the Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities Exposure Draft and Supplementary Document dated May 2010 and January 2011, respectively. Scoring systems, various analytical tools and delinquency monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

Overview

General economic conditions started to improve during 2010 and the economy continued showing signs of stabilization in the first half of 2011. Geographically, the Bancorp continues to experience the most stress in Michigan and Florida due to the decline 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 commercial portfolios, the homebuilder, residential developer and portions of the remaining non-owner occupied commercial real estate portfolios continue to remain under stress.

Among consumer portfolios, residential mortgage and brokered home equity portfolios exhibited the most stress. Management suspended homebuilder and developer lending in the fourth quarter of 2007 and new commercial non-owner occupied real estate lending in the second quarter of 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. 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. Throughout 2010 and in the first half of 2011, the Bancorp continued to aggressively engage in other loss mitigation strategies such as reducing credit commitments, restructuring certain commercial and consumer loans, tightening underwriting standards on commercial loans and across the consumer loan portfolio, as well as utilizing expanded commercial and consumer loan workout teams. In the financial services industry, there has been heightened focus on foreclosure activity and processes. Fifth Third 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 are careful to ensure that customer and loan data are accurate. Reviews of the Bancorp s foreclosure process and procedures conducted last year did not reveal any material deficiencies. These reviews have been expanded and extended in 2011 to improve our processes as additional aspects of the industry s foreclosure practices have come under intensified scrutiny and criticism. These reviews are ongoing and the Bancorp may determine to amend its processes and procedures as a result of these reviews. While any impact to the Bancorp that ultimately results from continued reviews cannot yet be determined, management currently believes that such impact will not materially adversely affect the Bancorp s results of operations, liquidity or capital resources. Additionally, banking regulatory agencies and other federal and state governmental authorities have continued to review the foreclosure process of mortgage servicers such as Fifth Third beyond the initial examinations of the largest mortgage servicers they conducted last year and earlier this year. These ongoing reviews could subject Fifth Third and other mortgage servicers to sanctions and/or civil money penalties and requirements to undertake remedial measures.

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

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Quantitative and Qualitative Disclosures About Market Risk (continued)

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 an appraisal of collateral be performed at origination and on an as-needed basis, in conformity with market conditions and regulatory requirements. Independent reviews are performed on appraisals to ensure the appraiser is qualified and consistency exists in the evaluation process.

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

	2011			2010		
As of June 30 ($ in millions)	**Outstanding**	**Exposure**	**Nonaccrual**	Outstanding	Exposure	Nonaccrual
By industry:						
Manufacturing	**$ 7,881**	**15,298**	**109**	$ 6,841	13,850	217
Real estate	**7,757**	**8,782**	**359**	9,328	10,783	676
Financial services and insurance	**3,824**	**8,733**	**117**	4,104	8,391	92
Business services	**3,498**	**5,718**	**76**	2,691	4,755	74
Healthcare	**3,278**	**4,994**	**28**	3,063	4,931	39
Wholesale trade	**3,211**	**5,873**	**72**	2,547	5,150	49
Construction	**2,519**	**3,663**	**223**	3,270	4,728	484
Retail trade	**2,363**	**5,543**	**41**	2,550	5,496	75
Transportation and warehousing	**2,063**	**2,713**	**21**	2,338	2,842	50
Other services	**1,067**	**1,479**	**47**	1,047	1,471	34
Accommodation and food	**1,062**	**1,584**	**55**	929	1,443	56
Mining	**1,023**	**1,694**		741	1,237	18
Communication and information	**937**	**1,650**	**7**	720	1,483	7
Entertainment and recreation	**844**	**1,095**	**18**	734	899	9
Public administration	**607**	**778**	**4**	580	837	9
Utilities	**559**	**1,656**		524	1,531	
Agribusiness	**435**	**587**	**67**	529	676	69
Individuals	**426**	**477**	**8**	726	920	16
Other	**82**	**140**	**1**	463	1,079	6
Total	**$ 43,436**	**72,457**	**1,253**	$ 43,725	72,502	1,980
By loan size:						
Less than $200,000	**3%**	**2**	**7**	3%	2	5
$200,000 to $1 million	**9**	**7**	**22**	11	8	20
$1 million to $5 million	**20**	**16**	**27**	24	19	36
$5 million to $10 million	**13**	**10**	**13**	13	11	19
$10 million to $25 million	**26**	**26**	**23**	24	25	16
Greater than $25 million	**29**	**39**	**8**	25	35	4
Total	**100%**	**100**	**100**	100%	100	100
By state:						

Ohio	**25%**	**28**	**19**	27%	30	16
Michigan	**14**	**12**	**19**	16	14	19
Florida	**8**	**6**	**15**	8	7	23
Illinois	**8**	**8**	**11**	8	9	9
Indiana	**6**	**5**	**11**	6	6	4
Kentucky	**4**	**4**	**5**	5	4	5
North Carolina	**3**	**3**	**4**	3	3	6
Tennessee	**3**	**3**	**1**	3	3	2
Pennsylvania	**2**	**2**	**2**	2	2	
All other states	**27%**	**29**	**13**	22	22	16
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. The following tables provide analysis of each of the categories of loans (excluding loans held for sale) by state as of and for the three and six months ended June 30, 2011 and 2010.

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Quantitative and Qualitative Disclosures About Market Risk (continued)

TABLE 25: Non-Owner Occupied Commercial Real Estate

As of June 30, 2011 ($ in millions)					Net Charge-offs for June 30, 2011	
By State:	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Six Months Ended
Ohio	$ **2,130**	**2,416**	**43**	**117**	**7**	**30**
Michigan	**1,572**	**1,649**	**1**	**65**	**8**	**19**
Florida	**786**	**879**	**2**	**89**	**25**	**30**
Illinois	**443**	**504**				