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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, 2020
Commission File Number 001-33653



FIFTH THIRD BANCORP

(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)**

38 Fountain Square Plaza
Cincinnati, Ohio 45263
(Address of principal executive offices)

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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, Without Par Value	FITB	The NASDAQ Stock Market LLC
Depositary Shares Representing a 1/1000th Ownership Interest in a Share of 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series I	FITBI	The NASDAQ Stock Market LLC
Depositary Shares Representing a 1/40th Ownership Interest in a Share of 6.00% Non-Cumulative Perpetual Class B Preferred Stock, Series A	FITBP	The NASDAQ Stock Market LLC
Depositary Shares Representing a 1/1000th Ownership Interest in a Share of 4.95% Non-Cumulative Perpetual Preferred Stock, Series K	FITBO	The NASDAQ Stock Market LLC

There were 712,241,022 shares of the Registrant's common stock, without par value, outstanding as of July 31, 2020.



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FORWARD-LOOKING STATEMENTS

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

Glossary of Abbreviations and Acronyms

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

ACL: Allowance for Credit Losses
ALCO: Asset Liability Management Committee
ALLL: Allowance for Loan and Lease Losses
AOCI: Accumulated Other Comprehensive Income (Loss)
APR: Annual Percentage Rate
ARM: Adjustable Rate Mortgage
ASC: Accounting Standards Codification
ASU: Accounting Standards Update
ATM: Automated Teller Machine
BHC: Bank Holding Company
BOLI: Bank Owned Life Insurance
BPO: Broker Price Opinion
bps: Basis Points
CCAR: Comprehensive Capital Analysis and Review
CDC: Fifth Third Community Development Corporation
CECL: Current Expected Credit Loss
CET1: Common Equity Tier 1
CFPB: United States Consumer Financial Protection Bureau
C&I: Commercial and Industrial
DCF: Discounted Cash Flow
DTCC: Depository Trust & Clearing Corporation
DTI: Debt-to-Income Ratio
ERM: Enterprise Risk Management
ERMC: Enterprise Risk Management Committee
EVE: Economic Value of Equity
FASB: Financial Accounting Standards Board
FDIC: Federal Deposit Insurance Corporation
FHA: Federal Housing Administration
FHLB: Federal Home Loan Bank
FHLMC: Federal Home Loan Mortgage Corporation
FICO: Fair Isaac Corporation (credit rating)
FINRA: Financial Industry Regulatory Authority
FNMA: Federal National Mortgage Association
FOMC: Federal Open Market Committee
FRB: Federal Reserve Bank
FTE: Fully Taxable Equivalent
FTP: Funds Transfer Pricing
FTS: Fifth Third Securities
GDP: Gross Domestic Product
GNMA: Government National Mortgage Association
GSE: United States Government Sponsored Enterprise
IPO: Initial Public Offering
IRC: Internal Revenue Code
IRLC: Interest Rate Lock Commitment
ISDA: International Swaps and Derivatives Association, Inc.
LIBOR: London Interbank Offered Rate
LIHTC: Low-Income Housing Tax Credit
LLC: Limited Liability Company
LTV: Loan-to-Value Ratio
MD&A: Management's Discussion and Analysis of Financial Condition and Results of Operations
MSR: Mortgage Servicing Right
N/A: Not Applicable
NII: Net Interest Income
NM: Not Meaningful
OAS: Option-Adjusted Spread
OCC: Office of the Comptroller of the Currency
OCI: Other Comprehensive Income (Loss)
OREO: Other Real Estate Owned
OTTI: Other-Than-Temporary Impairment
PCI: Purchased Credit Impaired
PCD: Purchased Credit Deteriorated
PPP: Paycheck Protection Program
RCC: Risk Compliance Committee
ROU: Right-of-Use
SAR: Stock Appreciation Right
SBA: Small Business Administration
SEC: United States Securities and Exchange Commission
SOFR: Secured Overnight Financing Rate
TBA: To Be Announced
TDR: Troubled Debt Restructuring
TILA: Truth in Lending Act
U.S.: United States of America
U.S. GAAP: United States Generally Accepted Accounting Principles
VA: United States Department of Veterans Affairs
VIE: Variable Interest Entity
VRDN: Variable Rate Demand Note

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

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

TABLE 1: Selected Financial Data

($ in millions, except for per share data)	For the three months ended June 30, 2020	2019	% Change	For the six months ended June 30, 2020	2019	% Change
Income Statement Data						
Net interest income (U.S. GAAP)	**$ 1,200**	1,245	(4)	**$ 2,429**	2,327	4
Net interest income (FTE)[(a)(b)]	**1,203**	1,250	(4)	**2,436**	2,336	4
Noninterest income	**650**	660	(2)	**1,321**	1,761	(25)
Total revenue (FTE)[(a)]	**1,853**	1,910	(3)	**3,757**	4,097	(8)
Provision for credit losses[(c)]	**485**	85	471	**1,125**	175	543
Noninterest expense	**1,121**	1,243	(10)	**2,321**	2,341	(1)
Net income	**195**	453	(57)	**243**	1,228	(80)
Net income available to common shareholders	**163**	427	(62)	**193**	1,187	(84)
Common Share Data						
Earnings per share - basic	**$ 0.23**	0.57	(60)	**$ 0.27**	1.68	(84)
Earnings per share - diluted	**0.23**	0.57	(60)	**0.27**	1.66	(84)
Cash dividends declared per common share	**0.27**	0.24	13	**0.54**	0.46	17
Book value per share	**28.88**	26.17	10	**28.88**	26.17	10
Market value per share	**19.28**	27.90	(31)	**19.28**	27.90	(31)
Financial Ratios						
Return on average assets	**0.40 %**	1.08	(63)	**0.26 %**	1.56	(83)
Return on average common equity	**3.2**	9.1	(65)	**1.9**	13.9	(86)
Return on average tangible common equity[(b)]	**4.3**	12.3	(65)	**2.7**	17.8	(85)
Dividend payout	**117.4**	42.1	179	**200.0**	27.4	630
Average total Bancorp shareholders' equity as a percent of average assets	**11.30**	12.02	(6)	**11.92**	11.74	2
Tangible common equity as a percent of tangible assets (excluding AOCI)[(b)]	**6.77**	8.27	(18)	**6.76**	8.27	(18)
Net interest margin[(a)(b)]	**2.75**	3.37	(18)	**2.99**	3.33	(10)
Net interest rate spread [(a)(b)]	**2.55**	2.95	(14)	**2.75**	2.91	(5)
Efficiency[(a)(b)]	**60.5**	65.1	(7)	**61.8**	57.1	8
Credit Quality						
Net losses charged-off	**$ 130**	78	67	**$ 252**	156	62
Net losses charged-off as a percent of average portfolio loans and leases	**0.44 %**	0.29	52	**0.44 %**	0.30	47
ALLL as a percent of portfolio loans and leases	**2.34**	1.02	129	**2.34**	1.02	129
ACL as a percent of portfolio loans and leases[(d)]	**2.50**	1.15	117	**2.50**	1.15	117
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO	**0.65**	0.51	27	**0.65**	0.51	27
Average Balances						
Loans and leases, including held for sale	**$ 119,418**	110,993	8	**$ 115,799**	104,712	11
Securities and other short-term investments	**56,806**	37,797	50	**47,920**	36,953	30
Total assets	**198,387**	167,578	18	**185,129**	158,324	17
Transaction deposits[(e)]	**142,079**	112,847	26	**130,087**	106,780	22
Core deposits[(f)]	**146,500**	118,525	24	**134,838**	112,051	20
Wholesale funding[(g)]	**23,739**	23,633	—	**22,786**	22,915	(1)
Bancorp shareholders' equity	**22,420**	20,135	11	**22,066**	18,588	19
Regulatory Capital[(h)]						
CET1 capital	**9.72 %**	9.57	2	**9.72 %**	9.57	2
Tier I risk-based capital	**10.96**	10.62	3	**10.96**	10.62	3
Total risk-based capital	**14.24**	13.53	5	**14.24**	13.53	5
Tier I leverage	**8.16**	9.24	(12)	**8.16**	9.24	(12)

(a) Amounts presented on an FTE basis. The FTE adjustments for the three months ended June 30, 2020 and 2019 were $3 and $5, respectively, and for the six months ended June 30, 2020 and 2019 were $7 and $9, respectively.

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

(c) The provision for credit losses is the sum of the provision for loan and lease losses and the provision for the reserve for unfunded commitments.

(d) The ACL is the sum of the ALLL and the reserve for unfunded commitments.

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

(f) Includes transaction deposits and other time deposits.

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

(h) Regulatory capital ratios as of June 30, 2020 are calculated pursuant to the five-year transition provision option to phase in the effects of CECL on regulatory capital.

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, 2020, the Bancorp had $202.9 billion in assets and operated 1,122 full-service banking centers and 2,456 Fifth Third branded ATMs in ten states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019. Each of these items could have an impact on the Bancorp's financial condition, results of operations and cash flows. In addition, refer to the Glossary of Abbreviations and Acronyms in this report for a list of terms included as a tool for the reader of this quarterly report on Form 10-Q. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements.

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

The Bancorp's revenues are dependent on both net interest income and noninterest income. For both the three and six months ended June 30, 2020, net interest income on an FTE basis and noninterest income provided 65% and 35% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Condensed Consolidated Financial Statements for the three and six months ended June 30, 2020. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section of MD&A, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

Noninterest income is derived from service charges on deposits, commercial banking revenue, wealth and asset management revenue, mortgage banking net revenue, card and processing revenue, leasing business revenue, other noninterest income and net securities gains or losses. Noninterest expense includes compensation and benefits, technology and communications costs, net occupancy expense, leasing business expense, equipment expense, card and processing expense, marketing expense and other noninterest expense.

COVID-19 Global Pandemic

The U.S. economy continued to retract during the second quarter of 2020 as a result of the spread of COVID-19. To address concerns that COVID-19 may overwhelm the health care system, states across the U.S. declared lockdowns that restricted social gatherings and ordered temporary closures of businesses deemed non-essential. Despite the partial lifting of these measures in some of the states in the Bancorp's geographic footprint, the recent increase in cases means that it remains unknown when there will be a return to normal economic activity. During the second quarter of 2020, the Bancorp observed the impact of the pandemic on its business. The decline of asset prices, reduction in interest rates, widening of credit spreads, borrower and counterparty credit deterioration and market volatility had the most immediate negative impacts on current quarter performance. Although the Bancorp is unable to estimate the extent of the impact, the continuing pandemic and related global economic crisis will adversely impact its future operating results.

As the cases of COVID-19 continued to rise, the disruption in the financial markets led the FRB to enact unprecedented policies to offset the forced liquidations and restore liquidity in the financial markets. The FRB cut rates to the zero lower bound, announced unlimited purchases of treasuries along with agency mortgage-backed securities and commercial mortgage-backed securities, and announced several facilities designed to support the smooth functioning of credit markets.

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

Government Response to the COVID-19 Pandemic

Congress, the FRB and the other U.S. state and federal financial regulatory agencies have taken actions to mitigate disruptions to economic activity and financial stability resulting from the COVID-19 pandemic. The descriptions below summarize certain significant government actions taken in response to the COVID-19 pandemic. The descriptions are qualified in their entirety by reference to the particular statutory or regulatory provisions or government programs summarized.

The CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020 and has subsequently been amended several times. Among other provisions, the CARES Act includes funding for the SBA to expand lending, relief from certain U.S. GAAP requirements to allow COVID-19-related loan modifications to not be categorized as TDRs and a range of incentives to encourage deferment, forbearance or modification of consumer credit and mortgage contracts. One of the key CARES Act programs is the Paycheck Protection Program, which temporarily expands the SBA's business loan guarantee program through August 8, 2020. Paycheck Protection Program loans are available to a broader range of entities than ordinary SBA loans, require six-month deferral of principal and interest repayment, and the loan may be forgiven in an amount equal to payroll costs and certain other expenses during either an eight-week or twenty-four week covered period.

The CARES Act contains additional protections for homeowners and renters of properties with federally-backed mortgages, including a 60-day moratorium on the initiation of foreclosure proceedings beginning on March 18, 2020 and a 120-day moratorium on initiating eviction proceedings effective March 27, 2020. Borrowers of federally-backed mortgages have the right under the CARES Act to request up to 360 days of forbearance on their mortgage payments if they experience financial hardship directly or indirectly due to the COVID-19 public health emergency. Fannie Mae and Freddie Mac have independently extended their moratorium on foreclosures and evictions for single-family federally backed mortgages until at least August 31, 2020.

Also pursuant to the CARES Act, the U.S. Treasury has the authority to provide loans, guarantees and other investments in support of eligible businesses, states and municipalities affected by the economic effects of COVID-19. Some of these funds have been used to support several FRB programs and facilities described below or additional programs or facilities that are established by its authority under Section 13(3) of the Federal Reserve Act and meeting certain criteria.

FRB Actions

The FRB has taken a range of actions to support the flow of credit to households and businesses. For example, on March 15, 2020, the FRB reduced the target range for the federal funds rate to 0 to 0.25% and announced that it would increase its holdings of U.S. Treasury securities and agency mortgage-backed securities and begin purchasing agency commercial mortgage-backed securities. The FRB has also encouraged depository institutions to borrow from the discount window and has lowered the primary credit rate for such borrowing by 150 basis points while extending the term of such loans up to 90 days. Reserve requirements have been reduced to zero as of March 26, 2020.

In addition, the FRB has established, or has taken steps to establish, a range of facilities and programs to support the U.S. economy and U.S. marketplace participants in response to economic disruptions associated with COVID-19. Through these facilities and programs, the FRB, relying on its authority under Section 13(3) of the Federal Reserve Act, has taken steps to directly or indirectly purchase assets from, or make loans to, U.S. companies, financial institutions, municipalities and other market participants.

FRB facilities and programs established, or in the process of being established, include:

- Paycheck Protection Program Liquidity Facility to provide financing related to Paycheck Protection Program loans made by banks;
- Main Street New Loan Facility, a Main Street Priority Loan Facility, and a Main Street Expanded Loan Facility to purchase loan participations, under specified conditions, from banks lending to small and medium U.S. businesses;
- Primary Dealer Credit Facility to provide liquidity to primary dealers through a secured lending facility;
- Commercial Paper Funding Facility to purchase the commercial paper of certain U.S. issuers;
- Primary Market Corporate Credit Facility to purchase corporate bonds directly from, or make loans directly to, eligible participants;
- Secondary Market Corporate Credit Facility to purchase corporate bonds trading in secondary markets, including from exchange-traded funds, that were issued by eligible participants;
- Term Asset-Backed Securities Loan Facility to make loans secured by asset-backed securities;
- Municipal Liquidity Facility to purchase bonds directly from U.S. state, city and county issuers; and
- Money Market Mutual Fund Liquidity Facility to purchase certain assets from, or make loans to, financial institutions providing financing to eligible money market mutual funds.

These facilities and programs are in various stages of development, and the Bancorp and the Bank currently, or may in the future participate in some of them, including as an agent or intermediary on behalf of clients or customers or in an advisory capacity. For commercial and consumer customers, Fifth Third has provided a host of relief options, including loan covenant relief, loan maturity extensions, payment deferrals and fee waivers.

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

Paycheck Protection Program
As previously discussed, the Bancorp is participating in the SBA's Paycheck Protection Program which was created by the CARES Act on March 27, 2020. The Bancorp has originated approximately 37,000 loans in the amount of $5.5 billion under the program as of June 30, 2020.

For further discussion on Fifth Third's hardship relief programs as a result of the COVID-19 pandemic, refer to the Credit Risk Management subsection of the Risk Management section of MD&A and Note 4 and Note 7 of the Notes to Condensed Consolidated Financial Statements.

Senior Notes Offering
On January 31, 2020, the Bank issued and sold, under its bank notes program, $1.25 billion in aggregate principal amount of senior fixed-rate notes. The bank notes consisted of $650 million of 1.80% senior fixed-rate notes, with a maturity of three years, due on January 30, 2023; and $600 million of 2.25% senior fixed-rate notes, with a maturity of seven years, due on February 1, 2027.

On May 5, 2020, the Bancorp issued and sold $1.25 billion in aggregate principal amount of senior fixed-rate notes. The notes consisted of $500 million of 1.625% senior fixed-rate notes, with a maturity of three years, due on May 5, 2023; and $750 million of 2.55% senior fixed-rate notes, with a maturity of seven years, due on May 5, 2027.

For more information on the senior notes offerings, including disclosure on the redemption options, refer to Note 17 of the Notes to Condensed Consolidated Financial Statements.

LIBOR Transition
In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that FCA will stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. Since then, central banks around the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for LIBOR. The Bancorp has substantial exposure to LIBOR-based products within its commercial lending, commercial deposits, business banking, consumer lending and capital markets lines of business as well as corporate treasury function. It is expected that a transition away from the widespread use of LIBOR to alternative reference rates will occur over the course of the next few years. Although the full impact of such reforms and actions remains unclear, the Bancorp is preparing to transition from LIBOR to these alternative reference rates.

The Bancorp's transition plan includes a number of key work streams, including continued engagement with central bank and industry working groups and regulators, active client engagement, comprehensive review of legacy documentation, internal operational readiness, and risk management, among other things, to facilitate the transition to alternative reference rates.

The transition away from LIBOR is expected to be gradual and complicated. There remain a number of unknown factors regarding the transition from LIBOR that could impact the Bancorp's business, including, for example, the pace of the transition to replacement rates, including industry coalescence around an alternative reference rate such as SOFR, our ability to identify exposures to LIBOR across our business lines, the specific terms and parameters for any potential alternative reference rates, the prices of and the liquidity of trading markets for products based on the alternative reference rates, our ability to transition to and develop appropriate systems and analytics for one or more alternative reference rates, our ability to maintain contractual continuity and our ability to identify and remediate any operational issues. For a further discussion of the various risks the Bancorp faces in connection with the expected replacement of LIBOR on its operations, see "Risk Factors—Market Risks—The replacement of LIBOR could adversely affect Fifth Third's revenue or expenses and the value of those assets or obligations." in Item 1A. Risk Factors of the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019.

Key Performance Indicators
The Bancorp, as a banking institution, utilizes various key indicators of financial condition and operating results in managing and monitoring the performance of the business. In addition to traditional financial metrics, such as revenue and expense trends, the Bancorp monitors other financial measures that assists in evaluating growth trends, capital strength and operational efficiencies. The Bancorp analyzes these key performance indicators against its past performance, its forecasted performance and with the performance of its peer banking institutions. These indicators may change from time to time as the operating environment and businesses change.

The following are key performance indicators used by management to make operating decisions and capital utilization:

- CET1 Capital Ratio: CET1 capital divided by risk-weighted assets as defined by the Basel III standardized approach to risk-weighting of assets
- Return on Average Tangible Common Equity (non-GAAP): Tangible net income available to common shareholders divided by average tangible common equity
- Efficiency Ratio: Noninterest expense divided by the sum of net interest income on an FTE basis (non-GAAP) and noninterest income

- Earnings per share, diluted: Net income allocated to common shareholders divided by average common shares outstanding after the effect of dilutive stock-based awards
- Nonperforming portfolio assets ratio: Nonperforming portfolio assets divided by portfolio loans and leases and OREO
- Return on average assets: Net income annualized divided by quarterly average assets

Earnings Summary

The Bancorp's net income available to common shareholders for the second quarter of 2020 was $163 million, or $0.23 per diluted share, which was net of $32 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the second quarter of 2019 was $427 million, or $0.57 per diluted share, which was net of $26 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the six months ended June 30, 2020 was $193 million, or $0.27 per diluted share, which was net of $50 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the six months ended June 30, 2019 was $1.2 billion, or $1.66 per diluted share, which was net of $41 million in preferred stock dividends.

Net interest income on an FTE basis (non-GAAP) was $1.2 billion for the three months ended June 30, 2020, a decrease of $47 million compared to the same period in the prior year. Net interest income was negatively impacted by decreases in yields on average interest-earning assets of 121 bps. The decreases in yields on average interest-earning assets were primarily driven by decreases in yields on average commercial and industrial loans, average commercial mortgage loans, average commercial construction loans and average home equity of 132 bps, 167 bps, 218 bps and 170 bps, respectively, for the three months ended June 30, 2020 compared to the same period in the prior year. Net interest income was also adversely impacted by an increase in average interest checking deposits of $13.2 billion for the three months ended June 30, 2020 compared to the same period in the prior year. These negative impacts were partially offset by decreases in the rates paid on average interest-bearing liabilities of 81 bps. The decreases in rates paid on average interest-bearing liabilities were primarily driven by decreases in average interest checking deposits, average money market deposits, average long-term debt and average certificates $100,000 and over of 93 bps, 82 bps, 59 bps and 70 bps, respectively, for the three months ended June 30, 2020 compared to the same period in the prior year. Net interest income also benefited from increases in average commercial and industrial loans and average indirect secured consumer loans of $6.9 billion and $1.9 billion for the three months ended June 30, 2020, respectively, compared to the same period in the prior year.

Net interest income on an FTE basis (non-GAAP) was $2.4 billion for the six months ended June 30, 2020, an increase of $100 million compared to the same period in the prior year. Net interest income was positively impacted by decreases in the rates paid on average interest-bearing liabilities of 61 bps. The decreases in rates paid on average interest-bearing liabilities were primarily driven by decreases in rates paid on average interest checking deposits, average money market deposits, average long-term debt and average certificates $100,000 and over of 71 bps, 58 bps, 42 bps and 40 bps, respectively, compared to the same period in the prior year. Net interest income also benefited from increases in average commercial and industrial loans, average indirect secured consumer loans and average commercial mortgage loans of $6.3 billion, $2.3 billion and $2.1 billion for the six months ended June 30, 2020, respectively, compared to the same period in the prior year. These positive impacts were partially offset by decreases in yields on total average loans and leases. The decreases in yields on total average loans and leases were primarily driven by decreases in yields on average commercial and industrial loans, average commercial mortgage loans, average commercial construction loans and average home equity of 90 bps, 104 bps, 148 bps and 116 bps, respectively, for the six months ended June 30, 2020 compared to the same period in the prior year. Net interest income was also negatively impacted by an increase in average interest checking deposits of $9.9 billion for the six months ended June 30, 2020 compared to the same period in the prior year. Net interest margin on an FTE basis (non-GAAP) was 2.75% and 2.99% for the three and six months ended June 30, 2020, respectively, compared to 3.37% and 3.33% for the same periods in the prior year.

Effective January 1, 2020, the Bancorp adopted ASU 2016-13 which established a new approach for estimating credit losses on certain types of financial instruments. The Bancorp recognized an initial increase to the ACL of approximately $653 million upon adoption of ASU 2016-13 on January 1, 2020, which included $171 million from the non-PCD loan portfolio resulting from the MB Financial, Inc. acquisition. The provision for credit losses was $485 million and $1.1 billion for the three and six months ended June 30, 2020, respectively, compared to $85 million and $175 million during the same periods in the prior year. The increases in provision expense for both the three and six months ended June 30, 2020 compared to the same periods in the prior year were primarily due to an increase in the ACL reflecting deterioration in the macroeconomic environment as a result of the impact of the COVID-19 pandemic, continued pressure on energy prices and the resulting impact of this environment on commercial borrowers as reflected in increased levels of commercial criticized assets. The increase in the provision for credit losses also reflected the impact of the change in methodology for estimating credit losses from the incurred loss methodology to the expected credit loss methodology beginning in the first quarter of 2020. Net losses charged-off as a percent of average portfolio loans and leases were 0.44% and 0.29% for the three months ended June 30, 2020 and 2019, respectively, and 0.44% and 0.30% for the six months ended June 30, 2020 and 2019, respectively. At June 30, 2020, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO increased to 0.65% compared to 0.62% at December 31, 2019. For further discussion on credit quality refer to the Credit Risk Management subsection of the Risk Management section of MD&A as well as Note 7 of the Notes to Condensed Consolidated Financial Statements.

Noninterest income decreased $10 million for the three months ended June 30, 2020 compared to the same period in the prior year, primarily due to decreases in other noninterest income, service charges on deposits and leasing business revenue, partially offset by increases in

mortgage banking revenue and commercial banking revenue. Other noninterest income decreased $35 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to a decrease in private equity investment income as well as increases in the net losses on disposition and impairment of bank premises and equipment and the loss on the swap associated with the sale of Visa, Inc. Class B Shares. Service charges on deposits decreased $21 million for the three months ended June 30, 2020 compared to the same period in the prior year, due to decreases in consumer deposit fees and commercial deposit fees of $14 million and $7 million, respectively. Leasing business revenue decreased $19 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreases in leasing business solutions revenue and operating lease income of $13 million and $6 million, respectively. Mortgage banking net revenue increased $36 million for the three months ended June 30, 2020 compared to the same period in the prior year, primarily due to increases in origination fees and gains on loan sales. Commercial banking revenue increased $30 million for the three months ended June 30, 2020 compared to the same period in the prior year, primarily driven by an increase in institutional sales of $34 million, partially offset by a decrease in loan syndication fees of $7 million.

Noninterest income decreased $440 million for the six months ended June 30, 2020 compared to the same period in the prior year, primarily due to a decrease in other noninterest income, partially offset by increases in mortgage banking net revenue, commercial banking revenue and leasing business revenue. Other noninterest income decreased $598 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to the gain on sale of Worldpay, Inc. shares recognized during the first quarter of 2019 as well as a decrease in private equity investment income. Mortgage banking net revenue increased $100 million for the six months ended June 30, 2020, compared to the same period in the prior year, primarily due to increases in origination fees and gains on loan sales. Commercial banking revenue increased $52 million for the six months ended June 30, 2020 compared to the same period in the prior year, primarily driven by increases in institutional sales, commercial customer derivatives and bridge fees of $43 million, $8 million and $8 million, respectively, partially offset by a decrease in loan syndication fees of $13 million. Leasing business revenue increased $23 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by increases in operating lease income and lease syndication fees of $12 million and $11 million, respectively, partially offset by a decrease in leasing business solutions revenue of $6 million.

Noninterest expense decreased $122 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in technology and communications expense, other noninterest expense, marketing expense and compensation and benefits expense. The Bancorp recognized $9 million of merger-related expenses related to the MB Financial, Inc. acquisition for the three months ended June 30, 2020 compared to $109 million in the same period in the prior year. Technology and communications expense decreased $46 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreased integration and conversion costs related to the acquisition of MB Financial, Inc. Other noninterest expense decreased $24 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in losses and adjustments and travel expense, partially offset by an increase in loan and lease expense. Marketing expense decreased $21 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to the impact of the COVID-19 pandemic, which resulted in a pause or slowdown in numerous marketing campaigns, including running less advertising as well as the suspension of cash bonus programs. Compensation and benefits expense decreased $14 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to a decrease in merger-related expenses related to the acquisition of MB Financial, Inc., partially offset by higher deferred compensation expense. Compensation and benefits expense for the three months ended June 30, 2020 included $7 million of special payments to employees providing essential banking services through the COVID-19 pandemic.

Noninterest expense decreased $20 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in technology and communications expense and marketing expense, partially offset by increases in compensation and benefits expense and other noninterest expense. The Bancorp recognized $16 million of merger-related expenses related to the MB Financial, Inc. acquisition for the six months ended June 30, 2020 compared to $185 million in the same period in the prior year. Technology and communications expense decreased $36 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreased integration and conversion costs related to the acquisition of MB Financial, Inc. Marketing expense decreased $26 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to the impact of the COVID-19 pandemic, which resulted in a pause or slowdown in numerous marketing campaigns, including running less advertising as well as the suspension of cash bonus programs. Compensation and benefits expenses increased $23 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to the addition of personnel costs from the acquisition of MB Financial, Inc. and the impact of raising the Bancorp's minimum wage in the fourth quarter of 2019, partially offset by a reduction in merger-related expenses. Compensation and benefits expense for the six months ended June 30, 2020 included $10 million of special payments to employees providing essential banking services through the COVID-19 pandemic. Other noninterest expense increased $11 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in losses and adjustments and loan and lease expense, partially offset by a decrease in travel expenses.

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

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

Capital Summary

The Bancorp calculated its regulatory capital ratios under the Basel III standardized approach to risk-weighting of assets and pursuant to the five-year transition provision option to phase in the effects of CECL on regulatory capital as of June 30, 2020. As of June 30, 2020, the Bancorp's capital ratios, as defined by the U.S. banking agencies, were:

- CET1 capital ratio: 9.72%;
- Tier I risk-based capital ratio: 10.96%;
- Total risk-based capital ratio: 14.24%;
- Tier I leverage ratio: 8.16%

NON-GAAP FINANCIAL MEASURES

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

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

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

TABLE 2: Non-GAAP Financial Measures - Financial Measures and Ratios on an FTE basis

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Net interest income (U.S. GAAP)	**$ 1,200**	1,245	**2,429**	2,327
Add: FTE adjustment	**3**	5	**7**	9
Net interest income on an FTE basis (1)	**$ 1,203**	1,250	**2,436**	2,336
Net interest income on an FTE basis (annualized) (2)	**4,838**	5,014	**4,899**	4,711
Interest income (U.S. GAAP)	**$ 1,403**	1,636	**2,928**	3,069
Add: FTE adjustment	**3**	5	**7**	9
Interest income on an FTE basis	**$ 1,406**	1,641	**2,935**	3,078
Interest income on an FTE basis (annualized) (3)	**5,655**	6,582	**5,902**	6,207
Interest expense (annualized) (4)	**$ 816**	1,568	**1,003**	1,496
Noninterest income (5)	**650**	660	**1,321**	1,761
Noninterest expense (6)	**1,121**	1,243	**2,321**	2,341
Average interest-earning assets (7)	**176,224**	148,790	**163,719**	141,665
Average interest-bearing liabilities (8)	**124,478**	106,340	**116,861**	101,764
Ratios:				
Net interest margin on an FTE basis (2) / (7)	**2.75 %**	3.37	**2.99**	3.33
Net interest rate spread on an FTE basis ((3) / (7)) - ((4) / (8))	**2.55**	2.95	**2.75**	2.91
Efficiency ratio on an FTE basis (6) / ((1) + (5))	**60.5**	65.1	**61.8**	57.1

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

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

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

TABLE 3: Non-GAAP Financial Measures - Return on Average Tangible Common Equity

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Net income available to common shareholders (U.S. GAAP)	**$ 163**	427	**193**	1,187
Add: Intangible amortization, net of tax	**9**	11	**20**	13
Tangible net income available to common shareholders	**$ 172**	438	**213**	1,200
Tangible net income available to common shareholders (annualized) (1)	**692**	1,757	**428**	2,420
Average Bancorp's shareholders' equity (U.S. GAAP)	**$ 22,420**	20,135	**22,066**	18,588
Less: Average preferred stock	**(1,770)**	(1,331)	**(1,770)**	(1,331)
Average goodwill	**(4,261)**	(4,301)	**(4,256)**	(3,496)
Average intangible assets	**(178)**	(215)	**(186)**	(137)
Average tangible common equity (2)	**$ 16,211**	14,288	**15,854**	13,624
Return on average tangible common equity (1) / (2)	**4.3 %**	12.3	**2.7**	17.8

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

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

TABLE 4: Non-GAAP Financial Measures - Capital Ratios

As of ($ in millions)	**June 30, 2020**	December 31, 2019
Total Bancorp Shareholders' Equity (U.S. GAAP)	**$ 22,335**	21,203
Less: Preferred stock	**(1,770)**	(1,770)
Goodwill	**(4,261)**	(4,252)
Intangible assets	**(171)**	(201)
AOCI	**(2,951)**	(1,192)
Tangible common equity, excluding AOCI (1)	**13,182**	13,788
Add: Preferred stock	**1,770**	1,770
Tangible equity (2)	**$ 14,952**	15,558
Total Assets (U.S. GAAP)	**$ 202,906**	169,369
Less: Goodwill	**(4,261)**	(4,252)
Intangible assets	**(171)**	(201)
AOCI, before tax	**(3,735)**	(1,509)
Tangible assets, excluding AOCI (3)	**$ 194,739**	163,407
Ratios:		
Tangible equity as a percentage of tangible assets (2) / (3)	**7.68 %**	9.52
Tangible common equity as a percentage of tangible assets (1) / (3)	**6.77**	8.44

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

RECENT ACCOUNTING STANDARDS

Note 4 of the Notes to Condensed Consolidated Financial Statements provides a discussion of the significant new accounting standards applicable to the Bancorp and the expected impact of significant accounting standards issued, but not yet required to be adopted.

CRITICAL ACCOUNTING POLICIES

The Bancorp's Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp's financial position, results of operations and cash flows. The Bancorp's critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, valuation of servicing rights, fair value measurements, goodwill and legal contingencies. These accounting policies are discussed in detail in the Critical Accounting Policies section of the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019. On January 1, 2020, the Bancorp adopted ASU 2016-13 ("Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments") and its related subsequent amendments, along with ASU 2017-04 ("Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"). For additional information about these ASUs and their impacts on the Bancorp, refer to Note 4 of the Notes to Condensed Consolidated Financial Statements. In conjunction with the adoption of these ASUs, the Bancorp has revised its Critical Accounting Policies for the ALLL, reserve for unfunded commitments and goodwill as described below. Refer to the Critical Accounting Policies section of the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019 for discussion on the critical accounting policies for the ALLL, reserve for unfunded commitments and goodwill for periods prior to January 1, 2020. There have been no other material changes to the valuation techniques or models during the six months ended June 30, 2020.

ALLL

The Bancorp disaggregates its portfolio loans and leases into portfolio segments for purposes of determining the ALLL. The Bancorp's portfolio segments include commercial, residential mortgage and consumer. The Bancorp further disaggregates its portfolio segments into classes for purposes of monitoring and assessing credit quality based on certain risk characteristics. For an analysis of the Bancorp's ALLL by portfolio segment and credit quality information by class, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements.

The Bancorp maintains the ALLL to absorb the amount of credit losses that are expected to be incurred over the remaining contractual terms of the related loans and leases. Contractual terms are adjusted for expected prepayments but are not adjusted for expected extensions, renewals or modifications except in circumstances where the Bancorp reasonably expects to execute a TDR with the borrower or where certain extension or renewal options are embedded in the original contract and not unconditionally cancellable by the Bancorp. Accrued interest receivables on loans are presented in other assets in the Condensed Consolidated Balance Sheets. When accrued interest is deemed to be uncollectible (typically when a loan is placed on nonaccrual status), interest income is reversed. The Bancorp follows established policies for placing loans on nonaccrual status, so uncollectible accrued interest receivable is reversed in a timely manner. As a result, the Bancorp has elected not to measure an allowance for credit losses for accrued interest receivables. For additional information on the Bancorp's accounting policies related to nonaccrual loans and leases, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019.

Credit losses are charged and recoveries are credited to the ALLL. The ALLL is maintained at a level the Bancorp considers to be adequate and is based on ongoing quarterly assessments and evaluations of the collectability of loans and leases, including historical credit loss experience, current and forecasted market and economic conditions and consideration of various qualitative factors that, in management's judgment, deserve consideration in estimating expected credit losses. Provisions for credit losses are recorded for the amounts necessary to adjust the ALLL to the Bancorp's current estimate of expected credit losses on portfolio loans and leases. The Bancorp's strategy for credit risk management includes a combination of conservative exposure limits significantly below legal lending limits and conservative underwriting, documentation and collections standards. The strategy also emphasizes diversification on a geographic, industry and customer level, regular credit examinations and quarterly management reviews of large credit exposures and loans experiencing deterioration of credit quality.

The Bancorp's methodology for determining the ALLL requires significant management judgment and includes an estimate of expected credit losses on a collective basis for groups of loans and leases with similar risk characteristics and specific allowances for loans and leases which are individually evaluated.

Larger commercial loans and leases included within aggregate borrower relationship balances exceeding $1 million that exhibit observed credit weaknesses, as well as loans that have been modified in a TDR, are individually evaluated for an ALLL. The Bancorp considers the current value of collateral, credit quality of any guarantees, the guarantor's liquidity and willingness to cooperate, the loan or lease structure and other factors when determining the amount of the ALLL. Other factors may include the borrower's susceptibility to risks presented by the forecasted macroeconomic environment, the industry and geographic region of the borrower, size and financial condition of the borrower, cash flow and leverage of the borrower and the Bancorp's evaluation of the borrower's management. Significant management judgment is required when evaluating which of these factors are most relevant in individual circumstances, and when estimating the amount of expected credit losses based on those factors. When loans and leases are individually evaluated, allowances are determined based on management's estimate of the borrower's ability to repay the loan or lease given the availability of collateral and other sources of cash flow, as well as an

evaluation of legal options available to the Bancorp. Allowances for individually evaluated loans and leases that are collateral-dependent are typically measured based on the fair value of the underlying collateral, less expected costs to sell. Individually evaluated loans and leases that are not collateral-dependent are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. The Bancorp evaluates the collectability of both principal and interest when assessing the need for a loss accrual. Specific allowances on individually evaluated commercial loans and leases, including TDRs, are reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

Expected credit losses are estimated on a collective basis for loans and leases that are not individually evaluated. These include commercial loans and leases that do not meet the criteria for individual evaluation as well as homogeneous loans in the residential mortgage and consumer portfolio segments. For collectively evaluated loans and leases, the Bancorp uses models to forecast expected credit losses based on the probability of a loan or lease defaulting, the expected balance at the estimated date of default and the expected loss percentage given a default. The estimate of the expected balance at the time of default considers prepayments and, for loans with available credit, expected utilization rates. The Bancorp's expected credit loss models were developed based on historical credit loss experience and observations of migration patterns for various credit risk characteristics (such as internal credit risk grades, external credit ratings or scores, delinquency status, loan-to-value trends, etc.) over time, with those observations evaluated in the context of concurrent macroeconomic conditions. The Bancorp developed its models from historical observations capturing a full economic cycle when possible.

The Bancorp's expected credit loss models consider historical credit loss experience, current market and economic conditions, and forecasted changes in market and economic conditions if such forecasts are considered reasonable and supportable. Generally, the Bancorp considers its forecasts to be reasonable and supportable for a period of up to three years from the estimation date. For periods beyond the reasonable and supportable forecast period, expected credit losses are estimated by reverting to historical loss information without adjustment for changes in economic conditions. This reversion is phased in ratably over a two-year period. The Bancorp evaluates the length of its reasonable and supportable forecast period, its reversion period and reversion methodology at least annually, or more often if warranted by economic conditions or other circumstances.

The Bancorp also considers qualitative factors in determining the ALLL. These considerations inherently require significant management judgment to determine the appropriate factors to be considered and the extent of their impact on the ALLL estimate. Qualitative factors are used to capture characteristics in the portfolio that impact expected credit losses but that are not fully captured within the Bancorp's expected credit loss models. These include adjustments for changes in policies or procedures in underwriting, monitoring or collections, lending and risk management personnel and results of internal audit and quality control reviews. These may also include adjustments, when deemed necessary, for specific idiosyncratic risks such as geopolitical events, natural disasters and their effects on regional borrowers and changes in product structures. Qualitative factors may also be used to address the impacts of unforeseen events on key inputs and assumptions within the Bancorp's expected credit loss models, such as the reasonable and supportable forecast period, changes to historical loss information or changes to the reversion period or methodology. When evaluating the adequacy of allowances, consideration is also given to regional geographic concentrations and the closely associated effect that changing economic conditions may have on the Bancorp's customers.

Overall, the collective evaluation process requires significant management judgment when determining the estimation methodology and inputs into the models, as well as in evaluating the reasonableness of the modeled results and the appropriateness of qualitative adjustments. The Bancorp's forecasts of market and economic conditions and the internal risk grades assigned to loans and leases in the commercial portfolio segment are examples of inputs to the expected credit loss models that require significant management judgment. These inputs have the potential to drive significant variability in the resulting ALLL.

Refer to the Allowance for Credit Losses subsection of the Risk Management section of MD&A for a discussion on the Bancorp's ALLL sensitivity analysis.

Reserve for Unfunded Commitments

The reserve for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated expected credit losses related to unfunded credit facilities and is included in other liabilities in the Condensed Consolidated Balance Sheets. The determination of the adequacy of the reserve is based upon expected credit losses over the remaining contractual life of the commitments, taking into consideration the current funded balance and estimated exposure over the reasonable and supportable forecast period. This process takes into consideration the same risk elements that are analyzed in the determination of the adequacy of the Bancorp's ALLL, as previously discussed. Net adjustments to the reserve for unfunded commitments are included in provision for credit losses in the Condensed Consolidated Statements of Income.

Goodwill

Business combinations entered into by the Bancorp typically include the recognition of goodwill. U.S. GAAP requires goodwill to be tested for impairment at the Bancorp's reporting unit level on an annual basis, which for the Bancorp is September 30, and more frequently if events or circumstances indicate that there may be impairment.

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

Impairment exists when a reporting unit's carrying amount of goodwill exceeds its implied fair value. In testing goodwill for impairment, U.S. GAAP permits the Bancorp to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, the Bancorp evaluates events and circumstances which may include, but are not limited to, the general economic environment, banking industry and market conditions, the overall financial performance of the Bancorp, the performance of the Bancorp's common stock, the key financial performance metrics of the Bancorp's reporting units and events affecting the reporting units to determine if it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the quantitative impairment test is required or the decision to bypass the qualitative assessment is elected, the Bancorp performs the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. A recognized impairment loss cannot be reversed in future periods even if the fair value of the reporting unit subsequently recovers.

The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. As none of the Bancorp's reporting units are publicly traded, individual reporting unit fair value determinations cannot be directly correlated to the Bancorp's stock price. The determination of the fair value of a reporting unit is a subjective process that involves the use of estimates and judgments, particularly related to cash flows, the appropriate discount rates and an applicable control premium. The Bancorp employs an income-based approach, utilizing the reporting unit's forecasted cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) and the reporting unit's estimated cost of equity as the discount rate. Significant management judgment is necessary in the preparation of each reporting unit's forecasted cash flows surrounding expectations for earnings projections, growth and credit loss expectations and actual results may differ from forecasted results. Additionally, the Bancorp determines its market capitalization based on the average of the closing price of the Bancorp's stock during the month including the measurement date, incorporating an additional control premium, and compares this market-based fair value measurement to the aggregate fair value of the Bancorp's reporting units in order to corroborate the results of the income approach. During the first and second quarters of 2020, the Bancorp performed a qualitative assessment of its goodwill in consideration of the overall economic impact of the COVID-19 pandemic and the uncertainties it has introduced. Based upon this assessment, the Bancorp concluded it was not more likely than not that the fair value of its reporting units were less than their carrying amounts. While there was no indication of impairment as of June 30, 2020, further deterioration in economic conditions could significantly impact the impairment analysis and may result in future goodwill impairment charges that, if incurred, could have a material adverse effect on the Bancorp's results of operations in the period such charges are recognized. Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements for further information regarding the Bancorp's goodwill.

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

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

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

Tables 5 and 6 present the components of net interest income, net interest margin and net interest rate spread for the three and six months ended June 30, 2020 and 2019, as well as the relative impact of changes in the average balance sheet and changes in interest rates on net interest income. Nonaccrual loans and leases and loans and leases held for sale have been included in the average loan and lease balances. Average outstanding securities balances are based on amortized cost with any unrealized gains or losses included in average other assets.

Net interest income on an FTE basis (non-GAAP) was $1.2 billion for the three months ended June 30, 2020, a decrease of $47 million compared to the same period in the prior year. Net interest income was negatively impacted by decreases in yields on average interest-earning assets of 121 bps. The decreases in yields on average interest-earning assets were primarily driven by decreases in yields on average commercial and industrial loans, average commercial mortgage loans, average commercial construction loans and average home equity of 132 bps, 167 bps, 218 bps and 170 bps, respectively, for the three months ended June 30, 2020 compared to the same period in the prior year. The decrease in yields on total average loans and leases for the three months ended June 30, 2020 was primarily due to a decrease in market rates, as LIBOR rates decreased throughout the second quarter of 2020, impacting the Bancorp's portfolios of floating interest rate LIBOR-based loans. The decrease in market rates was partially offset by the positive impact of the LIBOR/Federal Funds spread, as LIBOR remained at wider spreads to the Federal Funds rate for a portion of the quarter. The LIBOR/Federal Funds spread widening typically benefits the Bancorp as it generally results in loan yields decreasing more slowly than deposit costs. This spread gradually normalized during the middle of the second quarter and the full impact of the normalization is expected to negatively impact net interest income for the remainder of 2020. Net interest income was also adversely impacted by an increase in average interest checking deposits of $13.2 billion for the three months ended June 30, 2020 compared to the same period in the prior year. These negative impacts were partially offset by decreases in the rates paid on average interest-bearing liabilities of 81 bps. The decreases in rates paid on average interest-bearing liabilities were primarily driven by decreases in average interest checking deposits, average money market deposits, average long-term debt and average certificates $100,000 and over of 93 bps, 82 bps, 59 bps and 70 bps, respectively, for the three months ended June 30, 2020 compared to the same period in the prior year. Net interest income also benefited from increases in average commercial and industrial loans and average indirect secured consumer loans of $6.9 billion and $1.9 billion for the three months ended June 30, 2020, respectively, compared to the same period in the prior year.

Net interest income on an FTE basis (non-GAAP) was $2.4 billion for the six months ended June 30, 2020, an increase of $100 million compared to the same period in the prior year. Net interest income was positively impacted by decreases in the rates paid on average interest-bearing liabilities of 61 bps. The decreases in rates paid on average interest-bearing liabilities were primarily driven by decreases in rates paid on average interest checking deposits, average money market deposits, average long-term debt and average certificates $100,000 and over of 71 bps, 58 bps, 42 bps and 40 bps, respectively, compared to the same period in the prior year. Net interest income also benefited from increases in average commercial and industrial loans, average indirect secured consumer loans and average commercial mortgage loans of $6.3 billion, $2.3 billion and $2.1 billion for the six months ended June 30, 2020, respectively, compared to the same period in the prior year. These positive impacts were partially offset by decreases in yields on total average loans and leases. The decreases in yields on total average loans and leases were primarily driven by decreases in yields on average commercial and industrial loans, average commercial mortgage loans, average commercial construction loans and average home equity of 90 bps, 104 bps, 148 bps and 116 bps, respectively, for the six months ended June 30, 2020 compared to the same period in the prior year. Net interest income was also negatively impacted by an increase in average interest checking deposits of $9.9 billion for the six months ended June 30, 2020 compared to the same period in the prior year.

Net interest income for both the three and six months ended June 30, 2020 was adversely impacted by the March 2020, October 2019, September 2019 and August 2019 decisions of the FOMC to lower the target range of the federal funds rate. During the three and six months ended June 30, 2020, net interest income included $15 million and $31 million, respectively, of amortization and accretion of premiums and discounts on acquired loans and leases and assumed deposits and long-term debt from acquisitions compared to $18 million and $20 million for the three and six months ended June 30, 2019, respectively.

Net interest rate spread on an FTE basis (non-GAAP) was 2.55% and 2.75% during the three and six months ended June 30, 2020, respectively, compared to 2.95% and 2.91% in the same periods in the prior year. Yields on average interest-earning assets decreased 121 bps and 77 bps, respectively, for the three and six months ended June 30, 2020, partially offset by decreases in the rates paid on average interest-bearing liabilities of 81 bps and 61 bps, respectively, for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019.

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

Net interest margin on an FTE basis (non-GAAP) was 2.75% and 2.99% for the three and six months ended June 30, 2020, respectively, compared to 3.37% and 3.33% for the same periods in the prior year. Net interest margin was negatively impacted by increases in average interest-earning assets of $27.4 billion and $22.1 billion for the three and six months ended June 30, 2020, respectively, as well as the previously mentioned decreases in the net interest rate spread compared to the same periods in the prior year due to lower market rates. These negative impacts were partially offset by increases in average free funding balances primarily driven by increases in average demand deposits of $9.9 billion and $7.6 billion, respectively, and average shareholders' equity of $2.1 billion and $3.4 billion, respectively, for the three and six months ended June 30, 2020 compared to the same periods in the prior year. Net interest margin results are expected to remain suppressed as a result of increased liquidity levels in the form of excess cash balances which are expected to remain at elevated levels driven by the amount of fiscal stimulus that has increased the banking industry's balance sheets, including the Bancorp's.

Interest income on an FTE basis (non-GAAP) from loans and leases decreased $223 million and $132 million during the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019 driven by the previously mentioned decreases in yields on average loans, partially offset by the previously mentioned increases in average loans for the three and six months ended June 30, 2020 compared to the same periods in the prior year. For more information on the Bancorp's loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A. Interest income on an FTE basis (non-GAAP) from investment securities and other short-term investments decreased $12 million and $11 million during the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019 primarily due to decreases in yields on average taxable securities and average other short-term investments, partially offset by increases in average balances.

Interest expense on core deposits decreased $144 million and $181 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019 primarily due to decreases in the cost of average interest-bearing core deposits to 27 bps and 46 bps for the three and six months ended June 30, 2020, respectively, from 103 bps and 101 bps for the three and six months ended June 30, 2019, respectively. The decreases in the cost of average interest-bearing core deposits were primarily due to the previously mentioned decreases in the rates paid on average interest checking deposits and average money market deposits, partially offset by the previously mentioned increases in average interest checking deposits. Refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp's deposits.

Interest expense on average wholesale funding decreased $44 million and $62 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019 primarily due to the previously mentioned decreases in the rates paid on average long-term debt and average certificates $100,000 and over as well as decreases in the rates paid on average other short-term borrowings. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp's borrowings. During both the three and six months ended June 30, 2020, average wholesale funding represented 19% of average interest-bearing liabilities, compared to 22% and 23% for the three and six months ended June 30, 2019, respectively. For more information on the Bancorp's interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Interest Rate and Price Risk Management subsection of the Risk Management section of MD&A.

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

TABLE 5: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE Basis

For the three months ended	June 30, 2020			June 30, 2019			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	**$ 59,106**	**510**	**3.47 %**	$ 52,187	623	4.79 %	$ 73	(186)	(113)
Commercial mortgage loans	**11,224**	**96**	**3.44**	10,635	136	5.11	6	(46)	(40)
Commercial construction loans	**5,548**	**49**	**3.53**	5,248	75	5.71	4	(30)	(26)
Commercial leases	**3,056**	**26**	**3.47**	3,811	33	3.51	(7)	—	(7)
Total commercial loans and leases	**78,934**	**681**	**3.47**	71,881	867	4.84	76	(262)	(186)
Residential mortgage loans	**17,405**	**153**	**3.53**	17,589	162	3.70	(2)	(7)	(9)
Home equity	**5,820**	**52**	**3.60**	6,376	84	5.30	(7)	(25)	(32)
Indirect secured consumer loans	**12,124**	**122**	**4.04**	10,190	105	4.11	19	(2)	17
Credit card	**2,248**	**63**	**11.28**	2,408	75	12.38	(6)	(6)	(12)
Other consumer loans	**2,887**	**47**	**6.50**	2,549	48	7.58	6	(7)	(1)
Total consumer loans	**40,484**	**437**	**4.34**	39,112	474	4.85	10	(47)	(37)
Total loans and leases	**$119,418**	**1,118**	**3.76 %**	$110,993	1,341	4.84 %	$ 86	(309)	(223)
Securities:									
Taxable	**36,817**	**282**	**3.08**	35,467	290	3.28	10	(18)	(8)
Exempt from income taxes[b]	**156**	**1**	**2.96**	40	—	3.50	1	—	1
Other short-term investments	**19,833**	**5**	**0.11**	2,290	10	1.80	13	(18)	(5)
Total interest-earning assets	**$176,224**	**1,406**	**3.21 %**	$148,790	1,641	4.42 %	$ 110	(345)	(235)
Cash and due from banks	**3,121**			2,931					
Other assets	**21,394**			16,972					
Allowance for loan and lease losses	**(2,352)**			(1,115)					
Total assets	**$198,387**			$167,578					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 49,760**	**29**	**0.24 %**	$ 36,514	107	1.17 %	$ 28	(106)	(78)
Savings deposits	**16,354**	**3**	**0.06**	14,418	6	0.17	1	(4)	(3)
Money market deposits	**30,022**	**24**	**0.32**	25,934	74	1.14	10	(60)	(50)
Foreign office deposits	**182**	**—**	**0.09**	163	—	0.53	—	—	—
Other time deposits	**4,421**	**13**	**1.21**	5,678	26	1.84	(5)	(8)	(13)
Total interest-bearing core deposits	**100,739**	**69**	**0.27**	82,707	213	1.03	34	(178)	(144)
Certificates $100,000 and over	**4,067**	**14**	**1.40**	5,780	30	2.10	(8)	(8)	(16)
Other deposits	**31**	**—**	**0.04**	40	—	2.92	—	—	—
Federal funds purchased	**309**	**—**	**0.16**	1,151	8	2.61	(4)	(4)	(8)
Other short-term borrowings	**2,377**	**2**	**0.32**	1,119	9	3.08	5	(12)	(7)
Long-term debt	**16,955**	**118**	**2.80**	15,543	131	3.39	11	(24)	(13)
Total interest-bearing liabilities	**$124,478**	**203**	**0.66 %**	$106,340	391	1.47 %	$ 38	(226)	(188)
Demand deposits	**45,761**			35,818					
Other liabilities	**5,727**			5,088					
Total liabilities	**$175,966**			$147,246					
Total equity	**$ 22,421**			$ 20,332					
Total liabilities and equity	**$198,387**			$167,578					
Net interest income (FTE)[c]		**$ 1,203**			$ 1,250		$ 72	(119)	(47)
Net interest margin (FTE)[c]			**2.75 %**			3.37 %			
Net interest rate spread (FTE)[c]			**2.55**			2.95			
Interest-bearing liabilities to interest-earning assets			**70.64**			71.47			

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

(b) The FTE adjustments included in the above table were $3 and $5 for the three months ended June 30, 2020 and 2019, respectively.

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

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

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

For the six months ended	June 30, 2020			June 30, 2019			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	**$ 55,399**	**1,056**	**3.83 %**	$ 49,145	1,154	4.73 %	$ 139	(237)	(98)
Commercial mortgage loans	**11,122**	**218**	**3.94**	9,035	223	4.98	47	(52)	(5)
Commercial construction loans	**5,340**	**110**	**4.15**	5,044	141	5.63	8	(39)	(31)
Commercial leases	**3,128**	**54**	**3.47**	3,684	60	3.30	(9)	3	(6)
Total commercial loans and leases	**74,989**	**1,438**	**3.86**	66,908	1,578	4.76	185	(325)	(140)
Residential mortgage loans	**17,715**	**315**	**3.58**	16,873	310	3.71	16	(11)	5
Home equity	**5,913**	**123**	**4.16**	6,366	168	5.32	(10)	(35)	(45)
Indirect secured consumer loans	**11,967**	**242**	**4.07**	9,686	190	3.96	47	5	52
Credit card	**2,373**	**138**	**11.72**	2,402	149	12.50	(2)	(9)	(11)
Other consumer loans	**2,842**	**100**	**7.09**	2,477	93	7.54	13	(6)	7
Total consumer loans	**40,810**	**918**	**4.53**	37,804	910	4.85	64	(56)	8
Total loans and leases	**$115,799**	**2,356**	**4.09 %**	$104,712	2,488	4.79 %	$ 249	(381)	(132)
Securities:									
Taxable	**36,395**	**564**	**3.12**	34,896	570	3.30	26	(32)	(6)
Exempt from income taxes[b]	**159**	**3**	**3.00**	34	1	4.03	2	—	2
Other short-term investments	**11,366**	**12**	**0.22**	2,023	19	1.87	22	(29)	(7)
Total interest-earning assets	**$163,719**	**2,935**	**3.61 %**	$141,665	3,078	4.38 %	$ 299	(442)	(143)
Cash and due from banks	**3,000**			2,576					
Other assets	**20,509**			15,192					
Allowance for loan and lease losses	**(2,099)**			(1,109)					
Total assets	**$185,129**			$158,324					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 45,029**	**104**	**0.46 %**	$ 35,113	204	1.17 %	$ 47	(147)	(100)
Savings deposits	**15,534**	**7**	**0.09**	13,739	11	0.16	1	(5)	(4)
Money market deposits	**28,565**	**72**	**0.51**	24,541	133	1.09	19	(80)	(61)
Foreign office deposits	**196**	**—**	**0.35**	185	1	0.57	(1)	—	(1)
Other time deposits	**4,751**	**33**	**1.40**	5,271	48	1.82	(5)	(10)	(15)
Total interest-bearing core deposits	**94,075**	**216**	**0.46**	78,849	397	1.01	61	(242)	(181)
Certificates $100,000 and over	**3,711**	**31**	**1.71**	4,576	47	2.11	(8)	(8)	(16)
Other deposits	**144**	**1**	**0.76**	381	5	2.46	(2)	(2)	(4)
Federal funds purchased	**481**	**2**	**0.82**	1,582	20	2.50	(9)	(9)	(18)
Other short-term borrowings	**2,063**	**8**	**0.74**	884	14	3.28	11	(17)	(6)
Long-term debt	**16,387**	**241**	**2.95**	15,492	259	3.37	15	(33)	(18)
Total interest-bearing liabilities	**$116,861**	**499**	**0.86 %**	$101,764	742	1.47 %	$ 68	(311)	(243)
Demand deposits	**40,763**			33,202					
Other liabilities	**5,438**			4,659					
Total liabilities	**$163,062**			$139,625					
Total equity	**$ 22,067**			$ 18,699					
Total liabilities and equity	**$185,129**			$158,324					
Net interest income (FTE)[c]		**$ 2,436**			$ 2,336		$ 231	(131)	100
Net interest margin (FTE)[c]			**2.99 %**			3.33 %			
Net interest rate spread (FTE)[c]			**2.75**			2.91			
Interest-bearing liabilities to interest-earning assets			**71.38**			71.83			

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

(b) The FTE adjustments included in the above table were $7 and $9 for the six months ended June 30, 2020 and 2019, respectively.

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

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

Provision for Credit Losses

The Bancorp provides as an expense an amount for expected credit losses within the loan and lease portfolio and the portfolio of unfunded loan commitments and letters of credit that is based on factors discussed in the Critical Accounting Policies section of this Quarterly Report on Form 10-Q. The provision is recorded to bring the ALLL and reserve for unfunded commitments to a level deemed appropriate by the Bancorp to cover losses expected in the portfolios. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans and leases actually removed from the Condensed Consolidated Balance Sheets are 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 credit losses was $485 million and $1.1 billion for the three and six months ended June 30, 2020, respectively, compared to $85 million and $175 million during the same periods in the prior year. The increases in provision expense for both the three and six months ended June 30, 2020 compared to the same periods in the prior year were primarily due to an increase in the ACL reflecting deterioration in the macroeconomic environment as a result of the impact of the COVID-19 pandemic, continued pressure on energy prices and the resulting impact of this environment on commercial borrowers as reflected in increased levels of commercial criticized assets. The increase in the provision for credit losses also reflected the impact of the change in methodology for estimating credit losses from the incurred loss methodology to the expected credit loss methodology beginning in the first quarter of 2020.

The ALLL increased $1.5 billion from December 31, 2019 to $2.7 billion at June 30, 2020. At June 30, 2020, the ALLL as a percent of portfolio loans and leases increased to 2.34%, compared to 1.10% at December 31, 2019. The reserve for unfunded commitments increased $32 million from December 31, 2019 to $176 million at June 30, 2020. The ACL as a percent of portfolio loans and leases increased to 2.50% at June 30, 2020, compared to 1.23% at December 31, 2019. These increases reflect the adoption of ASU 2016-13, which resulted in a combined increase to the ALLL and reserve for unfunded commitments of approximately $653 million, as well as the previously mentioned items impacting the provision for credit losses.

Refer to the Credit Risk Management subsection of the Risk Management section of MD&A as well as Note 7 of the Notes to Condensed Consolidated Financial Statements for more detailed information on the provision for credit losses, including an analysis of loan and lease portfolio composition, nonperforming assets, net charge-offs and other factors considered by the Bancorp in assessing the credit quality of the loan and lease portfolio, ALLL and reserve for unfunded commitments.

Noninterest Income

Noninterest income decreased $10 million and $440 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019.

The following table presents the components of noninterest income:

TABLE 7: Components of Noninterest Income

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2020**	2019	% Change	**2020**	2019	% Change
Service charges on deposits	**$ 122**	143	(15)	**$ 270**	274	(1)
Commercial banking revenue	**137**	107	28	**261**	209	25
Wealth and asset management revenue	**120**	122	(2)	**255**	234	9
Mortgage banking net revenue	**99**	63	57	**219**	119	84
Card and processing revenue	**82**	92	(11)	**167**	171	(2)
Leasing business revenue	**57**	76	(25)	**131**	108	21
Other noninterest income	**12**	47	(74)	**18**	616	(97)
Securities (losses) gains, net	**21**	8	163	**(3)**	25	NM
Securities gains, net – non-qualifying hedges on mortgage servicing rights	**—**	2	(100)	**3**	5	(40)
Total noninterest income	**$ 650**	660	(2)	**$ 1,321**	1,761	(25)

Service charges on deposits

Service charges on deposits decreased $21 million and $4 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019. The decrease for the three months ended June 30, 2020 compared to the same period in the prior year was due to decreases in consumer deposit fees and commercial deposit fees of $14 million and $7 million, respectively. The decrease for the six months ended June 30, 2020 compared to the same period in the prior year was due to a decrease of $16 million in consumer deposit fees partially offset by an increase of $12 million in commercial deposit fees. The Bancorp currently expects service charges on deposits revenue to increase in the low double digits range in the third quarter of 2020 compared to the second quarter of 2020.

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

Commercial banking revenue

Commercial banking revenue increased $30 million and $52 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019. The increase for the three months ended June 30, 2020 compared to the same period in the prior year was primarily driven by an increase in institutional sales of $34 million, partially offset by a decrease in loan syndication fees of $7 million. The increase for the six months ended June 30, 2020 compared to the same period in the prior year was primarily driven by increases in institutional sales, contract revenue from commercial customer derivatives and bridge fees of $43 million, $8 million and $8 million, respectively, partially offset by a decrease in loan syndication fees of $13 million.

Wealth and asset management revenue

Wealth and asset management revenue decreased $2 million and increased $21 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019. The increase for the six months ended June 30, 2020 compared to the same period in the prior year was primarily driven by increases in private client service fees, broker income and institutional fees of $8 million, $8 million, and $4 million, respectively. The Bancorp's trust and registered investment advisory businesses had approximately $405 billion and $399 billion in total assets under care as of June 30, 2020 and 2019, respectively, and managed $49 billion and $46 billion in assets for individuals, corporations and not-for-profit organizations as of June 30, 2020 and 2019, respectively.

Mortgage banking net revenue

Mortgage banking net revenue increased $36 million and $100 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019.

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

TABLE 8: Components of Mortgage Banking Net Revenue

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Origination fees and gains on loan sales	**$ 95**	37	**176**	62
Net mortgage servicing revenue:				
Gross mortgage servicing fees	**63**	70	**130**	125
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs	**(59)**	(44)	**(87)**	(68)
Net mortgage servicing revenue	**4**	26	**43**	57
Total mortgage banking net revenue	**$ 99**	63	**219**	119

Origination fees and gains on loan sales increased $58 million and $114 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019 primarily driven by an increase in originations and gain on sale margins due to the lower interest rate environment. Residential mortgage loan originations increased to $3.4 billion and $7.4 billion for the three and six months ended June 30, 2020, respectively from $2.9 billion and $4.5 billion for the three and six months ended June 30, 2019, respectively.

Net mortgage servicing revenue decreased $22 million and $14 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019. The decrease for the three months ended June 30, 2020 compared to the same period in the prior year was due to an increase in net negative valuation adjustments of $15 million and a decrease in gross mortgage servicing fees of $7 million. The decrease for the six months ended June 30, 2020 compared to the same period in the prior year was due to an increase in net negative valuation adjustments of $19 million, partially offset by an increase in gross mortgage servicing fees of $5 million. Refer to Table 9 for the components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy.

TABLE 9: Components of Net Valuation Adjustments on MSRs

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	**$ 11**	117	**361**	177
Changes in fair value:				
Due to changes in inputs or assumptions	**(12)**	(116)	**(343)**	(173)
Other changes in fair value	**(58)**	(45)	**(105)**	(72)
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs	**$ (59)**	(44)	**(87)**	(68)

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Mortgage rates decreased during both the three and six months ended June 30, 2020 and 2019, which caused modeled prepayment speeds to rise. The fair value of the MSR portfolio decreased $12 million and $343 million for the three and six months ended June 30, 2020, respectively, compared to $116 million and $173 million for the three and six months ended June 30, 2019, respectively, due to changes to inputs to the valuation model, including prepayment speeds and OAS assumptions. The fair value of the MSR portfolio decreased $58 million and $105 million for the three and six months ended June 30, 2020, respectively, compared to $45 million and $72 million for the three and six months ended June 30, 2019, respectively, due to the impact of contractual principal payments and actual prepayment activity.

Further detail on the valuation of MSRs can be found in Note 14 of the Notes to Condensed Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation of the MSR portfolio. Refer to Note 15 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. The Bancorp recognized net gains of an immaterial amount and $3 million during the three and six months ended June 30, 2020 compared to $2 million and $5 million during the three and six months ended June 30, 2019 recorded in securities gains, net – non-qualifying hedges on MSRs in the Bancorp's Condensed Consolidated Statements of Income.

The Bancorp's total residential mortgage loans serviced as of June 30, 2020 and 2019 were $95.4 billion and $102.4 billion, respectively, with $78.8 billion and $84.6 billion, respectively, of residential mortgage loans serviced for others.

Card and processing revenue

Card and processing revenue decreased $10 million and $4 million for the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019 primarily driven by decreases in customer spend volume, partially offset by lower reward costs and increases in other EFT income driven by the MB Financial, Inc. acquisition at the end of the first quarter of 2019. The Bancorp currently expects card and processing revenue to increase in the low-to-mid single digits range in the third quarter of 2020 compared to the second quarter of 2020.

Leasing business revenue

Leasing business revenue decreased $19 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreases in leasing business solutions revenue and operating lease income of $13 million and $6 million, respectively. Leasing business revenue increased $23 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by increases in operating lease income and lease syndication fees of $12 million and $11 million, respectively, partially offset by a decrease in leasing business solutions revenue of $6 million. The increase in operating lease income for the six months ended June 30, 2020 was driven by the acquisition of MB Financial, Inc. at the end of the first quarter of 2019.

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 10: Components of Other Noninterest Income

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
BOLI income	**$ 17**	15	**32**	29
Cardholder fees	**10**	15	**21**	29
Consumer loan and lease fees	**5**	6	**10**	11
Insurance income	**4**	5	**10**	10
Banking center income	**4**	6	**10**	11
Loss on swap associated with the sale of Visa, Inc. Class B Shares	**(29)**	(22)	**(51)**	(52)
Net losses on disposition and impairment of bank premises and equipment	**(12)**	(1)	**(15)**	(21)
Private equity investment (loss) income	**6**	18	**(8)**	22
Gain on sale of Worldpay, Inc. shares	**—**	—	**—**	562
Equity method income from interest in Worldpay Holding, LLC	**—**	—	**—**	2
Other, net	**7**	5	**9**	13
Total other noninterest income	**$ 12**	47	**18**	616

Other noninterest income decreased $35 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to a decrease in private equity investment income as well as increases in the net losses on disposition and impairment of bank premises and equipment and the loss on the swap associated with the sale of Visa, Inc. Class B Shares.

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Private equity investment income decreased $12 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by the recognition of positive net valuation adjustments and gains on certain private equity investments during the three months ended June 30, 2019. For additional information on the valuation of private equity investments, refer to Note 23 of the Notes to Condensed Consolidated Financial Statements. Net losses on disposition and impairment of bank premises and equipment increased $11 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 driven by the impact of impairment charges of $12 million during the three months ended June 30, 2020 compared to $2 million during the three months ended June 30, 2019. For additional information, refer to Note 8 of the Notes to Condensed Consolidated Financial Statements. The Bancorp recognized negative valuation adjustments of $29 million related to the Visa total return swap during the three months ended June 30, 2020 compared to negative valuation adjustments of $22 million during the three months ended June 30, 2019. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B Shares, refer to Note 23 of the Notes to Condensed Consolidated Financial Statements.

Other noninterest income decreased $598 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to the gain on sale of Worldpay, Inc. shares recognized during the first quarter of 2019 as well as a decrease in private equity investment income.

The Bancorp recognized a $562 million gain related to the sale of Worldpay, Inc. shares during the first quarter of 2019. Private equity investment income decreased $30 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by negative net valuation adjustments and impairment charges recognized on certain private equity investments during the six months ended June 30, 2020 compared to positive net valuation adjustments and gains on certain private equity investments during the six months ended June 30, 2019. For additional information on the valuation of private equity investments, refer to Note 23 of the Notes to Condensed Consolidated Financial Statements.

Noninterest Expense

Noninterest expense decreased $122 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in technology and communications expense, other noninterest expense, marketing expense and compensation and benefits expense. Noninterest expense decreased $20 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in technology and communications expense and marketing expense, partially offset by increases in compensation and benefits expense and other noninterest expense.

The following table presents the components of noninterest expense:

TABLE 11: Components of Noninterest Expense

	For the three months ended June 30,			For the six months ended June 30,		
($ in millions)	**2020**	2019	% Change	**2020**	2019	% Change
Compensation and benefits	**$ 627**	641	(2)	**$ 1,274**	1,251	2
Technology and communications	**90**	136	(34)	**183**	219	(16)
Net occupancy expense	**82**	88	(7)	**164**	164	-
Leasing business expense	**33**	38	(13)	**68**	57	19
Equipment expense	**32**	33	(3)	**64**	63	2
Card and processing expense	**29**	34	(15)	**60**	64	(6)
Marketing expense	**20**	41	(51)	**51**	77	(34)
Other noninterest expense	**208**	232	(10)	**457**	446	2
Total noninterest expense	**$ 1,121**	1,243	(10)	**$ 2,321**	2,341	(1)
Efficiency ratio on an FTE basis[(a)]	**60.5%**	65.1		**61.8%**	57.1	

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

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The Bancorp recognized $9 million and $16 million of merger-related expenses related to the MB Financial, Inc. acquisition for the three and six months ended June 30, 2020, respectively, compared to $109 million and $185 million in the same periods in the prior year. The following table provides a summary of merger-related expenses recorded in noninterest expense:

TABLE 12: Merger-Related Expenses

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Compensation and benefits	**$ 2**	41	**4**	75
Technology and communications	**4**	49	**6**	60
Net occupancy expense	**2**	6	**4**	6
Equipment expense	**—**	1	**—**	1
Card and processing expense	**—**	1	**—**	1
Marketing expense	**—**	3	**—**	6
Other noninterest expense	**1**	8	**2**	36
Total	**$ 9**	109	**16**	185

Technology and communications expense decreased $46 million and $36 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by decreased integration and conversion costs related to the acquisition of MB Financial, Inc.

Marketing expense decreased $21 million and $26 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to the impact of the COVID-19 pandemic, which resulted in a pause or slowdown in numerous marketing campaigns, including running less advertising as well as the suspension of cash bonus programs.

Compensation and benefits expense decreased $14 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to a decrease in merger-related expenses related to the acquisition of MB Financial, Inc., partially offset by higher deferred compensation expense. Compensation and benefits expense increased $23 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to the addition of personnel costs from the acquisition of MB Financial, Inc. and the impact of raising the Bancorp's minimum wage in the fourth quarter of 2019, partially offset by a reduction in merger-related expenses. Compensation and benefits expense for the three and six months ended June 30, 2020 included $7 million and $10 million, respectively, of special payments to employees providing essential banking services through the COVID-19 pandemic. Full-time equivalent employees totaled 20,340 at June 30, 2020 compared to 19,758 at June 30, 2019.

The following table presents the components of other noninterest expense:

TABLE 13: Components of Other Noninterest Expense

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Loan and lease	**$ 40**	34	**75**	61
Losses and adjustments	**17**	34	**71**	55
FDIC insurance and other taxes	**24**	19	**49**	38
Data processing	**17**	18	**35**	34
Intangible amortization	**12**	14	**25**	17
Professional service fees	**13**	18	**23**	36
Travel	**4**	19	**19**	33
Postal and courier	**8**	10	**18**	19
Recruitment and education	**5**	8	**11**	18
Supplies	**3**	4	**7**	7
Insurance	**3**	3	**7**	7
Donations	**4**	3	**7**	6
Other, net	**58**	48	**110**	115
Total other noninterest expense	**$ 208**	232	**457**	446

Other noninterest expense decreased $24 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in losses and adjustments and travel expense, partially offset by an increase in loan and lease expense. Losses and adjustments decreased $17 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to a decrease in operational losses, driven by a reduction in legal settlements expense. Travel expense decreased $15 million for the three months

ended June 30, 2020 compared to the same period in the prior year primarily due to business travel being suspended for the second quarter of 2020 as a direct result of the COVID-19 pandemic. Loan and lease expense increased $6 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to an increase in loan closing expenses. Additionally, other noninterest expense included $6 million associated with FHLB advances extinguished during the three months ended June 30, 2020.

Other noninterest expense increased $11 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in losses and adjustments and loan and lease expense, partially offset by a decrease in travel expenses. Losses and adjustments increased $16 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to an increase in credit valuation adjustments incurred during the first quarter of 2020 on derivatives associated with customer accommodation contracts, partially offset by a reduction in legal settlements expense. Loan and lease expense increased $14 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to an increase in loan closing expenses. Travel expenses decreased $14 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to business travel being suspended for the second quarter of 2020 as a direct result of the COVID-19 pandemic. Additionally, other noninterest expense included $6 million associated with FHLB advances extinguished during the six months ended June 30, 2020.

Applicable Income Taxes

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

TABLE 14: Applicable Income Taxes

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Income before income taxes	**$ 244**	577	**304**	1,572
Applicable income tax expense	**49**	124	**61**	344
Effective tax rate	**19.9 %**	21.5	**20.4**	21.9

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

The decreases in the effective tax rates for both the three and six months ended June 30, 2020 compared to the same periods in the prior year were primarily related to decreases in actual and forecasted income before income taxes.

For stock-based awards, U.S. GAAP requires the tax consequences for the difference between the expense recognized for financial reporting and the Bancorp's actual tax deduction for the stock-based awards be recognized through income tax expense in the interim periods in which they occur. The Bancorp cannot predict its stock price or whether and when its employees will exercise stock-based awards in the future. Based on its stock price at June 30, 2020, the Bancorp estimates it may be necessary to recognize $8 million of additional income tax expense over the next twelve months related to the settlement of stock-based awards primarily in the first half of 2021. However, the amount of income tax expense or benefit recognized upon settlement may vary significantly from expectations based on the Bancorp's stock price and the number of SARs exercised by employees.

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BALANCE SHEET ANALYSIS

Loans and Leases

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

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

	June 30, 2020		December 31, 2019	
As of ($ in millions)	Carrying Value	% of Total	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans[(a)]	**$ 55,730**	**48 %**	$ 50,677	46 %
Commercial mortgage loans	**11,236**	**10**	10,964	10
Commercial construction loans	**5,479**	**4**	5,090	4
Commercial leases	**3,061**	**3**	3,363	3
Total commercial loans and leases	**75,506**	**65**	70,094	63
Consumer loans:				
Residential mortgage loans[(b)]	**17,297**	**15**	17,988	16
Home equity	**5,681**	**5**	6,083	6
Indirect secured consumer loans	**12,395**	**11**	11,538	10
Credit card	**2,211**	**2**	2,532	2
Other consumer loans	**2,875**	**2**	2,723	3
Total consumer loans	**40,459**	**35**	40,864	37
Total loans and leases	**$ 115,965**	**100 %**	$ 110,958	100 %
Total portfolio loans and leases (excluding loans and leases held for sale)	**$ 115,053**		$ 109,558	

(a) Includes $5.2 billion, as of June 30, 2020, related to the SBA's Paycheck Protection Program established under the CARES Act on March 27, 2020.

(b) Includes $82 million, as of June 30, 2020, of GNMA loans for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 16 of the Notes to Condensed Consolidated Financial Statements for further information.

Total loans and leases, including loans and leases held for sale, increased $5.0 billion, or 5%, from December 31, 2019. The increase from December 31, 2019 was the result of a $5.4 billion, or 8%, increase in commercial loans and leases partially offset by a $405 million, or 1%, decrease in consumer loans.

Commercial loans and leases increased $5.4 billion from December 31, 2019 due to increases in commercial and industrial loans, commercial construction loans and commercial mortgage loans, partially offset by a decrease in commercial leases. Commercial and industrial loans increased $5.1 billion, or 10%, from December 31, 2019 primarily as a result of Paycheck Protection Program loans originated during the quarter as well as an increase in revolving line of credit utilization. During the second quarter of 2020, revolving line of credit utilization rates began to normalize from the elevated levels during the first quarter of 2020, as commercial borrowers began paying down revolving lines of credit reflecting the stabilizing market conditions and the ability to access other funding sources. Commercial construction loans increased $389 million, or 8% from December 31, 2019 primarily as a result of increased line of credit utilization as well as seasonally low payoffs. Commercial mortgage loans increased $272 million, or 2%, from December 31, 2019 primarily as a result of increases in loan originations and permanent financing from the Bancorp's commercial construction loan portfolio. Commercial leases decreased $302 million, or 9% from December 31, 2019 primarily as a result of a planned reduction in indirect non-relationship based lease originations.

Consumer loans decreased $405 million from December 31, 2019 due to decreases in residential mortgage loans, home equity and credit card, partially offset by increases in indirect secured consumer loans and other consumer loans. Residential mortgage loans decreased $691 million, or 4%, from December 31, 2019 primarily due to holding held for sale loans for a shorter period of time and higher runoff due to payoffs exceeding new loan originations. Home equity decreased $402 million, or 7%, from December 31, 2019 as payoffs exceeded new loan originations. Credit card decreased $321 million, or 13%, from December 31, 2019 primarily due to negative economic impacts from the COVID-19 pandemic, including reductions in the number of active accounts as well as purchase and balance activity per active account. Indirect secured consumer loans increased $857 million, or 7%, from December 31, 2019 primarily as a result of loan production exceeding payoffs. Other consumer loans increased $152 million, or 6%, from December 31, 2019 primarily due to growth in point-of-sale loan originations.

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

For the three months ended ($ in millions)	June 30, 2020 Carrying Value	June 30, 2020 % of Total	June 30, 2019 Carrying Value	June 30, 2019 % of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 59,106**	**49 %**	$ 52,187	47 %
Commercial mortgage loans	**11,224**	**9**	10,635	10
Commercial construction loans	**5,548**	**5**	5,248	5
Commercial leases	**3,056**	**3**	3,811	3
Total commercial loans and leases	**78,934**	**66**	71,881	65
Consumer loans:				
Residential mortgage loans	**17,405**	**15**	17,589	16
Home equity	**5,820**	**5**	6,376	6
Indirect secured consumer loans	**12,124**	**10**	10,190	9
Credit card	**2,248**	**2**	2,408	2
Other consumer loans	**2,887**	**2**	2,549	2
Total consumer loans	**40,484**	**34**	39,112	35
Total average loans and leases	**$ 119,418**	**100 %**	$ 110,993	100 %
Total average portfolio loans and leases (excluding loans and leases held for sale)	**$ 118,506**		$ 110,095	

Average loans and leases, including average loans and leases held for sale, increased $8.4 billion, or 8%, for the three months ended June 30, 2020 compared to the same period in the prior year as a result of a $7.0 billion, or 10%, increase in average commercial loans and leases as well as a $1.4 billion, or 4%, increase in average consumer loans.

Average commercial loans and leases increased $7.0 billion for the three months ended June 30, 2020 compared to the same period in the prior year due to increases in average commercial and industrial loans, average commercial mortgage loans and average commercial construction loans, partially offset by a decrease in average commercial leases. Average commercial and industrial loans increased $6.9 billion, or 13%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by the aforementioned increases in Paycheck Protection Program loans and revolving line of credit utilization. Average commercial mortgage loans increased $589 million, or 6%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily as a result of increases in loan originations and permanent financing from the Bancorp's commercial construction loan portfolio. Average commercial construction loans increased $300 million, or 6%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily as a result of increased line of credit utilization as well as seasonally low payoffs. Average commercial leases decreased $755 million, or 20%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily as a result of a planned reduction in indirect non-relationship based lease originations.

Average consumer loans increased $1.4 billion for the three months ended June 30, 2020 compared to the same period in the prior year due to increases in average indirect secured consumer loans and average other consumer loans, partially offset by decreases in average home equity, average residential mortgage loans and average credit card. Average indirect secured consumer loans increased $1.9 billion, or 19%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to loan production exceeding payoffs. Average other consumer loans increased $338 million, or 13%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to growth in point-of-sale loan originations. Average home equity decreased $556 million, or 9%, for the three months ended June 30, 2020 compared to the same period in the prior year as payoffs exceeded new loan originations. Average residential mortgage loans decreased $184 million, or 1%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by higher runoff due to payoffs exceeding new loan originations. Average credit card decreased $160 million, or 7%, for the three months ended June 30, 2020 compared to the same period in the prior year driven by the negative economic impacts from the COVID-19 pandemic, including reductions in the number of active accounts as well as purchase and balance activity per active account.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing collateral for pledging purposes and for liquidity to satisfy regulatory requirements. Total investment securities were $39.4 billion and $36.9 billion at June 30, 2020 and December 31, 2019, respectively. The taxable available-for-sale debt and other investment securities portfolio had an effective duration of 4.7 years at June 30, 2020 compared to 5.1 years at December 31, 2019.

Debt securities are classified as available-for-sale when, in management's judgment, they may be sold in response to, or in anticipation of, changes in market conditions. Securities that management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt securities are classified as trading when bought and held principally for the purpose of selling them in the near term. At June 30, 2020, the Bancorp's investment portfolio consisted primarily of AAA-rated available-for-sale debt and other securities. The Bancorp held an immaterial amount in below-investment grade available-for-sale debt and other securities at both June 30, 2020 and December 31, 2019.

Upon adoption of ASU 2016-13 on January 1, 2020, the Bancorp evaluates available-for-sale debt and other securities in an unrealized loss position to determine whether all or a portion of the unrealized loss on such securities is a credit loss. If credit losses are identified, they are generally recognized as an allowance for credit losses (a contra account to the amortized cost basis of the securities) with the periodic change in the allowance recognized in earnings. Prior to January 1, 2020, investment securities were evaluated for OTTI with any identified OTTI recognized as a charge to income and a direct reduction of the amortized cost basis of the securities.

At June 30, 2020, the Bancorp completed its evaluation of the available-for-sale debt and other securities in an unrealized loss position and did not recognize an allowance for credit losses. The Bancorp did not recognize provision expense for the three and six months ended June 30, 2020 related to available-for-sale debt and other securities in an unrealized loss position. During both the three and six months ended June 30, 2019, the Bancorp recognized $1 million of OTTI on its available-for-sale debt and other securities, included in securities (losses) gains, net, in the Condensed Consolidated Statements of Income.

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

TABLE 17: Components of Investment Securities

As of ($ in millions)		**June 30, 2020**	December 31, 2019
Available-for-sale debt and other securities (amortized cost basis):			
U.S. Treasury and federal agency securities	**$**	**74**	74
Obligations of states and political subdivisions securities		**17**	18
Mortgage-backed securities:			
Agency residential mortgage-backed securities		**12,907**	13,746
Agency commercial mortgage-backed securities		**16,279**	15,141
Non-agency commercial mortgage-backed securities		**3,223**	3,242
Asset-backed securities and other debt securities		**2,732**	2,189
Other securities[(a)]		**548**	556
Total available-for-sale debt and other securities	**$**	**35,780**	34,966
Held-to-maturity securities (amortized cost basis):			
Obligations of states and political subdivisions securities	**$**	**14**	15
Asset-backed securities and other debt securities		**2**	2
Total held-to-maturity securities	**$**	**16**	17
Trading debt securities (fair value):			
U.S. Treasury and federal agency securities	**$**	**94**	2
Obligations of states and political subdivisions securities		**22**	9
Agency residential mortgage-backed securities		**42**	55
Asset-backed securities and other debt securities		**368**	231
Total trading debt securities	**$**	**526**	297
Total equity securities (fair value)	**$**	**273**	564

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $68, $478 and $2, respectively, at June 30, 2020 and $76, $478 and $2, respectively, at December 31, 2019, that are carried at cost.

On an amortized cost basis, available-for-sale debt and other securities increased $814 million from December 31, 2019 primarily due to increases in agency commercial mortgage-backed securities and asset-backed securities and other debt securities, partially offset by a decrease in agency residential mortgage-backed securities.

On an amortized cost basis, available-for-sale debt and other securities were 20% and 24% of total interest-earning assets at June 30, 2020 and December 31, 2019, respectively. The estimated weighted-average life of the debt securities in the available-for-sale debt and other securities portfolio was 6.2 years at June 30, 2020 compared to 6.6 years at December 31, 2019. In addition, at June 30, 2020, the debt securities in the available-for-sale debt and other securities portfolio had a weighted-average yield of 3.12% compared to 3.22% at December 31, 2019.

Information presented in Table 18 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using amortized cost balances and reflects the impact of prepayments. Maturity and yield calculations for the total available-for-sale debt and other securities portfolio exclude other securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale debt and other securities portfolio were $2.8 billion at June 30, 2020 compared to $1.1 billion at December 31, 2019. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally increases when interest rates decrease or when credit spreads contract.

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

As of June 30, 2020 ($ in millions)		Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agency securities:					
Average life 1 – 5 years	$	74	78	2.6	2.15 %
Total	$	74	78	2.6	2.15 %
Obligations of states and political subdivisions securities:					
Average life of 1 year or less		—	—	0.6	5.90
Average life 1 – 5 years		17	17	2.7	1.81
Total	$	17	17	2.7	1.82 %
Agency residential mortgage-backed securities:					
Average life of 1 year or less		12	12	0.5	24.27
Average life 1 – 5 years		7,190	7,650	3.8	3.25
Average life 5 – 10 years		5,003	5,446	6.7	3.09
Average life greater than 10 years		702	801	14.1	3.20
Total	$	12,907	13,909	5.5	3.21 %
Agency commercial mortgage-backed securities:[(a)]					
Average life of 1 year or less		15	17	0.3	3.20
Average life 1 – 5 years		4,487	4,839	3.0	3.17
Average life 5 – 10 years		8,600	9,486	7.3	3.10
Average life greater than 10 years		3,177	3,549	13.3	3.13
Total	$	16,279	17,891	7.3	3.13 %
Non-agency commercial mortgage-backed securities:					
Average life of 1 year or less		28	28	0.8	3.40
Average life 1 – 5 years		2,305	2,447	4.0	3.26
Average life 5 – 10 years		890	966	5.8	3.26
Total	$	3,223	3,441	4.5	3.26 %
Asset-backed securities and other debt securities:					
Average life of 1 year or less		209	211	0.7	3.81
Average life 1 – 5 years		1,056	1,055	2.8	3.09
Average life 5 – 10 years		1,151	1,140	6.9	2.04
Average life greater than 10 years		316	309	12.3	1.42
Total	$	2,732	2,715	5.4	2.51 %
Other securities		548	548		
Total available-for-sale debt and other securities	$	35,780	38,599	6.2	3.12 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.02% for securities with an average life greater than 10 years.

Other Short-Term Investments

Other short-term investments primarily include overnight interest-earning investments, including reserves held at the Federal Reserve. The Bancorp uses other short-term investments as part of its liquidity risk management tools. Other short-term investments were $28.2 billion and $2.0 billion at June 30, 2020 and December 31, 2019, respectively. The increase of $26.2 billion from December 31, 2019 was primarily attributable to deposit growth and repayment of commercial customers' revolving line of credit draws from the first quarter of 2020 as the commercial revolving line utilization at June 30, 2020 was 38%, compared to 47% at March 31, 2020.

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Deposits

The Bancorp's deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Average core deposits represented 74% and 71% of the Bancorp's average asset funding base at June 30, 2020 and December 31, 2019, respectively.

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

TABLE 19: Components of Deposits

	June 30, 2020		December 31, 2019	
As of ($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 49,359**	**31 %**	$ 35,968	28 %
Interest checking	**51,586**	**33**	40,409	33
Savings	**16,896**	**11**	14,248	11
Money market	**30,881**	**20**	27,277	21
Foreign office	**191**	**—**	221	—
Total transaction deposits	**148,913**	**95**	118,123	93
Other time	**3,913**	**2**	5,237	4
Total core deposits	**152,826**	**97**	123,360	97
Certificates $100,000 and over[(a)]	**4,120**	**3**	3,702	3
Total deposits	**$ 156,946**	**100 %**	$ 127,062	100 %

(a) Includes $3.1 billion and $2.1 billion of institutional, retail and wholesale certificates $250,000 and over at June 30, 2020 and December 31, 2019, respectively.

Core deposits increased $29.5 billion, or 24%, from December 31, 2019 as a result of an increase in transaction deposits, partially offset by a decrease in other time deposits. Transaction deposits increased $30.8 billion, or 26%, from December 31, 2019 primarily due to increases in demand deposits, interest checking deposits, money market deposits and savings deposits. Demand deposits increased $13.4 billion, or 37%, and interest checking deposits increased $11.2 billion, or 28%, from December 31, 2019 primarily as a result of higher balances per commercial customer account due to increased liquidity levels in the form of excess cash balances driven by the amount of fiscal stimulus during the six months ended June 30, 2020. Money market deposits increased $3.6 billion, or 13%, primarily as a result of higher balances per commercial customer account due to the previously mentioned increased liquidity levels in the current economic environment and promotional product offerings. Savings deposits increased $2.6 billion, or 19%, from December 31, 2019 primarily as a result of higher balances per customer account due to uncertainty regarding the COVID-19 pandemic, fiscal stimulus as well as decreased consumer spending. Other time deposits decreased $1.3 billion, or 25%, from December 31, 2019 primarily due to lower rates on certificates less than $100,000.

Certificates $100,000 and over increased $418 million, or 11%, from December 31, 2019 primarily due to an increase in retail brokered certificates of deposit issued since December 31, 2019.

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

TABLE 20: Components of Average Deposits

	June 30, 2020		June 30, 2019	
($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 45,761**	**30 %**	$ 35,818	29 %
Interest checking	**49,760**	**33**	36,514	29
Savings	**16,354**	**11**	14,418	12
Money market	**30,022**	**20**	25,934	21
Foreign office	**182**	**—**	163	—
Total transaction deposits	**142,079**	**94**	112,847	91
Other time	**4,421**	**3**	5,678	4
Total core deposits	**146,500**	**97**	118,525	95
Certificates $100,000 and over[(a)]	**4,067**	**3**	5,780	5
Other deposits	**31**	**—**	40	—
Total average deposits	**$ 150,598**	**100 %**	$ 124,345	100 %

(a) Includes $3.2 billion and $3.5 billion of average institutional, retail and wholesale certificates $250,000 and over for the three months ended June 30, 2020 and 2019, respectively.

On an average basis, core deposits increased $28.0 billion, or 24%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to an increase of $29.2 billion, or 26%, in average transaction deposits, partially offset by a decrease of $1.3

billion, or 22%, in average other time deposits. The increase in average transaction deposits was driven primarily by increases in average interest checking deposits, average demand deposits, average money market deposits and average savings deposits. Average interest checking deposits increased $13.2 billion, or 36%, and average demand deposits increased $9.9 billion, or 28%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily as a result of higher average balances per commercial customer account due to the previously mentioned increased liquidity levels in the current economic environment. Average money market deposits increased $4.1 billion, or 16%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily as a result of higher average balances per commercial customer account due to the previously mentioned increased liquidity levels in the current economic environment as well as promotional product offerings. Average savings deposits increased $1.9 billion, or 13%, for the three months ended June 30, 2020 compared to the same period in the prior year primarily as a result of higher balances per customer account due to uncertainty regarding the COVID-19 pandemic, fiscal stimulus as well as decreased consumer spending. Average other time deposits decreased primarily due to lower offering rates on certificates less than $100,000.

Average certificates $100,000 and over decreased $1.7 billion, or 30%, from June 30, 2019 primarily due to a decreases in average certificates of deposit and retail brokered certificates of deposit for the three months ended June 30, 2020.

Contractual maturities

The contractual maturities of certificates $100,000 and over as of June 30, 2020 are summarized in the following table:

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

($ in millions)		
Next 3 months	$	1,080
3-6 months		1,463
6-12 months		1,264
After 12 months		313
Total certificates $100,000 and over	$	4,120

The contractual maturities of other time deposits and certificates $100,000 and over as of June 30, 2020 are summarized in the following table:

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

($ in millions)		
Next 12 months	$	7,206
13-24 months		543
25-36 months		117
37-48 months		44
49-60 months		98
After 60 months		25
Total other time deposits and certificates $100,000 and over	$	8,033

Borrowings

The Bancorp accesses a variety of short-term and long-term funding sources. Borrowings with original maturities of one year or less are classified as short-term and include federal funds purchased and other short-term borrowings. Total average borrowings as a percent of average interest-bearing liabilities were 16% and 17% for the three months ended June 30, 2020 and 2019, respectively.

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

TABLE 23: Components of Borrowings

As of ($ in millions)		**June 30, 2020**	December 31, 2019
Federal funds purchased	**$**	**262**	260
Other short-term borrowings		**1,285**	1,011
Long-term debt		**16,327**	14,970
Total borrowings	**$**	**17,874**	16,241

Total borrowings increased $1.6 billion, or 10%, from December 31, 2019 primarily due to increases in long-term debt and other short-term borrowings. Long-term debt increased $1.4 billion from December 31, 2019 primarily driven by the issuance of $1.25 billion of unsecured senior fixed-rate bank notes, $1.25 billion of unsecured senior fixed-rate notes and $225 million of fair value adjustments associated with interest rate swaps hedging long-term debt during the six months ended June 30, 2020. These increases were partially offset by the maturity of $1.1 billion of unsecured senior fixed-rate notes and $304 million of paydowns on long-term debt associated with automobile loan securitizations during the six months ended June 30, 2020. Other short-term borrowings increased $274 million from December 31, 2019

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primarily as a result of increases in securities sold under repurchase agreements driven by an increase in commercial customer activity and in interest-bearing obligations associated with collateral held for certain derivatives. The level of other short-term borrowings can fluctuate significantly from period to period depending on funding needs and the sources that are used to satisfy those needs. For further information on the components of other short-term borrowings, refer to Note 16 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 24: Components of Average Borrowings

($ in millions)		**June 30, 2020**	June 30, 2019
Federal funds purchased	**$**	**309**	1,151
Other short-term borrowings		**2,377**	1,119
Long-term debt		**16,955**	15,543
Total average borrowings	**$**	**19,641**	17,813

Total average borrowings increased $1.8 billion, or 10%, for the three months ended June 30, 2020 compared to the same period in the prior year due to increases in average long-term debt and average other short-term borrowings, partially offset by a decrease in average federal funds purchased. Average long-term debt increased $1.4 billion for the three months ended June 30, 2020 compared to the same period in the prior year driven by the issuance of $1.25 billion of unsecured senior fixed-rate bank notes and $1.25 billion of unsecured senior fixed-rate notes during the six months ended June 30, 2020 and the issuance of $750 million of unsecured senior fixed-rate notes in the fourth quarter of 2019. These increases were partially offset by the maturities of $1.0 billion in unsecured senior bank notes and $678 million of paydowns on long-term debt associated with automobile loan securitizations since June 30, 2019. Average other short-term borrowings increased $1.3 billion for the three months ended June 30, 2020 compared to the same period in the prior year, primarily driven by an increase in FHLB advances. Average federal funds purchased decreased $842 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to greater utilization of other short-term borrowings sources, such as the aforementioned increase in FHLB advances. Information on the average rates paid on borrowings is discussed in the Net Interest Income subsection of the Statements of Income Analysis section of MD&A. In addition, refer to the Liquidity Risk Management subsection of the Risk Management section of MD&A for a discussion on the role of borrowings in the Bancorp's liquidity management.

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BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management. Additional information on each business segment is included in Note 24 of the Notes to Condensed Consolidated Financial Statements. Results of the Bancorp's business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp's business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management's accounting practices and businesses change.

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

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities and by the review of behavioral assumptions, such as prepayment rates on interest-earning assets and the estimated durations for indeterminate-lived deposits. Key assumptions, including the credit rates provided for deposit accounts, are reviewed annually. Credit rates for deposit products and charge rates for loan products may be reset more frequently in response to changes in market conditions. In general, the charge rates on assets have declined since December 31, 2019 as they were affected by the prevailing level of interest rates and by the duration and repricing characteristics of the portfolio. The credit rates for deposit products also declined due to lower interest rates and modified assumptions. Both the reduced charge on assets and credit on deposits were partially offset by wider liquidity premiums applied during the second quarter of 2020. Thus, net interest income for asset-generating business segments improved while deposit-providing business segments were negatively impacted during the six months ended June 30, 2020.

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

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

TABLE 25: Net Income (Loss) by Business Segment

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Income Statement Data				
Commercial Banking	**$ 12**	395	**237**	687
Branch Banking	**138**	237	**258**	455
Consumer Lending	**48**	20	**107**	28
Wealth and Asset Management	**40**	24	**64**	49
General Corporate and Other	**(43)**	(223)	**(423)**	9
Net income	**$ 195**	453	**243**	1,228

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Commercial Banking

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

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

TABLE 26: Commercial Banking

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Income Statement Data				
Net interest income (FTE)[(a)]	**$ 573**	634	**1,085**	1,147
Provision for credit losses	**457**	25	**502**	46
Noninterest income:				
Commercial banking revenue	**136**	105	**260**	207
Service charges on deposits	**79**	82	**162**	149
Leasing business revenue	**57**	76	**131**	108
Other noninterest income	**22**	38	**27**	63
Noninterest expense:				
Compensation and benefits	**129**	119	**278**	227
Leasing business expense	**33**	38	**68**	57
Other noninterest expense	**243**	263	**538**	492
Income before income taxes (FTE)	**5**	490	**279**	852
Applicable income tax expense (benefit)[(a)(b)]	**(7)**	95	**42**	165
Net income	**$ 12**	395	**237**	687
Average Balance Sheet Data				
Commercial loans and leases, including held for sale	**$ 71,894**	68,486	**69,788**	63,599
Demand deposits	**22,939**	17,555	**20,032**	15,991
Interest checking deposits	**28,742**	18,064	**24,595**	17,144
Savings and money market deposits	**6,955**	4,986	**5,958**	4,315
Other time deposits and certificates $100,000 and over	**159**	412	**182**	348
Foreign office deposits	**181**	163	**195**	185

(a) Includes FTE adjustments of $3 and $5 for the three months ended June 30, 2020 and 2019, respectively, and $7 and $9 for the six months ended June 30, 2020 and 2019, respectively.

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

Net income was $12 million for the three months ended June 30, 2020 compared to $395 million for the same period in the prior year. The decrease was primarily driven by an increase in provision for credit losses as well as decreases in net interest income on an FTE basis and noninterest income partially offset by a decrease in noninterest expense. Net income was $237 million for the six months ended June 30, 2020 compared to $687 million for the same period in the prior year. The decrease was primarily driven by increases in provision for credit losses and noninterest expense as well as a decrease in net interest income on an FTE basis partially offset by an increase in noninterest income.

Net interest income on an FTE basis decreased $61 million and $62 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by decreases in yields on average commercial loans and leases as well as decreases in FTP credit rates on demand deposits, interest checking deposits and savings and money market deposits. These negative impacts were partially offset by decreases in FTP charge rates on loans and leases as well as decreases in rates paid on average interest checking deposits and average savings and money market deposits.

Provision for credit losses increased $432 million and $456 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by an increase in commercial criticized asset levels as well as increases in net charge-offs on commercial and industrial loans and commercial leases. Net charge-offs as a percent of average portfolio loans and leases increased to 41 bps and 35 bps for the three and six months ended June 30, 2020, respectively compared to 11 bps and 10 bps for the same periods in the prior year, respectively.

Noninterest income decreased $7 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreases in leasing business revenue and other noninterest income partially offset by an increase in commercial banking revenue.

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Leasing business revenue decreased $19 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in leasing business solutions revenue and operating lease income. Other noninterest income decreased $16 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreases in private equity investment income and card and processing revenue. Commercial banking revenue increased $31 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in institutional sales and bridge fees partially offset by decreases in loan syndication fees. Noninterest income increased $53 million for the six months ended June 30, 2020 compared to the same period in the prior year driven by increases in commercial banking revenue, leasing business revenue and service charges on deposits partially offset by a decrease in other noninterest income. Commercial banking revenue increased $53 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in institutional sales, bridge fees and contract revenue from commercial customer derivatives partially offset by a decrease in loan syndication fees. Leasing business revenue increased $23 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by increases in operating lease income and lease syndication fees partially offset by a decrease in leasing business solutions revenue. Service charges on deposits increased $13 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in commercial deposit fees primarily due to lower earnings credit rates. Other noninterest income decreased $36 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreases in private equity investment income and card and processing revenue.

Noninterest expense decreased $15 million for the three months ended June 30, 2020 compared to the same period in the prior year driven by a decrease in other noninterest expense partially offset by an increase in compensation and benefits. Other noninterest expense decreased $20 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in corporate overhead allocations and losses and adjustments partially offset by increases in FDIC insurance and other taxes. Compensation and benefits increased $10 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in base compensation and incentive compensation. Noninterest expense increased $108 million for the six months ended June 30, 2020 compared to the same period in the prior year driven by increases in compensation and benefits, other noninterest expense and leasing business expense. Compensation and benefits increased $51 million for the six months ended June 30, 2020 compared to the same period in the prior year due to an increase in personnel costs primarily as a result of the MB Financial, Inc. acquisition at the end of the first quarter of 2019. Other noninterest expense increased $46 million for the six months ended June 30, 2020, compared to the same period in the prior year primarily due to increases in losses and adjustments, corporate overhead allocations, intangible amortization expense and FDIC insurance and other taxes. Leasing business expense increased $11 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to an increase in operating lease expense driven by the MB Financial, Inc. acquisition at the end of the first quarter of 2019.

Average commercial loans and leases increased $3.4 billion and $6.2 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to increases in average commercial and industrial loans and average commercial mortgage loans partially offset by decreases in average commercial leases. Average commercial and industrial loans increased $3.2 billion and $4.4 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by increases in Paycheck Protection Program loans and revolving line of credit utilization. Average commercial mortgage loans increased $622 million and $2.1 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily as a result of increases in loan originations and permanent financing from the Bancorp's commercial construction loan portfolio. Average commercial leases decreased $753 million and $551 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily as a result of a planned reduction in indirect non-relationship based lease originations.

Average core deposits increased $18.0 billion and $13.1 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to increases in average interest checking deposits, average demand deposits and average savings and money market deposits. Average interest checking deposits increased $10.7 billion and $7.5 billion, respectively, average demand deposits increased $5.4 billion and $4.0 billion, respectively, and average savings and money market deposits increased $2.0 billion and $1.6 billion, respectively, for the three and six months ended June 30, 2020 compared to the same periods in the prior year. These increases were primarily as a result of higher average balances per commercial customer account due to increased liquidity levels in the current economic environment.

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Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,122 full-service banking centers. Branch Banking offers depository and loan products, such as checking and savings accounts, home equity loans and lines of credit, credit cards and loans for automobiles and other personal financing needs, as well as products designed to meet the specific needs of small businesses, including cash management services.

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

TABLE 27: Branch Banking

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Income Statement Data				
Net interest income	**$ 513**	620	**1,017**	1,204
Provision for credit losses	**52**	55	**114**	107
Noninterest income:				
Card and processing revenue	**68**	73	**133**	137
Service charges on deposits	**42**	63	**107**	127
Wealth and asset management revenue	**39**	40	**84**	76
Other noninterest income	**18**	26	**40**	46
Noninterest expense:				
Compensation and benefits	**161**	152	**330**	295
Net occupancy and equipment expense	**54**	55	**108**	110
Card and processing expense	**28**	32	**58**	61
Other noninterest expense	**211**	228	**444**	441
Income before income taxes	**174**	300	**327**	576
Applicable income tax expense	**36**	63	**69**	121
Net income	**$ 138**	237	**258**	455
Average Balance Sheet Data				
Consumer loans	**$ 12,964**	13,203	**13,124**	13,203
Commercial loans	**2,288**	2,186	**2,292**	2,107
Demand deposits	**19,840**	16,322	**18,108**	15,447
Interest checking deposits	**12,323**	10,863	**11,914**	10,401
Savings and money market deposits	**36,687**	33,694	**35,584**	32,318
Other time deposits and certificates $100,000 and over	**5,759**	7,985	**6,276**	7,211

Net income was $138 million for the three months ended June 30, 2020 compared to net income of $237 million for the same period in the prior year. The decrease was primarily driven by decreases in net interest income and noninterest income partially offset by a decrease in noninterest expense. Net income was $258 million for the six months ended June 30, 2020 compared to net income of $455 million for the same period in the prior year. The decrease in net income was primarily due to decreases in net interest income and noninterest income as well as increases in noninterest expense and provision for credit losses.

Net interest income decreased $107 million and $187 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to decreases in FTP credit rates on core deposits and FTP credits on certificates $100,000 and over as well as decreases in yields on and average balances of home equity and credit card. These negative impacts were partially offset by decreases in FTP charge rates on loans and leases, decreases in the rates paid on average savings and money market deposits as well as decreases in the rates paid on and average balances of other time deposits and certificates $100,000 and over. The decrease for the six months ended June 30, 2020 compared to the same period in the prior year was also partially offset by an increase in average other consumer loans.

Provision for credit losses decreased $3 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in net charge-offs on other consumer loans and home equity partially offset by an increase in commercial criticized asset levels. Provision for credit losses increased $7 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in net charge-offs on credit card and commercial and industrial loans as well as an increase in commercial criticized asset levels. Net charge-offs as a percent of average portfolio loans and leases increased to 143 bps for the six months ended June 30, 2020 compared to 139 bps for the same period in the prior year.

Noninterest income decreased $35 million and $22 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by decreases in service charges on deposits, other noninterest income and card and processing revenue. The decrease for the six months ended June 30, 2020 was partially offset by an increase in wealth and asset management revenue.

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

Service charges on deposits decreased $21 million and $20 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year driven by decreases in both consumer deposit fees and commercial deposit fees. Other noninterest income decreased $8 million and $6 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by decreases in cardholder fees and banking center income. Card and processing revenue decreased $5 million and $4 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by decreases in customer spend volume partially offset by lower reward costs and increases in other ETF income driven by the MB Financial, Inc. acquisition at the end of the first quarter of 2019. Wealth and asset management revenue increased $8 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in broker income and private client service fees.

Noninterest expense decreased $13 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by a decrease in other noninterest expense partially offset by an increase in compensation and benefits. Other noninterest expense decreased $17 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to decreases in marketing expense and corporate overhead allocations. Compensation and benefits increased $9 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by an increase in base compensation. Noninterest expense increased $33 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to an increase in compensation and benefits driven by higher base compensation as well as increases in employee benefits expense and incentive compensation.

Average consumer loans decreased $239 million and $79 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by decreases in average home equity of $441 million and $382 million, respectively, as payoffs exceeded new loan originations. These decreases were partially offset by increases in average other consumer loans of $280 million and $324 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to growth in point-of-sale loan originations. Average commercial loans increased $102 million and $185 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by increases in average commercial and industrial loans.

Average core deposits increased $6.7 billion and $6.9 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by increases in average savings and money market deposits, average demand deposits and average interest checking deposits partially offset by decreases in other time deposits and certificates $100,000 and over. Average savings and money market deposits increased $3.0 billion and $3.3 billion and average demand deposits increased $3.5 billion and $2.7 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily as a result of higher balances per customer account due to uncertainty regarding the COVID-19 pandemic, fiscal stimulus as well as decreased consumer spending. The increase in average savings and money market deposits was also driven by promotional product offerings. Average interest checking deposits increased $1.5 billion for both the three and six months ended June 30, 2020 compared to the same periods in the prior year primarily as a result of higher balance per customer account, fiscal stimulus as well as decreased consumer spending. Average other time deposits and certificates $100,000 and over decreased $2.2 billion and $935 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to lower offering rates on certificates less than $100,000 as well as decreases in average certificates $100,000 and over and retail brokered certificates of deposits for the three months ended June 30, 2020.

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

Consumer Lending

Consumer Lending includes the Bancorp's residential mortgage, automobile and other indirect lending activities. Residential mortgage activities within Consumer Lending include the origination, retention and servicing of residential mortgage loans, sales and securitizations of those loans and all associated hedging activities. Residential mortgages are primarily originated through a dedicated sales force and through third-party correspondent lenders. Automobile and other indirect lending activities include extending loans to consumers through automobile dealers, motorcycle dealers, powersport dealers, recreational vehicle dealers and marine dealers.

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

TABLE 28: Consumer Lending

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Income Statement Data				
Net interest income	**$ 92**	83	**181**	146
Provision for credit losses	**10**	7	**23**	20
Noninterest income:				
Mortgage banking net revenue	**96**	62	**213**	117
Other noninterest income	**2**	5	**9**	12
Noninterest expense:				
Compensation and benefits	**53**	52	**104**	97
Other noninterest expense	**67**	66	**140**	123
Income before income taxes	**60**	25	**136**	35
Applicable income tax expense	**12**	5	**29**	7
Net income	**$ 48**	20	**107**	28
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	**$ 12,823**	13,230	**13,187**	12,566
Home equity	**200**	243	**203**	233
Indirect secured consumer loans	**11,935**	9,949	**11,770**	9,438

Net income was $48 million for the three months ended June 30, 2020 compared to net income of $20 million for the same period in the prior year. Net income was $107 million for the six months ended June 30, 2020 compared to net income of $28 million for the same period in the prior year. The increases for both periods were primarily driven by increases in noninterest income and net interest income. The increase for the six months ended June 30, 2020 compared to the same period in the prior year was partially offset by an increase in noninterest expense.

Net interest income increased $9 million and $35 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily driven by increases in average indirect secured consumer loans partially offset by decreases in FTP credit rates on demand deposits. The increase for the three months ended June 30, 2020 compared to the same period in the prior year was also positively impacted by a decrease in FTP charge rates on loans and leases partially offset by decreases in both yields on and average balances of residential mortgage loans. The increase for the six months ended June 30, 2020 compared to the same period in the prior year was partially offset by an increase in FTP charges on loans and leases driven by higher average balances.

Provision for credit losses increased $3 million for both the three and six months ended June 30, 2020 compared to the same periods in the prior year primarily driven by increases in net charge-offs on residential mortgage loans. Net charge-offs as a percent of average portfolio loans and leases were 16 bps and 19 bps for the three and six months ended June 30, 2020, respectively, compared to 12 bps and 19 bps for the three and six months ended June 30, 2019, respectively.

Noninterest income increased $31 million and $93 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to increases in mortgage banking net revenue as a result of increases in origination fees and gains on loan sales partially offset by decreases in net mortgage servicing revenue. Refer to the Noninterest Income subsection of the Statements of Income Analysis section of MD&A for additional information on the fluctuations in mortgage banking net revenue.

Noninterest expense increased $24 million for the six months ended June 30, 2020 compared to the same period in the prior year due to increases in other noninterest expense and compensation and benefits. Other noninterest expense increased $17 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by an increase in corporate overhead allocations partially offset by a decrease in losses and adjustments. Compensation and benefits increased $7 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in incentive compensation and base compensation resulting from the increased mortgage origination activity for the six months ended June 30, 2020.

Average consumer loans increased $1.5 billion for the three months ended June 30, 2020 compared to the same period in the prior year primarily due to an increase in average indirect secured consumer loans partially offset by a decrease in average residential mortgage loans. Average consumer loans increased $2.9 billion for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to increases in average indirect secured consumer loans and average residential mortgage loans. Average indirect secured consumer loans increased $2.0 billion and $2.3 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to loan production exceeding payoffs. Average residential mortgage loans decreased $407 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by higher runoff due to payoffs exceeding new loan originations. Average residential mortgage loans increased $621 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by higher loan production and the MB Financial, Inc. acquisition at the end of the first quarter of 2019.

Wealth and Asset Management

Wealth and Asset Management provides a full range of investment alternatives for individuals, companies and not-for-profit organizations. Wealth and Asset Management is made up of four main businesses: FTS, an indirect wholly-owned subsidiary of the Bancorp; Fifth Third Insurance Agency; 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 Insurance Agency assists clients with their financial and risk management needs. Fifth Third Private Bank offers wealth management strategies to high net worth and ultra-high net worth clients through wealth planning, investment management, banking, insurance, trust and estate services. Fifth Third Institutional Services provides advisory services for institutional clients including middle market businesses, nonprofits, states and municipalities.

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

TABLE 29: Wealth and Asset Management

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Income Statement Data				
Net interest income	**$ 51**	48	**88**	97
Benefit from credit losses	**(1)**	—	**—**	—
Noninterest income:				
Wealth and asset management revenue	**115**	117	**244**	226
Other noninterest income	**6**	1	**14**	7
Noninterest expense:				
Compensation and benefits	**50**	57	**112**	113
Other noninterest expense	**72**	78	**154**	154
Income before income taxes	**51**	31	**80**	63
Applicable income tax expense	**11**	7	**16**	14
Net income	**40**	24	**64**	49
Average Balance Sheet Data				
Loans and leases, including held for sale	**3,597**	3,655	**3,589**	3,531
Core deposits	**11,091**	9,490	**10,807**	9,483

Net income was $40 million for the three months ended June 30, 2020 compared to net income of $24 million for the same period in the prior year. The increase was primarily driven by a decrease in noninterest expense. Net income was $64 million for the six months ended June 30, 2020 compared to net income of $49 million for the same period in the prior year. The increase was primarily driven by an increase in noninterest income partially offset by a decrease in net interest income.

Net interest income increased $3 million and decreased $9 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2020 compared to the same period in the prior year was primarily driven by decreases in the rates paid on average interest checking deposits and decreases in FTP charge rates on loans and leases. These positive impacts were partially offset by decreases in FTP credit rates on interest checking deposits and savings and money market deposits as well as decreases in yields on average loans and leases. The decrease for the six months ended June 30, 2020 compared to the same period in the prior year was primarily due to decreases in FTP credit rates on interest checking deposits and savings and money markets deposits as well as decreases in yields on average loans and leases. These negative impacts were partially offset by decreases in the rates paid on average interest checking deposits and decreases in FTP charge rates on loans and leases.

Noninterest income increased $25 million for the six months ended June 30, 2020 compared to the same period in the prior year driven by increases in wealth and asset management revenue and other noninterest income. Wealth and asset management revenue increased $18 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily as a result of increases in broker

income, private client service fees and institutional fees. Other noninterest income increased $7 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily due to a loss on sale of a business recognized in the second quarter of 2019.

Noninterest expense decreased $13 million for the three months ended June 30, 2020 compared to the same period in the prior year driven by decreases in compensation and benefits and other noninterest expense. Compensation and benefits decreased $7 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreases in base and incentive compensation. Other noninterest expense decreased $6 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by decreases in corporate overhead allocations and travel expense.

Average loans and leases, including held for sale, decreased $58 million for the three months ended June 30, 2020 compared to the same period in the prior year primarily driven by a decrease in average commercial and industrial loans as payoffs exceeded new loan production partially offset by an increase in average residential mortgage loans primarily as a result of higher loan production. Average loans and leases, including held for sale, increased $58 million for the six months ended June 30, 2020 compared to the same period in the prior year primarily driven by an increase in average residential mortgage loans primarily as a result of higher loan production partially offset by a decline in average commercial and industrial loans as payoffs exceeded new loan production.

Average core deposits increased $1.6 billion and $1.3 billion for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to increases in average interest checking deposits and average savings and money market deposits as a result of higher balances per customer account due to the current economic environment.

General Corporate and Other

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

Net interest income increased $109 million and $323 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year. The increases were primarily driven by decreases in FTP credit rates on deposits allocated to the business segments, increases in interest income on loans and leases and decreases in interest expense on long-term debt, federal funds purchased and other short-term borrowings. These positive impacts were partially offset by decreases in the benefit related to FTP charge rates on loans and leases.

Provision for credit losses decreased $31 million and increased $484 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year. The decrease for the three months ended June 30, 2020 compared to the same period in the prior year was primarily driven by an increase in the allocation of provision expense to the business segments due to an increase in commercial criticized asset levels. The increase for the six months ended June 30, 2020 compared to the same period in the prior year was primarily due to an increase in the ACL reflecting deterioration in the macroeconomic environment as a result of the impact of the COVID-19 pandemic and continued pressure on energy prices. The increase in the provision for credit losses also reflected the impact of the change in methodology for estimating credit losses from the incurred loss methodology to the expected credit loss methodology beginning in the first quarter of 2020. The increase was partially offset by an increase in the allocation of provision expense to the business segments driven by an increase in commercial criticized asset levels.

Noninterest income decreased $3 million and $583 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year. The decrease for the three months ended June 30, 2020 compared to the same period in the prior year was primarily driven by an increase in net losses on disposition and impairment of bank premises and equipment as well as an increase in the loss on the swap associated with the sale of Visa, Inc. Class B shares. These negative impacts were partially offset by the recognition of securities gains of $21 million for the three months ended June 30, 2020 compared to securities gains of $8 million for the three months ended June 30, 2019. The decrease for the six months ended June 30, 2020 compared to the same period in the prior year was primarily due to the recognition of a $562 million gain related to the sale of Worldpay, Inc. shares during the six months ended June 30, 2019. The decrease also included securities losses of $3 million for the six months ended June 30, 2020 compared to securities gains of $25 million for the six months ended June 30, 2019. These negative impacts were partially offset by a decrease in net losses on disposition and impairment of bank premises and equipment for the six months ended June 30, 2020 compared to the same periods in the prior year.

Noninterest expense decreased $84 million and $178 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year. The decrease for both the three and six months ended June 30, 2020 compared to the same periods in the prior year was primarily driven by decreases in compensation and benefits, technology and communications expense, marketing expense and travel expense partially offset by increases in FDIC insurance and other taxes. The decrease for the six months ended June 30, 2020 compared to the same period in the prior year was also driven by an increase in corporate overhead allocations from General Corporate and Other to the other business segments.

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RISK MANAGEMENT – OVERVIEW

Effective risk management is critical to the Bancorp's ongoing success and ensures that the Bancorp operates in a safe and sound manner, complies with applicable laws and regulations and safeguards the Bancorp's brand and reputation. Risks are inherent in the Bancorp's business, and the Bancorp is responsible for managing these risks effectively to deliver through-the-cycle value and performance for the Bancorp's shareholders, customers, employees and communities.

Fifth Third's Risk Management Framework, which is approved annually by the ERMC, RCC and the Board of Directors, includes the following key elements:

- The Bancorp ensures transparency and escalation of risk through defined risk policies and a governance structure that includes the Risk and Compliance Committee of the Board of Directors, the Enterprise Risk Management Committee and other management-level risk committees and councils.
- The Bancorp establishes a risk appetite in alignment with its strategic, financial, and capital plans. The Bancorp's risk appetite is defined using quantitative metrics and qualitative measures to ensure prudent risk taking and drive balanced decision making. The Bancorp's goal is to ensure that aggregate residual risks do not exceed the Bancorp's risk appetite, and that risks taken are supportive of the Bancorp's portfolio diversification and profitability objectives. The Board and executive management define the risk appetite, which is considered in the development of business strategies and forms the basis for risk management.
- The core principles that define the Bancorp's risk appetite are as follows:
    - To act with integrity in all activities.
    - To understand the risks taken, and ensure that they are in alignment with the Bancorp's business strategies and risk appetite.
    - To avoid risks that cannot be understood, managed or monitored.
    - To provide transparency of risk to the Bancorp's management and Board by escalating risks and issues as necessary.
    - To ensure Fifth Third's products and services are aligned to the Bancorp's core customer base and are designed, delivered and maintained to provide value and benefit to the Bancorp's customers and to Fifth Third.
    - Not to offer products or services that are not appropriate or suitable for the Bancorp's customers.
    - Focus on providing operational excellence by providing reliable, accurate, and efficient services to meet the Bancorp's customers' needs.
    - To maintain a strong financial position to ensure the Bancorp meets its strategic objectives through all economic cycles and is able to access the capital markets at all times, even under stressed conditions.
    - To protect the Bancorp's reputation by thoroughly understanding the consequences of business strategies, products and processes.
    - To conduct the Bancorp's business in compliance with all applicable laws, rules and regulations and in alignment with internal policies and procedures.
- Fifth Third's core values and culture provide the foundation for sound risk management practices by establishing expectations for appropriate conduct and accountability across the organization. All employees are expected to conduct themselves in alignment with Fifth Third's Code of Business Conduct & Ethics, which may be found on www.53.com, while carrying out their responsibilities. Fifth Third's Corporate Responsibility and Reputation Committee provides oversight of business conduct policies, programs and strategies, and monitors reporting of potential misconduct, trends or themes across the enterprise. Prudent risk management is a responsibility that is expected from all employees across the first, second and third lines of defense and is a foundational element of Fifth Third's culture.
- The Bancorp manages eight defined risk types to a prescribed tolerance. The risk types are credit risk, liquidity risk, interest rate risk, price risk, legal and regulatory compliance risk, operational risk, reputational risk and strategic risk.
- Fifth Third's Risk Management Process provides a consistent and integrated approach for managing risks. The five components of the Risk Management Process are: identify, assess, manage, monitor and report. The Bancorp has also established processes and programs to manage and report concentration risks; to ensure robust talent, compensation and performance management; and to aggregate risks across the enterprise.

Fifth Third drives accountability for managing risk through its Three Lines of Defense structure:

- The first line of defense is comprised of front line units that create risk and are accountable for managing risk. These groups are the Bancorp's primary risk takers and are responsible for implementing effective internal controls and maintaining processes for identifying, assessing, controlling and mitigating the risks associated with their activities consistent with established risk appetite and limits. The first line of defense also includes business units that provide information technology, operations, servicing, processing or other support.
- The second line of defense, or Independent Risk Management, consists of Risk Management, Compliance, and Credit Review. The second line is responsible for developing frameworks and policies to govern risk-taking activities, overseeing risk-taking of the organization, advising on controlling that risk and providing input on key risk decisions. Risk Management complements the front line's management of risk taking activities through its monitoring and reporting responsibilities, including adherence to the risk appetite. Additionally, Risk Management is responsible for identifying, measuring, monitoring and controlling aggregate and emerging risks enterprise-wide.
- The third line of defense is Internal Audit, which provides oversight of the first and second lines of defense, and independent assurance to the Board on the effectiveness of governance, risk management and internal controls.

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CREDIT RISK MANAGEMENT

The objective of the Bancorp's credit risk management strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bancorp. The Bancorp's credit risk management strategy is based on three core principles: conservatism, diversification and monitoring. The Bancorp believes that effective credit risk management begins with conservative lending practices which are described below. These practices include the use of intentional risk-based limits for single name exposures and counterparty selection criteria designed to reduce or eliminate exposure to borrowers who have higher than average default risk and defined weaknesses in financial performance. The Bancorp carefully designed and monitors underwriting, documentation and collection standards. The Bancorp's credit risk management strategy also emphasizes diversification on a geographic, industry and customer level as well as ongoing portfolio monitoring and timely management reviews of large credit exposures and credits experiencing deterioration of credit quality. Credit officers with the authority to extend credit are delegated specific authority amounts, the utilization of which is closely monitored. Underwriting activities are centrally managed, and ERM manages the policy and the authority delegation process directly. The Credit Risk Review function provides independent and objective assessments of the quality of underwriting and documentation, the accuracy of risk grades and the charge-off, nonaccrual and reserve analysis process. The Bancorp's credit review process and overall assessment of the adequacy of the allowance for credit losses is based on quarterly assessments of the estimated losses expected in the loan and lease portfolio. The Bancorp uses these assessments to promptly identify potential problem loans or leases within the portfolio, maintain an adequate allowance for credit losses and record any necessary charge-offs. The Bancorp defines potential problem loans and leases as those rated substandard that do not meet the definition of a nonaccrual loan or a restructured loan. Refer to Note 7 of the Notes to Condensed Consolidated Financial Statements for further information on the Bancorp's credit grade categories, which are derived from standard regulatory rating definitions. In addition, stress testing is performed on various commercial and consumer portfolios utilizing various models. For certain portfolios, such as real estate and leveraged lending, stress testing is performed by Credit department personnel at the individual loan level during credit underwriting.

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

TABLE 30: Potential Problem Portfolio Loans and Leases

As of June 30, 2020 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	**$**	**2,504**	**2,514**	**3,254**
Commercial mortgage loans		**517**	**541**	**527**
Commercial construction loans		**62**	**62**	**67**
Commercial leases		**74**	**74**	**74**
Total potential problem portfolio loans and leases	**$**	**3,157**	**3,191**	**3,922**

TABLE 31: Potential Problem Portfolio Loans and Leases

As of December 31, 2019 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	$	1,100	1,120	1,488
Commercial mortgage loans		342	390	342
Commercial construction loans		75	82	84
Commercial leases		61	61	61
Total potential problem portfolio loans and leases	$	1,578	1,653	1,975

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 first of these risk grading systems encompasses ten categories, which are based on regulatory guidance for credit risk systems. These ratings are used by the Bancorp to monitor and manage its credit risk. The Bancorp also maintains a dual risk rating system for credit approval and pricing, portfolio monitoring and capital allocation that includes a "through-the-cycle" rating philosophy for assessing a borrower's creditworthiness. A "through-the-cycle" rating philosophy uses a grading scale that assigns ratings based on average default rates through an entire business cycle for borrowers with similar financial performance. The dual risk rating system includes thirteen probabilities of default grade categories and an additional eleven grade categories for estimating losses given an event of default. The probability of default and loss given default evaluations are not separated in the ten-category regulatory risk rating system.

The Bancorp has also developed models to estimate expected credit losses as part of the Bancorp's adoption of ASU 2016-13 "*Measurement of Credit Losses on Financial Instruments*" on January 1, 2020. For loans and leases that are collectively evaluated, the Bancorp utilizes these models to forecast expected credit losses over a reasonable and supportable forecast period based on the probability of a loan or lease defaulting, the expected balance at the estimated date of default and the expected loss percentage given a default. Refer to Note 4 of the Notes to Condensed Consolidated Financial Statements for additional information about the Bancorp's processes for developing these models,

estimating credit losses for periods beyond the reasonable and supportable forecast period and for estimating credit losses for individually evaluated loans.

For the commercial portfolio segment, the estimated probabilities of default are primarily based on the probability of default ratings assigned under the through-the-cycle dual risk rating system and historical observations of how those ratings migrate to a default over time in the context of macroeconomic conditions. For loans with available credit, the estimate of the expected balance at the time of default considers expected utilization rates, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions. The estimates for loss severity are primarily based on collateral type and coverage levels and the susceptibility of those characteristics to changes in macroeconomic conditions.

For collectively evaluated loans in the consumer and residential mortgage portfolio segments, the Bancorp's expected credit loss models primarily utilize the borrower's FICO score and delinquency history in combination with macroeconomic conditions when estimating the probability of default. The estimates for loss severity are primarily based on collateral type and coverage levels and the susceptibility of those characteristics to changes in macroeconomic conditions. The expected balance at the estimated date of default is also especially impactful in the expected credit loss models for portfolio classes which generally have longer terms (such as residential mortgage loans and home equity) and portfolio classes containing a high concentration of loans with revolving privileges (such as credit card and home equity). The estimate of the expected balance at the time of default considers expected prepayment and utilization rates where applicable, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions. The Bancorp also utilizes various scoring systems, analytical tools and portfolio performance monitoring processes to assess the credit risk of the consumer and residential mortgage portfolios.

Overview

The U.S. economy continues to recover from the lockdowns imposed by governments in early spring as elected officials manage the delicate balancing act of reopening the economy while protecting people against a new wave of COVID-19 infections. Unprecedented fiscal and monetary policies have supported the economy and the dramatic recovery in financial markets. During the second quarter of 2020, the fiscal deficit was $2 trillion, and the Federal Reserve balance sheet expanded approximately $1.8 trillion. This stimulus has assisted in stabilizing capital markets, driving credit spreads to near pre-crisis levels and allowing companies to regain access to capital markets. The FRB and U.S. Treasury have continued to pledge support to minimize economic damage caused by the pandemic. The FRB has held interest rates near zero and provided guidance that they intend to avoid using negative interest rates as a monetary tool, despite federal funds' futures briefly trading negative during the quarter. Corporate bankruptcy filings increased during the quarter, and it remains unknown whether the rates of such filings will increase after aid from government programs expire.

As the economic toll from the pandemic continues to mount, the ability of fiscal and monetary policies to provide a bridge to recovery may be challenged absent a COVID-19 vaccine. Thus far, reopening the economy has led to an increase in new infections and hospitalizations, which has led some states to reverse course on reopening plans. If states have to implement new measures to control the spread of COVID-19, the recovery could be at risk. Temporary layoffs in the job market could become permanent and lead to a tightening in credit conditions across all markets. Individuals and companies may struggle to service their debts once government assistance programs expire. As the risk of higher credit losses increases, monetary and fiscal authorities may need to enact further measures to offset the economic disruption caused by the COVID-19 pandemic until a vaccine is developed and consumer behaviors return to normal.

COVID-19 Hardship Relief Programs

Fifth Third is working closely with borrowers that are experiencing financial hardship due to the COVID-19 pandemic. The Bancorp announced on March 18, 2020 that certain programs were being offered for customers requesting assistance. The programs that were offered are described in detail below and were adjusted from the original press release to further assist customers.

- Vehicle and Personal Loan/Line of Credit Deferral Program: payment deferral for up to 90 days and no late fees during the deferral period;
- Consumer Credit Card Payment Waiver: waiver of the monthly payment requirement for up to 90 days with no late fees;
- Mortgage: Up to 180-day payment forbearance with no late fees, and the potential for an additional 180-day payment forbearance;
- Home Equity Loan/Line of Credit Deferral Program: Payment deferral for up to 180 days and no late fees during the deferral period;
- Small Business Payment Deferral Program: payment deferral program for up to 90 days, no late fees and a range of loan modification options. The Bancorp is waiving fees on Fifth Third Fast Capital loans for 6 months;
- Fee Waiver Program: waiving fees for up to 90 days for a range of consumer and small business deposit products and services;
- The Bancorp suspended initiating any new repossession actions on vehicles for 90 days effective March 18, 2020;
- The Bancorp suspended all foreclosure activity on homes for 90 days effective March 18, 2020

As of June 30, 2020, the Bancorp has generally discontinued offering 90-day payment deferrals for the non-real estate secured portfolios, transitioning to more traditional short-term and long-term hardship programs that require borrowers to resume making payments. The residential mortgage portfolio will continue to follow specific GSE guidance as it relates to COVID-19 relief programs.

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

The Bancorp is also offering a variety of relief options to its commercial borrowers that have been impacted by the COVID-19 pandemic. While these offers are individually negotiated and tailored to each borrower's specific facts and circumstances, the most commonly offered relief measures include temporary covenant waivers and/or deferrals of principal and/or interest payments for up to 90 days.

Refer to Note 7 of the Notes to Condensed Consolidated Financial Statements for a summary of loans and leases that received payment deferrals or forbearances as of June 30, 2020 under Fifth Third's hardship relief programs offered in response to the COVID-19 pandemic.

Commercial Portfolio

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

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

During the second quarter of 2020, certain industries experienced increased stress due to the COVID-19 pandemic. The following table presents industries impacted the most severely within the Bancorp's commercial and industrial and commercial real estate loan portfolios as of June 30, 2020:

TABLE 32: Industries Impacted the Most Severely by the COVID-19 Pandemic

($ in millions)		Balance	Exposure	Industry Classification[(b)]
Commercial and industrial loans:[(a)]				
Leisure and recreation[(c)]	$	4,736	7,403	Accommodation and food / Entertainment and recreation
Retail - non-essential		1,469	3,276	Retail trade
Healthcare		874	1,685	Healthcare
Leisure travel		529	594	Transportation and warehousing
Total commercial and industrial loans		7,608	12,958	
Commercial real estate loans:				
Leisure and recreation[(c)]		2,088	2,507	Accommodation and food / Entertainment and recreation
Retail - non-essential		1,569	1,569	Real estate
Healthcare		1,655	2,087	Healthcare
Total commercial real estate loans		5,312	6,163	
Total	$	12,920	19,121	

(a) Excludes PPP loans.
(b) As defined by the North American Industry Classification System.
(c) Balances include exposures to casinos, restaurants, sports, fitness, hotels and other.

Additionally, the Bancorp's energy loan portfolio of $3.2 billion for oil and gas production and related industries was also impacted by significant declines in oil and gas prices during the six months ended June 30, 2020.

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

TABLE 33: Commercial Loan and Lease Portfolio (excluding loans and leases held for sale)

	June 30, 2020			December 31, 2019		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Manufacturing	**$ 12,582**	**22,293**	**106**	11,996	22,079	87
Real estate	**11,842**	**17,498**	**80**	11,320	16,993	9
Financial services and insurance	**6,935**	**15,340**	**—**	7,214	15,398	—
Business services	**5,797**	**9,198**	**68**	5,170	8,579	75
Healthcare	**5,742**	**8,517**	**34**	4,984	7,206	38
Accommodation and food	**4,649**	**6,702**	**27**	3,745	6,525	21
Wholesale trade	**4,583**	**8,220**	**37**	4,502	7,715	17
Retail trade	**4,116**	**8,722**	**6**	3,948	8,255	39
Communication and information	**3,436**	**5,760**	**12**	3,166	5,567	2
Transportation and warehousing	**3,238**	**4,830**	**7**	2,880	4,996	12
Mining	**3,034**	**4,531**	**77**	3,046	4,966	37
Construction	**2,808**	**5,765**	**5**	2,526	5,327	4
Entertainment and recreation	**2,554**	**3,527**	**9**	1,905	3,327	40
Other services	**1,488**	**1,929**	**5**	1,224	1,662	4
Utilities	**1,067**	**3,036**	**—**	991	2,672	—
Public administration	**1,004**	**1,485**	**2**	782	1,107	—
Agribusiness	**325**	**564**	**10**	344	554	9
Other	**163**	**164**	**2**	151	153	3
Individuals	**71**	**125**	**—**	64	128	—
Total	**$ 75,434**	**128,206**	**487**	69,958	123,209	397
By Size:						
Less than $1 million	**7 %**	**5**	**11**	4	3	10
$1 million to $5 million	**9**	**8**	**21**	9	7	22
$5 million to $10 million	**7**	**6**	**7**	7	6	11
$10 million to $25 million	**18**	**16**	**33**	20	17	27
$25 million to $50 million	**22**	**22**	**16**	24	24	30
Greater than $50 million	**37**	**43**	**12**	36	43	—
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Illinois	**14 %**	**13**	**16**	15	12	18
Ohio	**11**	**13**	**7**	10	11	6
Florida	**8**	**7**	**4**	7	7	6
Michigan	**6**	**6**	**8**	6	6	7
Indiana	**4**	**4**	**1**	4	4	2
Georgia	**3**	**4**	**9**	3	4	11
Tennessee	**3**	**3**	**1**	3	3	1
North Carolina	**3**	**2**	**1**	3	3	10
Kentucky	**2**	**2**	**8**	2	2	9
Other	**46**	**46**	**45**	47	48	30
Total	**100 %**	**100**	**100**	100	100	100

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

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

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

As of June 30, 2020 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$ 92**	**375**	**3,411**
Commercial mortgage nonowner-occupied loans	**54**	**85**	**5,071**
Total	**$ 146**	**460**	**8,482**

TABLE 35: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of December 31, 2019 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	$ 126	393	3,199
Commercial mortgage nonowner-occupied loans	58	107	4,562
Total	$ 184	500	7,761

The Bancorp views non-owner-occupied commercial real estate as a higher credit risk product compared to some other commercial loan portfolios due to the higher volatility of the industry.

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

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

As of June 30, 2020 ($ in millions)					**For the three months ended June 30, 2020**	**For the six months ended June 30, 2020**
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:						
Illinois	**$ 3,073**	**3,680**	**10**	**5**	**1**	**1**
Ohio	**1,357**	**1,823**	**—**	**5**	**—**	**—**
Florida	**1,026**	**1,620**	**—**	**—**	**—**	**—**
North Carolina	**808**	**1,116**	**—**	**2**	**—**	**—**
Michigan	**805**	**961**	**—**	**1**	**—**	**—**
Indiana	**559**	**1,040**	**—**	**—**	**—**	**—**
All other states	**3,580**	**5,722**	**—**	**59**	**—**	**1**
Total	**$ 11,208**	**15,962**	**10**	**72**	**1**	**2**

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

TABLE 37: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)[(a)]

As of June 30, 2019 ($ in millions)					For the three months ended June 30, 2019	For the six months ended June 30, 2019
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Recoveries	Net Recoveries
By State:						
Illinois	$ 3,561	4,348	5	—	—	—
Ohio	1,546	1,962	—	—	—	(1)
Florida	1,000	1,580	—	—	—	—
North Carolina	655	931	—	—	—	—
Michigan	702	806	—	1	—	—
Indiana	546	885	1	—	—	—
All other states	3,066	5,222	—	1	—	—
Total	$ 11,076	15,734	6	2	—	(1)

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

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Consumer Portfolio

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

The Bancorp's consumer portfolio is materially comprised of five categories of loans: residential mortgage loans, home equity, indirect secured consumer loans, credit card and other consumer loans. The Bancorp has identified certain credit characteristics within these five categories of loans which it believes represent a higher level of risk compared to the rest of the consumer loan portfolio. The Bancorp does not update LTVs for the consumer portfolio subsequent to origination except as part of the charge-off process for real estate secured loans. Credit risk management continues to closely monitor the indirect secured consumer portfolio performance, which includes automobile loans. The automobile market has exhibited industry-wide gradual loosening of credit standards such as lower FICOs, longer terms and higher LTVs. The Bancorp has adjusted credit standards focused on improving risk-adjusted returns while maintaining credit risk tolerance. The Bancorp actively manages the automobile portfolio through concentration limits, which mitigate credit risk through limiting the exposure to lower FICO scores, higher advance rates and extended term originations.

Residential mortgage portfolio

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

The Bancorp does not originate residential mortgage loans that permit customers to defer principal payments or make payments that are less than the accruing interest. The Bancorp originates both fixed-rate and ARM loans. Within the ARM portfolio, approximately $566 million of ARM loans will have rate resets during the next twelve months. Of these resets, 6% are expected to experience an increase in rate, with an average increase of approximately 0.29%. Underlying characteristics of these borrowers are relatively strong with a weighted average origination DTI of 32% and weighted average origination LTV of 71%.

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

Portfolio residential mortgage loans from 2010 and later vintages represented 94% of the portfolio as of June 30, 2020 and had a weighted-average origination LTV of 73% and a weighted-average origination FICO of 759.

In response to the COVID-19 pandemic, the Bancorp has provided forbearances for up to 180 days for customers who are experiencing a hardship related to COVID-19. Additionally, the Bancorp has introduced revised credit underwriting guidelines for new originations, raising the minimum FICO score at origination to 680 and lowering the maximum allowable LTV to 80%. For further information on reporting of past due loans, refer to Note 4 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 38: Residential Mortgage Portfolio Loans by LTV at Origination

	June 30, 2020		December 31, 2019	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 80%	**$ 11,658**	**65.9 %**	12,100	66.3%
LTV > 80%, with mortgage insurance[(a)]	**2,512**	**95.3**	2,373	95.2
LTV > 80%, no mortgage insurance	**2,287**	**92.2**	2,251	93.1
Total	**$ 16,457**	**74.4 %**	16,724	74.3%

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

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

TABLE 39: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance

As of June 30, 2020 ($ in millions)				For the three months ended June 30, 2020	For the six months ended June 30, 2020
	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:					
Ohio	**$ 493**	**3**	**4**	—	—
Illinois	**460**	**2**	**3**	—	—
Florida	**325**	**1**	**2**	—	—
Michigan	**210**	**2**	**1**	—	—
Indiana	**177**	**1**	**1**	—	—
North Carolina	**149**	**2**	—	—	—
Kentucky	**100**	**1**	**1**	—	—
All other states	**373**	**3**	**4**	—	—
Total	**$ 2,287**	**15**	**16**	—	—

TABLE 40: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance

As of June 30, 2019 ($ in millions)				For the three months ended June 30, 2019	For the six months ended June 30, 2019
	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:					
Ohio	$ 428	3	2	—	—
Illinois	454	2	1	—	—
Florida	280	1	1	—	—
Michigan	207	1	1	—	—
Indiana	152	1	1	—	—
North Carolina	104	—	—	—	—
Kentucky	89	1	—	—	—
All other states	339	3	2	—	—
Total	$ 2,053	12	8	—	—

Home equity portfolio

The Bancorp's home equity portfolio is primarily comprised of home equity lines of credit. Beginning in the first quarter of 2013, the Bancorp's newly originated home equity lines of credit have a 10-year interest-only draw period followed by a 20-year amortization period. The home equity line of credit previously offered by the Bancorp was a revolving facility with a 20-year term, minimum payments of interest-only and a balloon payment of principal at maturity. Peak maturity years for the balloon home equity lines of credit are 2025 to 2028 and approximately 24% of the balances mature before 2025.

The ALLL provides coverage for expected losses in the home equity portfolio. The allowance attributable to the portion of the home equity portfolio that has not been restructured in a TDR is determined on a pooled basis using a probability of default, loss given default and exposure at default model framework to generate expected losses. The expected losses for the home equity portfolio are dependent upon loan delinquency, FICO scores, LTV, loan age and their historical correlation with macroeconomic variables including unemployment and the home price index. The expected losses generated from models are adjusted by certain qualitative adjustment factors to reflect risks associated with current conditions and trends. The qualitative factors include adjustments for changes in policies or procedures in underwriting, monitoring or collections, economic conditions, portfolio mix, lending and risk management personnel, results of internal audit and quality control reviews, collateral values and geographic concentrations.

The home equity portfolio is managed in two primary groups: loans outstanding with a combined LTV greater than 80% and those loans with an LTV of 80% or less based upon appraisals at origination. For additional information on these loans, refer to Table 42 and Table 43. Of the total $5.7 billion of outstanding home equity loans:

- 91% reside within the Bancorp's Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois as of June 30, 2020;
- 38% are in senior lien positions and 62% are in junior lien positions at June 30, 2020;
- 78% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended June 30, 2020; and

- The portfolio had a weighted average refreshed FICO score of 746 at June 30, 2020.

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

The Bancorp has also introduced revised credit underwriting guidelines on new home equity originations in response to the COVID-19 pandemic, raising the minimum FICO score at origination to 720, lowering the maximum LTV to 80% and instituting more stringent verification of employment requirements. Additionally, applicants must have a Fifth Third deposit relationship to be considered for approval.

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

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

	June 30, 2020		December 31, 2019	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO ≤ 659	**$ 205**	**4 %**	$ 219	4 %
FICO 660-719	**308**	**5**	330	5
FICO ≥ 720	**1,646**	**29**	1,732	28
Total senior liens	**2,159**	**38**	2,281	37
Junior Liens:				
FICO ≤ 659	**403**	**7**	446	7
FICO 660-719	**656**	**12**	716	12
FICO ≥ 720	**2,463**	**43**	2,640	44
Total junior liens	**3,522**	**62**	3,802	63
Total	**$ 5,681**	**100 %**	$ 6,083	100 %

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

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

	June 30, 2020		December 31, 2019	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
Senior Liens:				
LTV ≤ 80%	**$ 1,849**	**53.7 %**	$ 1,964	53.8 %
LTV > 80%	**310**	**89.0**	317	88.8
Total senior liens	**2,159**	**59.1**	2,281	58.9
Junior Liens:				
LTV ≤ 80%	**2,057**	**66.6**	2,213	66.8
LTV > 80%	**1,465**	**89.5**	1,589	89.7
Total junior liens	**3,522**	**77.1**	3,802	77.4
Total	**$ 5,681**	**70.0 %**	$ 6,083	70.3 %

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

TABLE 43: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination

As of June 30, 2020 ($ in millions)					**For the three months ended June 30, 2020**	**For the six months ended June 30, 2020**
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:						
Ohio	**$ 1,097**	**2,448**	—	**10**	**—**	**1**
Michigan	**210**	**380**	—	**5**	—	—
Illinois	**153**	**263**	—	**5**	—	—
Indiana	**93**	**180**	—	**4**	—	—
Kentucky	**83**	**177**	—	**2**	—	—
Florida	**46**	**73**	—	**2**	—	—
All other states	**93**	**147**	—	**4**	—	—
Total	**$ 1,775**	**3,668**	**—**	**32**	**—**	**1**

TABLE 44: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination

As of June 30, 2019 ($ in millions)					For the three months ended June 30, 2019	For the six months ended June 30, 2019
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:						
Ohio	$ 1,116	2,311	—	9	1	2
Michigan	269	457	—	4	—	—
Illinois	183	302	—	4	1	1
Indiana	119	213	—	3	—	1
Kentucky	106	207	—	2	—	—
Florida	55	83	—	2	—	—
All other states	114	177	—	3	—	—
Total	$ 1,962	3,750	—	27	2	4

Indirect secured consumer portfolio

The indirect secured consumer portfolio is comprised of $11.4 billion of automobile loans and $952 million of indirect motorcycle, powersport, recreational vehicle and marine loans as of June 30, 2020. The concentration of lower FICO (≤659) origination balances remained within targeted credit risk tolerance during the six months ended June 30, 2020. All concentration and guideline changes are monitored monthly to ensure alignment with original credit performance and return projections.

The following table provides an analysis of indirect secured consumer portfolio loans outstanding disaggregated based upon FICO score at origination as of:

TABLE 45: Indirect Secured Consumer Portfolio Loans Outstanding by FICO Score at Origination

	June 30, 2020		December 31, 2019	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	**$ 498**	**4 %**	$ 508	4 %
FICO 660-719	**3,595**	**29**	3,449	30
FICO ≥ 720	**8,302**	**67**	7,581	66
Total	**$ 12,395**	**100 %**	$ 11,538	100 %

As of June 30, 2020, 95% of the indirect secured consumer loan portfolio is comprised of automobile loans, powersport loans and motorcycle loans. It is a common industry practice to advance on these types of loans an amount in excess of the collateral value due to the inclusion of negative equity trade-in, maintenance/warranty products, taxes, title and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans. The remainder of the indirect secured consumer loan portfolio is comprised of marine and recreational vehicle loans. The Bancorp's credit policies limit the maximum advance rate on these to 100% of collateral value.

In response to the COVID-19 pandemic, the indirect automobile originations credit underwriting guidelines have been revised. Revisions include lowering maximum advance rates to 110%, raising the minimum FICO score at origination to 650, raising internal score cutoffs and

tightening capacity to repay standards. Revised credit underwriting guidelines have also been implemented in the marine, recreational vehicle and powersport channels, raising the minimum FICO score at origination and reducing maximum allowable advance.

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

TABLE 46: Indirect Secured Consumer Portfolio Loans Outstanding by LTV at Origination

	June 30, 2020		December 31, 2019	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 100%	**$ 7,985**	**80.0 %**	$ 7,420	81.3 %
LTV > 100%	**4,410**	**111.9**	4,118	113.4
Total	**$ 12,395**	**91.7 %**	$ 11,538	93.1 %

The following table provides an analysis of the Bancorp's indirect secured consumer portfolio loans outstanding with an LTV greater than 100% at origination:

TABLE 47: Indirect Secured Consumer Portfolio Loans Outstanding with an LTV Greater than 100% at Origination

As of ($ in millions)	Outstanding	90 Days Past Due and Accruing	Nonaccrual	Net Charge-offs for the Three Months Ended	Net Charge-offs for the Six Months Ended
June 30, 2020	**$ 4,410**	**7**	**7**	**6**	**15**
June 30, 2019	3,604	6	2	6	15

Credit card portfolio

The credit card portfolio consists of predominantly prime accounts with 98% and 97% of balances existing within the Bancorp's footprint as of June 30, 2020 and December 31, 2019, respectively. At both June 30, 2020 and December 31, 2019, 67% of the outstanding balances were originated through branch-based relationships with the remainder coming from direct mail campaigns and online acquisitions.

Card origination strategies have also been revised in response to the COVID-19 pandemic. The minimum FICO score at origination was raised to 720 with a qualifying Fifth Third deposit relationship requirement. New customer prospect marketing has also been halted.

The following table provides an analysis of credit card portfolio loans outstanding disaggregated based upon FICO score at origination as of:

TABLE 48: Credit Card Portfolio Loans Outstanding by FICO Score at Origination

	June 30, 2020		December 31, 2019	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	**$ 98**	**4 %**	$ 107	4 %
FICO 660-719	**752**	**34**	834	33
FICO ≥ 720	**1,361**	**62**	1,591	63
Total	**$ 2,211**	**100 %**	$ 2,532	100 %

Other consumer portfolio loans

Other consumer portfolio loans are comprised of secured and unsecured loans originated through the Bancorp's branch network as well as point-of-sale loans originated in connection with third-party financial technology companies. The Bancorp had $263 million in unfunded commitments associated with loans originated in connection with third-party financial technology companies as of June 30, 2020. The Bancorp closely monitors the credit performance of point-of-sale loans which, for the Bancorp, is impacted by the credit loss protection coverage provided by the third-party financial technology companies.

Minimum FICO scores at origination for unsecured loans originated through Fifth Third and third parties have been raised to 720 in response to the COVID-19 pandemic. Additionally, for Fifth Third originated unsecured loans, a qualifying Fifth Third deposit relationship is now required.

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The following table provides an analysis of other consumer portfolio loans outstanding by product type as of:

TABLE 49: Other Consumer Portfolio Loans Outstanding by Product Type

	June 30, 2020		December 31, 2019	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Unsecured	**$ 754**	**26 %**	$ 783	29 %
Other secured	**675**	**24**	530	19
Point-of-sale	**1,446**	**50**	1,410	52
Total	**$ 2,875**	**100 %**	$ 2,723	100 %

Analysis of Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial, credit card and certain consumer loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 50. For further information on the Bancorp's policies related to accounting for delinquent and nonperforming loans and leases, refer to the Nonaccrual Loans and Leases section of Note 1 of the Notes to the Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019.

Nonperforming assets were $749 million at June 30, 2020 compared to $687 million at December 31, 2019. At June 30, 2020, $2 million of nonaccrual loans were held for sale, compared to $7 million at December 31, 2019.

Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO were 0.65% as of June 30, 2020 compared to 0.62% as of December 31, 2019. Nonaccrual loans and leases secured by real estate were 42% of nonaccrual loans and leases as of June 30, 2020 compared to 35% as of December 31, 2019.

Portfolio commercial nonaccrual loans and leases were $487 million at June 30, 2020, an increase of $90 million from December 31, 2019. Portfolio consumer nonaccrual loans were $213 million at June 30, 2020, a decrease of $8 million from December 31, 2019. Refer to Table 51 for a rollforward of the portfolio nonaccrual loans and leases.

OREO and other repossessed property was $47 million and $62 million at June 30, 2020 and December 31, 2019, respectively. The Bancorp recognized $1 million in losses on the transfer, sale or write-down of OREO properties for both the three months ended June 30, 2020 and 2019 and $6 million and $3 million in losses on the transfer, sale or write-down of OREO properties for the six months ended June 30, 2020 and 2019, respectively.

For both the three and six months ended June 30, 2020 and 2019, approximately $9 million and $17 million, respectively, of interest income would have been recognized if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

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TABLE 50: Summary of Nonperforming Assets and Delinquent Loans and Leases

As of ($ in millions)		June 30, 2020	December 31, 2019
Nonaccrual portfolio loans and leases:			
Commercial and industrial loans	$	**94**	118
Commercial mortgage loans		**89**	21
Commercial construction loans		**—**	1
Commercial leases		**22**	26
Residential mortgage loans[(a)]		**14**	12
Home equity		**52**	55
Indirect secured consumer loans		**5**	1
Other consumer loans		**2**	2
Nonaccrual portfolio restructured loans and leases:			
Commercial and industrial loans		**258**	220
Commercial mortgage loans		**22**	9
Commercial construction loans		**1**	—
Commercial leases		**1**	2
Residential mortgage loans[(a)]		**65**	79
Home equity		**41**	39
Indirect secured consumer loans		**8**	6
Credit card		**26**	27
Total nonaccrual portfolio loans and leases[(b)]		**700**	618
OREO and other repossessed property		**47**	62
Total nonperforming portfolio loans and leases and OREO		**747**	680
Nonaccrual loans held for sale		**1**	—
Nonaccrual restructured loans held for sale		**1**	7
Total nonperforming assets	$	**749**	687
Total portfolio loans and leases 90 days past due and still accruing			
Commercial and industrial loans	$	**10**	11
Commercial mortgage loans		**23**	15
Residential mortgage loans[(a)]		**54**	50
Home equity		**—**	1
Indirect secured consumer loans		**12**	10
Credit card		**36**	42
Other consumer loans		**1**	1
Total portfolio loans and leases 90 days past due and still accruing	$	**136**	130
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.65%**	0.62
ALLL as a percent of nonperforming portfolio assets		**361**	177
ACL as a percent of nonperforming portfolio assets		**385**	198

(a) Information for all periods presented excludes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. These advances were $223 as of June 30, 2020 and $261 as of December 31, 2019. The Bancorp recognized losses of $1 and an immaterial amount for the three months ended June 30, 2020 and 2019, respectively, and $2 and an immaterial amount for the six months ended June 30, 2020 and 2019, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.

(b) Includes $23 and $16 of nonaccrual government insured commercial loans whose repayments are insured by the SBA at June 30, 2020 and December 31, 2019, respectively, of which $14 and $11 were restructured nonaccrual government insured commercial loans at June 30, 2020 and December 31, 2019, respectively.

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The following tables provide a rollforward of portfolio nonaccrual loans and leases, by portfolio segment:

TABLE 51: Rollforward of Portfolio Nonaccrual Loans and Leases

For the six months ended June 30, 2020 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	**$ 397**	**91**	**130**	**618**
Transfers to nonaccrual status	**349**	**73**	**82**	**504**
Transfers to accrual status	**(31)**	**(72)**	**(45)**	**(148)**
Transfers to held for sale	**(10)**	**—**	**—**	**(10)**
Loan paydowns/payoffs	**(81)**	**(6)**	**(19)**	**(106)**
Transfers to OREO	**—**	**(7)**	**—**	**(7)**
Charge-offs	**(142)**	**—**	**(15)**	**(157)**
Draws/other extensions of credit	**5**	**—**	**1**	**6**
Balance, end of period	**$ 487**	**79**	**134**	**700**

TABLE 52: Rollforward of Portfolio Nonaccrual Loans and Leases

For the six months ended June 30, 2019 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	$ 228	22	98	348
Transfers to nonaccrual status	259	22	80	361
Acquired nonaccrual loans	8	—	—	8
Transfers to accrual status	—	(13)	(35)	(48)
Loan paydowns/payoffs	(61)	(4)	(15)	(80)
Transfers to OREO	(4)	(3)	(2)	(9)
Charge-offs	(53)	(1)	(18)	(72)
Draws/other extensions of credit	13	—	—	13
Balance, end of period	$ 390	23	108	521

Troubled Debt Restructurings

A loan is accounted for as a TDR if the Bancorp, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. TDRs include concessions granted under reorganization, arrangement or other provisions of the Federal Bankruptcy Act. A TDR typically involves a modification of terms such as a reduction of the stated interest rate or remaining principal amount of the loan, a reduction of accrued interest or an extension of the maturity date at a stated interest rate lower than the current market rate for a new loan with similar risk.

At the time of modification, the Bancorp maintains certain consumer loan TDRs (including certain residential mortgage loans, home equity loans and other consumer loans) on accrual status, provided there is reasonable assurance of repayment and performance according to the modified terms based upon a current, well-documented credit evaluation. Loans discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower are classified as collateral-dependent TDRs and placed on nonaccrual status regardless of the borrower's payment history or capacity to repay in the future. These loans are returned to accrual status provided there is a sustained payment history of twelve months after bankruptcy and collectability is reasonably assured for all remaining contractual payments. Commercial loans modified as part of a TDR are maintained on accrual status provided there is a sustained payment history of six months or greater prior to the modification in accordance with the modified terms and all remaining contractual payments under the modified terms are reasonably assured of collection. TDRs of commercial loans and credit card loans that do not have a sustained payment history of six months or greater in accordance with the modified terms remain on nonaccrual status until a six-month payment history is sustained. For further information on TDRs, refer to Note 4 of the Notes to Condensed Consolidated Financial Statements.

Consumer restructured loans on accrual status totaled $963 million and $965 million at June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020, the percent of restructured residential mortgage loans, home equity loans and credit card loans that were past due 30 days or more from their modified terms were 27%, 19% and 28%, respectively.

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

TABLE 53: Accruing and Nonaccruing Portfolio TDRs

	Accruing				
As of June 30, 2020 ($ in millions)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[(a)]	**$ 111**	**—**	**8**	**282**	**401**
Residential mortgage loans[(b)]	**590**	**39**	**115**	**65**	**809**
Home equity	**189**	**5**	**—**	**41**	**235**
Indirect secured consumer loans	**5**	**—**	**—**	**8**	**13**
Credit card	**17**	**3**	**—**	**26**	**46**
Total	**$ 912**	**47**	**123**	**422**	**1,504**

(a) Excludes restructured nonaccrual loans held for sale.

(b) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of June 30, 2020, these advances represented $360 of current loans, $34 of 30-89 days past due loans and $95 of 90 days or more past due loans.

TABLE 54: Accruing and Nonaccruing Portfolio TDRs

	Accruing				
As of December 31, 2019 ($ in millions)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[(a)]	$ 23	—	—	231	254
Residential mortgage loans[(b)]	552	49	134	79	814
Home equity	199	8	—	39	246
Indirect secured consumer loans	6	—	—	6	12
Credit card	14	3	—	27	44
Total	$ 794	60	134	382	1,370

(a) Excludes restructured nonaccrual loans held for sale.

(b) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2019, these advances represented $321 of current loans, $40 of 30-89 days past due loans and $109 of 90 days or more past due loans.

Analysis of Net Loan Charge-offs

Net charge-offs were 44 bps and 29 bps of average portfolio loans and leases for the three months ended June 30, 2020 and 2019, respectively, and were 44 bps and 30 bps of average portfolio loans and leases for the six months ended June 30, 2020 and 2019, respectively. Table 55 provides a summary of credit loss experience and net charge-offs as a percent of average portfolio loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs as a percent of average portfolio commercial loans and leases increased to 40 bps and 36 bps during the three and six months ended June 30, 2020 compared to 13 bps and 12 bps during the three and six months ended June 30, 2019. The increases for both the three and six months ended June 30, 2020 were primarily due to increases in net charge-offs on commercial and industrial loans of $45 million and $77 million, respectively, compared to the same periods in the prior year.

The ratio of consumer loan net charge-offs as a percent of average portfolio consumer loans decreased to 52 bps and 59 bps during the three and six months ended June 30, 2020 compared to 59 bps and 63 bps during the three and six months ended June 30, 2019. The decreases for both the three and six months ended June 30, 2020 included the impact of government stimulus programs and the Bancorp's hardship programs.

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TABLE 55: Summary of Credit Loss Experience

($ in millions)	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Losses charged-off:				
Commercial and industrial loans	$ **(68)**	(30)	**(122)**	(50)
Commercial mortgage loans	**(2)**	—	**(4)**	—
Commercial leases	**(11)**	(3)	**(16)**	(3)
Residential mortgage loans	**(2)**	(1)	**(4)**	(3)
Home equity	**(3)**	(6)	**(8)**	(11)
Indirect secured consumer loans	**(15)**	(15)	**(37)**	(35)
Credit card	**(40)**	(40)	**(82)**	(78)
Other consumer loans[(a)]	**(22)**	(24)	**(49)**	(48)
Total losses charged-off	$ **(163)**	(119)	**(322)**	(228)
Recoveries of losses previously charged-off:				
Commercial and industrial loans	$ **3**	10	**7**	12
Commercial mortgage loans	**—**	—	**—**	1
Commercial leases	**—**	—	**—**	—
Residential mortgage loans	**1**	2	**2**	3
Home equity	**2**	3	**4**	5
Indirect secured consumer loans	**8**	8	**17**	15
Credit card	**6**	5	**11**	10
Other consumer loans[(a)]	**13**	13	**29**	26
Total recoveries of losses previously charged-off	$ **33**	41	**70**	72
Net losses charged-off:				
Commercial and industrial loans	$ **(65)**	(20)	**(115)**	(38)
Commercial mortgage loans	**(2)**	—	**(4)**	1
Commercial leases	**(11)**	(3)	**(16)**	(3)
Residential mortgage loans	**(1)**	1	**(2)**	—
Home equity	**(1)**	(3)	**(4)**	(6)
Indirect secured consumer loans	**(7)**	(7)	**(20)**	(20)
Credit card	**(34)**	(35)	**(71)**	(68)
Other consumer loans	**(9)**	(11)	**(20)**	(22)
Total net losses charged-off	$ **(130)**	(78)	**(252)**	(156)
Net losses charged-off as a percent of average portfolio loans and leases:				
Commercial and industrial loans	**0.45 %**	0.15	**0.42**	0.16
Commercial mortgage loans	**0.07**	—	**0.07**	(0.02)
Commercial leases	**1.47**	0.32	**1.02**	0.17
Total commercial loans and leases	**0.40 %**	0.13	**0.36**	0.12
Residential mortgage loans	**0.02**	(0.02)	**0.02**	—
Home equity	**0.07**	0.18	**0.12**	0.19
Indirect secured consumer loans	**0.24**	0.30	**0.33**	0.45
Credit card	**6.17**	5.75	**6.01**	5.68
Other consumer loans	**1.17**	1.84	**1.51**	1.80
Total consumer loans	**0.52 %**	0.59	**0.59**	0.63
Total net losses charged-off as a percent of average portfolio loans and leases	**0.44 %**	0.29	**0.44**	0.30

(a) For the three and six months ended June 30, 2020, the Bancorp recorded $9 and $22, respectively, in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements. For the three and six months ended June 30, 2019, the Bancorp recorded $11 and $22, respectively, in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. As further described in Note 4 of the Notes to Condensed Consolidated Financial Statements, the Bancorp adopted ASU 2016-13 on January 1, 2020 which established a new approach for estimating credit losses on certain types of financial instruments. After adoption of this amended guidance, the Bancorp maintains the ALLL to absorb the amount of credit losses that are expected to be incurred over the remaining contractual terms of the related loans and leases (as adjusted for prepayments and reasonably expected TDRs). The Bancorp's methodology for determining the ALLL

includes an estimate of expected credit losses on a collective basis for groups of loans and leases with similar risk characteristics and specific allowances for loans and leases which are individually evaluated. For collectively evaluated loans and leases, the Bancorp uses quantitative models to forecast expected credit losses based on the probability of a loan or lease defaulting, the expected balance at the estimated date of default and the expected loss percentage given a default. The Bancorp's expected credit loss models consider historical credit loss experience, current market and economic conditions, and forecasted changes in market and economic conditions if such forecasts are considered reasonable and supportable.

The Bancorp also considers qualitative factors in determining the ALLL. Qualitative adjustments are used to capture characteristics in the portfolio that impact expected credit losses which are not fully captured within the Bancorp's expected credit loss models. These factors include adjustments for changes in policies or procedures in underwriting, monitoring or collections, lending and risk management personnel and results of internal audit and quality control reviews. In addition, the qualitative adjustment framework can be utilized to address specific idiosyncratic risks such as geopolitical events, natural disasters or changes in current economic conditions that are not reflected in the quantitative credit loss models, and their effects on regional borrowers and changes in product structures. Qualitative factors may also be used to address the impacts of unforeseen events on key inputs and assumptions within the Bancorp's expected credit loss models, such as the reasonable and supportable forecast period, changes to historical loss information or changes to the reversion period or methodology.

Refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019 for discussion of the accounting policies for the ALLL and reserve for unfunded commitments for periods prior to January 1, 2020.

In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the Condensed Consolidated Balance Sheets. The methodology used to determine the adequacy of this reserve is similar to the Bancorp's methodology for determining the ALLL. The provision for unfunded commitments is included in the provision for credit losses in the Condensed Consolidated Statements of Income.

For the commercial portfolio segment, the estimates for probability of default are primarily based on internal ratings assigned to each commercial borrower on a 13-point scale and historical observations of how those ratings migrate to a default over time in the context of macroeconomic conditions. For loans with available credit, the estimate of the expected balance at the time of default considers expected utilization rates, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions. The estimates for loss severity are primarily based on collateral type and coverage levels and the susceptibility of those characteristics to changes in macroeconomic conditions.

For collectively evaluated loans in the consumer and residential mortgage portfolio segments, the Bancorp's expected credit loss models primarily utilize the borrower's FICO score and delinquency history in combination with macroeconomic conditions when estimating the probability of default. The estimates for loss severity are primarily based on collateral type and coverage levels and the susceptibility of those characteristics to changes in macroeconomic conditions. The expected balance at the estimated date of default is also especially impactful in the expected credit loss models for portfolio classes which generally have longer terms (such as residential mortgage loans and home equity) and portfolio classes containing a high concentration of loans with revolving privileges (such as credit card and home equity). The estimate of the expected balance at the time of default considers expected prepayment and utilization rates where applicable, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions.

Day 1 Adoption Impact

Upon adoption of ASU 2016-13 on January 1, 2020, the Bancorp used three forward-looking economic scenarios during the reasonable and supportable forecast period in its expected credit loss models to address the inherent imprecision in macroeconomic forecasting. Each of the three scenarios was developed by a third party that is subject to the Bancorp's Third-Party Risk Management program including oversight by the Bancorp's independent model risk management group. The scenarios included a most likely outcome (Baseline) and two less probable scenarios with one being more favorable than the Baseline and the other being less favorable. The more favorable alternative scenario (Upside) depicted a stronger near-term growth outlook while the less favorable outlook (Downside) depicted a moderate recession. The Baseline scenario was assigned a probability weighting of 80% with each of the Upside and Downside scenarios being assigned a 10% weighting.

The Baseline scenario was developed such that the expectation is that the economy will perform better than the projection 50% of the time and worse than the projection 50% of the time. The Upside scenario was developed such that there is a 10% probability that the economy will perform better than the projection and a 90% probability that it will perform worse. The Downside scenario was developed such that there is a 90% probability that the economy will perform better than the projection and a 10% probability that it will perform worse.

June 30, 2020 ACL

The ACL as of June 30, 2020 was impacted by several factors, including continued weakness in the economic outlook and lower oil prices. As a result of these factors, the Bancorp incorporated a combination of quantitative model-based estimates and qualitative overlays. For the quantitative estimates, the Bancorp incorporated three scenarios developed by the third party in May 2020 that included estimates of the

expected impacts of the deterioration in economic conditions caused by the COVID-19 pandemic. The Baseline scenario was assigned a probability weighting of 80%, with a more favorable scenario (Upside) assigned a probability weighting of 10% and a less favorable scenario (Downside) assigned a probability of 10%. The Baseline scenario did not assume a second wave of COVID-19 cases, and therefore shows a slow, "U-shaped" recovery. In this scenario, GDP growth is expected to be slow due to the fading impact of the fiscal stimulus and the secondary effects of the recession. Additionally, this scenario assumes U.S. unemployment remains above 8% through the second half of 2020 with full recovery not occurring until 2024. The Upside scenario assumed increased consumer and business confidence due to earlier than expected resolution of the COVID-19 crisis, with GDP growth averaging 4.2% in 2021, and unemployment steadily declining back to a full-employment rate by mid-2023. The Downside scenario represents a "W-shaped" recession as a consequence of increasing cases of COVID-19 as businesses reopen, resulting in negative impacts to GDP and unemployment, among other macroeconomic variables, beginning again in the fourth quarter of 2020. Under this scenario, GDP does not begin to strengthen meaningfully until the end of 2021, and the unemployment rate peaks in the first half of 2021 at 12%. The Downside scenario also shows significant declines in housing markets through mid-2021.

As economic deterioration continued subsequent to the preparation of the third-party scenarios that were utilized in the quantitative credit loss models, the Bancorp considered such deterioration in the development of the qualitative component of the ACL at June 30, 2020.

The Bancorp's quantitative credit loss models are sensitive to changes in economic forecast assumptions over the reasonable and supportable forecast period. Applying a 100% probability weighting to the Downside scenario rather than using the probability-weighted three scenario approach would result in an increase in the quantitative ACL of approximately $1.5 billion. This sensitivity calculation only reflects the impact of changing the probability weighting of the scenarios in the quantitative credit loss models and excludes any additional considerations associated with the qualitative component of the ACL that might be warranted in the circumstance.

TABLE 56: Changes in Allowance for Credit Losses

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020[(b)]**	2019[(c)]	**2020[(b)]**	2019[(c)]
ALLL:				
Balance, beginning of period	**$ 2,348**	1,115	**1,202**	1,103
Impact of adoption of ASU 2016-13	**—**	—	**643**	—
Losses charged-off[(a)]	**(163)**	(119)	**(322)**	(228)
Recoveries of losses previously charged-off[(a)]	**33**	41	**70**	72
Provision for loan and lease losses	**478**	78	**1,103**	168
Balance, end of period	**$ 2,696**	1,115	**2,696**	1,115
Reserve for unfunded commitments:				
Balance, beginning of period	**$ 169**	133	**144**	131
Impact of adoption of ASU 2016-13	**—**	—	**10**	—
Reserve for acquired unfunded commitments	**—**	7	**—**	8
Provision for the reserve for unfunded commitments	**7**	7	**22**	8
Balance, end of period	**$ 176**	147	**176**	147

(a) For the three and six months ended June 30, 2020, the Bancorp recorded $9 and $22, respectively, in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements. For the three and six months ended June 30, 2019, the Bancorp recorded $11 and $22, respectively, in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

(b) The ALLL and Reserve for unfunded commitments were calculated under the expected loss methodology upon the adoption of ASU 2016-13 on January 1, 2020.

(c) The ALLL and Reserve for unfunded commitments were calculated under the incurred loss methodology for the three and six months ended June 30, 2019.

As shown in Table 57, the ALLL as a percent of portfolio loans and leases was 2.34% and 1.10% at June 30, 2020 and December 31, 2019, respectively. Loans acquired by the Bancorp through a purchase business combination are recorded at fair value as of the acquisition date. The Bancorp does not carry over the acquired company's ALLL. Prior to the adoption of ASU 2016-13 on January 1, 2020, the Bancorp also did not increase its existing ALLL as part of purchase accounting for acquired loans and leases. The ALLL was $2.7 billion and $1.2 billion at June 30, 2020 and December 31, 2019, respectively.

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TABLE 57: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

As of ($ in millions)		June 30, 2020	December 31, 2019
Attributed ALLL:			
Commercial and industrial loans	$	**989**	561
Commercial mortgage loans		**373**	87
Commercial construction loans		**98**	45
Commercial leases		**42**	17
Residential mortgage loans		**327**	73
Home equity		**239**	37
Indirect secured consumer loans		**171**	53
Credit card		**327**	168
Other consumer loans		**130**	40
Unallocated		**N/A**	121
Total ALLL	$	**2,696**	1,202
Portfolio loans and leases:			
Commercial and industrial loans	$	**55,661**	50,542
Commercial mortgage loans		**11,233**	10,963
Commercial construction loans		**5,479**	5,090
Commercial leases		**3,061**	3,363
Residential mortgage loans		**16,457**	16,724
Home equity		**5,681**	6,083
Indirect secured consumer loans		**12,395**	11,538
Credit card		**2,211**	2,532
Other consumer loans		**2,875**	2,723
Total portfolio loans and leases	$	**115,053**	109,558
Attributed ALLL as a percent of respective portfolio loans and leases:			
Commercial and industrial loans		**1.78 %**	1.11
Commercial mortgage loans		**3.32**	0.79
Commercial construction loans		**1.79**	0.88
Commercial leases		**1.37**	0.51
Residential mortgage loans		**1.99**	0.44
Home equity		**4.21**	0.61
Indirect secured consumer loans		**1.38**	0.46
Credit card		**14.79**	6.64
Other consumer loans		**4.52**	1.47
Unallocated (as a percent of total portfolio loans and leases)		**N/A**	0.11
Total ALLL as a percent of total portfolio loans and leases		**2.34 %**	1.10

As previously mentioned, the Bancorp adopted ASU 2016-13 on January 1, 2020. Based on portfolio characteristics and economic conditions and expectations as of January 1, 2020, the Bancorp recorded a combined increase to the ALLL and reserve for unfunded commitments on January 1, 2020 of approximately $653 million upon the adoption of ASU 2016-13. The increase in the ALLL at the date of adoption was primarily attributable to longer duration home equity and residential mortgage loans.

The Bancorp's ALLL may vary significantly from period to period after the adoption date as it will be based on changes in economic conditions, economic forecasts and the composition and credit quality of the Bancorp's loan and lease portfolio. The adoption of ASU 2016-13 will also have an impact on the provision for credit losses in periods after adoption, which could differ materially from historical trends. For additional information on ASU 2016-13, refer to Note 4 of the Notes to Condensed Consolidated Financial Statements.

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INTEREST RATE AND PRICE RISK MANAGEMENT

Interest rate risk is the risk to earnings or capital arising from movement of interest rates. This risk primarily impacts the Bancorp's income categories through changes in interest income on earning assets and the cost of interest-bearing liabilities, and through fee items that are related to interest sensitive activities such as mortgage origination and servicing income and through earnings credits earned on commercial deposits that offset commercial deposit fees. Price risk is the risk to earnings or capital arising from changes in the value of financial instruments and portfolios due to movements in interest rates, volatilities, foreign exchange rates, equity prices and commodity prices. Management considers interest rate risk a prominent market risk in terms of its potential impact on earnings. Interest rate risk may occur for any one or more of the following reasons:

- Assets and liabilities mature or reprice at different times;
- Short-term and long-term market interest rates change by different amounts; or
- The expected maturities of various assets or liabilities shorten or lengthen as interest rates change.

In addition to the direct impact of interest rate changes on NII and interest-sensitive fees, interest rates can impact earnings through their effect on loan and deposit demand, credit losses, mortgage origination volumes, the value of servicing rights and other sources of the Bancorp's earnings. Changes in interest rates and other market factors can impact earnings through changes in the value of portfolios, if not appropriately hedged. Stability of the Bancorp's net income is largely dependent upon the effective management of interest rate risk and to a lesser extent price risk. Management continually reviews the Bancorp's on- and off-balance sheet composition, earnings flows, and hedging strategies and models interest rate risk and price risk exposures, and possible actions to manage these risks, given numerous possible future interest rate and market factor scenarios. A series of Policy Limits and Key Risk Indicators are employed to ensure that risks are managed within the Bancorp's risk tolerance for interest rate risk and price risk.

In addition to the traditional forms of interest rate risk discussed in this section, the Bancorp is exposed to interest rate risk associated with the retirement and replacement of LIBOR. For more information on the LIBOR transition, refer to the Overview section of MD&A.

The Commercial and Wealth and Asset Management lines of business manage price risk for capital markets sales and trading activities related to their respective businesses. The Mortgage line of business manages price risk for the origination and sale of conforming residential mortgage loans to government agencies and government-sponsored enterprises. The Bancorp's Treasury department manages interest rate risk and price risk for all other activities. Independent oversight is provided by ERM, and key risk indicators and board approved policy limits are used to ensure risks are managed within the Bancorp's risk tolerance.

The Bancorp's Market Risk Management Committee, which includes senior management representatives, is accountable to the ERMC, provides oversight and monitors price risk for the capital markets sales and trading activities. The Bancorp's ALCO, which includes senior management representatives and is accountable to the ERMC, provides oversight and monitors interest rate and price risks for Mortgage and Treasury activities.

Net Interest Income Sensitivity

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

As of June 30, 2020, the Bancorp's interest rate risk exposure is governed by a risk framework that utilizes the change in NII over 12-month and 24-month horizons assuming a 200 bps parallel ramped increase in interest rates. Given the uncertainty associated with a negative rate environment, the Bancorp does not have policy limit for scenarios that include negative rates. Therefore, the Bancorp has no policy limit for a scenario with a decrease in interest rates currently in effect as the Federal Funds target range is currently between zero and 25 basis points. However, the Bancorp routinely analyzes various potential and extreme scenarios, including ramps, shocks and non-parallel shifts in rates, including negative rate scenarios, to assess where risks to net interest income persist or develop as changes in the balance sheet and market rates evolve. Additionally, the Bancorp routinely evaluates its exposures to changes in the bases between interest rates. The spread between LIBOR and Federal Funds compressed during the second quarter, which negatively impacted net interest income as the spread between loan yields and deposits costs narrowed. In general, each basis point of LIBOR/Federal Funds spread contraction is worth approximately $1 million per quarter. However, the impact of lower LIBOR rates on net interest income is partially offset by additional deposit rate reductions and a higher contribution from the derivative portfolio. The ongoing disruption of financial markets and economic activity from the COVID-19 pandemic has caused significant changes to interest rates, volatilities, and the composition of the Bancorp's balance sheet, including line of credit draws, demand for Paycheck Protection Program loans, and significant increases in deposit funding related to stimulus programs and PPP loans. These factors are likely to negatively impact net interest income and net interest margin, but may be partially offset by the amortization of fees related to PPP loans.

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

In order to recognize the risk of noninterest-bearing demand deposit balance run-off in a rising interest rate environment, the Bancorp's NII sensitivity modeling assumes that approximately $750 million of additional demand deposit balances run-off over 24 months above what is included in senior management's baseline projections for each 100 bps increase in short-term market interest rates. Similarly, the Bancorp's NII sensitivity modeling incorporates approximately $750 million of incremental growth in noninterest-bearing deposit balances over 24 months above senior management's baseline projections for each 100 bps decrease in short-term market interest rates. The incremental balance run-off and growth are modeled to flow into and out of funding products that reprice in conjunction with short-term market rate changes.

Another important deposit modeling assumption is the amount by which interest-bearing deposit rates will increase or decrease when market interest rates increase or decrease. This deposit repricing sensitivity is known as the beta, and it represents the expected amount by which Bancorp deposit rates will change for a given change in short-term market rates. The Bancorp's NII sensitivity modeling assumes a weighted-average rising-rate interest-bearing deposit beta of 71% at June 30, 2020, which is approximately 10 to 30 percentage points higher than the average beta that the Bancorp experienced in the FRB tightening cycles from June 2004 to June 2006 and from December 2015 to December 2018. In the event of further rate cuts by the FRB into negative territory, the Bancorp's NII sensitivity modeling assumes a weighted-average falling-rate interest-bearing deposit beta of 41% at June 30, 2020 while maintaining that deposit rates themselves will not become negative. In addition, the modeling assumes there is no lag between the timing of changes in market rates and the timing of deposit repricing despite such timing lags having occurred in prior rate cycles.

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

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

TABLE 58: Estimated NII Sensitivity Profile and ALCO Policy Limits

	June 30, 2020				June 30, 2019			
	% Change in NII (FTE)		ALCO Policy Limit		% Change in NII (FTE)		ALCO Policy Limit	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	**1.98 %**	**7.26**	**(4.00)**	**(6.00)**	0.64	3.84	(4.00)	(6.00)
+100 Ramp over 12 months	**1.02**	**3.88**	**N/A**	**N/A**	0.41	2.35	N/A	N/A
-100 Ramp over 12 months	**N/A**	**N/A**	**N/A**	**N/A**	(2.84)	(7.51)	N/A	N/A
-150 Ramp over 12 months	**N/A**	**N/A**	**N/A**	**N/A**	(4.28)	(11.61)	(8.00)	(12.00)

At June 30, 2020, the Bancorp's NII would benefit in both year one and year two under the parallel rate ramp increases. The Bancorp maintains an asymmetric NII sensitivity profile, which is attributable to the level of floating-rate assets, including the predominantly floating-rate commercial loan portfolio, exceeding the level of floating-rate liabilities due to the increased amount of deposit rates near zero in this low interest rate environment and other fixed-rate borrowings. Reductions in the yield of the commercial loan portfolio would be expected to be only partially offset by a decline in the cost of interest-bearing deposits in a falling-rate scenario. However, proactive management of the securities and derivatives portfolios has reduced the ongoing near-term risk to declining market rates and provided significant protection from the decline in rates experienced as the COVID-19 pandemic unfolded. The changes in the estimated NII sensitivity profile compared to June 30, 2019 were primarily attributable to a more asset sensitive balance sheet concentration marked by significantly increased noninterest-bearing and low cost interest-bearing deposits. The down rate scenarios were also impacted by lower market interest rates as the higher composition of low-cost deposits resulted in deposits hitting their floor rates more quickly in the current-year scenarios. However, the strategic repositioning of the investment portfolio into securities that are less callable in the near term partially offset the more asset sensitive balance sheet concentration on NII at risk in both year one and year two. A commercial loan book that is slower to re-price due to the addition of fixed-rate PPP loans and reductions in floating-rate loans also partially offset the more asset sensitive balance sheet concentration.

Tables 59 and 60 provide the sensitivity of the Bancorp's estimated NII profile at June 30, 2020 to changes to certain deposit balance and deposit repricing sensitivity (betas) assumptions.

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The following table includes the Bancorp's estimated NII sensitivity profile at June 30, 2020 with an immediate $1 billion decrease and an immediate $1 billion increase in demand deposit balances:

TABLE 59: Estimated NII Sensitivity Profile at June 30, 2020 with a $1 Billion Change in Demand Deposit Assumption

	% Change in NII (FTE)			
	Immediate $1 Billion Balance Decrease		Immediate $1 Billion Balance Increase	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	1.76 %	6.80	2.20	7.72
+100 Ramp over 12 months	0.91	3.65	1.13	4.11

The following table includes the Bancorp's estimated NII sensitivity profile with a 25% increase and a 25% decrease to the corresponding deposit beta assumptions as of June 30, 2020. The resulting weighted-average rising-rate interest-bearing deposit betas included in this analysis were approximately 89% and 53%, respectively, and 52% and 31%, respectively, for falling rates as of June 30, 2020:

TABLE 60: Estimated NII Sensitivity Profile at June 30, 2020 with Deposit Beta Assumptions Changes

	% Change in NII (FTE)			
	Betas 25% Higher		Betas 25% Lower	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	(1.98)%	(0.18)	5.94	14.70
+100 Ramp over 12 months	(0.96)	0.19	3.00	7.57

Economic Value of Equity Sensitivity

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

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

TABLE 61: Estimated EVE Sensitivity Profile

	June 30, 2020		June 30, 2019	
Change in Interest Rates (bps)	% Change in EVE	ALCO Policy Limit	% Change in EVE	ALCO Policy Limit
+200 Shock	**(2.86)%**	**(12.00)**	(3.45)	(12.00)
+100 Shock	**(0.82)**	**N/A**	(0.30)	N/A
-100 Shock	**N/A**	**N/A**	(2.63)	N/A
-200 Shock	**N/A**	**N/A**	(8.96)	(12.00)

The EVE sensitivity is moderately negative in a +200 bps rising-rate scenario at June 30, 2020. The changes in the estimated EVE sensitivity profile from June 30, 2019 were primarily related to noninterest-bearing and low cost interest-bearing deposits growth and a decrease in market interest rates. These items were partially offset by strategic repositioning of the investment portfolio into securities that are less callable in the near term.

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

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

Use of Derivatives to Manage Interest Rate Risk

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

Tables 62 and 63 show all swap and floor positions that are utilized for purposes of managing the Bancorp's exposures to the variability of interest rates. These positions are used to convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) to another interest rate index or to hedge forecasted transactions for the variability in cash flows attributable to the contractually specified interest rate. The volume, maturity and mix of portfolio swaps change frequently as the Bancorp adjusts its broader interest rate risk management objectives and the balance sheet positions to be hedged. For further information, including the notional amount and fair values of these derivatives, refer to Note 15 of the Notes to Condensed Consolidated Financial Statements.

The following tables present additional information about the interest rate swaps and floors used in Fifth Third's asset and liability management activities:

TABLE 62: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments

As of June 30, 2020 ($ in millions)	Notional Amount	Fair Value	Remaining (years)	Receive/ Strike Rate	Index
Interest rate swaps – cash flow – receive-fixed	**$ 8,000**	**(4)**	**3.5**	**3.02 %**	**1 ML**
Interest rate swaps – fair value – receive-fixed	**2,705**	**616**	**6.3**	**4.41**	**1 ML / 3ML**
Total interest rate swaps	**$ 10,705**	**612**			
Interest rate floors – cash flow – receive-fixed	**$ 3,000**	**281**	**4.5**	**2.25**	**1 ML**

TABLE 63: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments

As of December 31, 2019 ($ in millions)	Notional Amount	Fair Value	Remaining (years)	Receive/ Strike Rate	Index
Interest rate swaps – cash flow – receive-fixed	$ 7,000	(2)	3.9	3.00 %	1 ML
Interest rate swaps – cash flow – receive-fixed – forward starting[(a)]	1,000	—	5.0	3.20	1 ML
Interest rate swaps – fair value – receive-fixed	2,705	393	6.8	4.41	1 ML / 3ML
Total interest rate swaps	$ 10,705	391			
Interest rate floors – cash flow – receive-fixed	$ 3,000	115	5.0	2.25	1 ML

(a) Forward starting swaps became effective January 2, 2020.

Additionally, as part of its overall risk management strategy relative to its residential mortgage banking activities, the Bancorp enters into forward contracts accounted for as free-standing derivatives to economically hedge IRLCs that are also considered free-standing derivatives. The Bancorp economically hedges its exposure to residential mortgage loans held for sale through the use of forward contracts and mortgage options as well. See the Residential Mortgage Servicing Rights and Price Risk section for the discussion of the use of derivatives to economically hedge this exposure.

The Bancorp also enters into derivative contracts with major financial institutions to economically hedge market risks assumed in interest rate derivative contracts with commercial customers. Generally, these contracts have similar terms in order to protect the Bancorp from market volatility. Credit risk arises from the possible inability of the counterparties to meet the terms of their contracts, which the Bancorp minimizes through collateral arrangements, approvals, limits and monitoring procedures. The Bancorp has risk limits and internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of interest rate volatility and credit equivalent exposure on these contracts and counterparty credit approvals performed by independent risk management. For further information, including the notional amount and fair values of these derivatives, refer to Note 15 of the Notes to Condensed Consolidated Financial Statements.

Portfolio Loans and Leases and Interest Rate Risk

Although the Bancorp's portfolio loans and leases contain both fixed and floating/adjustable-rate products, the rates of interest earned by the Bancorp on the outstanding balances are generally established for a period of time. The interest rate sensitivity of loans and leases is directly related to the length of time the rate earned is established.

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The following table summarizes the carrying value of the Bancorp's portfolio loans and leases expected cash flows, excluding interest receivable, as of June 30, 2020:

TABLE 64: Portfolio Loans and Leases Expected Cash Flows[(a)]

($ in millions)	Less than 1	1-5 years	Over 5 years	Total
Commercial and industrial loans	$ 26,577	28,258	826	55,661
Commercial mortgage loans	4,419	5,937	877	11,233
Commercial construction loans	2,680	2,707	92	5,479
Commercial leases	922	1,482	657	3,061
Total commercial loans and leases	34,598	38,384	2,452	75,434
Residential mortgage loans	3,919	7,322	5,216	16,457
Home equity	1,115	2,879	1,687	5,681
Indirect secured consumer loans	3,874	7,757	764	12,395
Credit card	442	1,769	—	2,211
Other consumer loans	1,520	1,181	174	2,875
Total consumer loans	10,870	20,908	7,841	39,619
Total portfolio loans and leases	$ 45,468	59,292	10,293	115,053

(a) Expected cash flows from portfolio loans and leases do not reflect changes in timing due to hardship programs offered in response to the COVID-19 pandemic.

The above table does not include the estimated impact of hardship programs on portfolio loan and lease cash flows. The Bancorp currently estimates portfolio loan and lease cash flows to be reduced by $75 million – $100 million over the next 12 months due to these programs. Additionally, the Bancorp expects to fund $200 million – $300 million of servicer advances related to its serviced-for-other mortgages due to the hardship programs over the next six months. These cash flow estimates are based on actual hardship requests to date and estimated hardship requests during the second quarter of 2020.

The following table displays a summary of expected cash flows, excluding interest receivable, occurring after one year for both fixed and floating/adjustable-rate loans and leases as of June 30, 2020:

TABLE 65: Portfolio Loans and Leases Expected Cash Flows Occurring After One Year[(a)]

	Interest Rate	
($ in millions)	Fixed	Floating or Adjustable
Commercial and industrial loans	$ 3,567	25,517
Commercial mortgage loans	1,507	5,307
Commercial construction loans	39	2,760
Commercial leases	2,139	—
Total commercial loans and leases	7,252	33,584
Residential mortgage loans	9,480	3,058
Home equity	419	4,147
Indirect secured consumer loans	8,503	18
Credit card	396	1,373
Other consumer loans	1,091	264
Total consumer loans	19,889	8,860
Total portfolio loans and leases	$ 27,141	42,444

(a) Expected cash flows from portfolio loans and leases do not reflect changes in timing due to hardship programs offered in response to the COVID-19 pandemic.

Residential Mortgage Servicing Rights and Price Risk

The fair value of the residential MSR portfolio was $676 million and $993 million at June 30, 2020 and December 31, 2019, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally, as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk associated with changes in the value of its MSR portfolio as a result of changing interest rates.

Mortgage rates decreased during both the three and six months ended June 30, 2020 and 2019, which caused modeled prepayment speeds to rise. The fair value of the MSR portfolio decreased $12 million and $343 million for the three and six months ended June 30, 2020, respectively, compared to $116 million and $173 million for the three and six months ended June 30, 2019, respectively, due to changes to inputs to the valuation model, including prepayment speeds and OAS assumptions. The fair value of the MSR portfolio decreased $58 million and $105 million for the three and six months ended June 30, 2020, respectively, compared to $45 million and $72 million for the three and six months ended June 30, 2019, respectively, due to the impact of contractual principal payments and actual prepayment activity.

The Bancorp recognized net gains of $11 million and $364 million, respectively, on its non-qualifying hedging strategy for the three and six months ended June 30, 2020 compared to $119 million and $182 million, respectively, during the three and six months ended June 30, 2019. These amounts include net gains on securities related to the Bancorp's non-qualifying hedging strategy, which were immaterial and $3 million, respectively, for the three and six months ended June 30, 2020 compared to net gains on securities of $2 million and $5 million, respectively, for the three and six months ended June 30, 2019. The Bancorp may adjust its hedging strategy to reflect its assessment of the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges given the economic environment. Refer to Note 14 of the Notes to Condensed Consolidated Financial Statements for further discussion on servicing rights and the instruments used to hedge price risk on MSRs.

Foreign Currency Risk

The Bancorp may enter into foreign exchange derivative contracts to economically hedge certain foreign denominated loans. The derivatives are classified as free-standing instruments with the revaluation gain or loss being recorded in other noninterest income in the Condensed Consolidated Statements of Income. The balance of the Bancorp's foreign denominated loans at June 30, 2020 and December 31, 2019 was $661 million and $880 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers to hedge their exposure to foreign currency fluctuations. Similar to the hedging of price risk from interest rate derivative contracts entered into with commercial customers, the Bancorp also enters into foreign exchange contracts with major financial institutions to economically hedge a substantial portion of the exposure from client-driven foreign exchange activity. The Bancorp has risk limits and internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of currency volatility and credit equivalent exposure on these contracts, counterparty credit approvals and country limits performed by independent risk management.

Commodity Risk

The Bancorp also enters into commodity contracts for the benefit of commercial customers to hedge their exposure to commodity price fluctuations. Similar to the hedging of foreign exchange and price risk from interest rate derivative contracts, the Bancorp also enters into commodity contracts with major financial institutions to economically hedge a substantial portion of the exposure from client-driven commodity activity. The Bancorp may also offset this risk with exchange-traded commodity contracts. The Bancorp has risk limits and internal controls in place to help ensure excessive risk is not taken in providing this service to customers. These controls include an independent determination of commodity volatility and credit equivalent exposure on these contracts and counterparty credit approvals performed by independent risk management.

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LIQUIDITY RISK MANAGEMENT

The goal of liquidity management is to provide adequate funds to meet changes in loan and lease demand, unexpected levels of deposit withdrawals and other contractual obligations. Mitigating liquidity risk is accomplished by maintaining liquid assets in the form of cash and investment securities, maintaining sufficient unused borrowing capacity in the debt markets and delivering consistent growth in core deposits. A summary of certain obligations and commitments to make future payments under contracts is included in Note 18 of the Notes to Condensed Consolidated Financial Statements.

The Bancorp's Treasury department manages funding and liquidity based on point-in-time metrics as well as forward-looking projections, which incorporate different sources and uses of funds under base and stress scenarios. Liquidity risk is monitored and managed by the Treasury department with independent oversight provided by ERM, and a series of Policy Limits and Key Risk Indicators are established to ensure risks are managed within the Bancorp's risk tolerance. The Bancorp maintains a contingency funding plan that provides for liquidity stress testing, which assesses the liquidity needs under varying market conditions, time horizons, asset growth rates and other events. The contingency plan provides for ongoing monitoring of unused borrowing capacity and available sources of contingent liquidity to prepare for unexpected liquidity needs and to cover unanticipated events that could affect liquidity. The contingency plan also outlines the Bancorp's response to various levels of liquidity stress and actions that should be taken during various scenarios.

Liquidity risk is monitored and managed for both Fifth Third Bancorp and its subsidiaries. The Bancorp receives substantially all of its liquidity from dividends from its subsidiaries, primarily Fifth Third Bank, National Association. Subsidiary dividends are supplemented with term debt to enable the Bancorp to maintain sufficient liquidity to meet its cash obligations, including debt service and scheduled maturities, common and preferred dividends, unfunded commitments to subsidiaries and other planned capital actions in the form of share repurchases. Liquidity resources are more limited at the Bancorp, making its liquidity position more susceptible to market disruptions. Bancorp liquidity is assessed using a cash coverage horizon, ensuring the entity maintains sufficient liquidity to withstand a period of sustained market disruption while meeting its anticipated obligations over an extended stressed horizon.

The Bancorp's ALCO, which includes senior management representatives and is accountable to the ERMC, monitors and manages liquidity and funding risk within Board-approved policy limits. In addition to the risk management activities of ALCO, the Bancorp has an Interest Rate and Price Risk Management function as part of ERM that provides independent oversight of liquidity risk management.

Sources of Funds

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

Table 64 of the Interest Rate and Price Risk Management subsection of the Risk Management section of MD&A illustrates the expected maturities from loan and lease repayments. Of the $38.6 billion of securities in the Bancorp's available-for-sale debt and other securities portfolio at June 30, 2020, $3.7 billion in principal and interest is expected to be received in the next 12 months and an additional $4.5 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp's securities portfolio, refer to the Investment Securities subsection of the Balance Sheet Analysis section of MD&A.

Asset-driven liquidity is provided by the Bancorp's ability to sell or securitize loans and leases. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination. Additional assets such as certain other residential mortgage loans, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. For the three and six months ended June 30, 2020, the Bancorp sold or securitized loans and leases totaling $3.1 billion and $6.2 billion, respectively, compared to $3.1 billion and $4.4 billion during the three and six months ended June 30, 2019. For further information, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements.

Core deposits have historically provided the Bancorp with a sizeable source of relatively stable and low-cost funds. The Bancorp's average core deposits and average shareholders' equity funded 85% of its average total assets for both the three and six months ended June 30, 2020 and 83% for both the three and six months ended June 30, 2019. In addition to core deposit funding, the Bancorp also accesses a variety of other short-term and long-term funding sources, which include the use of the FHLB system. Certificates $100,000 and over and certain deposits in the Bancorp's foreign branch located in the Cayman Islands are wholesale funding tools utilized to fund asset growth. Management does not rely on any one source of liquidity and manages availability in response to changing balance sheet needs.

As of June 30, 2020, $5.0 billion of debt or other securities were available for issuance under the current Bancorp's Board of Directors' authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. During the six months ended June 30, 2020, the Bancorp issued and sold $1.25 billion in aggregate principal amount of senior fixed-rate notes.

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As of June 30, 2020, the Bank's global bank note program had a borrowing capacity of $25.0 billion, of which $18.0 billion was available for issuance. During the six months ended June 30, 2020, the Bank issued and sold $1.25 billion in aggregate principal amount of senior fixed-rate notes. Additionally, at June 30, 2020, the Bank had approximately $48.1 billion of borrowing capacity available through secured borrowing sources, including the FRB and FHLB.

For further information on a subsequent event related to preferred stock, refer to Note 25 of the Notes to Condensed Consolidated Financial Statements.

Current Liquidity Position

The COVID-19 pandemic has significantly impacted the economic environment and financial markets, including short-term liquidity markets and the debt capital markets. Federal Reserve programs established to support the functioning of markets and provide access to credit have stabilized financial markets. In the second quarter of 2020, the Bancorp experienced asset growth from loans extended under the Paycheck Protection Program and significant increases in deposit funding related to commercial deposit growth, stimulus programs and PPP loans, while revolving line of credit utilization decreased. The Bancorp maintains a strong liquidity profile driven by strong core deposit funding and over $100 billion in current available liquidity. The Bancorp is managing liquidity prudently in the current environment and maintains a liquidity profile focused on core deposit and stable long-term funding sources which allows for the effective management of concentration and rollover risk.

As of June 30, 2020, the Bancorp has sufficient liquidity to meet contractual obligations and all preferred and common dividends without accessing the capital markets or receiving upstream dividends from the Bank subsidiary for 30 months.

Credit Ratings

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

The Bancorp's and Bank's credit ratings are summarized in Table 66. The ratings reflect the ratings agency's view on the Bancorp's and Bank's capacity to meet financial commitments.*

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

TABLE 66: Agency Ratings

As of August 7, 2020	Moody's	Standard and Poor's	Fitch	DBRS
Fifth Third Bancorp:				
Short-term borrowings	No rating	A-2	F1	R-1L
Senior debt	Baa1	BBB+	A-	A
Subordinated debt	Baa1	BBB	BBB+	AL
Fifth Third Bank, National Association:				
Short-term borrowings	P-2	A-2	F1	R-1M
Short-term deposit	P-1	No rating	F1	No rating
Long-term deposit	Aa3	No rating	A	AH
Senior debt	A3	A-	A-	AH
Subordinated debt	Baa1	BBB+	BBB+	A
Rating Agency Outlook for Fifth Third Bancorp and Fifth Third Bank, National Association:	Stable	Stable	Negative	Negative

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

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk to current or projected financial condition and resilience arising from inadequate or failed internal processes or systems, human errors or misconduct or adverse external events that are neither market- nor credit-related. Operational risk is inherent in the Bancorp's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate behavior of employees, unintentional failure to comply with applicable laws and regulations, poor design or delivery of products and services, cyber-security or physical security incidents and privacy breaches or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Bancorp. The Bancorp's risk management goal is to keep operational risk at appropriate levels consistent with the Bancorp's risk appetite, financial strength, the characteristics of its businesses, the markets in which it operates and the competitive and regulatory environment to which it is subject.

To control, monitor and govern operational risk, the Bancorp maintains an overall Risk Management Framework which comprises governance oversight, risk assessment, capital measurement, monitoring and reporting as well as a formal three lines of defense approach. ERM is responsible for prescribing the framework to the lines of business and corporate functions and providing independent oversight of its implementation (second line of defense). Business Controls groups are in place in each of the lines of business to ensure consistent implementation and execution of managing day-to-day operational risk (first line of defense).

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

The Bancorp also maintains a robust information security program to support the management of cyber-security risk within the organization with a focus on prevention, detection and recovery processes. Fifth Third utilizes a wide array of techniques to secure its operations and proprietary information such as Board-approved policies and programs, network monitoring and testing, access controls and dedicated security personnel. Fifth Third has adopted the National Institute of Standards and Technology Cybersecurity Framework for the management and deployment of cyber-security controls and is an active participant in the financial sector information sharing organization structure, known as the Financial Services Information Sharing and Analysis Center. To ensure resiliency of key Bancorp functions, Fifth Third also employs redundancy protocols that include a robust business continuity function that works to mitigate any potential impacts to Fifth Third customers and its systems.

Fifth Third also focuses on the reporting and escalation of operational control issues to senior management and the Board of Directors. The Operational Risk Committee is the key committee that oversees and supports Fifth Third in the management of operational risk across the enterprise. The Operational Risk Committee reports to the ERMC, which reports to the Risk and Compliance Joint Committee of the Board of Directors of Fifth Third Bancorp and Fifth Third Bank, National Association.

The COVID-19 pandemic has created heightened operational risks and impacts to the Bancorp, including risks related to new systems and processes to support remote work strategies, new customer hardship programs and functions that cannot be fully executed by outsourced service providers. Additionally, increased external threats have increased fraud and cyber-security risks. These risks are being carefully managed and monitored to ensure effective controls are in place, with appropriate oversight and governance by the second line of defense. Fifth Third has a defined pandemic plan and robust business continuity management process, which are being leveraged to support the continuity of processes across the Bank. Fifth Third's operational risk management team has been actively engaged to oversee and evaluate business changes required to ensure continuity of critical business services with the focus on impacts to customers and Bancorp employees.

LEGAL AND REGULATORY COMPLIANCE RISK MANAGEMENT

Legal and regulatory compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation as a result of noncompliance with (i) applicable laws, regulations, rules and other regulatory requirements (including but not limited to the risk of consumers experiencing economic loss or other legal harm as a result of noncompliance with consumer protection laws, regulations and requirements); (ii) internal policies and procedures, standards of best practice or codes of conduct; and (iii) principles of integrity and fair dealing applicable to Fifth Third's activities and functions. Legal risks include the risk of actions against the institution that results in unenforceable contracts, lawsuits, legal sanctions, or adverse judgments, which disrupt or otherwise negatively affect the operations or condition of the institution. Failure to effectively manage such risks can elevate the risk level or manifest itself as other types of key risks, including reputational or operational risk. Fifth Third focuses on managing regulatory compliance risk in accordance with the Bancorp's integrated risk management framework, which ensures consistent processes for identifying, assessing, managing, monitoring and reporting risks. The Bancorp's risk management goal is to keep compliance risk at appropriate levels, consistent with the Bancorp's risk appetite.

To mitigate such risks, Compliance Risk Management provides independent oversight to ensure consistency and sufficiency in the execution of the program, and ensures that lines of business, regions and support functions are adequately identifying, assessing and monitoring legal and regulatory compliance risks and adopting proper mitigation strategies. Moreover, such strategies are modified from time to time to respond to new or emerging risks in the environment. Compliance Risk Management and the Legal Division provide guidance to the lines of business and enterprise functions, which are ultimately responsible for managing such risks associated with their areas. The Chief Compliance Officer is responsible for formulating and directing the strategy, development, implementation, communication and maintenance of the Compliance Risk Management program, which implements key compliance processes, including but not limited to, executive- and board-level governance and reporting routines, compliance-related policies, risk assessments, key risk indicators, issues tracking, regulatory compliance testing and monitoring, and privacy. The Chief Compliance Officer partners with the Financial Crimes Division to oversee anti-money laundering processes, and also partners with the Community and Economic Development team to oversee the Bancorp's compliance with the Community Reinvestment Act.

Fifth Third also focuses on the reporting and escalation of legal and regulatory compliance issues to senior management and the Board of Directors. The Management Compliance Committee, which is chaired by the Chief Compliance Officer, is the key committee that oversees and supports Fifth Third in the management of compliance risk across the enterprise. The Management Compliance Committee oversees Fifth Third-wide compliance issues, industry best practices, legislative developments, regulatory concerns and other leading indicators of legal and regulatory compliance risk. The Management Compliance Committee reports to the ERMC, which reports to the Risk and Compliance Joint Committee of the Board of Directors of Fifth Third Bancorp and Fifth Third Bank, National Association.

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

CAPITAL MANAGEMENT

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

Regulatory Capital Ratios

The Basel III Final Rule sets minimum regulatory capital ratios as well as defines the measure of "well-capitalized" for insured depository institutions.

TABLE 67: Prescribed Capital Ratios

	Minimum	Well-Capitalized
CET1 capital:		
Fifth Third Bancorp	4.50 %	N/A
Fifth Third Bank, National Association	4.50	6.50
Tier I risk-based capital:		
Fifth Third Bancorp	6.00	6.00
Fifth Third Bank, National Association	6.00	8.00
Total risk-based capital:		
Fifth Third Bancorp	8.00	10.00
Fifth Third Bank, National Association	8.00	10.00
Tier I leverage:		
Fifth Third Bancorp	4.00	N/A
Fifth Third Bank, National Association	4.00	5.00

The Bancorp is currently subject to a capital conservation buffer of 2.5%, in addition to the minimum capital ratios, in order to avoid limitations on certain capital distributions and discretionary bonus payments to executive officers. The Bancorp exceeded these "well-capitalized" and "capital conservation buffer" ratios for all periods presented.

In March 2020, the FRB issued a final rule amending regulatory capital rules, capital plan rules and stress test rules. Under the final rule, the capital conservation buffer is replaced with a stress capital buffer requirement. During each supervisory stress testing cycle, the FRB will use the Bancorp's supervisory stress test to determine its stress capital buffer, subject to a floor of 2.5%. Similar to the capital conservation buffer, the Bancorp must maintain capital ratios above the sum of its minimum risk-based capital ratios and the stress capital buffer to avoid restrictions on capital distributions and discretionary bonus payments to executive officers. The final rule is applicable to BHCs with $100 billion or more in total consolidated assets and is effective on October 1, 2020.

On June 25, 2020, the FRB provided the Bancorp with an indicative stress capital buffer of 2.5%. The indicative stress capital buffer of 2.5% is the floor under the regulatory capital rules, and without the floor, the Bancorp estimates its buffer would have been approximately 2.1%. The FRB will provide the Bancorp with a final stress capital buffer by August 31, 2020.

In April 2018, the federal banking regulators proposed transitional arrangements to permit banking organizations to phase in the day-one impact of the adoption of ASU 2016-13, referred to as CECL, on regulatory capital over a period of three years. The proposed rule was adopted as final effective July 1, 2019. The phase-in provisions of the final rule are optional for a banking organization that experiences a reduction in retained earnings due to CECL adoption as of the beginning of the fiscal year in which the banking organization adopts CECL. A banking organization that elects the phase-in provisions of the final rule for regulatory capital purposes must phase in 25% of the transitional amounts impacting regulatory capital in the first year of adoption of CECL, 50% in the second year, 75% in the third year, with full impact beginning in the fourth year.

In March 2020, the banking agencies issued an interim final rule for additional transitional relief to regulatory capital related to the impact of the adoption of CECL given the disruption in economic activity caused by the COVID-19 pandemic. The interim final rule provides banking organizations that adopt CECL in the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by the aforementioned three-year transition period to phase out the aggregate amount of benefit during the initial two-year delay for a total five-year transition. The estimated impact of CECL on regulatory capital (modified CECL transitional amount) is calculated as the sum of the day-one impact on retained earnings upon adoption of CECL (CECL transitional amount) and the calculated change in the ACL relative to the day-one ACL upon adoption of CECL multiplied by a scaling factor of 25%. The scaling factor is used to approximate the difference in the ACL under CECL relative to the incurred loss methodology. The modified CECL transitional amount will be calculated each quarter for the first two years of the five-year transition. The amount of the modified CECL transition amount will be fixed as of December 31, 2021 and that amount will be subject to the three-year phase out.

The Bancorp adopted ASU 2016-13 on January 1, 2020 and elected the five-year transition phase-in option for the impact of CECL on regulatory capital with its regulatory filings as of March 31, 2020. For additional information on ASU 2016-13, refer to Note 4 of the Notes to Condensed Consolidated Financial Statements.

On July 22, 2019, the federal banking regulators published the Regulatory Capital Simplification final rule in the Federal Register. Under the final rule, non-advanced approach banks, such as the Bancorp, will be subject to simpler regulatory capital requirements for mortgage servicing assets, certain deferred tax assets arising from temporary differences and investments in the capital of unconsolidated financial institutions than those currently applied. The final rule increases the deduction threshold for mortgage servicing assets, certain deferred tax assets arising from temporary differences and investments in the capital of unconsolidated financial institutions from 10% to 25% of CET1, but increases the risk-weighted assets percentage for the non-deducted elements from 100% to 250%. The final rule pertaining to these regulatory capital elements was effective on April 1, 2020.

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

TABLE 68: Capital Ratios

($ in millions)		**June 30, 2020**	December 31, 2019
Quarterly average total Bancorp shareholders' equity as a percent of average assets		**11.30 %**	12.58
Tangible equity as a percent of tangible assets[(a)(c)(d)]		**7.68**	9.52
Tangible common equity as a percent of tangible assets[(a)(c)(d)]		**6.77**	8.44
Regulatory capital:			
CET1 capital[(b)]	**$**	**13,935**	13,847
Tier I capital[(b)]		**15,704**	15,616
Total regulatory capital[(b)]		**20,407**	19,661
Risk-weighted assets		**143,322**	142,065
Regulatory capital ratios:[(b)]			
CET1 capital		**9.72 %**	9.75
Tier I risk-based capital		**10.96**	10.99
Total risk-based capital		**14.24**	13.84
Tier I leverage[(d)]		**8.16**	9.54

(a) These are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.
(b) Regulatory capital ratios as of June 30, 2020 are calculated pursuant to the five-year transition provision option to phase in the effects of CECL on regulatory capital.
(c) Excludes AOCI.
(d) The decrease in these capital ratios is attributable to the Bancorp's growth of assets during the six months ended June 30, 2020.

Capital Planning

In 2011, the FRB adopted the capital plan rule, which requires BHCs with consolidated assets of $50 billion or more to submit annual capital plans to the FRB for review. Under the rule, these capital plans must include detailed descriptions of the following: the BHC's internal processes for assessing capital adequacy; the policies governing capital actions such as common stock issuances, dividends and share repurchases; and all planned capital actions over a nine-quarter planning horizon. Furthermore, each BHC must report to the FRB the results of stress tests conducted by the BHC under a number of scenarios that assess the sources and uses of capital under baseline and stressed economic conditions.

On October 10, 2019, the Federal Reserve Board adopted final rules to tailor certain prudential standards for large domestic and foreign banking organizations. Under the newly adopted tailoring rules, the Bancorp is subject to category IV standards, under which the Bancorp is no longer required to conduct and publicly report company-run stress tests pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act. As an institution subject to category IV standards, the Bancorp is subject to the FRB's supervisory stress tests on a biennial basis, the Board capital plan rule and FR Y-14 reporting requirements. The Bancorp became subject to category IV standards on December 31, 2019, and the requirements outlined above apply to the stress test cycle that started on January 1, 2020. As noted above, the Bancorp remains subject to the Board's capital plan rule, and its requirement to develop and maintain a capital plan, and the Board of Directors of the Bancorp must review and approve the capital plan.

On March 4, 2020, the Bancorp was informed by the FRB that the deadline to submit the required information related to its capital plan within the FR Y-14A was extended until April 5, 2021, with the exception of the information contained in Schedule C – Regulatory Capital Instruments. The information contained in Schedule C remained due on or before April 6, 2020, which the Bancorp submitted as required.

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

In June 2019, the Bancorp announced its capital distribution capacity of approximately $2 billion for the period of July 1, 2019 through June 30, 2020. This includes the ability to execute share repurchases up to $1.24 billion as well as increase quarterly common stock dividends by up to $0.03 per share. These distributions will be governed under the FRB's 2019 extended stress test process for BHCs with less than $250 billion of total consolidated assets. On March 16, 2020, the Bancorp announced it was temporarily suspending share repurchases that it had capacity to execute under the 2019 CCAR plan. The decision on share repurchases is consistent with Fifth Third's objective to use the Bancorp's capital and liquidity to provide support to individuals, businesses and the broader economy through lending and other important services. Fifth Third did not execute any open market or accelerated share repurchases in the first and second quarters of 2020.

In June 2020, the FRB took several actions in connection with its announcement of stress test results in light of the uncertainty caused by the COVID-19 pandemic. Specifically, for the third quarter of 2020, the FRB is requiring large banking organizations, including the Bancorp, to suspend share repurchases, cap dividend payments to the amount paid during the second quarter of 2020, and further limit dividends according to a formula based on recent income. The FRB is also requiring large banking organizations, including the Bancorp, to reevaluate their longer-term capital plans, and such organizations will be required to update and resubmit their capital plans later this year to reflect current stresses caused by the COVID-19 pandemic. The FRB may conduct additional analysis each quarter to determine if adjustments to this response are appropriate.

Dividend Policy and Stock Repurchase Program

The Bancorp's common stock dividend policy and stock repurchase program reflect its earnings outlook, desired payout ratios, the need to maintain adequate capital levels, the ability of its subsidiaries to pay dividends and the need to comply with safe and sound banking practices as well as meet regulatory requirements and expectations. The Bancorp declared dividends per common share of $0.27 and $0.24 for the three months ended June 30, 2020 and 2019, respectively, and $0.54 and $0.46 for the six months ended June 30, 2020 and 2019, respectively.

The following table summarizes the monthly share repurchase activity for the three months ended June 30, 2020:

TABLE 69: Share Repurchases

Period	Total Number of Shares Purchased[(a)]	Average Price Paid per Share	Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
April 1, 2020 - April 30, 2020	250,659	$ 16.36	—	76,437,348
May 1, 2020 - May 31, 2020	18,888	16.98	—	76,437,348
June 1, 2020 - June 30, 2020	110,197	20.15	—	76,437,348
Total	379,744	$ 17.49	—	76,437,348

(a) Shares repurchased during the second quarter of 2020 were in connection with various employee compensation plans. These purchases do not count against the maximum number of shares that may yet be purchased under the Board of Directors' authorization.

OFF-BALANCE SHEET ARRANGEMENTS

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

Commitments

The Bancorp has certain commitments to make future payments under contracts, including commitments to extend credit, forward contracts related to residential mortgage loans held for sale, letters of credit, purchase obligations, capital expenditures and capital commitments for private equity investments. Refer to Note 18 of the Notes to Condensed Consolidated Financial Statements for additional information on commitments.

Contingent Liabilities and Guarantees

The Bancorp has performance obligations upon the occurrence of certain events provided in certain contractual arrangements, including residential mortgage loans sold with representation and warranty provisions. Refer to Note 18 of the Notes to Condensed Consolidated Financial Statements for additional information on contingent liabilities and guarantees.

Transactions with Non-consolidated VIEs

The Bancorp engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity to finance their activities, or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The investments in those entities in which the Bancorp was determined not to be the primary beneficiary but holds a variable interest in the entity are accounted for under the equity method of accounting or other accounting standards as appropriate and not consolidated. Refer to Note 13 of the Notes to Condensed Consolidated Financial Statements for additional information on non-consolidated VIEs.

Quantitative and Qualitative Disclosures about Market Risk (Item 3)

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

Controls and Procedures (Item 4)

The Bancorp conducted an evaluation, under the supervision and with the participation of the Bancorp's management, including the Bancorp's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Bancorp's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on the foregoing, as of the end of the period covered by this report, the Bancorp's Chief Executive Officer and Chief Financial Officer concluded that the Bancorp's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Bancorp files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required and information is accumulated and communicated to the Bancorp's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As part of the adoption of ASU 2016-13, the Bancorp implemented internal controls to ensure compliance with the revised accounting and disclosure requirements. The Bancorp's management also conducted an evaluation of internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bancorp's internal control over financial reporting. Based on this evaluation, other than as noted above, there has been no such change during the period covered by this report.

Fifth Third Bancorp and Subsidiaries
Condensed Consolidated Financial Statements and Notes (Item 1)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share data)		As of June 30, 2020	As of December 31, 2019
Assets			
Cash and due from banks	$	**3,221**	3,278
Other short-term investments[(a)]		**28,243**	1,950
Available-for-sale debt and other securities[(b)]		**38,599**	36,028
Held-to-maturity securities[(c)]		**16**	17
Trading debt securities		**526**	297
Equity securities		**273**	564
Loans and leases held for sale[(d)]		**912**	1,400
Portfolio loans and leases[(a)(e)]		**115,053**	109,558
Allowance for loan and lease losses[(a)]		**(2,696)**	(1,202)
Portfolio loans and leases, net		**112,357**	108,356
Bank premises and equipment[(f)]		**2,053**	1,995
Operating lease equipment		**809**	848
Goodwill		**4,261**	4,252
Intangible assets		**171**	201
Servicing rights		**676**	993
Other assets[(a)]		**10,789**	9,190
Total Assets	$	**202,906**	169,369
Liabilities			
Deposits:			
Noninterest-bearing deposits	$	**49,359**	35,968
Interest-bearing deposits		**107,587**	91,094
Total deposits		**156,946**	127,062
Federal funds purchased		**262**	260
Other short-term borrowings		**1,285**	1,011
Accrued taxes, interest and expenses		**2,582**	2,441
Other liabilities[(a)]		**3,169**	2,422
Long-term debt[(a)]		**16,327**	14,970
Total Liabilities	$	**180,571**	148,166
Equity			
Common stock[(g)]	$	**2,051**	2,051
Preferred stock[(h)]		**1,770**	1,770
Capital surplus		**3,603**	3,599
Retained earnings		**17,643**	18,315
Accumulated other comprehensive income		**2,951**	1,192
Treasury stock[(g)]		**(5,683)**	(5,724)
Total Equity	$	**22,335**	21,203
Total Liabilities and Equity	$	**202,906**	169,369

(a) Includes $66 and $74 of other short-term investments, $1,032 and $1,354 of portfolio loans and leases, $(14) and $(7) of ALLL, $7 and $8 of other assets, $2 and $2 of other liabilities, and $933 and $1,253 of long-term debt from consolidated VIEs that are included in their respective captions above at June 30, 2020 and December 31, 2019, respectively. For further information refer to Note 13.

(b) Amortized cost of $35,780 and $34,966 at June 30, 2020 and December 31, 2019, respectively.

(c) Fair value of $16 and $17 at June 30, 2020 and December 31, 2019, respectively.

(d) Includes $840 and $1,264 of residential mortgage loans held for sale measured at fair value and $15 and $0 of commercial loans held for sale measured at fair value at June 30, 2020 and December 31, 2019, respectively.

(e) Includes $185 and $183 of residential mortgage loans measured at fair value at June 30, 2020 and December 31, 2019, respectively.

(f) Includes $53 and $27 of bank premises and equipment held for sale at June 30, 2020 and December 31, 2019, respectively.

(g) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at June 30, 2020 – 712,202,207 (excludes 211,690,374 treasury shares), December 31, 2019 – 708,915,629 (excludes 214,976,952 treasury shares).

(h) 500,000 shares of no par value preferred stock were authorized at both June 30, 2020 and December 31, 2019. There were 436,000 unissued shares of undesignated no par value preferred stock at both June 30, 2020 and December 31, 2019. Each issued share of no par value preferred stock has a liquidation preference of $25,000. 500,000 shares of no par value Class B preferred stock were authorized at both June 30, 2020 and December 31, 2019. There were 300,000 unissued shares of undesignated no par value Class B preferred stock at both June 30, 2020 and December 31, 2019. Each issued share of no par value Class B preferred stock has a liquidation preference of $1,000.

Refer to the Notes to Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries
Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions, except share data)	**2020**	2019	**2020**	2019
Interest Income				
Interest and fees on loans and leases	**$ 1,115**	1,336	**2,350**	2,479
Interest on securities	**283**	290	**566**	571
Interest on other short-term investments	**5**	10	**12**	19
Total interest income	**1,403**	1,636	**2,928**	3,069
Interest Expense				
Interest on deposits	**83**	243	**248**	449
Interest on federal funds purchased	**—**	8	**2**	20
Interest on other short-term borrowings	**2**	9	**8**	14
Interest on long-term debt	**118**	131	**241**	259
Total interest expense	**203**	391	**499**	742
Net Interest Income	**1,200**	1,245	**2,429**	2,327
Provision for credit losses	**485**	85	**1,125**	175
Net Interest Income After Provision for Credit Losses	**715**	1,160	**1,304**	2,152
Noninterest Income[(a)]				
Service charges on deposits	**122**	143	**270**	274
Commercial banking revenue	**137**	107	**261**	209
Wealth and asset management revenue	**120**	122	**255**	234
Mortgage banking net revenue	**99**	63	**219**	119
Card and processing revenue	**82**	92	**167**	171
Leasing business revenue	**57**	76	**131**	108
Other noninterest income	**12**	47	**18**	616
Securities (losses) gains, net	**21**	8	**(3)**	25
Securities gains, net – non-qualifying hedges on mortgage servicing rights	**—**	2	**3**	5
Total noninterest income	**650**	660	**1,321**	1,761
Noninterest Expense[(a)]				
Compensation and benefits	**627**	641	**1,274**	1,251
Technology and communications	**90**	136	**183**	219
Net occupancy expense	**82**	88	**164**	164
Leasing business expense	**33**	38	**68**	57
Equipment expense	**32**	33	**64**	63
Card and processing expense	**29**	34	**60**	64
Marketing expense	**20**	41	**51**	77
Other noninterest expense	**208**	232	**457**	446
Total noninterest expense	**1,121**	1,243	**2,321**	2,341
Income Before Income Taxes	**244**	577	**304**	1,572
Applicable income tax expense	**49**	124	**61**	344
Net Income	**195**	453	**243**	1,228
Dividends on preferred stock	**32**	26	**50**	41
Net Income Available to Common Shareholders	**$ 163**	427	**193**	1,187
Earnings per share - basic	**$ 0.23**	0.57	**0.27**	1.68
Earnings per share - diluted	**$ 0.23**	0.57	**0.27**	1.66
Average common shares outstanding - basic	**714,766,570**	738,051,421	**714,161,131**	699,766,962
Average common shares outstanding - diluted	**717,571,890**	747,749,591	**718,967,293**	709,430,194

(a) During the first quarter of 2020, certain noninterest income and noninterest expense line items were reclassified to better align disclosures to business activities. These reclassifications were retrospectively applied to all prior periods presented. Total noninterest income and noninterest expense did not change as a result of these reclassifications.

Refer to the Notes to Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries
Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Net Income	**$ 195**	453	**243**	1,228
Other Comprehensive Income, Net of Tax:				
Unrealized gains on available-for-sale debt securities:				
Unrealized holding gains arising during period	**456**	577	**1,338**	1,007
Reclassification adjustment for net losses included in net income	**—**	—	**—**	1
Unrealized gains on cash flow hedge derivatives:				
Unrealized holding gains arising during period	**66**	190	**493**	277
Reclassification adjustment for net (gains) losses included in net income	**(49)**	1	**(74)**	3
Defined benefit pension plans, net:				
Reclassification of amounts to net periodic benefit costs	**1**	1	**2**	2
Other comprehensive income, net of tax	**474**	769	**1,759**	1,290
Comprehensive Income	**$ 669**	1,222	**2,002**	2,518

Refer to the Notes to Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries
Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Bancorp Shareholders' Equity								
($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Bancorp Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance at March 31, 2019	$ 2,051	1,331	3,444	17,184	409	(4,772)	19,647	197	19,844
Net income				453			453		453
Other comprehensive income, net of tax					769		769		769
Cash dividends declared:									
Common stock[(a)]				(178)			(178)		(178)
Preferred stock[(b)]				(26)			(26)		(26)
Shares acquired for treasury			135			(335)	(200)		(200)
Impact of stock transactions under stock compensation plans, net			(7)			17	10		10
Other				(2)		1	(1)		(1)
Balance at June 30, 2019	$ 2,051	1,331	3,572	17,431	1,178	(5,089)	20,474	197	20,671
Balance at March 31, 2020	**$ 2,051**	**1,770**	**3,597**	**17,677**	**2,477**	**(5,699)**	**21,873**	**—**	**21,873**
Net income				**195**			**195**		**195**
Other comprehensive income, net of tax					**474**		**474**		**474**
Cash dividends declared:									
Common stock[(a)]				**(195)**			**(195)**		**(195)**
Preferred stock[(b)]				**(32)**			**(32)**		**(32)**
Impact of stock transactions under stock compensation plans, net			**6**			**14**	**20**		**20**
Other				**(2)**		**2**	—		—
Balance at June 30, 2020	**$ 2,051**	**1,770**	**3,603**	**17,643**	**2,951**	**(5,683)**	**22,335**	**—**	**22,335**

(a) Dividends declared per common share were $0.27 and $0.24 for the three months ended June 30, 2020 and 2019, respectively.

(b) For both the three months ended June 30, 2020 and 2019, dividends were $637.50 per preferred share for Perpetual Preferred Stock, Series H and $414.06 per preferred share for Perpetual Preferred Stock, Series I. For the three months ended June 30, 2020, dividends were $289.38 per preferred share for Perpetual Preferred Stock, Series J, $309.38 per preferred share for Perpetual Preferred Stock, Series K, and $15.00 per preferred share for Perpetual Class B Preferred Stock, Series A. For the three months ended June 30, 2019, dividends were $15.00 per preferred share for Perpetual Preferred Stock, Series C, of MB Financial, Inc., a subsidiary of the Bancorp.

Refer to the Notes to Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries
Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Bancorp Shareholders' Equity								
($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Bancorp Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2018	$ 2,051	1,331	2,873	16,578	(112)	(6,471)	16,250	—	16,250
Impact of cumulative effect of change in accounting principle				10			10		10
Balance at January 1, 2019	$ 2,051	1,331	2,873	16,588	(112)	(6,471)	16,260	—	16,260
Net income				1,228			1,228		1,228
Other comprehensive income, net of tax					1,290		1,290		1,290
Cash dividends declared:									
Common stock[(a)]				(343)			(343)		(343)
Preferred stock[(b)]				(41)			(41)		(41)
Shares acquired for treasury						(1,113)	(1,113)		(1,113)
Impact of stock transactions under stock compensation plans, net			(12)	1		46	35		35
Impact of MB Financial, Inc. acquisition			712			2,447	3,159	197	3,356
Other			(1)	(2)		2	(1)		(1)
Balance at June 30, 2019	$ 2,051	1,331	3,572	17,431	1,178	(5,089)	20,474	197	20,671
Balance at December 31, 2019	**$ 2,051**	**1,770**	**3,599**	**18,315**	**1,192**	**(5,724)**	**21,203**	**—**	**21,203**
Impact of cumulative effect of change in accounting principle[(c)]				**(472)**			**(472)**		**(472)**
Balance at January 1, 2020	**$ 2,051**	**1,770**	**3,599**	**17,843**	**1,192**	**(5,724)**	**20,731**	**—**	**20,731**
Net income				**243**			**243**		**243**
Other comprehensive income, net of tax					**1,759**		**1,759**		**1,759**
Cash dividends declared:									
Common stock[(a)]				**(390)**			**(390)**		**(390)**
Preferred stock[(b)]				**(50)**			**(50)**		**(50)**
Impact of stock transactions under stock compensation plans, net			**4**			**39**	**43**		**43**
Other				**(3)**		**2**	**(1)**		**(1)**
Balance at June 30, 2020	**$ 2,051**	**1,770**	**3,603**	**17,643**	**2,951**	**(5,683)**	**22,335**	**—**	**22,335**

(a) Dividends declared per common share were $0.54 and $0.46 for the six months ended June 30, 2020 and 2019, respectively.

(b) For both the six months ended June 30, 2020 and 2019, dividends were $637.50 per preferred share for Perpetual Preferred Stock, Series H and $828.12 per preferred share for Perpetual Preferred Stock, Series I. For the six months ended June 30, 2020 and 2019, dividends per preferred share for Perpetual Preferred Stock, Series J were $609.93 and $612.50, respectively. For the six months ended June 30, 2020, dividends were $618.76 per preferred share for Perpetual Preferred Stock, Series K and $30.00 per preferred share for Perpetual Class B Preferred Stock, Series A. For the six months ended June 30, 2019, dividends were $15.00 per preferred share for Perpetual Preferred Stock, Series C, of MB Financial, Inc., a subsidiary of the Bancorp.

(c) Related to the adoption of ASU 2016-13 as of January 1, 2020. Refer to Note 4 for additional information.

Refer to the Notes to Condensed Consolidated Financial Statements.

Fifth Third Bancorp and Subsidiaries
Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

($ in millions)	For the six months ended June 30, 2020	2019
Operating Activities		
Net income	**$ 243**	1,228
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**1,125**	175
Depreciation, amortization and accretion	**231**	198
Stock-based compensation expense	**77**	84
Benefit from deferred income taxes	**(48)**	(110)
Securities gains, net	**(3)**	(25)
Securities gains, net – non-qualifying hedges on mortgage servicing rights	**(3)**	(5)
MSR fair value adjustment	**448**	245
Net gains on sales of loans and fair value adjustments on loans held for sale	**(88)**	(56)
Net losses on disposition and impairment of bank premises and equipment	**15**	21
Net gains on disposition and impairment of operating lease equipment	**(5)**	(1)
Gain on sale of Worldpay, Inc. shares	**—**	(562)
Proceeds from sales of loans held for sale	**6,234**	2,897
Loans originated or purchased for sale, net of repayments	**(5,706)**	(3,364)
Dividends representing return on equity investments	**6**	17
Net change in:		
Trading debt and equity securities	**68**	14
Other assets	**(529)**	472
Accrued taxes, interest and expenses	**(229)**	(161)
Other liabilities	**116**	(259)
Net Cash Provided by Operating Activities	**1,952**	808
Investing Activities		
Proceeds from sales:		
Available-for-sale securities and other investments	**868**	7,539
Loans and leases	**57**	96
Bank premises and equipment	**12**	12
Proceeds from repayments / maturities:		
Available-for-sale securities and other investments	**1,251**	955
Held-to-maturity securities	**1**	—
Purchases:		
Available-for-sale securities and other investments	**(2,815)**	(8,462)
Bank premises and equipment	**(133)**	(119)
MSRs	**(30)**	(26)
Proceeds from settlement of BOLI	**8**	8
Proceeds from sales and dividends representing return of equity investments	**8**	1,008
Net cash received on acquisition	**—**	1,210
Net change in:		
Federal funds sold	**—**	35
Other short-term investments	**(26,293)**	(1,479)
Loans and leases	**(5,605)**	(933)
Operating lease equipment	**(20)**	(12)
Net Cash Used in Investing Activities	**(32,691)**	(168)

Fifth Third Bancorp and Subsidiaries
Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (continued)

($ in millions)	For the six months ended June 30, 2020	2019
Financing Activities		
Net change in:		
Deposits	**29,884**	2,070
Federal funds purchased	**2**	(1,746)
Other short-term borrowings	**193**	117
Dividends paid on common stock	**(367)**	(308)
Dividends paid on preferred stock	**(50)**	(18)
Proceeds from issuance of long-term debt	**2,511**	3,093
Repayment of long-term debt	**(1,450)**	(2,603)
Repurchases of treasury stock and related forward contract	**—**	(1,113)
Other	**(41)**	(49)
Net Cash Provided by (Used in) Financing Activities	**30,682**	(557)
(Decrease) Increase in Cash and Due from Banks	**(57)**	83
Cash and Due from Banks at Beginning of Period	**3,278**	2,681
Cash and Due from Banks at End of Period	**$ 3,221**	2,764

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

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of the Bancorp and its majority-owned subsidiaries and VIEs in which the Bancorp has been determined to be the primary beneficiary. Other entities, including certain joint ventures in which the Bancorp has the ability to exercise significant influence over operating and financial policies of the investee, but upon which the Bancorp does not possess control, are accounted for by the equity method and not consolidated. The investments in those entities in which the Bancorp does not have the ability to exercise significant influence are generally carried at fair value unless the investment does not have a readily determinable fair value. The Bancorp accounts for equity investments without a readily determinable fair value using the measurement alternative to fair value, representing the cost of the investment minus impairment recorded, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or a similar investment of the same issuer. Intercompany transactions and balances have been eliminated.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements include all adjustments, which consist of normal recurring accruals, necessary to present fairly the results for the periods presented. In accordance with U.S. GAAP and the rules and regulations of the SEC for interim financial information, these statements do not include certain information and footnote disclosures required for complete annual financial statements and it is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the Bancorp's Annual Report on Form 10-K. The results of operations, comprehensive income and changes in equity for the three and six months ended June 30, 2020 and 2019 and the cash flows for the six months ended June 30, 2020 and 2019 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2019 has been derived from the Bancorp's Annual Report on Form 10-K.

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

Reclassifications

Certain prior period data has been reclassified to conform to current period presentation. Specifically, effective January 1, 2020, Fifth Third reclassified certain noninterest income and noninterest expense line items to better align disclosures to business activities. These reclassifications were retrospectively applied to all prior periods presented. Total noninterest income and noninterest expense did not change as a result of these reclassifications.

2. Supplemental Cash Flow Information

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

($ in millions)		**2020**	2019
Cash Payments:			
Interest	**$**	**528**	710
Income taxes		**268**	318
Transfers:			
Portfolio loans and leases to loans and leases held for sale	**$**	**31**	192
Loans and leases held for sale to portfolio loans and leases		**29**	27
Portfolio loans and leases to OREO		**6**	18
Loans and leases held for sale to OREO		**2**	—
Supplemental Disclosures:			
Additions to right-of-use assets under operating leases	**$**	**27**	15
Additions to right-of-use assets under finance leases		**76**	1
Right-of-use assets recognized at adoption of ASU 2016-02		**—**	509

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

3. Business Combination

On March 22, 2019, Fifth Third Bancorp completed its acquisition of MB Financial, Inc. in a stock and cash transaction valued at approximately $3.6 billion. MB Financial, Inc. was headquartered in Chicago, Illinois with reported assets of approximately $20 billion and 86 branches (91 locations) as of December 31, 2018 and was the holding company of MB Financial Bank, N.A. The acquisition resulted in a combined company with a larger Chicago market presence and core deposit funding base while also building scale in a strategically important market.

Under the terms of the agreement, the Bancorp acquired 100% of the common stock of MB Financial, Inc. In exchange, common shareholders of MB Financial, Inc. received 1.45 shares of Fifth Third Bancorp common stock and $5.54 in cash for each share of MB Financial, Inc. common stock, for a total value per share of $42.49, based on the $25.48 closing price of Fifth Third Bancorp's common stock on March 21, 2019. Upon closing of the transaction, MB Financial, Inc. became a subsidiary of the Bancorp. However, MB Financial, Inc.'s 6.00% non-cumulative Series C perpetual preferred stock with a fair value of $197 million remained outstanding and was recognized as a noncontrolling interest on the Condensed Consolidated Balance Sheets. Through its ownership of all of the common stock, the Bancorp controlled 95% of the voting equity interests in MB Financial, Inc. with the remainder attributable to the preferred shareholders' noncontrolling interest.

On June 24, 2019, MB Financial, Inc. entered into an Agreement and Plan of Merger with the Bancorp to provide for the merger of MB Financial, Inc. with and into the Bancorp, with the Bancorp as the surviving corporation. A special meeting of MB Financial, Inc.'s stockholders was held on August 23, 2019 at which the holders of MB Financial, Inc.'s common stock and preferred stock, voting together as a single class, approved the merger. In the merger, each outstanding share of MB Financial, Inc.'s preferred stock was converted into the right to receive one share of a newly created series of preferred stock of the Bancorp having substantially the same terms as the MB Financial, Inc. preferred stock.

On August 26, 2019, the Bancorp issued 200,000 shares of 6.00% non-cumulative Class B perpetual preferred stock, Series A. Each preferred share has a $1,000 liquidation preference. These shares were issued to the holders of MB Financial, Inc.'s 6.00% non-cumulative Series C perpetual preferred stock in conjunction with the merger of MB Financial, Inc. with and into Fifth Third Bancorp. This transaction resulted in the elimination of the noncontrolling interest in MB Financial, Inc. which was previously reported in the Bancorp's Condensed Consolidated Financial Statements. The newly issued shares of Class B preferred stock, Series A were recognized by the Bancorp at the carrying value previously assigned to the MB Financial, Inc. Series C preferred stock prior to the transaction.

The acquisition of MB Financial, Inc. constituted a business combination and was accounted for under the acquisition method of accounting. Accordingly, the assets acquired, liabilities assumed and noncontrolling interest recognized were recorded at their estimated fair values as of the acquisition date. These fair value estimates were final as of March 31, 2020.

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

The following table reflects consideration paid and the noncontrolling interest recognized for MB Financial, Inc.'s net assets and the amounts of acquired identifiable assets and liabilities assumed at their fair value as of the acquisition date:

($ in millions)					
Consideration paid					
Cash payments				$	469
Fair value of common stock issued					3,121
Stock-based awards					38
Dividend receivable from MB Financial, Inc.					(20)
Total consideration paid				$	3,608
Fair value of noncontrolling interest in acquiree				$	197
Net Identifiable Assets Acquired, at Fair Value:					
Assets					
Cash and due from banks	$	1,679			
Federal funds sold		35			
Other short-term investments		53			
Available-for-sale debt and other securities		832			
Held-to-maturity securities		4			
Equity securities		51			
Loans and leases held for sale		12			
Portfolio loans and leases		13,414	(a)		
Bank premises and equipment		266	(a)		
Operating lease equipment		394	(a)		
Intangible assets		219	(a)		
Servicing rights		263			
Other assets		750	(a)		
Total assets acquired	$	17,972			
Liabilities					
Deposits	$	14,489			
Other short-term borrowings		267	(a)		
Accrued taxes, interest and expenses		276	(a)		
Other liabilities		194	(a)		
Long-term debt		727	(a)		
Total liabilities assumed	$	15,953			
Net identifiable assets acquired					2,019
Goodwill				$	1,786

(a) Fair values have been updated from the preliminary estimates reported in the March 31, 2019 Form 10-Q.

In connection with the acquisition, the Bancorp recognized approximately $1.8 billion of goodwill, of which $15 million relates to 15-year tax deductible goodwill from MB Financial, Inc.'s prior acquisitions. See Note 11 for further information on goodwill recognized and Note 12 for further information on intangible assets acquired in the acquisition of MB Financial, Inc.

The following is a description of the methods used to determine the estimated fair values of significant assets and liabilities presented above.

Cash and due from banks and other short-term investments
For financial instruments with a short-term or no stated maturity, prevailing market rates and limited credit risk, carrying amounts approximate fair value.

Available-for-sale debt and other securities, held-to-maturity securities and equity securities
Fair values for securities were based on quoted market prices, where available. If quoted market prices were not available, fair value estimates were based on observable inputs, including quoted market prices for similar instruments, quoted market prices that are not in an active market or other inputs that are observable in the market. In the absence of observable inputs, fair value was estimated based on pricing models and/or DCF methodologies.

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Loans and leases held for sale and portfolio loans and leases
Fair values for loans were based on a DCF methodology that considered factors including the type of loan and related collateral, fixed or variable interest rate, remaining term, credit quality ratings or scores, amortization status and current discount rates. Loans with similar characteristics were pooled together when applying various valuation techniques. The discount rates used for loans were based on an evaluation of current market rates for new originations of comparable loans and a market participant's required rate of return to purchase similar assets, including adjustments for liquidity and credit quality when necessary. For PCI loans (now PCD loans effective January 1, 2020 upon the adoption of ASU 2016-13), the DCF methodology was based on the Bancorp's estimate of contractual cash flows expected to be collected.

Bank premises and equipment
Fair values for bank premises and equipment were generally based on appraisals of the property values.

Operating lease equipment
Fair values for operating lease equipment were generally developed using the cost approach. The seller's historical cost was adjusted by cost trend indices relevant to the asset type and vintage to arrive at a current reproduction cost. This reproduction cost was then adjusted for deterioration based on the age and typical life of each class of assets. Residual values were estimated based on analysis of the seller's historical trends of residual value realization by asset class.

Intangible assets
The core deposit intangible asset represents the value of relationships with deposit customers. The fair value was estimated based on a DCF methodology that considered expected customer attrition rates, net maintenance cost of the deposit base, alternative cost of funds and the interest costs associated with customer deposits. The core deposit intangible is being amortized on an accelerated basis over its estimated useful life.

For acquired operating leases where the Bancorp is the lessor, intangible assets are recognized when contract terms of the lease are more favorable than market terms as of the acquisition date. Operating lease intangibles are amortized on a straight-line basis over the remaining lease term.

Servicing rights
Fair values for servicing rights were estimated using internal option-adjusted spread models with certain unobservable inputs, primarily prepayment speed assumptions, option-adjusted spread and weighted-average lives.

Other assets
Fair values for ROU assets associated with real estate operating leases were based on current market rental rates for similar properties in the same area, discounted at the Bancorp's incremental borrowing rates as of the acquisition date. Estimates of current market rental rates were generally based on third-party market rent studies performed for each significant property.

Deposits
The fair values for time deposits were estimated using a DCF methodology whereby the contractual remaining cash flows were discounted using market rates currently being offered for time deposits of similar maturities. For transactional deposits, carrying amounts approximate fair value.

Long-term debt
The fair values of long-term debt instruments were estimated based on quoted market prices for identical or similar instruments, if available, or by using DCF analyses based on current incremental borrowing rates for similar types of instruments.

Merger-Related Expenses
Direct merger-related expenses related to the acquisition of MB Financial, Inc. were expensed as incurred by the Bancorp and amounted to $9 million and $109 million for the three months ended June 30, 2020 and 2019, respectively, and $16 million and $185 million for the six months ended June 30, 2020 and 2019, respectively.

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

The following table provides a summary of merger-related expenses recorded in noninterest expense:

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Compensation and benefits	**$ 2**	41	**4**	75
Technology and communications	**4**	49	**6**	60
Net occupancy expense	**2**	6	**4**	6
Equipment expense	**—**	1	**—**	1
Card and processing expense	**—**	1	**—**	1
Marketing expense	**—**	3	**—**	6
Other noninterest expense	**1**	8	**2**	36
Total	**$ 9**	109	**16**	185

Pro Forma Information

The following table presents unaudited pro forma information as if the acquisition of MB Financial, Inc. had occurred on January 1, 2018. This pro forma information combines the historical condensed consolidated results of operations of Fifth Third Bancorp and MB Financial, Inc. after giving effect to certain adjustments, including purchase accounting fair value adjustments, amortization of intangibles, stock-based compensation expense and acquisition costs, as well as the related income tax effects of those adjustments. The pro forma results also reflect reclassification adjustments to noninterest income and noninterest expense to conform MB Financial, Inc.'s presentation of operating lease income and the related depreciation expense with the Bancorp's presentation. Direct costs associated with the acquisition were included in pro forma earnings as of January 1, 2018.

The pro forma information does not necessarily reflect the results of operations that would have occurred had Fifth Third Bancorp acquired MB Financial, Inc. on January 1, 2018. Furthermore, cost savings and other business synergies related to the acquisition are not reflected in the unaudited pro forma amounts.

	Unaudited Pro Forma Information	
($ in millions)	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Net interest income	$ 1,237	2,473
Noninterest income	658	1,862
Net income available to common shareholders	425	1,320

Acquired Loans and Leases

Prior to the adoption of ASU 2016-13 on January 1, 2020, purchased loans were evaluated for evidence of credit deterioration at acquisition and recorded at their initial fair value. Generally, the fair value discount or premium on acquired loans and leases was amortized over the contractual life of the loan as an adjustment to yield. For loans acquired with evidence of credit impairment (PCI loans), the Bancorp determined at the acquisition date the excess of the loan's contractually required payments over all cash flows expected to be collected as an amount that should not be accreted into interest income (nonaccretable difference). The remaining amount representing the difference in the expected cash flows of acquired loans and the initial investment in the acquired loans was accreted into interest income over the remaining life of the loan or pool of loans (accretable yield). This method of accounting for loans acquired with credit impairment did not apply to loans carried at fair value, residential mortgage loans held for sale and loans under revolving credit agreements. Refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019 for additional information on the accounting for PCI loans. The Bancorp elected to account for loans acquired from MB Financial, Inc., which were not considered impaired but exhibited evidence of credit deterioration since origination, in the same manner as PCI loans.

The following table reflects the contractually required payments receivable, cash flows expected to be collected and estimated fair value of loans identified as PCI loans on the acquisition date of MB Financial, Inc. These fair value estimates were final as of March 31, 2020.

($ in millions)	March 22, 2019
Contractually required payments including interest	$ 1,139
Less: Nonaccretable difference	81
Cash flows expected to be collected	1,058
Less: Accretable yield	202
Fair value of loans acquired	$ 856

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

A summary of activity related to the accretable yield is as follows:

($ in millions)	Accretable Yield
Balance as of December 31, 2018	$ —
Additions	202
Accretion	(16)
Reclassifications from (to) nonaccretable difference	4
Balance as of June 30, 2019	$ 190

At the MB Financial, Inc. acquisition date, contractual balances on the purchased non-PCI loans and leases totaled $12.7 billion with a corresponding fair value of $12.5 billion.

ASU 2016-13, which was adopted by the Bancorp on January 1, 2020, superseded the accounting for PCI loans and transitioned to the accounting for PCD loans. As such, the Bancorp no longer recognizes a nonaccretable difference or accretable yield, but instead includes expected credit losses on loans acquired with evidence of credit deterioration as part of the ALLL and amortizes any remaining noncredit discount over the remaining contractual life of the loan as an adjustment to yield. Upon adoption, the Bancorp increased the ALLL by $33 million to reflect expected credit losses on loans previously designated as PCI loans. This amount was added to the amortized cost basis of the loans at transition. After this adjustment, the remaining difference between the amortized cost basis and unpaid principal balance is considered to be a noncredit discount. The noncredit discount totaled $87 million as of January 1, 2020. Refer to Note 4 for additional information about ASU 2016-13 and refer to Note 7 for additional information on the Bancorp's portfolio of PCD loans.

Bank Merger
On May 3, 2019, MB Financial Bank, N.A. merged with and into Fifth Third Bank (now Fifth Third Bank, National Association), with Fifth Third Bank, National Association as the surviving entity. Fifth Third Bank, National Association is an indirect subsidiary of Fifth Third Bancorp.

4. Accounting and Reporting Developments

Standards Adopted in 2020
The Bancorp adopted the following new accounting standards during the six months ended June 30, 2020:

ASU 2016-13 – Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments
In June 2016, the FASB issued ASU 2016-13, which establishes a new approach to estimate credit losses on certain types of financial instruments. The new approach changes the impairment model for most financial assets, and requires the use of an "expected credit loss" model for financial instruments measured at amortized cost and certain other instruments. This model applies to trade and other receivables, loans, debt securities, net investments in leases, and off-balance sheet credit exposures (such as loan commitments, standby letters of credit, and financial guarantees not accounted for as insurance). This model requires entities to estimate the lifetime expected credit loss on such instruments and record an allowance that represents the portion of the amortized cost basis that the entity does not expect to collect. This allowance is deducted from the financial asset's amortized cost basis to present the net amount expected to be collected. The expected credit loss model also applies to purchased financial assets with credit deterioration, superseding previous accounting guidance for such assets. The amended guidance also amends the impairment model for available-for-sale debt securities, requiring entities to determine whether all or a portion of the unrealized loss on such securities is a credit loss, and also eliminating the option for management to consider the length of time a security has been in an unrealized loss position as a factor in concluding whether or not a credit loss exists. The amended model requires an entity to recognize an allowance for credit losses on available-for-sale debt securities as a contra account to the amortized cost basis, instead of a direct reduction of the amortized cost basis of the investment, as under previous guidance. As a result, entities will recognize improvements to estimated credit losses on available-for-sale debt securities immediately in earnings as opposed to in interest income over time. There are also additional disclosure requirements included in this guidance. Subsequent to the issuance of ASU 2016-13, the FASB has issued additional ASUs containing clarifying guidance, transition relief provisions and minor updates to the original ASU. These include ASU 2018-19 (issued in November 2018), ASU 2019-04 (issued in April 2019), ASU 2019-05 (issued in May 2019) and ASU 2019-11 (issued in November 2019).

The Bancorp adopted the amended guidance on January 1, 2020, using a modified retrospective approach, although certain provisions of the guidance are only required to be applied on a prospective basis. Upon adoption, the Bancorp recorded a combined increase to the ALLL and reserve for unfunded commitments of approximately $653 million and a cumulative-effect adjustment to retained earnings of $472 million. Of the increase to the ALLL, approximately $33 million pertained to the recognition of an ALLL on purchased financial assets with credit deterioration and was also added to the carrying value of the related loans. Adoption of the amended guidance did not have a material impact to the Bancorp's investment securities portfolio. The required disclosures are included in Note 7.

ASU 2017-04 – Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment
In January 2017, the FASB issued ASU 2017-04, which simplifies the test for goodwill impairment by removing the second step, which measures the amount of impairment loss, if any. Instead, the amended guidance states that an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, except that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This guidance applies to all reporting units, including those with zero or negative carrying amounts of net assets. The Bancorp adopted the amended guidance on January 1, 2020. The amended guidance is applied prospectively to all goodwill impairment tests performed after the adoption date.

ASU 2018-13 – Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement
In August 2018, the FASB issued ASU 2018-13, which modifies the disclosure requirements for fair value measurements. The amendments remove the requirements to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. The amendments also add new disclosure requirements regarding unrealized gains and losses from recurring Level 3 fair value measurements and the significant unobservable inputs used to develop Level 3 fair value measurements. The Bancorp adopted the amended guidance on January 1, 2020 and the required disclosures are included in Note 23.

ASU 2018-15 – Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract
In August 2018, the FASB issued ASU 2018-15, which provides guidance on the accounting for implementation, setup and other upfront costs incurred by customers in cloud computing arrangements that are accounted for as service contracts. The amendments require that implementation costs be evaluated for capitalization using the framework applicable to costs incurred to develop or obtain internal-use software. Those capitalized costs are to be expensed over the term of the cloud computing arrangement and presented in the same financial statement line items as the service contract and its associated fees. The Bancorp adopted the amended guidance on January 1, 2020 on a prospective basis.

ASU 2020-04 – Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate on Financial Reporting
In March 2020, the FASB issued ASU 2020-04, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in the ASU apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022 that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments in this ASU are effective for the Bancorp as of March 12, 2020 through December 31, 2022. The Bancorp is in the process of evaluating the optional expedients and exceptions in accounting for eligible contract modifications, changes to eligible existing hedging relationships and new hedging relationships available through December 31, 2022.

Standards Issued but Not Yet Adopted
The following accounting standards were issued but not yet adopted by the Bancorp as of June 30, 2020:

ASU 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes
In December 2019, the FASB issued ASU 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also clarify and amend existing guidance for other areas of Topic 740. The amended guidance is effective for the Bancorp on January 1, 2021 with early adoption permitted, and is to be applied either prospectively or retrospectively for the specific amendment based on the transition method prescribed by the FASB. The Bancorp is in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

Regulatory Developments Related to the COVID-19 Pandemic
On March 22, 2020, various national banking regulatory agencies jointly issued an interagency statement addressing loan modifications and reporting for financial institutions working with customers affected by the COVID-19 pandemic. The statement describes the agencies' interpretation of how existing guidance in U.S. GAAP applies to certain loan modifications related to COVID-19. Among other things, the statement affirms that short-term modifications (e.g., six months) made on a good faith basis in response to COVID-19 to borrowers who were less than 30 days past due on contractual payments at the time a modification program is implemented would not be considered TDRs. The statement also clarifies that loans modified in response to the COVID-19 pandemic should be evaluated on the basis of their modified terms when reporting loans as past due and evaluating for nonaccrual status and charge-off.

On March 27, 2020, the CARES Act was signed into law. Section 4013 of the CARES Act provides financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs for a limited period of time in certain circumstances. This temporary suspension may only be applied to modifications of loans that were not more than 30 days past due as of December 31, 2019 and may not be applied to modifications that are not related to the COVID-19 pandemic. If elected, the temporary suspension may be applied to

eligible modifications executed during the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020 or 60 days after the termination of the COVID-19 national emergency. On April 7, 2020, the national banking regulatory agencies revised their previously issued interagency statement to clarify the interactions with the provisions of Section 4013 of the CARES Act.

The Bancorp has elected to apply the temporary suspension of TDR requirements provided by the CARES Act for eligible loan modifications. For loan modifications that are not eligible for the suspension offered by the CARES Act or that are executed outside its applicable period, the Bancorp considers the interpretive guidance provided in the revised interagency statement to evaluate loan modifications within its scope, or existing TDR evaluation policies if the modification does not fall within the scope of the interagency statement.

Loans and leases which received payment deferrals or forbearances as part of the Bancorp's COVID-19 customer relief programs are generally not reported as delinquent if the loan or lease was less than 30 days past due at March 1, 2020 (the effective date of the COVID-19 national emergency declaration) unless the loan or lease subsequently becomes delinquent according to its modified terms. Those loans and leases that were 30 days or more past due at March 1, 2020 continue to be reported at their March 1, 2020 delinquency status unless the borrower makes supplemental payments to resolve the delinquency.

On April 10, 2020, the FASB staff issued a question-and-answer document (Q&A) to address questions on the application of the lease accounting guidance for lease concessions related to the effects of the COVID-19 pandemic. Under Topic 842, subsequent changes to lease payments that are not stipulated in the original lease contract are generally accounted for as lease modifications. Some contracts may contain explicit or implicit enforceable rights and obligations that require lease concessions in certain circumstances and therefore would not be considered a lease modification. Given the significant cost and complexity in assessing the large volume of lease contracts for which concessions are being granted due to the COVID-19 pandemic, the FASB clarified in this Q&A that an entity can elect to account for lease concessions associated with the COVID-19 pandemic as though enforceable rights and obligations for those concessions existed. This guidance eliminates the requirement to analyze each contract to determine whether enforceable rights and obligations to provide concessions exist and allows an entity to elect to apply or not apply the lease modification guidance in Topic 842. This election is only available for concessions related to the effect of the COVID-19 pandemic that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee.

The Bancorp has elected to not apply the lease modification accounting guidance in Topic 842 for lease concessions granted as a result of the COVID-19 pandemic as the deferrals only affect the timing of the payments and the amount of consideration to be received is substantially the same as that required by the original contract.

Updates to Significant Accounting and Reporting Policies

In conjunction with the adoption of new accounting standards, the Bancorp has updated its accounting and reporting policies for investment securities, portfolio loans and leases, the ALLL, the reserve for unfunded commitments and goodwill as described below. Refer to Note 1 of the Notes to Consolidated Financial Statements in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019 for discussion of these accounting and reporting policies for periods prior to January 1, 2020.

Investment securities

Debt securities are classified as held-to-maturity, available-for-sale or trading on the date of purchase. Only those securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt securities are classified as available-for-sale when, in management's judgment, they may be sold in response to, or in anticipation of, changes in market conditions. Debt securities are classified as trading when bought and held principally for the purpose of selling them in the near term. Trading debt securities are reported at fair value with unrealized gains and losses included in noninterest income. Available-for-sale debt securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, included in OCI. Accrued interest receivables on investment securities are presented in the Condensed Consolidated Balance Sheets as a component of other assets.

Available-for-sale debt securities with unrealized losses are reviewed quarterly to determine if the decline in fair value is the result of a credit loss or other factors. An allowance for credit losses is recorded against available-for-sale securities to reflect the amount of the unrealized loss attributable to credit; however, this impairment is limited by the amount that the fair value is less than the amortized cost basis. Any remaining unrealized loss is recognized through OCI. Changes in the allowance for credit losses are recognized in earnings.

The determination of whether or not a credit loss exists is based on consideration of the cash flows expected to be collected from the debt security. The Bancorp develops these expectations after considering various factors such as agency ratings, the financial condition of the issuer or underlying obligors, payment history, payment structure of the security, industry and market conditions, underlying collateral and other factors which may be relevant based on the facts and circumstances pertaining to individual securities.

If the Bancorp intends to sell the debt security or will more likely than not be required to sell the debt security before recovery of its amortized cost basis, then the allowance for credit losses, if previously recorded, is written off and the security's amortized cost is written down to the security's fair value at the reporting date, with any incremental impairment recorded as a charge to noninterest income.

Held-to-maturity debt securities are assessed periodically to determine if a valuation allowance is necessary to absorb credit losses expected to occur over the remaining contractual life of the securities. The carrying amount of held-to-maturity debt securities is presented net of the valuation allowance for credit losses when such an allowance is deemed necessary.

Equity securities with readily determinable fair values not accounted for under the equity method are reported at fair value with unrealized gains and losses included in noninterest income in the Condensed Consolidated Statements of Income. Equity securities without readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes as a result of an observable price change for the identical or similar investment of the same issuer. At each quarterly reporting period, the Bancorp performs a qualitative assessment to evaluate whether impairment indicators are present. If qualitative indicators are identified, the investment is measured at fair value with the impairment loss included in noninterest income in the Condensed Consolidated Statements of Income.

The fair value of a security is determined based on quoted market prices. If quoted market prices are not available, fair value is determined based on quoted prices of similar instruments or DCF models that incorporate market inputs and assumptions including discount rates, prepayment speeds and loss rates.

The premium on purchased callable debt securities is amortized to the earliest call date if the call feature meets certain criteria. Otherwise, the premium is amortized to maturity similar to the discount on the callable debt securities.

Realized securities gains or losses are reported within noninterest income in the Condensed Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

Portfolio loans and leases—basis of accounting
Portfolio loans and leases are generally reported at the principal amount outstanding, net of unearned income, deferred direct loan origination fees and costs and any direct principal charge-offs. Direct loan origination fees and costs are deferred and the net amount is amortized over the estimated life of the related loans as a yield adjustment. Interest income is recognized based on the principal balance outstanding computed using the effective interest method.

Loans and leases acquired by the Bancorp through a purchase business combination are recorded at fair value as of the acquisition date. Purchased loans and finance leases (including both sales-type leases and direct financing leases) are evaluated for evidence of credit deterioration at acquisition and recorded at their initial fair value. For loans and finance leases that do not exhibit evidence of more-than-insignificant credit deterioration since origination, the Bancorp does not carry over the acquired company's ALLL, but upon acquisition will record an ALLL and provision for credit losses reflective of credit losses expected to be incurred over the remaining contractual life of the acquired loans. Premiums and discounts reflected in the initial fair value are amortized over the contractual life of the loan as an adjustment to yield.

For loans and finance leases that exhibit evidence of more-than-insignificant credit quality deterioration since origination, the Bancorp's estimate of expected credit losses is added to the ALLL upon acquisition and to the initial purchase price of the loans and leases to determine the initial amortized cost basis for the purchased financial assets with credit deterioration. Any resulting difference between the initial amortized cost basis (as adjusted for expected credit losses) and the par value of the loans and leases at the acquisition date represents the non-credit premium or discount, which is amortized over the contractual life of the loan or lease as an adjustment to yield. This method of accounting for loans acquired with deteriorated credit quality does not apply to loans carried at fair value or residential mortgage loans held for sale.

The Bancorp's lease portfolio consists of sales-type, direct financing and leveraged leases. Sales-type and direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Interest income on sales-type and direct financing leases is recognized over the term of the lease to achieve a constant periodic rate of return on the outstanding investment.

Leveraged leases, entered into before January 1, 2019, are carried at the aggregate of lease payments (less nonrecourse debt payments) plus estimated residual value of the leased property, less unearned income. Interest income on leveraged leases is recognized over the term of the lease to achieve a constant rate of return on the outstanding investment in the lease, net of the related deferred income tax liability, in the years in which the net investment is positive. Leveraged lease accounting is no longer applied for leases entered into or modified after the Bancorp's adoption of ASU 2016-02, Leases, on January 1, 2019.

ALLL
The Bancorp disaggregates its portfolio loans and leases into portfolio segments for purposes of determining the ALLL. The Bancorp's portfolio segments include commercial, residential mortgage and consumer. The Bancorp further disaggregates its portfolio segments into classes for purposes of monitoring and assessing credit quality based on certain risk characteristics. Classes within the commercial portfolio segment include commercial and industrial, commercial mortgage owner-occupied, commercial mortgage nonowner-occupied, commercial construction and commercial leasing. The residential mortgage portfolio segment is also considered a class. Classes within the consumer

portfolio segment include home equity, indirect secured consumer, credit card and other consumer loans. For an analysis of the Bancorp's ALLL by portfolio segment and credit quality information by class, refer to Note 7.

The Bancorp maintains the ALLL to absorb the amount of credit losses that are expected to be incurred over the remaining contractual terms of the related loans and leases. Contractual terms are adjusted for expected prepayments but are not extended for expected extensions, renewals or modifications except in circumstances where the Bancorp reasonably expects to execute a TDR with the borrower or where certain extension or renewal options are embedded in the original contract and not unconditionally cancellable by the Bancorp.

Accrued interest receivables on loans are presented in the Condensed Consolidated Financial Statements as a component of other assets. When accrued interest is deemed to be uncollectible (typically when a loan is placed on nonaccrual status), interest income is reversed. The Bancorp follows established policies for placing loans on nonaccrual status, so uncollectible accrued interest receivable is reversed in a timely manner. As a result, the Bancorp has elected not to measure an allowance for credit losses for accrued interest receivables. Refer to the Portfolio Loans and Leases section for additional information.

Credit losses are charged and recoveries are credited to the ALLL. The ALLL is maintained at a level the Bancorp considers to be adequate and is based on ongoing quarterly assessments and evaluations of the collectability of loans and leases, including historical credit loss experience, current and forecasted market and economic conditions and consideration of various qualitative factors that, in management's judgment, deserve consideration in estimating credit losses. Provisions for credit losses are recorded for the amounts necessary to adjust the ALLL to the Bancorp's current estimate of expected credit losses on portfolio loans and leases. The Bancorp's strategy for credit risk management includes a combination of conservative exposure limits significantly below legal lending limits and conservative underwriting, documentation and collections standards. The strategy also emphasizes diversification on a geographic, industry and customer level, regular credit examinations and quarterly management reviews of large credit exposures and loans experiencing deterioration of credit quality.

The Bancorp's methodology for determining the ALLL includes an estimate of expected credit losses on a collective basis for groups of loans and leases with similar risk characteristics and specific allowances for loans and leases which are individually evaluated.

Larger commercial loans and leases included within aggregate borrower relationship balances exceeding $1 million that exhibit probable or observed credit weaknesses, as well as loans that have been modified in a TDR, are individually evaluated for an ALLL. The Bancorp considers the current value of collateral, credit quality of any guarantees, the guarantor's liquidity and willingness to cooperate, the loan structure and other factors when determining the amount of ALLL. Other factors may include the borrower's susceptibility to risks presented by the forecasted macroeconomic environment, the industry and geographic region of the borrower, size and financial condition of the borrower, cash flow and leverage of the borrower and the Bancorp's evaluation of the borrower's management. When loans and leases are individually evaluated, allowances are determined based on management's estimate of the borrower's ability to repay the loan or lease given the availability of collateral and other sources of cash flow, as well as an evaluation of legal options available to the Bancorp. Allowances for individually evaluated loans and leases that are collateral-dependent are measured based on the fair value of the underlying collateral, less expected costs to sell where applicable. Individually evaluated loans and leases that are not collateral-dependent are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. The Bancorp evaluates the collectability of both principal and interest when assessing the need for a loss accrual. Specific allowances on individually evaluated commercial loans and leases, including TDRs, are reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

Expected credit losses are estimated on a collective basis for loans and leases that are not individually evaluated. These include commercial loans and leases that do not meet the criteria for individual evaluation as well as homogeneous loans and leases in the residential mortgage and consumer portfolio segments. For collectively evaluated loans and leases, the Bancorp uses models to forecast expected credit losses based on the probability of a loan or lease defaulting, the expected balance at the estimated date of default and the expected loss percentage given a default. The estimate of the expected balance at the time of default considers prepayments and, for loans with available credit, expected utilization rates. The Bancorp's expected credit loss models were developed based on historical credit loss experience and observations of migration patterns for various credit risk characteristics (such as internal credit risk grades, external credit ratings or scores, delinquency status, loan-to-value trends, etc.) over time, with those observations evaluated in the context of concurrent macroeconomic conditions. The Bancorp developed its models from historical observations capturing a full economic cycle when possible.

The Bancorp's expected credit loss models consider historical credit loss experience, current market and economic conditions, and forecasted changes in market and economic conditions if such forecasts are considered reasonable and supportable. Generally, the Bancorp considers its forecasts to be reasonable and supportable for a period of up to three years from the estimation date. For periods beyond the reasonable and supportable forecast period, expected credit losses are estimated by reverting to historical loss information without adjustment for changes in economic conditions. This reversion is phased in over a two-year period. The Bancorp evaluates the length of its reasonable and supportable forecast period, its reversion period and reversion methodology at least annually, or more often if warranted by economic conditions or other circumstances.

The Bancorp also considers qualitative factors in determining the ALLL. Qualitative factors are used to capture characteristics in the portfolio that impact expected credit losses but that are not fully captured within the Bancorp's expected credit loss models. These include adjustments for changes in policies or procedures in underwriting, monitoring or collections, lending and risk management personnel and results of internal audit and quality control reviews. These may also include adjustments, when deemed necessary, for specific idiosyncratic risks such as geopolitical events, natural disasters and their effects on regional borrowers, and changes in product structures. Qualitative factors may also be used to address the impacts of unforeseen events on key inputs and assumptions within the Bancorp's expected credit loss models, such as the reasonable and supportable forecast period, changes to historical loss information or changes to the reversion period or methodology.

When evaluating the adequacy of allowances, consideration is also given to regional geographic concentrations and the closely associated effect changing economic conditions have on the Bancorp's customers.

Reserve for unfunded commitments

The reserve for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated expected credit losses related to unfunded credit facilities and is included in other liabilities in the Condensed Consolidated Balance Sheets. The determination of the adequacy of the reserve is based upon expected credit losses over the remaining contractual life of the commitments, taking into consideration the current funded balance and estimated exposure over the reasonable and supportable forecast period. This process takes into consideration the same risk elements that are analyzed in the determination of the adequacy of the Bancorp's ALLL, as previously discussed. Net adjustments to the reserve for unfunded commitments are included in provision for credit losses in the Condensed Consolidated Statements of Income.

Goodwill

Business combinations entered into by the Bancorp typically include the recognition of goodwill. U.S. GAAP requires goodwill to be tested for impairment at the Bancorp's reporting unit level on an annual basis, which for the Bancorp is September 30, and more frequently if events or circumstances indicate that there may be impairment.

Impairment exists when a reporting unit's carrying amount of goodwill exceeds its implied fair value. In testing goodwill for impairment, U.S. GAAP permits the Bancorp to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, the Bancorp evaluates events and circumstances which may include, but are not limited to, the general economic environment, banking industry and market conditions, the overall financial performance of the Bancorp, the performance of the Bancorp's common stock, the key financial performance metrics of the Bancorp's reporting units and events affecting the reporting units to determine if it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the quantitative impairment test is required or the decision to bypass the qualitative assessment is elected, the Bancorp performs the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. A recognized impairment loss cannot be reversed in future periods even if the fair value of the reporting unit subsequently recovers.

The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. As none of the Bancorp's reporting units are publicly traded, individual reporting unit fair value determinations cannot be directly correlated to the Bancorp's stock price. The determination of the fair value of a reporting unit is a subjective process that involves the use of estimates and judgments, particularly related to cash flows, the appropriate discount rates and an applicable control premium. The Bancorp employs an income-based approach, utilizing the reporting unit's forecasted cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) and the reporting unit's estimated cost of equity as the discount rate. Significant management judgment is necessary in the preparation of each reporting unit's forecasted cash flows surrounding expectations for earnings projections, growth and credit loss expectations and actual results may differ from forecasted results. Additionally, the Bancorp determines its market capitalization based on the average of the closing price of the Bancorp's stock during the month including the measurement date, incorporating an additional control premium, and compares this market-based fair value measurement to the aggregate fair value of the Bancorp's reporting units in order to corroborate the results of the income approach. Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements for further information regarding the Bancorp's goodwill.

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

5. Investment Securities

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

June 30, 2020 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt and other securities:				
U.S. Treasury and federal agency securities	**$ 74**	**4**	**—**	**78**
Obligations of states and political subdivisions securities	**17**	**—**	**—**	**17**
Mortgage-backed securities:				
Agency residential mortgage-backed securities	**12,907**	**1,002**	**—**	**13,909**
Agency commercial mortgage-backed securities	**16,279**	**1,612**	**—**	**17,891**
Non-agency commercial mortgage-backed securities	**3,223**	**218**	**—**	**3,441**
Asset-backed securities and other debt securities	**2,732**	**25**	**(42)**	**2,715**
Other securities[(a)]	**548**	**—**	**—**	**548**
Total available-for-sale debt and other securities	**$ 35,780**	**2,861**	**(42)**	**38,599**
Held-to-maturity securities:				
Obligations of states and political subdivisions securities	**$ 14**	**—**	**—**	**14**
Asset-backed securities and other debt securities	**2**	**—**	**—**	**2**
Total held-to-maturity securities	**$ 16**	**—**	**—**	**16**

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $68, $478 and $2, respectively, at June 30, 2020, that are carried at cost.

December 31, 2019 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt and other securities:				
U.S. Treasury and federal agency securities	$ 74	1	—	75
Obligations of states and political subdivisions securities	18	—	—	18
Mortgage-backed securities:				
Agency residential mortgage-backed securities	13,746	388	(19)	14,115
Agency commercial mortgage-backed securities	15,141	564	(12)	15,693
Non-agency commercial mortgage-backed securities	3,242	123	—	3,365
Asset-backed securities and other debt securities	2,189	29	(12)	2,206
Other securities[(a)]	556	—	—	556
Total available-for-sale debt and other securities	$ 34,966	1,105	(43)	36,028
Held-to-maturity securities:				
Obligations of states and political subdivisions securities	$ 15	—	—	15
Asset-backed securities and other debt securities	2	—	—	2
Total held-to-maturity securities	$ 17	—	—	17

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $76, $478 and $2, respectively, at December 31, 2019, that are carried at cost.

The following table provides the fair value of trading debt securities and equity securities as of:

($ in millions)	**June 30, 2020**	December 31, 2019
Trading debt securities	**$ 526**	297
Equity securities	**273**	564

The amounts reported in the preceding tables exclude accrued interest receivables on investment securities of $92 million at June 30, 2020, which are presented as a component of other assets in the Condensed Consolidated Balance Sheets.

The Bancorp uses investment securities as a means of managing interest rate risk, providing collateral for pledging purposes and for liquidity to satisfy regulatory requirements. As part of managing interest rate risk, the Bancorp acquires securities as a component of its MSR non-qualifying hedging strategy, with net gains or losses recorded in securities gains, net – non-qualifying hedges on MSRs in the Condensed Consolidated Statements of Income.

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

The following table presents securities gains (losses) recognized in the Condensed Consolidated Statements of Income:

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Available-for-sale debt and other securities:				
Realized gains	**$** —	34	**1**	47
Realized losses	**—**	(33)	**(1)**	(47)
OTTI	**—**	(1)	**—**	(1)
Net realized losses on available-for sale debt and other securities	**$** —	—	**—**	(1)
Total trading debt securities gains	**$** —	2	**3**	5
Total equity securities (losses) gains[(a)]	**$** **21**	8	**(3)**	26
Total gains recognized in income from available-for-sale debt and other securities, trading debt securities and equity securities[(b)]	**$** **21**	10	**—**	30

(a) Includes net unrealized gains of $21 and net unrealized losses of $2 for the three and six months ended June 30, 2020, respectively, and net unrealized gains of $4 and $23 for the three and six months ended June 30, 2019, respectively.

(b) Excludes $8 and $6 of net securities gains for the three and six months ended June 30, 2020, respectively, and $1 and $4 of net securities gains for the three and six months ended June 30, 2019, respectively, included in commercial banking revenue and wealth and asset management revenue in the Condensed Consolidated Statements of Income related to securities held by FTS to facilitate the timely execution of customer transactions.

Upon adoption of ASU 2016-13 on January 1, 2020, the Bancorp evaluates available-for-sale debt and other securities in an unrealized loss position to determine whether all or a portion of the unrealized loss on such securities is a credit loss. If credit losses are identified, they are generally recognized as an allowance for credit losses (a contra account to the amortized cost basis of the securities) with the periodic change in the allowance recognized in earnings. Prior to January 1, 2020, investment securities were evaluated for OTTI with any identified OTTI recognized as a charge to income and a direct reduction of the amortized cost basis of the securities.

At June 30, 2020, the Bancorp completed its evaluation of the available-for-sale debt and other securities in an unrealized loss position and did not recognize an allowance for credit losses. The Bancorp did not recognize provision expense for the three and six months ended June 30, 2020 related to available-for-sale debt and other securities in an unrealized loss position.

At June 30, 2020 and December 31, 2019, investment securities with a fair value of $10.8 billion and $8.1 billion, respectively, were pledged to secure borrowings, public deposits, trust funds, derivative contracts and for other purposes as required or permitted by law.

The expected maturity distribution of the Bancorp's mortgage-backed securities and the contractual maturity distribution of the remainder of the Bancorp's available-for-sale debt and other securities and held-to-maturity investment securities as of June 30, 2020 are shown in the following table:

	Available-for-Sale Debt and Other		Held-to-Maturity	
($ in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities:[(a)]				
Less than 1 year	$ 55	57	4	4
1-5 years	14,598	15,565	10	10
5-10 years	14,644	16,051	—	—
Over 10 years	5,935	6,378	2	2
Other securities	548	548	—	—
Total	$ 35,780	38,599	16	16

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

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

	Less than 12 months		12 months or more		Total	
($ in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2020						
Agency residential mortgage-backed securities	**$ —**	**—**	**1**	**—**	**1**	**—**
Non-agency commercial mortgage-backed securities	**12**	**—**	**—**	**—**	**12**	**—**
Asset-backed securities and other debt securities	**1,087**	**(27)**	**443**	**(15)**	**1,530**	**(42)**
Total	**$ 1,099**	**(27)**	**444**	**(15)**	**1,543**	**(42)**
December 31, 2019						
Agency residential mortgage-backed securities	$ 2,159	(19)	4	—	2,163	(19)
Agency commercial mortgage-backed securities	1,602	(12)	—	—	1,602	(12)
Asset-backed securities and other debt securities	367	(3)	379	(9)	746	(12)
Total	$ 4,128	(34)	383	(9)	4,511	(43)

At June 30, 2020 and December 31, 2019, $2 million and an immaterial amount of unrealized losses in the available-for-sale debt and other securities portfolio were represented by non-rated securities, respectively.

6. Loans and Leases

The Bancorp diversifies its loan and lease portfolio by offering a variety of loan and lease products with various payment terms and rate structures. The Bancorp's commercial loan and lease portfolio consists of lending to various industry types. Management periodically reviews the performance of its loan and lease products to evaluate whether they are performing within acceptable interest rate and credit risk levels and changes are made to underwriting policies and procedures as needed. The Bancorp maintains an allowance to absorb loan and lease losses that are expected to be incurred over the remaining contractual terms of the related loans and leases. For further information on credit quality and the ALLL, refer to Note 7.

The following table provides a summary of commercial loans and leases classified by primary purpose and consumer loans classified based upon product or collateral as of:

($ in millions)		**June 30, 2020**	December 31, 2019
Loans and leases held for sale:			
Commercial and industrial loans	**$**	**69**	135
Commercial mortgage loans		**3**	1
Residential mortgage loans		**840**	1,264
Total loans and leases held for sale	**$**	**912**	1,400
Portfolio loans and leases:			
Commercial and industrial loans[(a)]	**$**	**55,661**	50,542
Commercial mortgage loans		**11,233**	10,963
Commercial construction loans		**5,479**	5,090
Commercial leases		**3,061**	3,363
Total commercial loans and leases	**$**	**75,434**	69,958
Residential mortgage loans[(b)]	**$**	**16,457**	16,724
Home equity		**5,681**	6,083
Indirect secured consumer loans		**12,395**	11,538
Credit card		**2,211**	2,532
Other consumer loans		**2,875**	2,723
Total consumer loans	**$**	**39,619**	39,600
Total portfolio loans and leases	**$**	**115,053**	109,558

(a) Includes $5.2 billion, as of June 30, 2020, related to the SBA's Paycheck Protection Program established under the CARES Act on March 27, 2020.
(b) Includes $82 million, as of June 30, 2020, of GNMA loans for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 16 for further information.

Portfolio loans and leases are recorded net of unearned income, which totaled $309 million as of June 30, 2020 and $354 million as of December 31, 2019. Additionally, portfolio loans and leases are recorded net of unamortized premiums and discounts, deferred direct loan

origination fees and costs and fair value adjustments (associated with acquired loans or loans designated as fair value upon origination), which totaled a net premium of $173 million and $249 million as of June 30, 2020 and December 31, 2019, respectively. The amortized cost basis of loans and leases excludes accrued interest receivables of $334 million at June 30, 2020, which are presented as a component of other assets in the Condensed Consolidated Balance Sheets.

The Bancorp's FHLB and FRB borrowings are generally secured by loans. The Bancorp had loans of $15.5 billion and $16.7 billion at June 30, 2020 and December 31, 2019, respectively, pledged at the FHLB, and loans of $37.7 billion and $47.3 billion at June 30, 2020 and December 31, 2019, respectively, pledged at the FRB.

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

	Carrying Value		90 Days Past Due and Still Accruing	
($ in millions)	**June 30, 2020**	December 31, 2019	**June 30, 2020**	December 31, 2019
Commercial and industrial loans	**$ 55,730**	50,677	**10**	11
Commercial mortgage loans	**11,236**	10,964	**23**	15
Commercial construction loans	**5,479**	5,090	**—**	—
Commercial leases	**3,061**	3,363	**—**	—
Residential mortgage loans	**17,297**	17,988	**54**	50
Home equity	**5,681**	6,083	**—**	1
Indirect secured consumer loans	**12,395**	11,538	**12**	10
Credit card	**2,211**	2,532	**36**	42
Other consumer loans	**2,875**	2,723	**1**	1
Total loans and leases	**$ 115,965**	110,958	**136**	130
Less: Loans and leases held for sale	**$ 912**	1,400		
Total portfolio loans and leases	**$ 115,053**	109,558		

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Commercial and industrial loans	**$ 65**	20	**115**	38
Commercial mortgage loans	**2**	—	**4**	(1)
Commercial leases	**11**	3	**16**	3
Residential mortgage loans	**1**	(1)	**2**	—
Home equity	**1**	3	**4**	6
Indirect secured consumer loans	**7**	7	**20**	20
Credit card	**34**	35	**71**	68
Other consumer loans	**9**	11	**20**	22
Total net charge-offs	**$ 130**	78	**252**	156

The Bancorp engages in commercial lease products primarily related to the financing of commercial equipment. Leases are classified as sales-type if the Bancorp transfers control of the underlying asset to the lessee. The Bancorp classifies leases that do not meet any of the criteria for a sales-type lease as a direct financing lease if the present value of the sum of the lease payments and any residual value guaranteed by the lessee and/or any other third party equals or exceeds substantially all of the fair value of the underlying asset and the collection of the lease payments and residual value guarantee is probable.

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The following table presents the components of the net investment in leases as of:

($ in millions)[(a)]	**June 30, 2020**	December 31, 2019
Net investment in direct financing leases:		
Lease payment receivable (present value)	**$ 1,788**	2,196
Unguaranteed residual assets (present value)	**206**	220
Net discount on acquired leases	**(2)**	(7)
Net investment in sales-type leases:		
Lease payment receivable (present value)	**663**	510
Unguaranteed residual assets (present value)	**24**	15

(a) Excludes $382 and $429 of leveraged leases at June 30, 2020 and December 31, 2019, respectively.

Interest income recognized in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2020 was $17 million and $35 million, respectively, for direct financing leases and $6 million and $13 million, respectively, for sales-type leases. For the three and six months ended June 30, 2019, interest income recognized was $26 million and $48 million, respectively, for direct financing leases and $2 million and $3 million, respectively, for sales-type leases.

The following table presents undiscounted cash flows for both direct financing and sales-type leases for the remainder of 2020 through 2025 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease receivables as follows:

As of June 30, 2020 ($ in millions)	Direct Financing Leases	Sales-Type Leases
Remainder of 2020	$ 320	84
2021	502	181
2022	409	154
2023	234	106
2024	179	87
2025	114	44
Thereafter	152	78
Total undiscounted cash flows	$ 1,910	734
Less: Difference between undiscounted cash flows and discounted cash flows	122	71
Present value of lease payments (recognized as lease receivables)	$ 1,788	663

The lease residual value represents the present value of the estimated fair value of the leased equipment at the end of the lease. The Bancorp performs quarterly reviews of residual values associated with its leasing portfolio considering factors such as the subject equipment, structure of the transaction, industry, prior experience with the lessee and other factors that impact the residual value to assess for impairment. The Bancorp maintained an allowance of $42 million at June 30, 2020 to cover the losses that are expected to be incurred over the remaining contractual terms of the related leases, including the potential losses related to the residual value, in the net investment in leases. The Bancorp maintained an allowance of $17 million at December 31, 2019 to cover the inherent losses, including the potential losses related to the residual value, in the net investment in leases. Refer to Note 7 for additional information on credit quality and the ALLL.

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

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

Allowance for Loan and Lease Losses

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

For the three months ended June 30, 2020 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	**$ 1,313**	**260**	**775**	**—**	**2,348**
Losses charged-off[(a)]	**(81)**	**(2)**	**(80)**	**—**	**(163)**
Recoveries of losses previously charged-off[(a)]	**3**	**1**	**29**	**—**	**33**
Provision for loan and lease losses[(b)]	**267**	**68**	**143**	—	**478**
Balance, end of period	**$ 1,502**	**327**	**867**	**—**	**2,696**

(a) The Bancorp recorded $9 in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.
(b) Includes $1 in Residential Mortgage related to the initial recognition of an ALLL on PCD loans.

For the three months ended June 30, 2019 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$ 654	79	270	112	1,115
Losses charged-off[(a)]	(33)	(1)	(85)	—	(119)
Recoveries of losses previously charged-off[(a)]	10	2	29	—	41
Provision for (benefit from) loan and lease losses	20	(4)	62	—	78
Balance, end of period	$ 651	76	276	112	1,115

(a) The Bancorp recorded $11 in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

For the six months ended June 30, 2020 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	**$ 710**	**73**	**298**	**121**	**1,202**
Impact of adoption of ASU 2016-13[(a)]	**160**	**196**	**408**	**(121)**	**643**
Losses charged-off[(b)]	**(142)**	**(4)**	**(176)**	**—**	**(322)**
Recoveries of losses previously charged-off[(b)]	**7**	**2**	**61**	**—**	**70**
Provision for loan and lease losses	**767**	**60**	**276**	**—**	**1,103**
Balance, end of period	**$ 1,502**	**327**	**867**	**—**	**2,696**

(a) Includes $31, $2 and $1 in Commercial, Residential Mortgage and Consumer, respectively, related to the initial recognition of an ALLL on PCD loans.
(b) The Bancorp recorded $22 in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

For the six months ended June 30, 2019 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$ 645	81	267	110	1,103
Losses charged-off[(a)]	(53)	(3)	(172)	—	(228)
Recoveries of losses previously charged-off[(a)]	13	3	56	—	72
Provision for (benefit from) loan and lease losses	46	(5)	125	2	168
Balance, end of period	$ 651	76	276	112	1,115

(a) The Bancorp recorded $22 in both losses charged-off and recoveries of losses previously charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

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

As of June 30, 2020 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
ALLL:[(a)]				
Individually evaluated	**$ 167**	**91**	**50**	**308**
Collectively evaluated	**1,335**	**236**	**817**	**2,388**
Total ALLL	**$ 1,502**	**327**	**867**	**2,696**
Portfolio loans and leases:[(b)]				
Individually evaluated	**$ 939**	**809**	**294**	**2,042**
Collectively evaluated	**74,082**	**15,336**	**22,846**	**112,264**
Purchased credit deteriorated[(c)]	**413**	**127**	**22**	**562**
Total portfolio loans and leases	**$ 75,434**	**16,272**	**23,162**	**114,868**

(a) Includes $3 related to leveraged leases at June 30, 2020.
(b) Excludes $185 of residential mortgage loans measured at fair value and includes $382 of leveraged leases, net of unearned income at June 30, 2020.
(c) Includes $82 million, as of June 30, 2020, of GNMA loans for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 16 for further information.

As of December 31, 2019 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:[(a)]					
Individually evaluated for impairment	$ 82	55	33	—	170
Collectively evaluated for impairment	628	18	265	—	911
Unallocated	—	—	—	121	121
Total ALLL	$ 710	73	298	121	1,202
Portfolio loans and leases:[(b)]					
Individually evaluated for impairment	$ 413	814	302	—	1,529
Collectively evaluated for impairment	69,047	15,690	22,558	—	107,295
Purchased credit impaired	498	37	16	—	551
Total portfolio loans and leases	$ 69,958	16,541	22,876	—	109,375

(a) Includes $1 related to leveraged leases at December 31, 2019.
(b) Excludes $183 of residential mortgage loans measured at fair value and includes $429 of leveraged leases, net of unearned income at December 31, 2019.

CREDIT RISK PROFILE

Commercial Portfolio Segment

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

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

Pass ratings, which are assigned to those borrowers that do not have identified potential or well-defined weaknesses and for which there is a high likelihood of orderly repayment, are updated at least annually based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter.

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

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

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

status may be determined. Pending factors may include a proposed merger or acquisition, liquidation proceeding, capital injection, perfecting liens on additional collateral or refinancing plans.

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

For loans and leases that are collectively evaluated, the Bancorp utilizes models to forecast expected credit losses over a reasonable and supportable forecast period based on the probability of a loan or lease defaulting, the expected balance at the estimated date of default and the expected loss percentage given a default. For the commercial portfolio segment, the estimates for probability of default are primarily based on internal ratings assigned to each commercial borrower on a 13-point scale and historical observations of how those ratings migrate to a default over time in the context of macroeconomic conditions. For loans with available credit, the estimate of the expected balance at the time of default considers expected utilization rates, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions. The estimates for loss severity are primarily based on collateral type and coverage levels and the susceptibility of those characteristics to changes in macroeconomic conditions. Refer to Note 4 for additional information about the Bancorp's processes for developing these models, estimating credit losses for periods beyond the reasonable and supportable forecast period and for estimating credit losses for individually evaluated loans.

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The following table summarizes the credit risk profile of the Bancorp's commercial portfolio segment, by class and vintage:

As of June 30, 2020 ($ in millions)	Terms Loans and Leases Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2020	2019	2018	2017	2016	Prior			
Commercial and industrial loans:									
Pass	$ 7,238	2,849	1,404	966	612	944	34,809	—	48,822
Special mention	62	155	213	72	42	21	3,300	—	3,865
Substandard	96	70	195	89	52	119	2,287	—	2,908
Doubtful	10	15	34	6	1	—	—	—	66
Total commercial and industrial loans	$ 7,406	3,089	1,846	1,133	707	1,084	40,396	—	55,661
Commercial mortgage owner-occupied loans:									
Pass	$ 828	757	473	340	278	568	1,069	—	4,313
Special mention	27	23	24	27	13	23	38	—	175
Substandard	131	52	52	52	9	45	85	—	426
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial mortgage owner-occupied loans	$ 986	832	549	419	300	636	1,192	—	4,914
Commercial mortgage nonowner-occupied loans:									
Pass	$ 757	1,006	584	299	294	444	2,106	—	5,490
Special mention	86	4	71	17	18	39	369	—	604
Substandard	66	7	12	11	—	41	88	—	225
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial mortgage nonowner-occupied loans	$ 909	1,017	667	327	312	524	2,563	—	6,319
Commercial construction loans:									
Pass	$ 19	58	28	—	10	12	4,912	—	5,039
Special mention	40	—	—	—	—	—	337	—	377
Substandard	6	—	—	—	—	—	57	—	63
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial construction loans	$ 65	58	28	—	10	12	5,306	—	5,479
Commercial leases:									
Pass	$ 9	111	345	443	361	1,604	—	—	2,873
Special mention	—	4	32	19	16	25	—	—	96
Substandard	—	3	19	31	5	34	—	—	92
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial leases	$ 9	118	396	493	382	1,663	—	—	3,061
Total commercial loans and leases:									
Pass	$ 8,851	4,781	2,834	2,048	1,555	3,572	42,896	—	66,537
Special mention	215	186	340	135	89	108	4,044	—	5,117
Substandard	299	132	278	183	66	239	2,517	—	3,714
Doubtful	10	15	34	6	1	—	—	—	66
Total commercial loans and leases	$ 9,375	5,114	3,486	2,372	1,711	3,919	49,457	—	75,434

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The following table summarizes the credit risk profile of the Bancorp's commercial portfolio segment, by class:

As of December 31, 2019 ($ in millions)		Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	$	47,671	1,423	1,406	42	50,542
Commercial mortgage owner-occupied loans		4,421	162	293	4	4,880
Commercial mortgage nonowner-occupied loans		5,866	135	82	—	6,083
Commercial construction loans		4,963	52	75	—	5,090
Commercial leases		3,222	53	88	—	3,363
Total commercial loans and leases	$	66,143	1,825	1,944	46	69,958

Age Analysis of Past Due Commercial Loans and Leases

The following tables summarize the Bancorp's amortized cost basis in portfolio commercial loans and leases, by age and class:

As of June 30, 2020 ($ in millions)		Current Loans and Leases[(a)]	Past Due 30-89 Days[(a)]	Past Due 90 Days or More[(a)]	Past Due Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial loans and leases:							
Commercial and industrial loans	**$**	**55,377**	**162**	**122**	**284**	**55,661**	**10**
Commercial mortgage owner-occupied loans		**4,866**	**21**	**27**	**48**	**4,914**	**13**
Commercial mortgage nonowner-occupied loans		**6,229**	**12**	**78**	**90**	**6,319**	**10**
Commercial construction loans		**5,469**	**10**	**—**	**10**	**5,479**	**—**
Commercial leases		**3,037**	**5**	**19**	**24**	**3,061**	**—**
Total portfolio commercial loans and leases	**$**	**74,978**	**210**	**246**	**456**	**75,434**	**33**

(a) Includes accrual and nonaccrual loans and leases.

As of December 31, 2019 ($ in millions)		Current Loans and Leases[(a)]	Past Due 30-89 Days[(a)]	Past Due 90 Days or More[(a)]	Past Due Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial loans and leases:							
Commercial and industrial loans	$	50,305	133	104	237	50,542	11
Commercial mortgage owner-occupied loans		4,853	4	23	27	4,880	9
Commercial mortgage nonowner-occupied loans		6,072	5	6	11	6,083	6
Commercial construction loans		5,089	1	—	1	5,090	—
Commercial leases		3,338	11	14	25	3,363	—
Total portfolio commercial loans and leases	$	69,657	154	147	301	69,958	26

(a) Includes accrual and nonaccrual loans and leases.

Residential Mortgage and Consumer Portfolio Segments

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

The Bancorp considers repayment performance as the best indicator of credit quality for residential mortgage and consumer loans, which includes both the delinquency status and performing versus nonperforming status of the loans. The delinquency status of all residential mortgage and consumer loans and the performing versus nonperforming status is presented in the following table. Refer to the nonaccrual loans and leases section of Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019 for additional delinquency and nonperforming information.

For collectively evaluated loans in the consumer and residential mortgage portfolio segments, the Bancorp's expected credit loss models primarily utilize the borrower's FICO score and delinquency history in combination with macroeconomic conditions when estimating the probability of default. The estimates for loss severity are primarily based on collateral type and coverage levels and the susceptibility of those characteristics to changes in macroeconomic conditions. The expected balance at the estimated date of default is also particularly significant for portfolio classes which generally have longer terms (such as residential mortgage loans and home equity) and portfolio classes containing a high concentration of loans with revolving privileges (such as credit card and home equity). The estimate of the expected balance at the time of default considers expected prepayment and utilization rates where applicable, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions. Refer to Note 4 for additional information about the Bancorp's process for developing these models and its process for estimating credit losses for periods beyond the reasonable and supportable forecast period.

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

As of June 30, 2020 ($ in millions)	Terms Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2020	2019	2018	2017	2016	Prior			
Residential mortgage loans:									
Performing:									
Current[(a)]	$ 1,666	2,570	1,160	2,137	2,897	5,677	—	—	16,107
30-89 days past due	—	4	3	5	3	17	—	—	32
90 days or more past due	—	1	2	5	4	42	—	—	54
Total performing	1,666	2,575	1,165	2,147	2,904	5,736	—	—	16,193
Nonperforming	—	—	—	2	3	74	—	—	79
Total residential mortgage loans[(b)]	$ 1,666	2,575	1,165	2,149	2,907	5,810	—	—	16,272
Home equity:									
Performing:									
Current	$ 9	30	37	3	1	150	5,317	8	5,555
30-89 days past due	—	—	—	—	—	2	30	1	33
90 days or more past due	—	—	—	—	—	—	—	—	—
Total performing	9	30	37	3	1	152	5,347	9	5,588
Nonperforming	—	—	—	—	—	10	83	—	93
Total home equity	$ 9	30	37	3	1	162	5,430	9	5,681
Indirect secured consumer loans:									
Performing:									
Current	$ 3,328	4,673	2,160	1,173	565	392	—	—	12,291
30-89 days past due	4	25	23	14	7	6	—	—	79
90 days or more past due	1	3	3	2	1	2	—	—	12
Total performing	3,333	4,701	2,186	1,189	573	400	—	—	12,382
Nonperforming	—	3	2	3	2	3	—	—	13
Total indirect secured consumer loans	$ 3,333	4,704	2,188	1,192	575	403	—	—	12,395
Credit card:									
Performing:									
Current	$ —	—	—	—	—	—	2,119	—	2,119
30-89 days past due	—	—	—	—	—	—	30	—	30
90 days or more past due	—	—	—	—	—	—	36	—	36
Total performing	—	—	—	—	—	—	2,185	—	2,185
Nonperforming	—	—	—	—	—	—	26	—	26
Total credit card	$ —	—	—	—	—	—	2,211	—	2,211
Other consumer loans									
Performing:									
Current	$ 481	727	538	221	41	37	814	1	2,860
30-89 days past due	1	4	3	2	—	—	2	—	12
90 days or more past due	—	1	—	—	—	—	—	—	1
Total performing	482	732	541	223	41	37	816	1	2,873
Nonperforming	—	—	—	—	—	—	2	—	2
Total other consumer loans	$ 482	732	541	223	41	37	818	1	2,875
Total consumer loans[(b)]	$ 5,490	8,041	3,931	3,567	3,524	6,412	8,459	10	39,434

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of June 30, 2020, $89 of these loans were 30-89 days past due and $223 were 90 days or more past due. The Bancorp recognized $1 and $2 of losses during the three and six months ended June 30, 2020, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.

(b) Excludes $185 of residential mortgage loans measured at fair value at June 30, 2020.

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

December 31, 2019 ($ in millions)	Performing	Nonperforming
Residential mortgage loans[(a)]	$ 16,450	91
Home equity	5,989	94
Indirect secured consumer loans	11,531	7
Credit card	2,505	27
Other consumer loans	2,721	2
Total residential mortgage and consumer loans[(a)]	$ 39,196	221

(a) Excludes $183 of residential mortgage loans measured at fair value at December 31, 2019.

Age Analysis of Past Due Consumer Loans

The following tables summarize the Bancorp's amortized cost basis in portfolio consumer loans, by age and class:

December 31, 2019 ($ in millions)	Current Loans and Leases[(b)(c)]	Past Due 30-89 Days[(c)]	Past Due 90 Days or More[(c)]	Past Due Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Residential mortgage loans[(a)]	$ 16,372	27	142	169	16,541	50
Consumer loans:						
Home equity	5,965	61	57	118	6,083	1
Indirect secured consumer loans	11,389	132	17	149	11,538	10
Credit card	2,434	50	48	98	2,532	42
Other consumer loans	2,702	18	3	21	2,723	1
Total portfolio consumer loans[(a)]	$ 38,862	288	267	555	39,417	104

(a) Excludes $183 of residential mortgage loans measured at fair value at December 31, 2019.
(b) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2019, $94 of these loans were 30-89 days past due and $261 were 90 days or more past due. The Bancorp recognized an immaterial amount of losses during both the three and six months ended June 30, 2019 due to claim denials and curtailments associated with these insured or guaranteed loans.
(c) Includes accrual and nonaccrual loans and leases.

Collateral-Dependent Loans and Leases

The Bancorp considers a loan or lease to be collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. When a loan or lease is collateral-dependent, its fair value is generally based on the fair value less cost to sell of the underlying collateral.

The following table presents the amortized cost basis of the Bancorp's collateral-dependent loans, by portfolio class:

As of June 30, 2020 ($ in millions)	Amortized Cost Basis
Commercial loans and leases:	
Commercial and industrial loans	$ 796
Commercial mortgage owner-occupied loans	46
Commercial mortgage nonowner-occupied loans	83
Commercial construction loans	20
Commercial leases	24
Total commercial loans and leases	969
Residential mortgage loans	107
Consumer loans:	
Home equity	72
Indirect secured consumer loans	8
Other consumer loans	—
Total consumer loans	80
Total loans and leases	$ 1,156

Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured loans which have not yet met the requirements to be returned to accrual status; certain restructured consumer and

residential mortgage loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property.

The following table presents the amortized cost basis of the Bancorp's nonaccrual loans and leases, by class, and OREO and other repossessed property:

As of June 30, 2020 ($ in millions)	With an ALLL	No Related ALLL	Total	For the three months ended June 30, 2020 Interest Income Recognized	For the six months ended June 30, 2020 Interest Income Recognized
Commercial loans and leases:					
Commercial and industrial loans	$ 261	91	352	3	4
Commercial mortgage owner-occupied loans	25	14	39	—	—
Commercial mortgage nonowner-occupied loans	68	4	72	—	—
Commercial construction loans	1	—	1	—	—
Commercial leases	21	2	23	—	1
Total nonaccrual portfolio commercial loans and leases	376	111	487	3	5
Residential mortgage loans	14	65	79	7	15
Consumer loans:					
Home equity	64	29	93	2	5
Indirect secured consumer loans	5	8	13	—	—
Credit card	26	—	26	1	2
Other consumer loans	2	—	2	—	—
Total nonaccrual portfolio consumer loans	97	37	134	3	7
Total nonaccrual portfolio loans and leases[(a)(b)]	$ 487	213	700	13	27
OREO and other repossessed property	—	47	47	—	—
Total nonperforming portfolio assets[(a)(b)]	$ 487	260	747	13	27

(a) Excludes $1 of nonaccrual loans held for sale and $1 of nonaccrual restructured loans held for sale.
(b) Includes $23 of nonaccrual government insured commercial loans whose repayments are insured by the SBA, of which $14 are restructured nonaccrual government insured commercial loans.

The following table presents the Bancorp's nonaccrual loans and leases, by class, and OREO and other repossessed property as of:

($ in millions)	December 31, 2019
Commercial loans and leases:	
Commercial and industrial loans	$ 338
Commercial mortgage owner-occupied loans	29
Commercial mortgage nonowner-occupied loans	1
Commercial construction loans	1
Commercial leases	28
Total nonaccrual portfolio commercial loans and leases	397
Residential mortgage loans	91
Consumer loans:	
Home equity	94
Indirect secured consumer loans	7
Credit card	27
Other consumer loans	2
Total nonaccrual portfolio consumer loans	130
Total nonaccrual portfolio loans and leases[(a)(b)]	$ 618
OREO and other repossessed property	62
Total nonperforming portfolio assets[(a)(b)]	$ 680

(a) Excludes $7 of nonaccrual loans and leases held for sale.
(b) Includes $16 of nonaccrual government insured commercial loans whose repayments are insured by the SBA, of which $11 are restructured nonaccrual government insured commercial loans.

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The Bancorp's amortized cost basis of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction was $156 million and $212 million as of June 30, 2020 and December 31, 2019, respectively.

Troubled Debt Restructurings

A loan is accounted for as a TDR if the Bancorp, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. TDRs include concessions granted under reorganization, arrangement or other provisions of the Federal Bankruptcy Act. Within each of the Bancorp's loan classes, TDRs typically involve either a reduction of the stated interest rate of the loan, an extension of the loan's maturity date with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan's accrued interest. Modifying the terms of a loan may result in an increase or decrease to the ALLL depending upon the terms modified, the method used to measure the ALLL for a loan prior to modification, the extent of collateral, and whether any charge-offs were recorded on the loan before or at the time of modification. Refer to the ALLL section of Note 4 for information on the Bancorp's ALLL methodology. Upon modification of a loan, the Bancorp measures the expected credit loss as either the difference between the amortized cost of the loan and the fair value of collateral less cost to sell or the difference between the estimated future cash flows expected to be collected on the modified loan, discounted at the original effective yield of the loan, and the carrying value of the loan. The resulting measurement may result in the need for minimal or no allowance regardless of which is used because it is probable that all cash flows will be collected under the modified terms of the loan. In addition, if the stated interest rate was increased in a TDR that is not collateral-dependent, the cash flows on the modified loan, using the pre-modification interest rate as the discount rate, often exceed the amortized cost basis of the loan. Conversely, upon a modification that reduces the stated interest rate on a loan that is not collateral-dependent, the Bancorp recognizes an increase to the ALLL. If a TDR involves a reduction of the principal balance of the loan or the loan's accrued interest, that amount is charged off to the ALLL. Loans discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower are treated as nonaccrual collateral-dependent loans with a charge-off recognized to reduce the carrying values of such loans to the fair value of the related collateral less costs to sell.

The Bancorp had commitments to lend additional funds to borrowers whose terms have been modified in a TDR, consisting of line of credit and letter of credit commitments of $76 million and $66 million, respectively, as of June 30, 2020 compared with $41 million and $58 million, respectively, as of December 31, 2019.

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

June 30, 2020 ($ in millions)[(a)]	Number of Loans Modified in a TDR During the Period[(b)]	Amortized Cost Basis of Loans Modified in a TDR During the Period	Increase to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	**33**	**$ 107**	**14**	—
Commercial mortgage owner-occupied loans	**17**	**12**	—	—
Commercial mortgage nonowner-occupied loans	**9**	**14**	—	—
Commercial construction	**2**	**21**	**1**	—
Residential mortgage loans	**109**	**13**	**1**	—
Consumer loans:				
Home equity	**21**	**2**	—	—
Indirect secured consumer loans	**20**	—	—	—
Credit card	**973**	**5**	**2**	—
Total portfolio loans	**1,184**	**$ 174**	**18**	—

(a) Excludes all loans and leases held for sale.
(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

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June 30, 2019 ($ in millions)[a]	Number of Loans Modified in a TDR During the Period[b]	Recorded Investment in Loans Modified in a TDR During the Period	(Decrease) Increase to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	25	$ 62	(9)	5
Commercial mortgage owner-occupied loans	6	5	—	—
Residential mortgage loans	139	17	—	—
Consumer loans:				
Home equity	16	1	—	—
Indirect secured consumer loans	9	—	—	—
Credit card	1,374	8	2	1
Total portfolio loans	1,569	$ 93	(7)	6

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality which were accounted for within a pool.
(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

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

June 30, 2020 ($ in millions)[a]	Number of Loans Modified in a TDR During the Period[b]	Amortized Cost Basis of Loans Modified in a TDR During the Period	Increase (Decrease) to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	**63**	**$ 176**	**24**	—
Commercial mortgage owner-occupied loans	**28**	**19**	—	—
Commercial mortgage nonowner-occupied loans	**12**	**22**	—	—
Commercial construction	**3**	**21**	**1**	—
Residential mortgage loans	**293**	**37**	**1**	—
Consumer loans:				
Home equity	**42**	**4**	**(1)**	—
Indirect secured consumer loans	**42**	—	—	—
Credit card	**2,857**	**15**	**6**	—
Total portfolio loans	**3,340**	**$ 294**	**31**	—

(a) Excludes all loans and leases held for sale.
(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

June 30, 2019 ($ in millions)[a]	Number of Loans Modified in a TDR During the Period[b]	Recorded Investment in Loans Modified in a TDR During the Period	(Decrease) Increase to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	38	$ 96	(14)	5
Commercial mortgage owner-occupied loans	9	9	—	—
Residential mortgage loans	275	35	—	—
Consumer loans:				
Home equity	37	2	—	—
Indirect secured consumer loans	38	—	—	—
Credit card	2,783	16	4	2
Total portfolio loans	3,180	$ 158	(10)	7

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality which were accounted for within a pool.
(b) Represents number of loans post-modification and excludes loans previously modified in a TDR.

The Bancorp considers TDRs that become 90 days or more past due under the modified terms as subsequently defaulted. For commercial loans not subject to individual evaluation for an ALLL, the applicable commercial models are applied for purposes of determining the ALLL as well as qualitatively assessing whether those loans are reasonably expected to be further restructured prior to their maturity date and, if so, the impact such a restructuring would have on the remaining contractual life of the loans. When a residential mortgage, home equity, indirect secured consumer or other consumer loan that has been modified in a TDR subsequently defaults, the present value of expected cash flows used in the measurement of the expected credit loss is generally limited to the expected net proceeds from the sale of the loan's underlying

collateral and any resulting collateral shortfall is reflected as a charge-off or an increase in ALLL. The Bancorp recognizes an ALLL for the entire balance of the credit card loans modified in a TDR that subsequently default.

The following tables provide a summary of TDRs that subsequently defaulted during the three months ended June 30, 2020 and 2019 and were within 12 months of the restructuring date:

June 30, 2020 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	**6**	**$ 4**
Commercial mortgage owner-occupied loans	**5**	**1**
Commercial mortgage nonowner-occupied loans	**1**	**4**
Residential mortgage loans	**25**	**4**
Consumer loans:		
Home equity	**2**	**—**
Indirect secured consumer loans	**3**	—
Credit card	**16**	**—**
Total portfolio loans	**58**	**$ 13**

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

June 30, 2019 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial loans:		
Commercial and industrial loans	5	$ 1
Commercial mortgage owner-occupied loans	2	1
Residential mortgage loans	53	8
Consumer loans:		
Home equity	1	—
Credit card	253	1
Total portfolio loans	314	$ 11

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

The following tables provide a summary of TDRs that subsequently defaulted during the six months ended June 30, 2020 and 2019 and were within 12 months of the restructuring date:

June 30, 2020 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	**6**	**$ 4**
Commercial mortgage owner-occupied loans	**7**	**2**
Commercial mortgage nonowner-occupied loans	**2**	**9**
Residential mortgage loans	**72**	**10**
Consumer loans:		
Home equity	**3**	**—**
Indirect secured consumer loans	**6**	—
Credit card	**217**	**1**
Total portfolio loans	**313**	**$ 26**

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

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June 30, 2019 ($ in millions)[(a)]	Number of Contracts	Recorded Investment
Commercial loans:		
Commercial and industrial loans	7	$ 17
Commercial mortgage owner-occupied loans	2	1
Residential mortgage loans	129	20
Consumer loans:		
Home equity	5	—
Credit card	536	3
Total portfolio loans	679	$ 41

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

COVID-19 Hardship Relief Programs

In response to the COVID-19 pandemic, beginning in March 2020, the Bancorp began providing financial hardship relief in the form of payment deferrals and forbearances to consumer and business customers across a wide array of lending products, as well as the suspension of vehicle repossessions and home foreclosures. The payment deferrals and forbearances are currently expected to cover periods of three to six months. In most cases, these offers are not classified as troubled debt restructurings (TDRs) and do not result in loans being placed on nonaccrual status.

For loans that receive a payment deferral or forbearance under these hardship relief programs, the Bancorp continues to accrue interest and recognize interest income during the period of the deferral. Depending on the terms of each program, all or a portion of this accrued interest may be paid directly by the borrower (either during the relief period, at the end of the relief period or at maturity of the loan) or added to the customer's outstanding balance. For certain programs, the maturity date of the loan may also be extended by the number of payments deferred. Interest income will continue to be recognized at the original contractual interest rate unless that rate is concurrently modified upon entering the relief program (in which case, the modified rate would be used to recognize interest).

For commercial leases that receive payment deferrals under the Bancorp's COVID-19 pandemic hardship relief programs, the Bancorp will continue to recognize interest income during the deferral period, but the yield will be recalculated based on the timing and amount of remaining payments over the remaining lease term. The revised yield will be used for prospectively recognizing interest income and adjusting the net investment in the lease. The Bancorp's hardship relief programs for commercial leases affect the timing of payments but do not generally result in an increase in the rights of the lessor or the obligations of the lessee. Therefore, the Bancorp has elected to forego certain requirements that would typically apply for lease modifications when accounting for the effects of the hardship relief programs. Refer to the Regulatory Developments Related to the COVID-19 Pandemic section of Note 4 for further information.

Since announcing its COVID-19 hardship relief programs and through June 30, 2020, the Bancorp has provided payment relief assistance to over 150,000 customers, including providing payment deferrals or forbearances on over 4,000 commercial loans and leases, over 115,000 consumer and owned residential mortgage loans and over 36,000 residential mortgage loans serviced for others.

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The following table provides a summary of portfolio loans and leases as of June 30, 2020, by class, that have received payment deferrals or forbearances as part of the Bancorp's COVID-19 pandemic hardship relief programs:

June 30, 2020 ($ in millions)	Number of Loans Enrolled in Programs[(a)]	Principal Balance of Loans Enrolled in Programs[(b)]	Balances of Accounts Enrolled in Programs that Were Past Due Prior to Pandemic	
			30-89 Days	90 Days or More
Commercial loans:				
Commercial and industrial loans	3,240	$ 1,442	1	—
Commercial mortgage owner-occupied loans	605	612	—	—
Commercial mortgage nonowner-occupied loans	187	1,021	—	—
Commercial construction loans	31	365	1	—
Commercial leases	93	111	—	—
Residential mortgage loans	7,290	1,472	55	112
Consumer loans:				
Home equity	3,409	231	10	10
Indirect secured consumer loans	58,716	1,179	40	1
Credit card	35,616	164	7	2
Other consumer loans	10,174	113	3	—
Total portfolio loans and leases	119,361	$ 6,710	117	125

(a) Excludes portfolio loans and leases which have been fully repaid or as of June 30, 2020 and loans and leases which were withdrawn from the programs at the borrower's request.
(b) Includes $28 of commercial loans and $12 of home equity loans that were classified as a TDR due to having financial difficulty prior to the COVID-19 pandemic.

8. Bank Premises and Equipment

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

($ in millions)	June 30, 2020	December 31, 2019
Land and improvements[(a)]	**$ 616**	639
Buildings[(a)]	**1,573**	1,575
Equipment	**2,235**	2,126
Leasehold improvements	**446**	432
Construction in progress[(a)]	**93**	85
Bank premises and equipment held for sale:		
Land and improvements	**28**	8
Buildings	**24**	18
Equipment	**1**	1
Accumulated depreciation and amortization	**(2,963)**	(2,889)
Total bank premises and equipment	**$ 2,053**	1,995

(a) At June 30, 2020 and December 31, 2019, land and improvements, buildings and construction in progress included $56 and $51, respectively, associated with parcels of undeveloped land intended for future branch expansion.

The Bancorp monitors changing customer preferences associated with the channels it uses for banking transactions to evaluate the efficiency, competitiveness and quality of the customer service experience in its consumer distribution network. As part of this ongoing assessment, the Bancorp may determine that it is no longer fully committed to maintaining full-service branches at certain of its existing banking center locations. Similarly, the Bancorp may also determine that it is no longer fully committed to building banking centers on certain parcels of land which had previously been held for future branch expansion.

During the second quarter of 2018, the Bancorp adopted a plan to close approximately 100 to 125 branches over the next three years (the "2018 Branch Optimization Plan"). As of June 30, 2020, the Bancorp expects the total number of branch closures under the 2018 Branch Optimization Plan to be approximately 126 branches, of which 97 branches have already been closed, with an additional four branches identified for closure in 2020. The Bancorp expects the additional branches to be closed under the 2018 Branch Optimization Plan in 2021.

As a result of the MB Financial, Inc. acquisition, the Bancorp identified 46 branches in the Chicago market that it planned to close. Of these locations, 45 were closed in the third quarter of 2019 and the final location was closed in the first quarter of 2020. These 46 branches are not part of the aforementioned 2018 Branch Optimization Plan and are in addition to the branch in the Chicago market that the Bancorp closed in

November 2018. In addition, the Bancorp previously identified 11 other non-branch locations that it planned to sell that were acquired from MB Financial, Inc. These locations had a fair value, less cost to sell, of $15 million. Of these locations, seven have been sold as of June 30, 2020.

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. Impairment losses associated with such assessments and lower of cost or market adjustments were $12 million and $2 million for the three months ended June 30, 2020 and 2019, respectively, and $14 million and $22 million for the six months ended June 30, 2020 and 2019, respectively. For the six months ended June 30, 2019, impairment charges included $14 million associated with Fifth Third branches in the Chicago market that were assessed for impairment as a result of the MB Financial, Inc. acquisition. The recognized impairment losses were recorded in other noninterest income in the Condensed Consolidated Statements of Income.

9. Operating Lease Equipment

Operating lease equipment was $809 million and $848 million at June 30, 2020 and December 31, 2019, respectively. The Bancorp recorded lease income of $39 million and $45 million relating to lease payments for operating leases in leasing business revenue in the Condensed Consolidated Statements of Income during the three months ended June 30, 2020 and 2019, respectively, and $78 million and $66 million during the six months ended June 30, 2020 and 2019, respectively. The Bancorp received payments of $80 million and $67 million related to operating leases during the six months ended June 30, 2020 and 2019, respectively.

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. As a result of these recoverability assessments, the Bancorp recognized an immaterial amount and $3 million of impairment losses associated with operating lease assets for the three and six months ended June 30, 2020, respectively, and did not recognize impairment losses for both the three and six months ended June 30, 2019. The recognized impairment losses were recorded in leasing business revenue in the Condensed Consolidated Statements of Income.

The following table presents undiscounted future lease payments for operating leases for the remainder of 2020 through 2025 and thereafter:

As of June 30, 2020 ($ in millions)	Undiscounted Cash Flows
Remainder of 2020	$ 78
2021	134
2022	105
2023	77
2024	46
2025	28
Thereafter	41
Total operating lease payments	$ 509

10. Lease Obligations – Lessee

The Bancorp leases certain banking centers, ATM sites, land for owned buildings and equipment. The Bancorp's lease agreements typically do not contain any residual value guarantees or any material restrictive covenants. For more information on the accounting for lease obligations, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019.

The following table provides a summary of lease assets and lease liabilities as of:

($ in millions)	Condensed Consolidated Balance Sheets Caption		**June 30, 2020**	December 31, 2019
Assets				
Operating lease right-of-use assets	Other assets	**$**	**462**	473
Finance lease right-of-use assets	Bank premises and equipment		**96**	34
Total right-of-use assets[(a)]		**$**	**558**	507
Liabilities				
Operating lease liabilities	Accrued taxes, interest and expenses	**$**	**543**	555
Finance lease liabilities	Long-term debt		**97**	35
Total lease liabilities		**$**	**640**	590

(a) Operating and finance lease right-of-use assets are recorded net of accumulated amortization of $99 and $29, respectively, as of June 30, 2020, and $75 and $27, respectively, as of December 31, 2019.

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The following table presents the components of lease costs:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended June 30, **2020**	2019	For the six months ended June 30, **2020**	2019
Lease costs:					
Amortization of right-of-use assets	Net occupancy and equipment expense	**$ 2**	2	**3**	3
Interest on lease liabilities	Interest on long-term debt	**—**	—	**1**	—
Total finance lease costs		**$ 2**	2	**4**	3
Operating lease cost	Net occupancy expense	**$ 22**	25	**46**	47
Short-term lease cost	Net occupancy expense	**—**	—	**1**	—
Variable lease cost	Net occupancy expense	**7**	8	**14**	16
Sublease income	Net occupancy expense	**—**	(1)	**(1)**	(2)
Total operating lease costs		**$ 29**	32	**60**	61
Total lease costs		**$ 31**	34	**64**	64

The Bancorp performs impairment assessments for ROU assets when events or changes in circumstances indicate that their carrying values may not be recoverable. In addition to the lease costs disclosed in the table above, the Bancorp recognized $3 million and $7 million of impairment losses and termination charges for the ROU assets related to certain operating leases during the three months ended June 30, 2020 and 2019, respectively, and $5 million and $7 million during the six months ended June 30, 2020 and 2019, respectively. The recognized losses were recorded in net occupancy expense in the Condensed Consolidated Statements of Income.

The following table presents undiscounted cash flows for both operating leases and finance leases for the remainder of 2020 through 2025 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease liabilities as follows:

As of June 30, 2020 ($ in millions)	Operating Leases	Finance Leases	Total
Remainder of 2020	$ 44	9	53
2021	83	15	98
2022	78	15	93
2023	70	12	82
2024	62	12	74
2025	55	7	62
Thereafter	241	45	286
Total undiscounted cash flows	$ 633	115	748
Less: Difference between undiscounted cash flows and discounted cash flows	(90)	(18)	(108)
Present value of lease liabilities	$ 543	97	640

The following table presents the weighted-average remaining lease term and weighted-average discount rate as of:

	June 30, 2020
Weighted-average remaining lease term (years):	
Operating leases	9.38
Finance leases	11.43
Weighted-average discount rate:	
Operating leases	3.12 %
Finance leases	2.25 %

The following table presents information related to lease transactions for the six months ended:

($ in millions)	**June 30, 2020**	June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:[(a)]		
Operating cash flows from operating leases	**$ 47**	47
Operating cash flows from finance leases	**1**	1
Financing cash flows from finance leases	**2**	2

(a) The cash flows related to the short-term and variable lease payments are not included in the amounts in the table as they were not included in the measurement of lease liabilities.

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11. Goodwill

Business combinations entered into by the Bancorp typically result in the recognition of goodwill. Acquisition activity includes acquisitions in the respective period in addition to purchase accounting adjustments related to previous acquisitions. On March 22, 2019, the Bancorp completed its acquisition of MB Financial, Inc. In connection with the acquisition, the Bancorp recorded $1.8 billion of goodwill in 2019. During the first quarter of 2020, the Bancorp finalized the valuations for the assets acquired, liabilities assumed and noncontrolling interest recognized based on additional information available subsequent to the acquisition date. As a result, the Bancorp recognized additional goodwill of $9 million in connection with the acquisition of MB Financial, Inc. during the three months ended March 31, 2020.

The Bancorp completed its annual goodwill impairment test as of September 30, 2019 and the estimated fair values of the Commercial Banking, Branch Banking and Wealth and Asset Management reporting units exceeded their carrying values, including goodwill. During the first and second quarters of 2020, the Bancorp performed a qualitative assessment of its goodwill in consideration of the overall economic impact of the COVID-19 pandemic and the uncertainties it has introduced. Based upon this assessment, the Bancorp concluded it was not more likely than not that the fair value of its reporting units were less than their carrying amounts.

Changes in the net carrying amount of goodwill, by reporting unit, for the six months ended June 30, 2020 and the year ended December 31, 2019 were as follows:

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Total
Goodwill	$ 1,380	1,655	215	193	—	3,443
Accumulated impairment losses	(750)	—	(215)	—	—	(965)
Net carrying value as of December 31, 2018	$ 630	1,655	—	193	—	2,478
Acquisition activity	1,324	391	—	62	—	1,777
Sale of business	—	—	—	(3)	—	(3)
Net carrying value as of December 31, 2019	**$ 1,954**	**2,046**	**—**	**252**	**—**	**4,252**
Acquisition activity	**7**	**1**	**—**	**1**	**—**	**9**
Net carrying value as of June 30, 2020	**$ 1,961**	**2,047**	**—**	**253**	**—**	**4,261**

12. Intangible Assets

Intangible assets consist of core deposit intangibles, customer relationships, operating leases, non-compete agreements, trade names and books of business. Intangible assets are amortized on either a straight-line or an accelerated basis over their estimated useful lives and, based on the type of intangible asset, the amortization expense may be recorded in either other noninterest income or other noninterest expense in the Condensed Consolidated Statements of Income.

On March 22, 2019, the Bancorp completed its acquisition of MB Financial, Inc. In connection with the acquisition, the Bancorp recorded a $195 million core deposit intangible asset with a weighted-average amortization period of 7.2 years. Additionally, the Bancorp recorded a $24 million operating lease intangible asset with a weighted-average amortization period of 1.7 years. The fair values of these intangibles were finalized as of March 31, 2020.

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

($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
As of June 30, 2020			
Core deposit intangibles	**$ 229**	**(94)**	**135**
Customer relationships	**29**	**(6)**	**23**
Operating leases	**21**	**(12)**	**9**
Non-compete agreements	**3**	**(2)**	**1**
Other	**4**	**(1)**	**3**
Total intangible assets	**$ 286**	**(115)**	**171**
As of December 31, 2019			
Core deposit intangibles	$ 229	(70)	159
Customer relationships	29	(6)	23
Operating leases	23	(9)	14
Non-compete agreements	13	(11)	2
Other	4	(1)	3
Total intangible assets	$ 298	(97)	201

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As of June 30, 2020, all of the Bancorp's intangible assets were being amortized. Amortization expense recognized on intangible assets was $13 million and $14 million for the three months ended June 30, 2020 and 2019, respectively, and $29 million and $17 million for the six months ended June 30, 2020 and 2019, respectively. The Bancorp's projections of amortization expense shown in the following table are based on existing asset balances as of June 30, 2020. Future amortization expense may vary from these projections.

Estimated amortization expense for the remainder of 2020 through 2024 is as follows:

($ in millions)	Total
Remainder of 2020	$ 26
2021	43
2022	33
2023	24
2024	16

13. Variable Interest Entities

The Bancorp, in the normal course of business, engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity at risk to finance their activities without additional subordinated financial support or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The Bancorp evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Bancorp is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that requires a reconsideration. If the Bancorp is determined to be the primary beneficiary of a VIE, it must account for the VIE as a consolidated subsidiary. If the Bancorp is determined not to be the primary beneficiary of a VIE but holds a variable interest in the entity, such variable interests are accounted for under the equity method of accounting or other accounting standards as appropriate.

Consolidated VIEs

The following table provides a summary of the classifications of consolidated VIE assets and liabilities included in the Condensed Consolidated Balance Sheets for automobile loan securitizations as of:

($ in millions)	**June 30, 2020**	December 31, 2019
Assets:		
Other short-term investments	**$ 66**	74
Indirect secured consumer loans	**1,032**	1,354
ALLL	**(14)**	(7)
Other assets	**7**	8
Total assets	**$ 1,091**	1,429
Liabilities:		
Other liabilities	**$ 2**	2
Long-term debt	**933**	1,253
Total liabilities	**$ 935**	1,255

Automobile loan securitizations

In a securitization transaction that occurred in 2019, the Bancorp transferred approximately $1.43 billion in automobile loans to a bankruptcy remote trust which was deemed to be a VIE. This trust then subsequently issued approximately $1.37 billion of asset-backed notes, of which approximately $68 million were retained by the Bancorp. The Bancorp also has previously completed securitization transactions in which the Bancorp transferred certain consumer automobile loans to bankruptcy remote trusts which were also deemed to be VIEs. In each of these securitization transactions, the primary purposes of the VIEs were to issue asset-backed securities with varying levels of credit subordination and payment priority, as well as residual interests, and to provide the Bancorp with access to liquidity for its originated loans. The Bancorp retained residual interests in the VIEs and, therefore, has an obligation to absorb losses and a right to receive benefits from the VIEs that could potentially be significant to the VIEs. In addition, the Bancorp retained servicing rights for the underlying loans and, therefore, holds the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs. As a result, the Bancorp concluded that it is the primary beneficiary of the VIEs and has consolidated these VIEs. The assets of the VIEs are restricted to the settlement of the asset-backed securities and other obligations of the VIEs. The third-party holders of the asset-backed notes do not have recourse to the general assets of the Bancorp.

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

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Non-consolidated VIEs

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

June 30, 2020 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	**$ 1,452**	**424**	**1,452**
Private equity investments	**91**	**—**	**171**
Loans provided to VIEs	**2,602**	**—**	**3,868**
Lease pool entities	**79**	**—**	**79**

December 31, 2019 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	$ 1,435	428	1,435
Private equity investments	89	—	164
Loans provided to VIEs	2,715	—	4,083
Lease pool entities	74	—	74

CDC investments

CDC, a wholly-owned indirect subsidiary of the Bancorp, was created to invest in projects to create affordable housing, revitalize business and residential areas and preserve historic landmarks. CDC generally co-invests with other unrelated companies and/or individuals and typically makes investments in a separate legal entity that owns the property under development. The entities are usually formed as limited partnerships and LLCs and CDC typically invests as a limited partner/investor member in the form of equity contributions. The economic performance of the VIEs is driven by the performance of their underlying investment projects as well as the VIEs' ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. The Bancorp has determined that it is not the primary beneficiary of these VIEs because it lacks the power to direct the activities that most significantly impact the economic performance of the underlying project or the VIEs' ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. This power is held by the managing members who exercise full and exclusive control of the operations of the VIEs. For information regarding the Bancorp's accounting for these investments, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019.

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

At both June 30, 2020 and December 31, 2019, the Bancorp's CDC investments included $1.2 billion of investments in affordable housing tax credits recognized in other assets in the Condensed Consolidated Balance Sheets. The unfunded commitments related to these investments were $424 million and $428 million at June 30, 2020 and December 31, 2019, respectively. The unfunded commitments as of June 30, 2020 are expected to be funded from 2020 to 2035.

The Bancorp has accounted for all of its qualifying LIHTC investments using the proportional amortization method of accounting. The following table summarizes the impact to the Condensed Consolidated Statements of Income related to these investments:

($ in millions)	Condensed Consolidated Statements of Income Caption[(a)]	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	**2020**	2019
Proportional amortization	Applicable income tax expense	**$ 27**	37	**$ 32**	74
Tax credits and other benefits	Applicable income tax expense	**(32)**	(44)	**(37)**	(87)

(a) The Bancorp did not recognize impairment losses resulting from the forfeiture or ineligibility of tax credits or other circumstances during both the three and six months ended June 30, 2020 and 2019.

Private equity investments

The Bancorp invests as a limited partner in private equity investments which provide the Bancorp an opportunity to obtain higher rates of return on invested capital, while also creating cross-selling opportunities for the Bancorp's commercial products. Each of the limited partnerships has an unrelated third-party general partner responsible for appointing the fund manager. The Bancorp has not been appointed fund manager for any of these private equity investments. The funds finance primarily all of their activities from the partners' capital contributions and investment returns. The Bancorp has determined that it is not the primary beneficiary of the funds because it does not have the obligation to absorb the funds' expected losses or the right to receive the funds' expected residual returns that could potentially be significant to the funds and lacks the power to direct the activities that most significantly impact the economic performance of the funds. The Bancorp, as a limited partner, does not have substantive participating or substantive kick-out rights over the general partner. Therefore, the Bancorp accounts for its investments in these limited partnerships under the equity method of accounting.

The Bancorp is exposed to losses arising from the negative performance of the underlying investments in the private equity investments. As a limited partner, the Bancorp's maximum exposure to loss is limited to the carrying amounts of the investments plus unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Condensed Consolidated Balance Sheets, are presented in previous tables. Also, at June 30, 2020 and December 31, 2019, the Bancorp's unfunded commitment amounts to the private equity funds were $80 million and $75 million, respectively. As part of previous commitments, the Bancorp made capital contributions to private equity investments of $1 million and $5 million during the three months ended June 30, 2020 and 2019, respectively and $5 million and $7 million during the six months ended June 30, 2020 and 2019, respectively.

Loans provided to VIEs

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

The principal risk to which these entities are exposed is credit risk related to the underlying assets. The Bancorp's maximum exposure to loss is equal to the carrying amounts of the loans and unfunded commitments to the VIEs. The Bancorp's outstanding loans to these VIEs are included in commercial loans in Note 6. As of June 30, 2020 and December 31, 2019, the Bancorp's unfunded commitments to these entities were $1.3 billion and $1.4 billion, respectively. The loans and unfunded commitments to these VIEs are included in the Bancorp's overall analysis of the ALLL and reserve for unfunded commitments, respectively. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

Lease pool entities

As a result of the acquisition of MB Financial, Inc., the Bancorp co-invested with other unrelated leasing companies in three LLCs designed for the purpose of purchasing pools of residual interests in leases which have been originated or purchased by the other investing member. For each LLC, the leasing company is the managing member and has full authority over the day-to-day operations of the entity. While the Bancorp holds more than 50% of the equity interests in each LLC, the operating agreements require both members to consent to significant corporate actions, such as liquidating the entity or removing the manager. In addition, the Bancorp has a preference with regards to distributions such that all of the Bancorp's equity contribution for each pool must be distributed, plus a pre-defined rate of return, before the other member may receive distributions. The leasing company is also entitled to the return of its investment plus a pre-defined rate of return before any residual profits are distributed to the members.

The lease pool entities are primarily subject to risk of losses on the lease residuals purchased. The Bancorp has determined that it is not the primary beneficiary of these VIEs because it does not have the power to direct the activities that most significantly impact the economic performance of the entities. This power is held by the leasing company, who as managing member controls the servicing of the leases and collection of the proceeds on the residual interests.

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14. Sales of Receivables and Servicing Rights

Residential Mortgage Loan Sales

The Bancorp sold fixed and adjustable-rate residential mortgage loans during both the three and six months ended June 30, 2020 and 2019. In those sales, the Bancorp obtained servicing responsibilities and provided certain standard representations and warranties; however, the investors have no recourse to the Bancorp's other assets for failure of debtors to pay when due. The Bancorp receives servicing fees based on a percentage of the outstanding balance. The Bancorp identifies classes of servicing assets based on financial asset type and interest rates.

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Residential mortgage loan sales[(a)]	**$ 3,063**	1,654	**6,018**	2,815
Origination fees and gains on loan sales	**95**	37	**176**	62
Gross mortgage servicing fees	**63**	70	**130**	125

(a) Represents the unpaid principal balance at the time of the sale.

Servicing Rights

The Bancorp measures all of its servicing rights at fair value with changes in fair value reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

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

($ in millions)	**2020**	2019
Balance, beginning of period	**$ 993**	938
Servicing rights originated	**101**	57
Servicing rights purchased	**30**	26
Servicing rights obtained in acquisition	**—**	263
Changes in fair value:		
Due to changes in inputs or assumptions[(a)]	**(343)**	(173)
Other changes in fair value[(b)]	**(105)**	(72)
Balance, end of period	**$ 676**	1,039

(a) Primarily reflects changes in prepayment speed and OAS assumptions which are updated based on market interest rates.
(b) Primarily reflects changes due to collection of contractual cash flows and the passage of time.

The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the value of the MSR portfolio. This strategy may include the purchase of free-standing derivatives and various available-for-sale debt and trading debt securities. The interest income, mark-to-market adjustments and gain or loss from sale activities associated with these portfolios are expected to economically hedge a portion of the change in value of the MSR portfolio caused by fluctuating OAS, earnings rates and prepayment speeds. The fair value of the servicing asset is based on the present value of expected future cash flows.

The following table presents activity related to valuations of the MSR portfolio and the impact of the non-qualifying hedging strategy:

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Securities gains, net – non-qualifying hedges on MSRs	**$ —**	2	**3**	5
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio[(a)]	**11**	117	**361**	177
MSR fair value adjustment due to changes in inputs or assumptions[(a)]	**(12)**	(116)	**(343)**	(173)

(a) Included in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

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The key economic assumptions used in measuring the interests in residential mortgage loans that continued to be held by the Bancorp at the date of sale, securitization or purchase resulting from transactions completed during the three months ended June 30, 2020 and 2019 were as follows:

		June 30, 2020			June 30, 2019		
	Rate	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)
Residential mortgage loans:							
Servicing rights	Fixed	**5.8**	**12.4 %**	**777**	5.7	13.2 %	497
Servicing rights	Adjustable	**3.0**	**27.1 %**	**725**	—	—	—

Based on historical credit experience, expected credit losses for residential mortgage loan servicing rights have been deemed immaterial, as the Bancorp sold the majority of the underlying loans without recourse. At June 30, 2020 and December 31, 2019, the Bancorp serviced $78.8 billion and $80.7 billion, respectively, of residential mortgage loans for other investors. The value of MSRs that continue to be held by the Bancorp is subject to credit, prepayment and interest rate risks on the sold financial assets.

At June 30, 2020, the sensitivity of the current fair value of residual cash flows to immediate 10%, 20% and 50% adverse changes in prepayment speed assumptions and immediate 10% and 20% adverse changes in OAS are as follows:

				Prepayment Speed Assumption				OAS Spread Assumption		
					Impact of Adverse Change on Fair Value				Impact of Adverse Change on Fair Value	
($ in millions)[(a)]	Rate	Fair Value	Weighted-Average Life (in years)	Rate	10%	20%	50%	OAS (bps)	10%	20%
Residential mortgage loans:										
Servicing rights	Fixed	$ 668	3.8	20.1 %	$ (22)	(43)	(97)	784	$ (16)	(31)
Servicing rights	Adjustable	8	3.4	23.4	(1)	(1)	(2)	934	—	—

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

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

15. Derivative Financial Instruments

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

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

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

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

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

The fair value of derivative instruments is presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Derivative instruments with a positive fair value are reported in other assets in the Condensed Consolidated Balance Sheets while derivative instruments with a negative fair value are reported in other liabilities in the Condensed Consolidated Balance Sheets. Cash collateral payables and receivables associated with the derivative instruments are not added to or netted against the fair value amounts with the exception of certain variation margin payments that are considered legal settlements of the derivative contracts. For derivative contracts cleared through certain central clearing parties who have modified their rules to treat variation margin payments as settlements, the variation margin payments are applied to net the fair value of the respective derivative contracts.

The Bancorp's derivative assets include certain contractual features in which the Bancorp requires the counterparties to provide collateral in the form of cash and securities to offset changes in the fair value of the derivatives, including changes in the fair value due to credit risk of the counterparty. As of June 30, 2020 and December 31, 2019, the balance of collateral held by the Bancorp for derivative assets was $1.3 billion and $894 million, respectively. For derivative contracts cleared through certain central clearing parties who have modified their rules to treat variation margin payments as settlement of the derivative contract, the payments for variation margin of $1.2 billion and $623 million were applied to reduce the respective derivative contracts and were also not included in the total amount of collateral held as of June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020 and December 31, 2019, the credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts was $55 million and $17 million, respectively.

In measuring the fair value of derivative liabilities, the Bancorp considers its own credit risk, taking into consideration collateral maintenance requirements of certain derivative counterparties and the duration of instruments with counterparties that do not require collateral maintenance. When necessary, the Bancorp posts collateral primarily in the form of cash and securities to offset changes in fair value of the derivatives, including changes in fair value due to the Bancorp's credit risk. As of June 30, 2020 and December 31, 2019, the balance of collateral posted by the Bancorp for derivative liabilities was $483 million and $347 million, respectively. Additionally, as of June 30, 2020 and December 31, 2019, $1.4 billion and $488 million, respectively, of variation margin payments were applied to the respective derivative contracts to reduce the Bancorp's derivative liabilities and were also not included in the total amount of collateral posted. Certain of the Bancorp's derivative liabilities contain credit-risk-related contingent features that could result in the requirement to post additional collateral upon the occurrence of specified events. As of both June 30, 2020 and December 31, 2019, the fair value of the additional collateral that could be required to be posted as a result of the credit-risk-related contingent features being triggered was immaterial to the Bancorp's Condensed Consolidated Financial Statements. The posting of collateral has been determined to remove the need for further consideration of

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credit risk. As a result, the Bancorp determined that the impact of the Bancorp's credit risk to the valuation of its derivative liabilities was immaterial to the Bancorp's Condensed Consolidated Financial Statements.

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

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

		Fair Value	
June 30, 2020 ($ in millions)	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives Designated as Qualifying Hedging Instruments:			
Fair value hedges:			
Interest rate swaps related to long-term debt	**$ 2,705**	**616**	**—**
Total fair value hedges		**616**	**—**
Cash flow hedges:			
Interest rate floors related to C&I loans	**3,000**	**281**	**—**
Interest rate swaps related to C&I loans	**8,000**	**—**	**4**
Total cash flow hedges		**281**	**4**
Total derivatives designated as qualifying hedging instruments		**897**	**4**
Derivatives Not Designated as Qualifying Hedging Instruments:			
Free-standing derivatives – risk management and other business purposes:			
Interest rate contracts related to MSR portfolio	**6,770**	**289**	**3**
Forward contracts related to residential mortgage loans held for sale	**4,085**	**4**	**19**
Swap associated with the sale of Visa, Inc. Class B Shares	**3,169**	**—**	**183**
Foreign exchange contracts	**315**	**—**	**3**
Interest rate contracts for collateral management	**12,000**	**1**	**—**
Commercial loan trading	**2**	**—**	**—**
Total free-standing derivatives – risk management and other business purposes		**294**	**208**
Free-standing derivatives – customer accommodation:			
Interest rate contracts[(a)]	**79,392**	**1,514**	**312**
Interest rate lock commitments	**2,745**	**91**	**—**
Commodity contracts	**7,745**	**582**	**602**
TBA securities	**102**	**—**	**—**
Foreign exchange contracts	**13,253**	**212**	**168**
Total free-standing derivatives – customer accommodation		**2,399**	**1,082**
Total derivatives not designated as qualifying hedging instruments		**2,693**	**1,290**
Total		**$ 3,590**	**1,294**

(a) Derivative assets and liabilities are presented net of variation margin of $60 and $1,318, respectively.

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December 31, 2019 ($ in millions)	Notional Amount	Fair Value	
		Derivative Assets	Derivative Liabilities
Derivatives Designated as Qualifying Hedging Instruments:			
Fair value hedges:			
Interest rate swaps related to long-term debt	$ 2,705	393	—
Total fair value hedges		393	—
Cash flow hedges:			
Interest rate floors related to C&I loans	3,000	115	—
Interest rate swaps related to C&I loans	8,000	—	2
Total cash flow hedges		115	2
Total derivatives designated as qualifying hedging instruments		508	2
Derivatives Not Designated as Qualifying Hedging Instruments:			
Free-standing derivatives – risk management and other business purposes:			
Interest rate contracts related to MSR portfolio	6,420	131	2
Forward contracts related to residential mortgage loans held for sale	2,901	1	5
Swap associated with the sale of Visa, Inc. Class B Shares	3,082	—	163
Foreign exchange contracts	195	—	5
Total free-standing derivatives – risk management and other business purposes		132	175
Free-standing derivatives – customer accommodation:			
Interest rate contracts[(a)]	73,327	579	148
Interest rate lock commitments	907	18	—
Commodity contracts	8,525	271	270
TBA securities	50	—	—
Foreign exchange contracts	14,144	165	146
Total free-standing derivatives – customer accommodation		1,033	564
Total derivatives not designated as qualifying hedging instruments		1,165	739
Total		$ 1,673	741

(a) Derivative assets and liabilities are presented net of variation margin of $40 and $493, respectively.

Fair Value Hedges

The Bancorp may enter into interest rate swaps to convert its fixed-rate funding to floating-rate. Decisions to convert fixed-rate funding to floating are made primarily through consideration of the asset/liability mix of the Bancorp, the desired asset/liability sensitivity and interest rate levels. As of June 30, 2020, certain interest rate swaps met the criteria required to qualify for the shortcut method of accounting that permits the assumption of perfect offset. For all designated fair value hedges of interest rate risk as of June 30, 2020 that were not accounted for under the shortcut method of accounting, the Bancorp performed an assessment of hedge effectiveness using regression analysis with changes in the fair value of the derivative instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk recorded in the same income statement line in current period net income.

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

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	**2020**	2019
Change in fair value of interest rate swaps hedging long-term debt	Interest on long-term debt	**$ (1)**	89	**226**	143
Change in fair value of hedged long-term debt attributable to the risk being hedged	Interest on long-term debt	**2**	(87)	**(225)**	(140)

The following amounts were recorded in the Condensed Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges as of:

($ in millions)	Condensed Consolidated Balance Sheets Caption	June 30, 2020
Carrying amount of the hedged items	Long-term debt	$ 3,319
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	Long-term debt	626

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Cash Flow Hedges

The Bancorp may enter into interest rate swaps to convert floating-rate assets and liabilities to fixed rates or to hedge certain forecasted transactions for the variability in cash flows attributable to the contractually specified interest rate. The assets or liabilities may be grouped in circumstances where they share the same risk exposure that the Bancorp desires to hedge. The Bancorp may also enter into interest rate caps and floors to limit cash flow variability of floating-rate assets and liabilities. As of June 30, 2020, all hedges designated as cash flow hedges were assessed for effectiveness using regression analysis. The entire change in the fair value of the interest rate swap included in the assessment of hedge effectiveness is recorded in AOCI and reclassified from AOCI to current period earnings when the hedged item affects earnings. As of June 30, 2020, the maximum length of time over which the Bancorp is hedging its exposure to the variability in future cash flows is 54 months.

Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income in the Condensed Consolidated Statements of Income. As of June 30, 2020 and December 31, 2019, $841 million and $422 million, respectively, of net deferred gains, net of tax, on cash flow hedges were recorded in AOCI in the Condensed Consolidated Balance Sheets. As of June 30, 2020, $212 million in net unrealized gains, net of tax, recorded in AOCI are expected to be reclassified into earnings during the next 12 months. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations and the addition of other hedges subsequent to June 30, 2020.

During both the three and six months ended June 30, 2020 and 2019, there were no gains or losses reclassified from AOCI into earnings associated with the discontinuance of cash flow hedges because it was probable that the original forecasted transaction would no longer occur by the end of the originally specified time period or within the additional period of time as defined by U.S. GAAP.

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

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Amount of pre-tax net gains recognized in OCI	**$ 83**	240	**624**	351
Amount of pre-tax net gains (losses) reclassified from OCI into net income	**62**	(1)	**94**	(3)

Free-Standing Derivative Instruments – Risk Management and Other Business Purposes

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

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

In conjunction with the sale of Visa, Inc. Class B Shares in 2009, the Bancorp entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B Shares into Class A Shares. This total return swap is accounted for as a free-standing derivative. Refer to Note 23 for further discussion of significant inputs and assumptions used in the valuation of this instrument.

The Bancorp entered into certain interest rate swap contracts for the purpose of managing its collateral positions across the two derivatives clearinghouses. These interest rate swaps were perfectly offsetting positions that allowed the Bancorp to lower the cash posted as required initial margin at the clearinghouses, which reduced its credit exposure to the clearinghouses. Given that all relevant terms for these interest rate swaps are offsetting, these trades create no additional market risk for the Bancorp.

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

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	**2020**	2019
Interest rate contracts:					
Forward contracts related to residential mortgage loans held for sale	Mortgage banking net revenue	**$ 47**	(5)	**(11)**	(5)
Interest rate contracts related to MSR portfolio	Mortgage banking net revenue	**11**	117	**361**	177
Foreign exchange contracts:					
Foreign exchange contracts for risk management purposes	Other noninterest income	**(6)**	(3)	**8**	(5)
Equity contracts:					
Swap associated with sale of Visa, Inc. Class B Shares	Other noninterest income	**(29)**	(22)	**(51)**	(52)

Free-Standing Derivative Instruments – Customer Accommodation

The majority of the free-standing derivative instruments the Bancorp enters into are for the benefit of its commercial customers. These derivative contracts are not designated against specific assets or liabilities on the Condensed Consolidated Balance Sheets or to forecasted transactions and, therefore, do not qualify for hedge accounting. These instruments include foreign exchange derivative contracts entered into for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations and commodity contracts to hedge such items as natural gas and various other derivative contracts. The Bancorp may economically hedge significant exposures related to these derivative contracts entered into for the benefit of customers by entering into offsetting contracts with approved, reputable, independent counterparties with substantially matching terms. The Bancorp hedges its interest rate exposure on commercial customer transactions by executing offsetting swap agreements with primary dealers. Revaluation gains and losses on interest rate, foreign exchange, commodity and other commercial customer derivative contracts are recorded as a component of commercial banking revenue or other noninterest income in the Condensed Consolidated Statements of Income.

The Bancorp enters into risk participation agreements, under which the Bancorp assumes credit exposure relating to certain underlying interest rate derivative contracts. The Bancorp only enters into these risk participation agreements in instances in which the Bancorp has participated in the loan that the underlying interest rate derivative contract was designed to hedge. The Bancorp will make payments under these agreements if a customer defaults on its obligation to perform under the terms of the underlying interest rate derivative contract. As of June 30, 2020 and December 31, 2019, the total notional amount of the risk participation agreements was $3.8 billion and $3.9 billion, respectively, and the fair value was a liability of $9 million and $8 million at June 30, 2020 and December 31, 2019, respectively, which is included in other liabilities in the Condensed Consolidated Balance Sheets. As of June 30, 2020, the risk participation agreements had a weighted-average remaining life of 3.6 years.

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

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

($ in millions)		**June 30, 2020**	December 31, 2019
Pass	**$**	**3,537**	3,841
Special mention		**239**	86
Substandard		**9**	16
Total	**$**	**3,785**	3,943

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

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	**2020**	2019
Interest rate contracts:					
Interest rate contracts for customers (contract revenue)	Commercial banking revenue	**$ 12**	12	**26**	18
Interest rate contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**(1)**	(6)	**(34)**	(13)
Interest rate lock commitments	Mortgage banking net revenue	**82**	34	**182**	58
Commodity contracts:					
Commodity contracts for customers (contract revenue)	Commercial banking revenue	**4**	2	**7**	3
Commodity contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**—**	—	**(1)**	—
Commodity contracts for customers (credit losses)	Other noninterest expense	**(1)**	—	**(1)**	—
Foreign exchange contracts:					
Foreign exchange contracts for customers (contract revenue)	Commercial banking revenue	**14**	12	**26**	24
Foreign exchange contracts for customers (contract revenue)	Other noninterest income	**(3)**	4	**3**	8
Foreign exchange contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**1**	—	**(1)**	—

Offsetting Derivative Financial Instruments

The Bancorp's derivative transactions are generally governed by ISDA Master Agreements and similar arrangements, which include provisions governing the setoff of assets and liabilities between the parties. When the Bancorp has more than one outstanding derivative transaction with a single counterparty, the setoff provisions contained within these agreements generally allow the non-defaulting party the right to reduce its liability to the defaulting party by amounts eligible for setoff, including the collateral received as well as eligible offsetting transactions with that counterparty, irrespective of the currency, place of payment or booking office. The Bancorp's policy is to present its derivative assets and derivative liabilities on the Condensed Consolidated Balance Sheets on a gross basis, even when provisions allowing for setoff are in place. However, for derivative contracts cleared through certain central clearing parties who have modified their rules to treat variation margin payments as settlements, the fair value of the respective derivative contracts is reported net of the variation margin payments.

Collateral amounts included in the tables below consist primarily of cash and highly rated government-backed securities and do not include variation margin payments for derivative contracts with legal rights of setoff for both periods shown.

The following tables provide a summary of offsetting derivative financial instruments:

As of June 30, 2020 ($ in millions)	Gross Amount Recognized in the Condensed Consolidated Balance Sheets[(a)]	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
		Derivatives	Collateral[(b)]	
Assets:				
Derivatives	**$ 3,499**	**(756)**	**(869)**	**1,874**
Total assets	**3,499**	**(756)**	**(869)**	**1,874**
Liabilities:				
Derivatives	**1,294**	**(756)**	**(103)**	**435**
Total liabilities	**$ 1,294**	**(756)**	**(103)**	**435**

(a) Amount does not include IRLCs because these instruments are not subject to master netting or similar arrangements.

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

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As of December 31, 2019 ($ in millions)	Gross Amount Recognized in the Condensed Consolidated Balance Sheets[(a)]	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
		Derivatives	Collateral[(b)]	
Assets:				
Derivatives	$ 1,655	(417)	(504)	734
Total assets	1,655	(417)	(504)	734
Liabilities:				
Derivatives	741	(417)	(97)	227
Total liabilities	$ 741	(417)	(97)	227

(a) Amount does not include IRLCs because these instruments are not subject to master netting or similar arrangements.
(b) Amount of collateral received as an offset to asset positions or pledged as an offset to liability positions. Collateral values in excess of related derivative amounts recognized in the Condensed Consolidated Balance Sheets were excluded from this table.

16. Other Short-Term Borrowings

Borrowings with original maturities of one year or less are classified as short-term. The following table presents a summary of the Bancorp's other short-term borrowings as of:

($ in millions)	**June 30, 2020**	December 31, 2019
Securities sold under repurchase agreements	**$ 679**	469
Derivative collateral	**525**	542
Other secured borrowings	**81**	—
Total other short-term borrowings	**$ 1,285**	1,011

The Bancorp's securities sold under repurchase agreements are accounted for as secured borrowings and are collateralized by securities included in available-for-sale debt and other securities in the Condensed Consolidated Balance Sheets. These securities are subject to changes in market value and, therefore, the Bancorp may increase or decrease the level of securities pledged as collateral based upon these movements in market value. As of both June 30, 2020 and December 31, 2019, all securities sold under repurchase agreements were secured by agency residential mortgage-backed securities and the repurchase agreements have an overnight remaining contractual maturity.

As of June 30, 2020, other secured borrowings consist of obligations recognized by the Bancorp under ASC Topic 860 related to certain loans sold to GNMA and serviced by the Bancorp. Under ASC Topic 860, once the Bancorp has the unilateral right to repurchase the GNMA loans due to the borrower missing three consecutive payments, the Bancorp is considered to have regained effective control over the loan. As such, the Bancorp is required to recognize both the loan and the repurchase liability on the balance sheet, regardless of the intent to repurchase the loans.

17. Long-Term Debt

On January 31, 2020, the Bank issued and sold, under its bank notes program, $1.25 billion in aggregate principal amount of senior fixed-rate notes. The bank notes consisted of $650 million of 1.80% senior fixed-rate notes, with a maturity of three years, due on January 30, 2023; and $600 million of 2.25% senior fixed-rate notes, with a maturity of seven years, due on February 1, 2027. On or after the date that is 30 days before the maturity date, the 1.80% senior fixed-rate notes will be redeemable, in whole or in part, at any time and from time to time, at the Bank's option at a redemption price equal to 100% of the aggregate principal amount of the 1.80% senior fixed-rate notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date. The 2.25% senior fixed-rate notes will be redeemable at the Bank's option, in whole or in part, at any time or from time to time, on or after July 31, 2020, and prior to January 4, 2027 (the "Applicable Par Call Date"), in each case at a redemption price, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date, equal to the greater of: (a) 100% of the aggregate principal amount of the 2.25% senior fixed-rate notes being redeemed on that redemption date; and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the 2.25% senior fixed-rate notes being redeemed that would be due if the 2.25% senior fixed-rate notes to be redeemed matured on the Applicable Par Call Date (not including any portion of such payments of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus the Applicable Spread for the Notes to be redeemed. Additionally, on or after January 4, 2027, the 2.25% senior fixed-rate notes will also be redeemable, in whole or in part, at any time and from time to time, at the Bank's option at a redemption price equal to 100% of the aggregate principal amount of the 2.25% senior fixed-rate notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date.

On May 5, 2020, the Bancorp issued and sold $1.25 billion in aggregate principal amount of senior fixed-rate notes. The notes consisted of $500 million of 1.625% senior fixed-rate notes, with a maturity of three years, due on May 5, 2023; and $750 million of 2.55% senior fixed-rate notes, with a maturity of seven years, due on May 5, 2027. The 1.625% and 2.55% senior fixed-rate notes will be redeemable on or after

April 5, 2023 and April 5, 2027, respectively (the respective "Applicable Par Call Date"), in whole or in part, at any time and from time to time, at the Bancorp's option at a redemption price equal to 100% of the aggregate principal amount of the senior fixed-rate notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date. Additionally, the 1.625% and 2.55% senior fixed-rate notes will be redeemable at the Bancorp's option, in whole or in part, at any time or from time to time, on or after November 2, 2020, and prior to the notes' respective Applicable Par Call Date, in each case at a redemption price, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date, equal to the greater of: (a) 100% of the aggregate principal amount of the senior fixed-rate notes being redeemed on that redemption date; and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the senior fixed-rate notes being redeemed that would be due if the senior fixed-rate notes to be redeemed matured on their respective Applicable Par Call Date (not including any portion of such payments of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus either 25 basis points (for the 1.625% senior fixed-rate notes) or 35 basis points (for the 2.55% senior fixed-rate notes), as the case may be.

18. Commitments, Contingent Liabilities and Guarantees

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

Commitments

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

($ in millions)		**June 30, 2020**	December 31, 2019
Commitments to extend credit	**$**	**72,020**	75,696
Forward contracts related to residential mortgage loans held for sale		**4,085**	2,901
Letters of credit		**2,158**	2,137
Purchase obligations		**139**	113
Capital expenditures		**99**	84
Capital commitments for private equity investments		**80**	75

Commitments to extend credit

Commitments to extend credit are agreements to lend, typically having fixed expiration dates or other termination clauses that may require payment of a fee. Since many of the commitments to extend credit may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements. The Bancorp is exposed to credit risk in the event of nonperformance by the counterparty for the amount of the contract. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and the Bancorp's exposure is limited to the replacement value of those commitments. As of June 30, 2020 and December 31, 2019, the Bancorp had a reserve for unfunded commitments, including letters of credit, totaling $176 million and $144 million, respectively, included in other liabilities in the Condensed Consolidated Balance Sheets. The Bancorp monitors the credit risk associated with commitments to extend credit using the same standard regulatory risk rating systems utilized for its loan and lease portfolio.

Risk ratings of outstanding commitments to extend credit under this risk rating system are summarized in the following table as of:

($ in millions)		**June 30, 2020**	December 31, 2019
Pass	**$**	**70,006**	74,654
Special mention		**1,216**	633
Substandard		**798**	408
Doubtful		**—**	1
Total commitments to extend credit	**$**	**72,020**	75,696

Letters of credit

Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party and expire as summarized in the following table as of June 30, 2020:

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($ in millions)		
Less than 1 year[(a)]	$	1,118
1 - 5 years[(a)]		1,038
Over 5 years		2
Total letters of credit	$	2,158

(a) Includes $2 and $4 issued on behalf of commercial customers to facilitate trade payments in U.S. dollars and foreign currencies which expire less than 1 year and between 1 -5 years, respectively.

Standby letters of credit accounted for approximately 99% of total letters of credit at both June 30, 2020 and December 31, 2019, and are considered guarantees in accordance with U.S. GAAP. Approximately 63% and 66% of the total standby letters of credit were collateralized as of June 30, 2020 and December 31, 2019, respectively. In the event of nonperformance by the customers, the Bancorp has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The reserve related to these standby letters of credit, which was included in the total reserve for unfunded commitments, was $35 million and $20 million at June 30, 2020 and December 31, 2019, respectively. The Bancorp monitors the credit risk associated with letters of credit using the same standard regulatory risk rating systems utilized for its loan and lease portfolio.

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

($ in millions)		**June 30, 2020**	December 31, 2019
Pass	**$**	**1,978**	2,005
Special mention		**60**	20
Substandard		**120**	111
Doubtful		**—**	1
Total letters of credit	**$**	**2,158**	2,137

At June 30, 2020 and December 31, 2019, the Bancorp had outstanding letters of credit that were supporting certain securities issued as VRDNs. The Bancorp facilitates financing for its commercial customers, which consist of companies and municipalities, by marketing the VRDNs to investors. The VRDNs pay interest to holders at a rate of interest that fluctuates based upon market demand. The VRDNs generally have long-term maturity dates, but can be tendered by the holder for purchase at par value upon proper advance notice. When the VRDNs are tendered, a remarketing agent generally finds another investor to purchase the VRDNs to keep the securities outstanding in the market. As of June 30, 2020 and December 31, 2019, total VRDNs in which the Bancorp was the remarketing agent or that were supported by a Bancorp letter of credit were $414 million and $449 million, respectively, of which FTS acted as the remarketing agent to issuers on $414 million and $445 million, respectively. As remarketing agent, FTS is responsible for actively remarketing VRDNs to other investors when they have been tendered. If another investor is not identified, FTS may choose to purchase the VRDNs into inventory at its discretion while it continues to remarket them. If FTS purchases the VRDNs into inventory, it can subsequently tender back the VRDNs to the issuer's trustee with proper advance notice. The Bancorp issued letters of credit, as a credit enhancement, to $169 million and $187 million of the VRDNs remarketed by FTS, in addition to zero and $3 million, respectively, in VRDNs remarketed by third parties at both June 30, 2020 and December 31, 2019. These letters of credit are included in the total letters of credit balance provided in the previous table. The Bancorp held zero and $3 million of these VRDNs in its portfolio and classified them as trading securities at June 30, 2020 and December 31, 2019, respectively.

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

Other commitments
The Bancorp has entered into a limited number of agreements for work related to banking center construction and to purchase goods or services.

Contingent Liabilities
Legal claims
There are legal claims pending against the Bancorp and its subsidiaries that have arisen in the normal course of business. Refer to Note 19 for additional information regarding these proceedings.

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

Residential mortgage loans sold with representation and warranty provisions
Conforming residential mortgage loans sold to unrelated third parties are generally sold with representation and warranty provisions. A contractual liability arises only in the event of a breach of these representations and warranties and, in general, only when a loss results from the breach. The Bancorp may be required to repurchase any previously sold loan, or indemnify or make whole the investor or insurer for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading. For more information on how the Bancorp establishes the residential mortgage repurchase reserve, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019.

As of June 30, 2020 and December 31, 2019, the Bancorp maintained reserves related to loans sold with representation and warranty provisions totaling $7 million and $6 million, respectively, included in other liabilities in the Condensed Consolidated Balance Sheets.

The Bancorp uses the best information available when estimating its mortgage representation and warranty reserve; however, the estimation process is inherently uncertain and imprecise and, accordingly, losses in excess of the amounts reserved as of June 30, 2020 are reasonably possible. The Bancorp currently estimates that it is reasonably possible that it could incur losses related to mortgage representation and warranty provisions in an amount up to approximately $9 million in excess of amounts reserved. This estimate was derived by modifying the key assumptions to reflect management's judgment regarding reasonably possible adverse changes to those assumptions. The actual repurchase losses could vary significantly from the recorded mortgage representation and warranty reserve or this estimate of reasonably possible losses, depending on the outcome of various factors, including those previously discussed.

For both the three months ended June 30, 2020 and 2019, the Bancorp paid an immaterial amount in the form of make-whole payments and repurchased $7 million and $4 million, respectively, in outstanding principal of loans to satisfy investor demands. For both the six months ended June 30, 2020 and 2019, the Bancorp paid an immaterial amount in the form of make-whole payments and repurchased $13 million and $13 million, respectively, in outstanding principal of loans to satisfy investor demands. Total repurchase demand requests during the three months ended June 30, 2020 and 2019 were $9 million and $10 million, respectively. Total repurchase demand requests during the six months ended June 30, 2020 and 2019 were $19 million and $27 million, respectively. Total outstanding repurchase demand inventory was $4 million and $6 million at June 30, 2020 and December 31, 2019, respectively.

Margin accounts
FTS, an indirect wholly-owned subsidiary of the Bancorp, guarantees the collection of all margin account balances held by its brokerage clearing agent for the benefit of its customers. FTS is responsible for payment to its brokerage clearing agent for any loss, liability, damage, cost or expense incurred as a result of customers failing to comply with margin or margin maintenance calls on all margin accounts. The margin account balances held by the brokerage clearing agent were $17 million and $12 million at June 30, 2020 and December 31, 2019, respectively. In the event of any customer default, FTS has rights to the underlying collateral provided. Given the existence of the underlying collateral provided and negligible historical credit losses, the Bancorp does not maintain a loss reserve related to the margin accounts.

Long-term borrowing obligations
The Bancorp had certain fully and unconditionally guaranteed long-term borrowing obligations issued by wholly-owned issuing trust entities of $62 million at both June 30, 2020 and December 31, 2019.

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

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

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

later of the third anniversary of Visa's IPO or the date on which the Covered Litigation is settled. Refer to Note 23 for additional information on the valuation of the swap. The counterparty to the swap as a result of its ownership of the Class B Shares will be impacted by dilutive adjustments to the conversion rate of the Class B Shares into Class A Shares caused by any Covered Litigation losses in excess of the litigation escrow account. If actual judgments in, or settlements of, the Covered Litigation significantly exceed current expectations, then additional funding by Visa of the litigation escrow account and the resulting dilution of the Class B Shares could result in a scenario where the Bancorp's ultimate exposure associated with the Covered Litigation (the "Visa Litigation Exposure") exceeds the value of the Class B Shares owned by the swap counterparty (the "Class B Value"). In the event the Bancorp concludes that it is probable that the Visa Litigation Exposure exceeds the Class B Value, the Bancorp would record a litigation reserve liability and a corresponding amount of other noninterest expense for the amount of the excess. Any such litigation reserve liability would be separate and distinct from the fair value derivative liability associated with the total return swap.

As of the date of the Bancorp's sale of the Visa Class B Shares and through June 30, 2020, the Bancorp has concluded that it is not probable that the Visa Litigation Exposure will exceed the Class B value. Based on this determination, upon the sale of Class B Shares, the Bancorp reversed its net Visa litigation reserve liability and recognized a free-standing derivative liability associated with the total return swap. The fair value of the swap liability was $183 million at June 30, 2020 and $163 million at December 31, 2019. Refer to Note 15 and Note 23 for further information.

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

Period ($ in millions)	Visa Funding Amount	Bancorp Cash Payment Amount
Q2 2010	$ 500	20
Q4 2010	800	35
Q2 2011	400	19
Q1 2012	1,565	75
Q3 2012	150	6
Q3 2014	450	18
Q2 2018	600	26
Q3 2019	300	12

19. Legal and Regulatory Proceedings

Litigation

Visa/MasterCard Merchant Interchange Litigation

In April 2006, the Bancorp was added as a defendant in a consolidated antitrust class action lawsuit originally filed against Visa®, MasterCard® and several other major financial institutions in the United States District Court for the Eastern District of New York (In re: Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, Case No. 5-MD-1720). The plaintiffs, merchants operating commercial businesses throughout the U.S. and trade associations, claimed that the interchange fees charged by card-issuing banks were unreasonable and sought injunctive relief and unspecified damages. In addition to being a named defendant, the Bancorp is currently also subject to a possible indemnification obligation of Visa as discussed in Note 18 and has also entered into judgment and loss sharing agreements with Visa, MasterCard and certain other named defendants. In October 2012, the parties to the litigation entered into a settlement agreement. On January 14, 2014, the trial court entered a final order approving the class settlement. A number of merchants filed appeals from that approval. The U.S. Court of Appeals for the Second Circuit held a hearing on those appeals and on June 30, 2016, reversed the district court's approval of the class settlement, remanding the case to the district court for further proceedings. On March 27, 2017, the Supreme Court of the United States denied a petition for writ of certiorari seeking to review the Second Circuit's decision. Pursuant to the terms of the overturned settlement agreement, the Bancorp had previously paid $46 million into a class settlement escrow account. Approximately 8,000 merchants requested exclusion from the class settlement, and therefore, pursuant to the terms of the overturned settlement agreement, approximately 25% of the funds paid into the class settlement escrow account had been already returned to the control of the defendants. The remaining settlement funds paid by the Bancorp have been maintained in the escrow account. More than 500 of the merchants who requested exclusion from the class filed separate federal lawsuits against Visa, MasterCard and certain other defendants alleging similar antitrust violations. These individual federal lawsuits were transferred to the United States District Court for the Eastern District of New York. While the Bancorp is only named as a defendant in one of the individual federal lawsuits, it may have obligations pursuant to indemnification arrangements and/or the judgment or loss sharing agreements noted above. On September 17, 2018, the defendants in the consolidated class action signed a second settlement agreement (the "Amended Settlement Agreement") resolving the claims seeking monetary damages by the proposed plaintiffs' class (the "Plaintiff Damages Class") and superseding the original settlement agreement entered into in October 2012. The Amended Settlement Agreement included, among other terms, a release from participating class

members for liability for claims that accrue no later than five years after the Amended Settlement Agreement becomes final. The Amended Settlement Agreement provided for a total payment by all defendants of approximately $6.24 billion, composed of approximately $5.34 billion held in escrow plus an additional $900 million in new funds. However, the Settlement Agreement also provided that if between 15% and 25% of class members (by payment volume) opted out of the class, up to $700 million of the additional settlement funds would be returned to the defendants. It has now been determined that more than 25% of the class members have elected to opt out of the Amended Settlement Agreement, and, therefore, $700 million of the additional $900 million has been returned to the defendants. The Bancorp's allocated share of the settlement is within existing reserves, including funds maintained in escrow. On December 13, 2019, the Court entered an order granting final approval for the settlement. The settlement does not resolve the claims of the separate proposed plaintiffs' class seeking injunctive relief or the claims of merchants who have opted out of the proposed class settlement and are pursuing, or may in the future decide to pursue, private lawsuits. The ultimate outcome in this matter, including the timing of resolution, therefore remains uncertain. Refer to Note 18 for further information.

Klopfenstein v. Fifth Third Bank

On August 3, 2012, William Klopfenstein and Adam McKinney filed a lawsuit against Fifth Third Bank in the United States District Court for the Northern District of Ohio (Klopfenstein et al. v. Fifth Third Bank), alleging that the 120% APR that Fifth Third disclosed on its Early Access program was misleading. Early Access is a deposit-advance program offered to eligible customers with checking accounts. The plaintiffs sought to represent a nationwide class of customers who used the Early Access program and repaid their cash advances within 30 days. On October 31, 2012, the case was transferred to the United States District Court for the Southern District of Ohio. In 2013, four similar putative class actions were filed against Fifth Third Bank in federal courts throughout the country (Lori and Danielle Laskaris v. Fifth Third Bank, Janet Fyock v. Fifth Third Bank, Jesse McQuillen v. Fifth Third Bank, and Brian Harrison v. Fifth Third Bank). Those four lawsuits were transferred to the Southern District of Ohio and consolidated with the original lawsuit as In re: Fifth Third Early Access Cash Advance Litigation (Case No. 1:12-CV-851). On behalf of a putative class, the plaintiffs sought unspecified monetary and statutory damages, injunctive relief, punitive damages, attorneys' fees, and pre- and post-judgment interest. On March 30, 2015, the court dismissed all claims alleged in the consolidated lawsuit except a claim under the TILA. On January 10, 2018, plaintiffs filed a motion to hear the immediate appeal of the dismissal of their breach of contract claim. On March 28, 2018, the court granted plaintiffs' motion and stayed the TILA claim pending that appeal. On April 26, 2018, plaintiffs filed their notice of appeal for the breach of contract claim with the U.S. Court of Appeals for the Sixth Circuit. On May 28, 2019, the Sixth Circuit Court of Appeals reversed the dismissal of plaintiffs' breach of contract claim and remanded for further proceedings. The plaintiffs' claimed damages for the alleged breach of contract claim exceed $280 million. The plaintiffs' motion for class certification was filed on April 20, 2020. No trial date has been set.

Helton v. Fifth Third Bank

On August 31, 2015, trust beneficiaries filed an action against Fifth Third Bank, as trustee, in the Probate Court for Hamilton County, Ohio (Helen Clarke Helton, et al. v. Fifth Third Bank, Case No. 2015003814). The plaintiffs alleged breach of the duty to diversify, breach of the duty of impartiality, breach of trust/fiduciary duty, and unjust enrichment, based on Fifth Third's alleged failure to diversify assets held in two trusts for the plaintiffs' benefit. The lawsuit sought over $800 million in alleged damages, attorney's fees, removal of Fifth Third as trustee, and injunctive relief. Fifth Third denied all liability. On April 20, 2018, the Court denied plaintiffs' motion for summary judgment and granted summary judgment to Fifth Third, dismissing the case in its entirety. On December 18, 2019, the Ohio Court of Appeals affirmed the Probate Court's dismissal of all of plaintiffs' claims based upon allegations of Fifth Third's alleged failure to diversify assets held in two trusts for plaintiffs' benefit. The appeals court reversed summary judgment on one claim related to Fifth Third's alleged unjust enrichment through its receipt of certain fees in managing the trusts. The Court of Appeals remanded the case to the Probate Court for further consideration of the lone surviving claim, which comprises a small fraction of the damages originally sought by plaintiffs in the lawsuit. Plaintiffs filed an appeal to the Ohio Supreme Court, seeking review of the decision from the Ohio Court of Appeals. On April 14, 2020, the Ohio Supreme Court announced its denial of plaintiffs' request for review, and subsequently denied plaintiffs' request for reconsideration. The case will now return to the trial court for further adjudication of the lone surviving claim.

Bureau of Consumer Financial Protection v. Fifth Third Bank, National Association

On March 9, 2020, the CFPB filed a lawsuit against Fifth Third in the United States District Court for the Northern District of Illinois entitled CFPB v. Fifth Third Bank, National Association, Case No. 1:20-CV-1683 (N.D. Ill.) (ABW), alleging violations of the Consumer Financial Protection Act, TILA, and Truth in Savings Act related to Fifth Third's alleged opening of unspecified numbers of allegedly unauthorized credit card, savings, checking, online banking and early access accounts from 2010 through 2016. The CFPB seeks unspecified amounts of civil monetary penalties as well as unspecified customer remediation. Fifth Third has filed a motion to transfer venue to the United States District Court for the Southern District of Ohio. The Bancorp is also subject to other consumer class actions related to the alleged opening of unauthorized accounts.

Shareholder Litigation

On April 7, 2020, Plaintiff Lee Christakis filed a putative class action against Fifth Third Bancorp, Fifth Third President and Chief Executive Officer Greg D. Carmichael, and Fifth Third Chief Financial Officer Tayfun Tuzun in the U.S. District Court for the Northern District of Illinois entitled Lee Christakis, individually and on behalf of all others similarly situated v. Fifth Third Bancorp, et al., Case No. 1:20-cv-2176 (N.D. Ill). The case brings two claims for violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, alleging that the Defendants made material misstatements and omissions in connection with the alleged unauthorized opening of credit card, savings,

checking, online banking and early access accounts from 2010 through 2016. The plaintiff seeks certification of a class, unspecified damages, attorneys' fees and costs. On June 29, 2020, the Court appointed Heavy & General Laborers' Local 472 & 172 Pension and Annuity Funds as lead plaintiff, and Robins Geller Rudman & Dowd LLP as lead counsel for plaintiff.

On July 31, 2020, a second putative shareholder class action captioned Dr. Steven Fox, individually and on behalf of all others similarly situated v. Fifth Third Bancorp, et al., Case No. 2020CH05219 was filed on behalf of former shareholders of MB Financial, Inc. in the Cook County, Illinois Circuit Court. The suit brings claims for violation of Sections 11 and 12(a)(2) of the Securities Act of 1933, alleging that the Bancorp and certain of its officers and directors made material misstatements and omissions regarding the alleged improper cross-selling strategy in filings made in connection with the Bancorp's merger with MB Financial, Inc.

In addition, shareholder derivative lawsuits have been filed on behalf of the Bancorp alleging certain claims relating to an alleged improper cross-selling strategy. The Bancorp has also received several shareholder demands under Ohio Rev. Code § 1701.37(c) as well as a demand that the Bancorp's Board of Directors investigate and commence a civil action for failure to detect and/or prevent the alleged illegal cross-selling strategy.

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

Governmental Investigations and Proceedings
The Bancorp and/or its affiliates are or may become involved in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by various governmental regulatory agencies and law enforcement authorities, including but not limited to the FRB, OCC, CFPB, SEC, FINRA, U.S. Department of Justice, etc., as well as state and other governmental authorities and self-regulatory bodies regarding their respective businesses. Additional matters will likely arise from time to time. Any of these matters may result in material adverse consequences or reputational harm to the Bancorp, its affiliates and/or their respective directors, officers and other personnel, including adverse judgments, findings, settlements, fines, penalties, orders, injunctions or other actions, amendments and/or restatements of the Bancorp's SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in our disclosure controls and procedures. Investigations by regulatory authorities may from time to time result in civil or criminal referrals to law enforcement. Additionally, in some cases, regulatory authorities may take supervisory actions that are considered to be confidential supervisory information which may not be publicly disclosed.

Reasonably Possible Losses in Excess of Accruals
The Bancorp and its subsidiaries are parties to numerous claims and lawsuits as well as threatened or potential actions or claims concerning matters arising from the conduct of its business activities. The outcome of claims or litigation and the timing of ultimate resolution are inherently difficult to predict. The following factors, among others, contribute to this lack of predictability: claims often include significant legal uncertainties, damages alleged by plaintiffs are often unspecified or overstated, discovery may not have started or may not be complete and material facts may be disputed or unsubstantiated. As a result of these factors, the Bancorp is not always able to provide an estimate of the range of reasonably possible outcomes for each claim. An accrual for a potential litigation loss is established when information related to the loss contingency indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such accrual is adjusted from time to time thereafter as appropriate to reflect changes in circumstances. The Bancorp also determines, when possible (due to the uncertainties described above), estimates of reasonably possible losses or ranges of reasonably possible losses, in excess of amounts accrued. Under U.S. GAAP, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." Thus, references to the upper end of the range of reasonably possible loss for cases in which the Bancorp is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the Bancorp believes the risk of loss is more than slight. For matters where the Bancorp is able to estimate such possible losses or ranges of possible losses, the Bancorp currently estimates that it is reasonably possible that it could incur losses related to legal and regulatory proceedings, in an aggregate amount up to approximately $86 million in excess of amounts accrued, with it also being reasonably possible that no losses will be incurred in these matters. The estimates included in this amount are based on the Bancorp's analysis of currently available information, and as new information is obtained the Bancorp may change its estimates.

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

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

20. Income Taxes

The applicable income tax expense was $49 million and $124 million for the three months ended June 30, 2020 and 2019, respectively, and $61 million and $344 million for the six months ended June 30, 2020 and 2019, respectively. The effective tax rates for the three months ended June 30, 2020 and 2019 were 19.9% and 21.5%, respectively, and 20.4% and 21.9% for the six months ended June 30, 2020 and 2019, respectively. The decreases in the effective tax rates for both the three and six months ended June 30, 2020 compared to the same periods in the prior year were primarily related to decreases in actual and forecasted income before income taxes.

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

21. Accumulated Other Comprehensive Income

The tables below present the activity of the components of OCI and AOCI for the three months ended:

	Total OCI			Total AOCI		
June 30, 2020 ($ in millions)	Pre-tax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
Unrealized holding gains on available-for-sale debt securities arising during period	**$ 602**	**(146)**	**456**			
Net unrealized gains on available-for-sale debt securities	**602**	**(146)**	**456**	**1,694**	**456**	**2,150**
Unrealized holding gains on cash flow hedge derivatives arising during period	**83**	**(17)**	**66**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(62)**	**13**	**(49)**			
Net unrealized gains on cash flow hedge derivatives	**21**	**(4)**	**17**	**824**	**17**	**841**
Reclassification of amounts to net periodic benefit costs	**1**	**—**	**1**			
Defined benefit pension plans, net	**1**	**—**	**1**	**(41)**	**1**	**(40)**
Total	**$ 624**	**(150)**	**474**	**2,477**	**474**	**2,951**

	Total OCI			Total AOCI		
June 30, 2019 ($ in millions)	Pre-tax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
Unrealized holding gains on available-for-sale debt securities arising during period	$ 758	(181)	577			
Net unrealized gains on available-for-sale debt securities	758	(181)	577	204	577	781
Unrealized holding gains on cash flow hedge derivatives arising during period	240	(50)	190			
Reclassification adjustment for net losses on cash flow hedge derivatives included in net income	1	—	1			
Net unrealized gains on cash flow hedge derivatives	241	(50)	191	249	191	440
Reclassification of amounts to net periodic benefit costs	1	—	1			
Defined benefit pension plans, net	1	—	1	(44)	1	(43)
Total	$ 1,000	(231)	769	409	769	1,178

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

The tables below present the activity of the components of OCI and AOCI for the six months ended:

	Total OCI			Total AOCI		
June 30, 2020 ($ in millions)	Pre-tax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
Unrealized holding gains on available-for-sale debt securities arising during period	**$ 1,757**	**(419)**	**1,338**			
Net unrealized gains on available-for-sale debt securities	**1,757**	**(419)**	**1,338**	**812**	**1,338**	**$ 2,150**
Unrealized holding gains on cash flow hedge derivatives arising during period	**624**	**(131)**	**493**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(94)**	**20**	**(74)**			
Net unrealized gains on cash flow hedge derivatives	**530**	**(111)**	**419**	**422**	**419**	**841**
Reclassification of amounts to net periodic benefit costs	**3**	**(1)**	**2**			
Defined benefit pension plans, net	**3**	**(1)**	**2**	**(42)**	**2**	**(40)**
Total	**$ 2,290**	**(531)**	**1,759**	**1,192**	**1,759**	**2,951**

	Total OCI			Total AOCI		
June 30, 2019 ($ in millions)	Pre-tax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
Unrealized holding gains on available-for-sale debt securities arising during period	$ 1,319	(312)	1,007			
Reclassification adjustment for net losses on available-for-sale debt securities included in net income	1	—	1			
Net unrealized gains on available-for-sale debt securities	1,320	(312)	1,008	(227)	1,008	781
Unrealized holding gains on cash flow hedge derivatives arising during period	351	(74)	277			
Reclassification adjustment for net losses on cash flow hedge derivatives included in net income	3	—	3			
Net unrealized gains on cash flow hedge derivatives	354	(74)	280	160	280	440
Reclassification of amounts to net periodic benefit costs	2	—	2			
Defined benefit pension plans, net	2	—	2	(45)	2	(43)
Total	$ 1,676	(386)	1,290	(112)	1,290	1,178

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

The table below presents reclassifications out of AOCI:

($ in millions)	Consolidated Statements of Income Caption	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	**2020**	2019
Net unrealized gains on available-for-sale debt securities:[(b)]					
Net losses included in net income	Securities (losses) gains, net	**$ —**	—	**—**	(1)
	Income before income taxes	**—**	—	**—**	(1)
	Applicable income tax expense	**—**	—	**—**	—
	Net income	**—**	—	**—**	(1)
Net unrealized gains on cash flow hedge					
Interest rate contracts related to C&I loans	Interest and fees on loans and leases	**62**	(1)	**94**	(3)
	Income before income taxes	**62**	(1)	**94**	(3)
	Applicable income tax expense	**(13)**	—	**(20)**	—
	Net income	**49**	(1)	**74**	(3)
Net periodic benefit costs:[(b)]					
Amortization of net actuarial loss	Compensation and benefits[(a)]	**(1)**	(1)	**(3)**	(2)
	Income before income taxes	**(1)**	(1)	**(3)**	(2)
	Applicable income tax expense	**—**	—	**1**	—
	Net income	**(1)**	(1)	**(2)**	(2)
Total reclassifications for the period	Net income	**$ 48**	(2)	**72**	(6)

(a) This AOCI component is included in the computation of net periodic benefit cost. Refer to Note 23 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019 for further information.

(b) Amounts in parentheses indicate reductions to net income.

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

22. Earnings Per Share

The following tables provide the calculation of earnings per share and the reconciliation of earnings per share and earnings per diluted share:

For the three months ended June 30, (in millions, except per share data)	2020 Income	2020 Average Shares	2020 Per Share Amount	2019 Income	2019 Average Shares	2019 Per Share Amount
Earnings Per Share:						
Net income available to common shareholders	**$ 163**			$ 427		
Less: Income allocated to participating securities	**1**			4		
Net income allocated to common shareholders	**$ 162**	**715**	**$ 0.23**	$ 423	738	$ 0.57
Earnings Per Diluted Share:						
Net income available to common shareholders	**$ 163**			$ 427		
Effect of dilutive securities:						
Stock-based awards	**—**	**3**		—	10	
Net income available to common shareholders plus assumed conversions	**163**			427		
Less: Income allocated to participating securities	**1**			4		
Net income allocated to common shareholders plus assumed conversions	**$ 162**	**718**	**$ 0.23**	$ 423	748	$ 0.57

For the six months ended June 30, (in millions, except per share data)	2020 Income	2020 Average Shares	2020 Per Share Amount	2019 Income	2019 Average Shares	2019 Per Share Amount
Earnings Per Share:						
Net income available to common shareholders	**$ 193**			$ 1,187		
Less: Income allocated to participating securities	**2**			11		
Net income allocated to common shareholders	**$ 191**	**714**	**$ 0.27**	$ 1,176	700	$ 1.68
Earnings Per Diluted Share:						
Net income available to common shareholders	**$ 193**			$ 1,187		
Effect of dilutive securities:						
Stock-based awards	**—**	**5**		—	9	
Net income available to common shareholders plus assumed conversions	**193**			1,187		
Less: Income allocated to participating securities	**2**			11		
Net income allocated to common shareholders plus assumed conversions	**$ 191**	**719**	**$ 0.27**	$ 1,176	709	$ 1.66

Shares are excluded from the computation of earnings per diluted share when their inclusion has an anti-dilutive effect on earnings per share. The diluted earnings per share computation for the three and six months ended June 30, 2020 excludes 8 million and 6 million, respectively, of SARs and an immaterial amount of stock options because their inclusion would have been anti-dilutive. The diluted earnings per share computation for the three and six months ended June 30, 2019 excludes 2 million and 3 million, respectively, of SARs and an immaterial amount of stock options because their inclusion would have been anti-dilutive.

Fifth Third Bancorp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

23. Fair Value Measurements

The Bancorp measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. For more information regarding the fair value hierarchy, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2019.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of:

	Fair Value Measurements Using			
June 30, 2020 ($ in millions)	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Available-for-sale debt and other securities:				
U.S. Treasury and federal agency securities	**$ 78**	**—**	**—**	**78**
Obligations of states and political subdivisions securities	**—**	**17**	**—**	**17**
Mortgage-backed securities:				
Agency residential mortgage-backed securities	**—**	**13,909**	**—**	**13,909**
Agency commercial mortgage-backed securities	**—**	**17,891**	**—**	**17,891**
Non-agency commercial mortgage-backed securities	**—**	**3,441**	**—**	**3,441**
Asset-backed securities and other debt securities	**—**	**2,715**	**—**	**2,715**
Available-for-sale debt and other securities[(a)]	**78**	**37,973**	**—**	**38,051**
Trading debt securities:				
U.S. Treasury and federal agency securities	**68**	**26**	**—**	**94**
Obligations of states and political subdivisions securities	**—**	**22**	**—**	**22**
Agency residential mortgage-backed securities	**—**	**42**	**—**	**42**
Asset-backed securities and other debt securities	**—**	**368**	**—**	**368**
Trading debt securities	**68**	**458**	**—**	**526**
Equity securities	**263**	**10**	**—**	**273**
Residential mortgage loans held for sale	**—**	**840**	**—**	**840**
Residential mortgage loans[(b)]	**—**	**—**	**185**	**185**
Commercial loans held for sale	**—**	**15**	**—**	**15**
Servicing rights	**—**	**—**	**676**	**676**
Derivative assets:				
Interest rate contracts	**4**	**2,694**	**98**	**2,796**
Foreign exchange contracts	**—**	**212**	**—**	**212**
Commodity contracts	**114**	**468**	**—**	**582**
Derivative assets[(c)]	**118**	**3,374**	**98**	**3,590**
Total assets	**$ 527**	**42,670**	**959**	**44,156**
Liabilities:				
Derivative liabilities:				
Interest rate contracts	**$ 19**	**310**	**9**	**338**
Foreign exchange contracts	**—**	**171**	**—**	**171**
Equity contracts	**—**	**—**	**183**	**183**
Commodity contracts	**29**	**573**	**—**	**602**
Derivative liabilities[(d)]	**48**	**1,054**	**192**	**1,294**
Short positions:				
U.S. Treasury and federal agency securities	**109**	**—**	**—**	**109**
Asset-backed securities and other debt securities	**—**	**204**	**—**	**204**
Short positions[(d)]	**109**	**204**	**—**	**313**
Total liabilities	**$ 157**	**1,258**	**192**	**1,607**

(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $68, $478 and $2, respectively, at June 30, 2020.
(b) Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.
(c) Included in other assets in the Condensed Consolidated Balance Sheets.
(d) Included in other liabilities in the Condensed Consolidated Balance Sheets.

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December 31, 2019 ($ in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Available-for-sale debt and other securities:				
U.S. Treasury and federal agency securities	$ 75	—	—	75
Obligations of states and political subdivisions securities	—	18	—	18
Mortgage-backed securities:				
Agency residential mortgage-backed securities	—	14,115	—	14,115
Agency commercial mortgage-backed securities	—	15,693	—	15,693
Non-agency commercial mortgage-backed securities	—	3,365	—	3,365
Asset-backed securities and other debt securities	—	2,206	—	2,206
Available-for-sale debt and other securities[(a)]	75	35,397	—	35,472
Trading debt securities:				
U.S. Treasury and federal agency securities	2	—	—	2
Obligations of states and political subdivisions securities	—	9	—	9
Agency residential mortgage-backed securities	—	55	—	55
Asset-backed securities and other debt securities	—	231	—	231
Trading debt securities	2	295	—	297
Equity securities	554	10	—	564
Residential mortgage loans held for sale	—	1,264	—	1,264
Residential mortgage loans[(b)]	—	—	183	183
Servicing rights	—	—	993	993
Derivative assets:				
Interest rate contracts	1	1,218	18	1,237
Foreign exchange contracts	—	165	—	165
Commodity contracts	37	234	—	271
Derivative assets[(c)]	38	1,617	18	1,673
Total assets	$ 669	38,583	1,194	40,446
Liabilities:				
Derivative liabilities:				
Interest rate contracts	$ 5	144	8	157
Foreign exchange contracts	—	151	—	151
Equity contracts	—	—	163	163
Commodity contracts	17	253	—	270
Derivative liabilities[(d)]	22	548	171	741
Short positions:				
U.S. Treasury and federal agency securities	49	—	—	49
Asset-backed securities and other debt securities	—	100	—	100
Short positions[(d)]	49	100	—	149
Total liabilities	$ 71	648	171	890

(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $76, $478 and $2, respectively, at December 31, 2019.
(b) Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.
(c) Included in other assets in the Condensed Consolidated Balance Sheets.
(d) Included in other liabilities in the Condensed Consolidated Balance Sheets.

The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale debt and other securities, trading debt securities and equity securities
Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities and equity securities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or DCFs. Level 2 securities may include federal agency securities, obligations of states and political subdivisions securities, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities, asset-backed securities and other debt securities and equity securities. These securities are generally valued using a market approach based on observable prices of securities with similar characteristics.

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

Residential mortgage loans
Residential mortgage loans held for sale that are reclassified to held for investment are transferred from Level 2 to Level 3 of the fair value hierarchy. For residential mortgage loans for which the fair value election has been made, and that are reclassified from held for sale to held for investment, the fair value estimation is based on mortgage-backed securities prices, interest rate risk and an internally developed credit component. Therefore, these loans are classified within Level 3 of the valuation hierarchy. An adverse change in the loss rate or severity assumption would result in a decrease in fair value of the related loan.

Commercial loans held for sale
For commercial loans held for sale for which the fair value election has been made, fair value is estimated based upon quoted prices of identical or similar assets in an active market. These loans are generally valued using a market approach based on observable prices and are classified within Level 2 of the valuation hierarchy.

Servicing rights
MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Bancorp estimates the fair value of MSRs using internal OAS models with certain unobservable inputs, primarily prepayment speed assumptions, OAS and weighted-average lives, resulting in a classification within Level 3 of the valuation hierarchy. Refer to Note 14 for further information on the assumptions used in the valuation of the Bancorp's MSRs.

Derivatives
Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation hierarchy. Most of the Bancorp's derivative contracts are valued using DCF or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and structured interest rate, foreign exchange and commodity swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At June 30, 2020 and December 31, 2019, derivatives classified as Level 3, which are valued using models containing unobservable inputs, consisted primarily of a total return swap associated with the Bancorp's sale of Visa, Inc. Class B Shares. Level 3 derivatives also include IRLCs, which utilize internally generated loan closing rate assumptions as a significant unobservable input in the valuation process.

Under the terms of the total return swap, the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Visa, Inc. Class B Shares into Class A Shares. Additionally, the Bancorp will make a quarterly payment based on Visa's stock price and the conversion rate of the Visa, Inc. Class B Shares into Class A Shares until the date on which the Covered Litigation is settled. The fair value of the total return swap was calculated using a DCF model based on unobservable inputs consisting of management's estimate of the probability of certain litigation scenarios, the timing of the resolution of the Covered Litigation and Visa litigation loss estimates in excess, or shortfall, of the Bancorp's proportional share of escrow funds.

An increase in the loss estimate or a delay in the resolution of the Covered Litigation would result in an increase in the fair value of the derivative liability; conversely, a decrease in the loss estimate or an acceleration of the resolution of the Covered Litigation would result in a decrease in the fair value of the derivative liability.

The net asset fair value of the IRLCs at June 30, 2020 was $91 million. Immediate decreases in current interest rates of 25 bps and 50 bps would result in increases in the fair value of the IRLCs of approximately $13 million and $24 million, respectively. Immediate increases of current interest rates of 25 bps and 50 bps would result in decreases in the fair value of the IRLCs of approximately $17 million and $35 million, respectively. The decrease in fair value of IRLCs due to immediate 10% and 20% adverse changes in the assumed loan closing rates would be approximately $9 million and $18 million, respectively, and the increase in fair value due to immediate 10% and 20% favorable changes in the assumed loan closing rates would be approximately $9 million and $18 million, respectively. These sensitivities are hypothetical and should be used with caution, as changes in fair value based on a variation in assumptions typically cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear.

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Short positions
Where quoted prices are available in an active market, short positions are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or DCFs and therefore are classified within Level 2 of the valuation hierarchy. Level 2 securities may include agency residential mortgage-backed securities and asset-backed and other debt securities.

The following tables are a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the three months ended June 30, 2020 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	**$ 185**	**685**	**61**	**(171)**	**760**
Total (losses) gains (realized/unrealized):[(d)]					
Included in earnings	**(2)**	**(70)**	**83**	**(29)**	**(18)**
Purchases/originations	**—**	**61**	**5**	**—**	**66**
Settlements	**(20)**	**—**	**(60)**	**17**	**(63)**
Transfers into Level 3[(b)]	**22**	**—**	**—**	**—**	**22**
Balance, end of period	**$ 185**	**676**	**89**	**(183)**	**767**
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at June 30, 2020[(c)]	**$ (2)**	**(23)**	**85**	**(29)**	**31**

(a) Net interest rate derivatives include derivative assets and liabilities of $98 and $9, respectively, as of June 30, 2020.
(b) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.
(c) Includes interest income and expense.
(d) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at June 30, 2020.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the three months ended June 30, 2019 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	$ 190	1,141	2	(143)	1,190
Total (losses) gains (realized/unrealized):					
Included in earnings	(1)	(161)	34	(22)	(150)
Purchases/originations	—	59	—	—	59
Settlements	(8)	—	(31)	14	(25)
Transfers into Level 3[(b)]	11	—	—	—	11
Balance, end of period	$ 192	1,039	5	(151)	1,085
The amount of total (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at June 30, 2019[(c)]	$ (1)	(127)	14	(22)	(136)

(a) Net interest rate derivatives include derivative assets and liabilities of $14 and $9, respectively, as of June 30, 2019.
(b) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.
(c) Includes interest income and expense.

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the six months ended June 30, 2020 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	**$ 183**	**993**	**10**	**(163)**	**1,023**
Total (losses) gains (realized/unrealized):[(d)]					
Included in earnings	**2**	**(448)**	**186**	**(51)**	**(311)**
Purchases/originations	**—**	**131**	**4**	**—**	**135**
Settlements	**(29)**	**—**	**(111)**	**31**	**(109)**
Transfers into Level 3[(b)]	**29**	**—**	**—**	**—**	**29**
Balance, end of period	**$ 185**	**676**	**89**	**(183)**	**767**
The amount of total (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at June 30, 2020[(c)]	**$ 2**	**(331)**	**93**	**(51)**	**(287)**

(a) Net interest rate derivatives include derivative assets and liabilities of $98 and $9, respectively, as of June 30, 2020.
(b) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.
(c) Includes interest income and expense.
(d) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at June 30, 2020.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the six months ended June 30, 2019 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	$ 179	938	(1)	(125)	991
Total (losses) gains (realized/unrealized):					
Included in earnings	(1)	(245)	58	(52)	(240)
Purchases/originations	—	346	(1)	—	345
Settlements	(12)	—	(51)	26	(37)
Transfers into Level 3[(b)]	26	—	—	—	26
Balance, end of period	$ 192	1,039	5	(151)	1,085
The amount of total (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at June 30, 2019[(c)]	$ (1)	(196)	25	(52)	(224)

(a) Net interest rate derivatives include derivative assets and liabilities of $14 and $9, respectively, as of June 30, 2019.
(b) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.
(c) Includes interest income and expense.

The total gains and losses included in earnings for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were recorded in the Condensed Consolidated Statements of Income as follows:

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Mortgage banking net revenue	**$ 10**	(129)	**(261)**	(189)
Commercial banking revenue	**1**	1	**1**	1
Other noninterest income	**(29)**	(22)	**(51)**	(52)
Total losses	**$ (18)**	(150)	**(311)**	(240)

The total gains and losses included in earnings attributable to changes in unrealized gains and losses related to Level 3 assets and liabilities still held at June 30, 2020 and 2019 were recorded in the Condensed Consolidated Statements of Income as follows:

	For the three months ended June 30,		For the six months ended June 30,	
($ in millions)	**2020**	2019	**2020**	2019
Mortgage banking net revenue	**$ 59**	(115)	**(237)**	(173)
Commercial banking revenue	**1**	1	**1**	1
Other noninterest income	**(29)**	(22)	**(51)**	(52)
Total (losses) gains	**$ 31**	(136)	**(287)**	(224)

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The following tables present information as of June 30, 2020 and 2019 about significant unobservable inputs related to the Bancorp's material categories of Level 3 financial assets and liabilities measured at fair value on a recurring basis:

As of June 30, 2020 ($ in millions)						
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted-Average	
Residential mortgage loans	**$ 185**	Loss rate model	Interest rate risk factor	**(7.4) - 11.6%**		**0.7 %** [(a)]
			Credit risk factor	**— - 26.4%**		**0.4 %** [(a)]
					(Fixed)	**20.1 %** [(b)]
Servicing rights	**676**	DCF	Prepayment speed	**0.5 - 99.6%**	**(Adjustable)**	**23.4 %** [(b)]
					(Fixed)	**784** [(b)]
			OAS (bps)	**536 - 1,386**	**(Adjustable)**	**934** [(b)]
IRLCs, net	**91**	DCF	Loan closing rates	**7.2 - 97.2%**		**65.7 %** [(c)]
Swap associated with the sale of Visa, Inc. Class B Shares	**(183)**	DCF	Timing of the resolution of the Covered Litigation	**Q3 2022 - Q2 2024**		**Q1 2023** [(d)]

(a) Unobservable inputs were weighted by the relative carrying value of the instruments.
(b) Unobservable inputs were weighted by the relative unpaid principal balance of the instruments.
(c) Unobservable inputs were weighted by the relative notional amount of the instruments.
(d) Unobservable inputs were weighted by the probability of the final funding date of the instruments.

As of June 30, 2019 ($ in millions)						
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted-Average	
Residential mortgage loans	$ 192	Loss rate model	Interest rate risk factor	(9.5) - 5.3 %		(0.2)%
			Credit risk factor	— - 34.5 %		0.6 %
					(Fixed)	13.2 %
Servicing rights	1,039	DCF	Prepayment speed	1 - 97.0 %	(Adjustable)	23.5 %
					(Fixed)	561
			OAS (bps)	441 - 1,513	(Adjustable)	909
IRLCs, net	14	DCF	Loan closing rates	6.6 - 96.6 %		78.4 %
Swap associated with the sale of Visa, Inc. Class B Shares	(151)	DCF	Timing of the resolution of the Covered Litigation	Q2 2021 - Q4 2023		Q1 2022

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The following tables provide the fair value hierarchy and carrying amount of all assets that were held as of June 30, 2020 and 2019, and for which a nonrecurring fair value adjustment was recorded during the three and six months ended June 30, 2020 and 2019, and the related gains and losses from fair value adjustments on assets sold during the period as well as assets still held as of the end of the period.

	Fair Value Measurements Using				Total (Losses) Gains	
As of June 30, 2020 ($ in millions)	Level 1	Level 2	Level 3	Total	**For the three months ended June 30, 2020**	**For the six months ended June 30, 2020**
Commercial loans held for sale	**$ —**	**37**	**17**	**54**	**(1)**	**(4)**
Commercial and industrial loans	**—**	**—**	**501**	**501**	**(107)**	**(143)**
Commercial mortgage loans	**—**	**—**	**57**	**57**	**(4)**	**(33)**
Commercial leases	**—**	**—**	**11**	**11**	**(7)**	**(16)**
Consumer loans	**—**	**—**	**186**	**186**	**2**	**3**
OREO	**—**	**—**	**18**	**18**	**(1)**	**(6)**
Bank premises and equipment	**—**	**—**	**14**	**14**	**(12)**	**(14)**
Operating lease equipment	**—**	**—**	**10**	**10**	**—**	**(3)**
Private equity investments	**—**	**—**	**70**	**70**	**—**	**(9)**
Total	**$ —**	**37**	**884**	**921**	**(130)**	**(225)**

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As of June 30, 2019 ($ in millions)	Fair Value Measurements Using				Total (Losses) Gains	
	Level 1	Level 2	Level 3	Total	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Commercial and industrial loans	$ —	—	140	140	(14)	(34)
Commercial mortgage loans	—	—	11	11	1	1
Commercial leases	—	—	15	15	(11)	(12)
OREO	—	—	13	13	(1)	(3)
Bank premises and equipment	—	—	27	27	(2)	(22)
Private equity investments	—	17	2	19	4	6
Total	$ —	17	208	225	(23)	(64)

The following tables present information as of June 30, 2020 and 2019 about significant unobservable inputs related to the Bancorp's material categories of Level 3 financial assets and liabilities measured on a nonrecurring basis:

As of June 30, 2020 ($ in millions)					
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans held for sale	**$ 16**	Comparable company analysis	Market comparable transactions	**NM**	**NM**
	1	Appraised value	Appraised value	**NM**	**NM**
Commercial and industrial loans	**501**	Appraised value	Collateral value	**NM**	**NM**
Commercial mortgage loans	**57**	Appraised value	Collateral value	**NM**	**NM**
Commercial leases	**11**	Appraised value	Collateral value	**NM**	**NM**
Consumer loans	**186**	Appraised value	Collateral value	**NM**	**NM**
OREO	**18**	Appraised value	Appraised value	**NM**	**NM**
Bank premises and equipment	**14**	Appraised value	Appraised value	**NM**	**NM**
Operating lease equipment	**10**	Appraised value	Appraised value	**NM**	**NM**
Private equity investments	**70**	Comparable company analysis	Market comparable transactions	**NM**	**NM**

As of June 30, 2019 ($ in millions)					
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial and industrial loans	$ 140	Appraised value	Collateral value	NM	NM
Commercial mortgage loans	11	Appraised value	Collateral value	NM	NM
Commercial leases	15	Appraised value	Collateral value	NM	NM
OREO	13	Appraised value	Appraised value	NM	NM
Bank premises and equipment	27	Appraised value	Appraised value	NM	NM
Private equity investments	2	Comparable company analysis	Market comparable transactions	NM	NM

Commercial loans held for sale
The Bancorp estimated the fair value of certain commercial loans held for sale as of June 30, 2020, resulting in fair value adjustments totaling $1 million and $4 million during the three and six months ended June 30, 2020, respectively. These valuations were based either on quoted prices for similar assets in active markets (Level 2 of the valuation hierarchy) or by applying unobservable inputs such as an estimated market discount to the unpaid principal balance of the loans or the appraised values of the assets (Level 3 of the valuation hierarchy). The Bancorp recognized an immaterial amount of gains on the sale of certain commercial loans held for sale during both the three and six months ended June 30, 2020.

Portfolio loans and leases
During the three and six months ended June 30, 2020 and 2019, the Bancorp recorded nonrecurring impairment adjustments to certain collateral-dependent portfolio loans and leases. When the loan is collateral-dependent, the fair value of the loan is generally based on the fair value less cost to sell of the underlying collateral supporting the loan and therefore these loans were classified within Level 3 of the valuation hierarchy. In cases where the carrying value exceeds the fair value, an impairment loss is recognized. The fair values and recognized impairment losses are reflected in the previous tables.

OREO
During the three and six months ended June 30, 2020 and 2019, the Bancorp recorded nonrecurring adjustments to certain commercial and residential real estate properties classified as OREO and measured at the lower of carrying amount or fair value. These nonrecurring losses

were primarily due to declines in real estate values of the properties recorded in OREO. These losses include an immaterial amount and $2 million in losses, respectively, recorded as charge-offs on new OREO properties transferred from loans, during both the three and six months ended June 30, 2020 compared to an immaterial amount and $1 million in losses during the three and six months ended June 30, 2019, respectively. These losses also included $1 million and $4 million for the three and six months ended June 30, 2020, respectively, and $1 million and $2 million for the three and six months ended June 30, 2019, respectively, recorded as negative fair value adjustments on OREO in other noninterest expense in the Condensed Consolidated Statements of Income subsequent to their transfer from loans. As discussed in the following paragraphs, the fair value amounts are generally based on appraisals of the property values, resulting in a classification within Level 3 of the valuation hierarchy. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. The previous tables reflect the fair value measurements of the properties before deducting the estimated costs to sell.

The Real Estate Valuation department reviews the BPO data and internal market information to determine the initial charge-off on residential real estate loans transferred to OREO. Once the foreclosure process is completed, the Bancorp performs an interior inspection to update the initial fair value of the property. These properties are reviewed at least every 30 days after the initial interior inspections are completed. The Asset Manager receives a monthly status report for each property, which includes the number of showings, recently sold properties, current comparable listings and overall market conditions.

Bank premises and equipment
The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. These properties were written down to their lower of cost or market values. At least annually thereafter, the Bancorp will review these properties for market fluctuations. The fair value amounts were generally based on appraisals of the property values, resulting in a classification within Level 3 of the valuation hierarchy. For further information on bank premises and equipment, refer to Note 8.

Operating lease equipment
The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. When evaluating whether an individual asset is impaired, the Bancorp considers the current fair value of the asset, the changes in overall market demand for the asset and the rate of change in advancements associated with technological improvements that impact the demand for the specific asset under review. As part of this ongoing assessment, the Bancorp determined that the carrying values of certain operating lease equipment were not recoverable and, as a result, the Bancorp recorded an impairment loss equal to the amount by which the carrying value of the assets exceeded the fair value. The fair value amounts were generally based on appraised values of the assets, resulting in a classification within Level 3 of the valuation hierarchy.

Private equity investments
The Bancorp accounts for its private equity investments using the measurement alternative to fair value, except for those accounted for under the equity method of accounting. Under the measurement alternative, the Bancorp carries each investment at its cost basis minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. The Bancorp did not recognize gains resulting from observable price changes during the three and six months ended June 30, 2020 and recognized gains of $6 million and $11 million, respectively, resulting from observable price changes during the three and six months ended June 30, 2019. The carrying value of the Bancorp's private equity investments still held as of June 30, 2020 includes a cumulative $47 million of positive adjustments as a result of observable price changes since January 1, 2018. Because these adjustments are based on observable transactions in inactive markets, they are classified in Level 2 of the fair value hierarchy.

For private equity investments which are accounted for using the measurement alternative to fair value, the Bancorp qualitatively evaluates each investment quarterly to determine if impairment may exist. If necessary, the Bancorp then measures impairment by estimating the value of its investment and comparing that to the investment's carrying value, whether or not the Bancorp considers the impairment to be temporary. These valuations are typically developed using a DCF method, but other methods may be used if more appropriate for the circumstances. These valuations are based on unobservable inputs and therefore are classified in Level 3 of the fair value hierarchy. The Bancorp recognized impairment of zero and $9 million for the three and six months ended June 30, 2020, respectively, compared to $2 million and $5 million for the three and six months ended June 30, 2019, respectively. The carrying value of the Bancorp's private equity investments still held as of June 30, 2020 includes a cumulative $26 million of impairment charges recognized since adoption of the measurement alternative to fair value on January 1, 2018.

Fair Value Option
The Bancorp elected to measure certain residential mortgage and commercial loans held for sale under the fair value option as allowed under U.S. GAAP. Electing to measure residential mortgage loans held for sale at fair value reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. Electing to measure certain commercial loans held for sale at fair value reduces certain timing differences and better reflects changes in fair value of these assets that are expected to be sold in the short term. Management's intent to sell residential mortgage or commercial loans classified as held for sale may change over time due to such factors as changes in the overall liquidity in markets or changes in characteristics specific to certain loans

held for sale. Consequently, these loans may be reclassified to loans held for investment and maintained in the Bancorp's loan portfolio. In such cases, the loans will continue to be measured at fair value.

Fair value changes recognized in earnings for residential mortgage loans held at June 30, 2020 and 2019 for which the fair value option was elected, as well as the changes in fair value of the underlying IRLCs, included gains of $45 million and $36 million, respectively. These gains are reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income. Fair value changes recognized in earnings for commercial loans held at both June 30, 2020 and 2019 for which the fair value option was elected included gains of an immaterial amount. These gains are reported in commercial banking revenue in the Condensed Consolidated Statements of Income.

Valuation adjustments related to instrument-specific credit risk for residential mortgage loans measured at fair value negatively impacted the fair value of those loans by $1 million at both June 30, 2020 and December 31, 2019. Valuation adjustments related to instrument-specific credit risk for commercial loans measured at fair value were zero at June 30, 2020. Interest on loans measured at fair value is accrued as it is earned using the effective interest method and is reported as interest income in the Condensed Consolidated Statements of Income.

The following table summarizes the difference between the fair value and the unpaid principal balance for residential mortgage and commercial loans measured at fair value as of:

June 30, 2020 ($ in millions)	Aggregate Fair Value	Principal Balance	Difference
Residential mortgage loans measured at fair value	**$ 1,025**	**980**	**45**
Past due loans of 90 days or more	**3**	**3**	**—**
Nonaccrual loans	**1**	**1**	**—**
Commercial loans measured at fair value	**15**	**15**	**—**
December 31, 2019			
Residential mortgage loans measured at fair value	$ 1,447	1,410	37
Past due loans of 90 days or more	2	2	—
Nonaccrual loans	1	1	—

Fair Value of Certain Financial Instruments

The following tables summarize the carrying amounts and estimated fair values for certain financial instruments, excluding financial instruments measured at fair value on a recurring basis:

As of June 30, 2020 ($ in millions)	Net Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and due from banks	**$ 3,221**	**3,221**	**—**	**—**	**3,221**
Other short-term investments	**28,243**	**28,243**	**—**	**—**	**28,243**
Other securities	**548**	**—**	**548**	**—**	**548**
Held-to-maturity securities	**16**	**—**	**—**	**16**	**16**
Loans and leases held for sale	**57**	**—**	**—**	**57**	**57**
Portfolio loans and leases:					
Commercial and industrial loans	**54,672**	**—**	**—**	**54,431**	**54,431**
Commercial mortgage loans	**10,860**	**—**	**—**	**10,713**	**10,713**
Commercial construction loans	**5,381**	**—**	**—**	**5,538**	**5,538**
Commercial leases	**3,019**	**—**	**—**	**2,796**	**2,796**
Residential mortgage loans	**15,945**	**—**	**—**	**17,551**	**17,551**
Home equity	**5,442**	**—**	**—**	**5,895**	**5,895**
Indirect secured consumer loans	**12,224**	**—**	**—**	**12,168**	**12,168**
Credit card	**1,884**	**—**	**—**	**2,034**	**2,034**
Other consumer loans	**2,745**	**—**	**—**	**2,962**	**2,962**
Total portfolio loans and leases, net	**$ 112,172**	**—**	**—**	**114,088**	**114,088**
Financial liabilities:					
Deposits	**$ 156,946**	**—**	**156,959**	**—**	**156,959**
Federal funds purchased	**262**	**262**	**—**	**—**	**262**
Other short-term borrowings	**1,285**	**—**	**1,285**	**—**	**1,285**
Long-term debt	**16,327**	**16,829**	**965**	**—**	**17,794**

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As of December 31, 2019 ($ in millions)	Net Carrying Amount	Fair Value Measurements Using			Total Fair Value
		Level 1	Level 2	Level 3	
Financial assets:					
Cash and due from banks	$ 3,278	3,278	—	—	3,278
Other short-term investments	1,950	1,950	—	—	1,950
Other securities	556	—	556	—	556
Held-to-maturity securities	17	—	—	17	17
Loans and leases held for sale	136	—	—	136	136
Portfolio loans and leases:					
Commercial and industrial loans	49,981	—	—	51,128	51,128
Commercial mortgage loans	10,876	—	—	10,823	10,823
Commercial construction loans	5,045	—	—	5,249	5,249
Commercial leases	3,346	—	—	3,133	3,133
Residential mortgage loans	16,468	—	—	17,509	17,509
Home equity	6,046	—	—	6,315	6,315
Indirect secured consumer loans	11,485	—	—	11,331	11,331
Credit card	2,364	—	—	2,774	2,774
Other consumer loans	2,683	—	—	2,866	2,866
Unallocated ALLL	(121)	—	—	—	—
Total portfolio loans and leases, net	$ 108,173	—	—	111,128	111,128
Financial liabilities:					
Deposits	$ 127,062	—	127,059	—	127,059
Federal funds purchased	260	260	—	—	260
Other short-term borrowings	1,011	—	1,011	—	1,011
Long-term debt	14,970	15,244	700	—	15,944

24. Business Segments

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management. Results of the Bancorp's business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp's business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management's accounting practices and businesses change.

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

The Bancorp adjusts the FTP charge and credit rates as dictated by changes in interest rates for various interest-earning assets and interest-bearing liabilities and by the review of behavioral assumptions, such as prepayment rates on interest-earning assets and the estimated durations for indeterminate-lived deposits. Key assumptions, including the credit rates provided for deposit accounts, are reviewed annually. Credit rates for deposit products and charge rates for loan products may be reset more frequently in response to changes in market conditions. In general, the charge rates on assets have declined since December 31, 2019 as they were affected by the prevailing level of interest rates and by the duration and repricing characteristics of the portfolio. The credit rates for deposit products also declined due to lower interest rates and modified assumptions. Both the reduced charge on assets and credit on deposits were partially offset by wider liquidity premiums applied during the second quarter of 2020. Thus, net interest income for asset-generating business segments improved while deposit-providing business segments were negatively impacted during the six months ended June 30, 2020.

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

The following is a description of each of the Bancorp's business segments and the products and services they provide to their respective client bases.

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

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,122 full-service banking centers. Branch Banking offers depository and loan products, such as checking and savings accounts, home equity loans and lines of credit, credit cards and loans for automobiles and other personal financing needs, as well as products designed to meet the specific needs of small businesses, including cash management services.

Consumer Lending includes the Bancorp's residential mortgage, automobile and other indirect lending activities. Residential mortgage activities within Consumer Lending include the origination, retention and servicing of residential mortgage loans, sales and securitizations of those loans and all associated hedging activities. Residential mortgages are primarily originated through a dedicated sales force and through third-party correspondent lenders. Automobile and other indirect lending activities include extending loans to consumers through automobile dealers, motorcycle dealers, powersport dealers, recreational vehicle dealers and marine dealers.

Wealth and Asset Management provides a full range of investment alternatives for individuals, companies and not-for-profit organizations. Wealth and Asset Management is made up of four main businesses: FTS, an indirect wholly-owned subsidiary of the Bancorp; Fifth Third Insurance Agency; 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 Insurance Agency assists clients with their financial and risk management needs. Fifth Third Private Bank offers wealth management strategies to high net worth and ultra-high net worth clients

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through wealth planning, investment management, banking, insurance, trust and estate services. Fifth Third Institutional Services provides advisory services for institutional clients, including middle market businesses, nonprofits, states and municipalities.

The following tables present the results of operations and assets by business segment for the three months ended:

June 30, 2020 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 570	513	92	51	(26)	—	1,200
Provision for (benefit from) credit losses	457	52	10	(1)	(33)	—	485
Net interest income after provision for credit losses	113	461	82	52	7	—	715
Noninterest income:							
Service charges on deposits	79	42	—	—	1	—	122
Commercial banking revenue	136	1	—	1	(1)	—	137
Wealth and asset management revenue	1	39	—	115	—	(35) [a]	120
Mortgage banking net revenue	—	2	96	1	—	—	99
Card and processing revenue	11	68	—	—	3	—	82
Leasing business revenue	57	—	—	—	—	—	57
Other noninterest income[b]	10	15	2	4	(19)	—	12
Securities gains, net	—	—	—	—	21	—	21
Securities gains, net – non-qualifying hedges on MSRs	—	—	—	—	—	—	—
Total noninterest income	294	167	98	121	5	(35)	650
Noninterest expense:							
Compensation and benefits	129	161	53	50	234	—	627
Technology and communications	3	1	2	—	84	—	90
Net occupancy expense[d]	8	44	2	3	25	—	82
Leasing business expense	33	—	—	—	—	—	33
Equipment expense	7	10	—	—	15	—	32
Card and processing expense	2	28	—	—	(1)	—	29
Marketing expense	2	5	1	—	12	—	20
Other noninterest expense	221	205	62	69	(314)	(35)	208
Total noninterest expense	405	454	120	122	55	(35)	1,121
Income (loss) before income taxes	2	174	60	51	(43)	—	244
Applicable income tax expense (benefit)	(10)	36	12	11	—	—	49
Net income (loss)	12	138	48	40	(43)	—	195
Total goodwill	$ 1,961	2,047	—	253	—	—	4,261
Total assets	$ 76,437	77,219	26,451	11,680	11,119 [c]	—	202,906

(a) Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Condensed Consolidated Statements of Income.
(b) Includes impairment charges of $12 for branches and land. For more information, refer to Note 8 and Note 23.
(c) Includes bank premises and equipment of $53 classified as held for sale. For more information, refer to Note 8.
(d) Includes impairment losses and termination charges of $3 for ROU assets related to certain operating leases. For more information, refer to Note 10.

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June 30, 2019 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 629	620	83	48	(135)	—	1,245
Provision for (benefit from) credit losses	25	55	7	—	(2)	—	85
Net interest income after provision for credit losses	604	565	76	48	(133)	—	1,160
Noninterest income:							
Service charges on deposits	82	63	—	—	(2)	—	143
Commercial banking revenue	105	1	—	—	1	—	107
Wealth and asset management revenue	1	40	—	117	—	(36) [(a)]	122
Mortgage banking net revenue	—	1	62	—	—	—	63
Card and processing revenue	18	73	—	1	—	—	92
Leasing business revenue	76	—	—	—	—	—	76
Other noninterest income[(b)]	19	24	3	—	1	—	47
Securities gains, net	—	—	—	—	8	—	8
Securities gains, net – non-qualifying hedges on MSRs	—	—	2	—	—	—	2
Total noninterest income	301	202	67	118	8	(36)	660
Noninterest expense:							
Compensation and benefits	119	152	52	57	261	—	641
Technology and communications	3	1	2	—	130	—	136
Net occupancy expense	7	43	3	3	32	—	88
Leasing business expense	38	—	—	—	—	—	38
Equipment expense	6	12	—	—	15	—	33
Card and processing expense	2	32	—	—	—	—	34
Marketing expense	2	18	1	1	19	—	41
Other noninterest expense	243	209	60	74	(318)	(36)	232
Total noninterest expense	420	467	118	135	139	(36)	1,243
Income (loss) before income taxes	485	300	25	31	(264)	—	577
Applicable income tax expense (benefit)	90	63	5	7	(41)	—	124
Net income (loss)	395	237	20	24	(223)	—	453
Total goodwill	$ 630	1,655	—	190	1,809 [(d)]	—	4,284
Total assets	$ 74,033	69,577	25,506	9,841	(10,155) [(c)]	—	168,802

(a) Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Condensed Consolidated Statements of Income.
(b) Includes impairment charges of $2 for branches and land. For more information, refer to Note 8 and Note 23.
(c) Includes bank premises and equipment of $70 classified as held for sale. For more information, refer to Note 8.
(d) The Bancorp was in the process of completing its analysis of the allocation of the goodwill across its four business segments; therefore, goodwill was presented as part of General Corporate and Other as of June 30, 2019.

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The following tables present the results of operations and assets by business segment for the six months ended:

June 30, 2020 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,078	1,017	181	88	65	—	2,429
Provision for credit losses	502	114	23	—	486	—	1,125
Net interest income after provision for credit losses	576	903	158	88	(421)	—	1,304
Noninterest income:							
Service charges on deposits	162	107	—	1	—	—	270
Commercial banking revenue	260	2	—	1	(2)	—	261
Wealth and asset management revenue	2	84	—	244	—	(75) [(a)]	255
Mortgage banking net revenue	—	4	213	2	—	—	219
Card and processing revenue	26	133	—	1	7	—	167
Leasing business revenue	131 [(c)]	—	—	—	—	—	131
Other noninterest income[(b)]	(1)	34	6	9	(30)	—	18
Securities losses, net	—	—	—	—	(3)	—	(3)
Securities gains, net – non-qualifying hedges on MSRs	—	—	3	—	—	—	3
Total noninterest income	580	364	222	258	(28)	(75)	1,321
Noninterest expense:							
Compensation and benefits	278	330	104	112	450	—	1,274
Technology and communications	6	1	5	—	171	—	183
Net occupancy expense[(e)]	15	87	5	6	51	—	164
Leasing business expense	68	—	—	—	—	—	68
Equipment expense	14	21	—	—	29	—	64
Card and processing expense	4	58	—	—	(2)	—	60
Marketing expense	4	17	2	1	27	—	51
Other noninterest expense	495	426	128	147	(664)	(75)	457
Total noninterest expense	884	940	244	266	62	(75)	2,321
Income (loss) before income taxes	272	327	136	80	(511)	—	304
Applicable income tax expense (benefit)	35	69	29	16	(88)	—	61
Net income (loss)	237	258	107	64	(423)	—	243
Total goodwill	$ 1,961	2,047	—	253	—	—	4,261
Total assets	$ 76,437	77,219	26,451	11,680	11,119 [(d)]	—	202,906

(a) Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Condensed Consolidated Statements of Income.
(b) Includes impairment charges of $14 for branches and land. For more information, refer to Note 8 and Note 23.
(c) Includes impairment charges of $3 for operating lease equipment. For more information, refer to Note 9 and Note 23.
(d) Includes bank premises and equipment of $53 classified as held for sale. For more information, refer to Note 8.
(e) Includes impairment losses and termination charges of $5 for ROU assets related to certain operating leases. For more information, refer to Note 10.

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June 30, 2019 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,138	1,204	146	97	(258)	—	2,327
Provision for credit losses	46	107	20	—	2	—	175
Net interest income after provision for credit losses	1,092	1,097	126	97	(260)	—	2,152
Noninterest income:							
Service charges on deposits	149	127	—	—	(2)	—	274
Commercial banking revenue	207	2	—	—	—	—	209
Wealth and asset management revenue	1	76	—	226	—	(69) [(a)]	234
Mortgage banking net revenue	—	2	117	—	—	—	119
Card and processing revenue	32	137	—	2	—	—	171
Leasing business revenue	108	—	—	—	—	—	108
Other noninterest income[(b)]	30	42	7	5	532	—	616
Securities gains, net	—	—	—	—	25	—	25
Securities gains, net – non-qualifying hedges on MSRs	—	—	5	—	—	—	5
Total noninterest income	527	386	129	233	555	(69)	1,761
Noninterest expense:							
Compensation and benefits	227	295	97	113	519	—	1,251
Technology and communications	5	2	4	1	207	—	219
Net occupancy expense	14	86	5	7	52	—	164
Leasing business expense	57	—	—	—	—	—	57
Equipment expense	12	24	—	—	27	—	63
Card and processing expense	4	61	—	—	(1)	—	64
Marketing expense	3	32	2	2	38	—	77
Other noninterest expense	454	407	112	144	(602)	(69)	446
Total noninterest expense	776	907	220	267	240	(69)	2,341
Income before income taxes	843	576	35	63	55	—	1,572
Applicable income tax expense	156	121	7	14	46	—	344
Net income	687	455	28	49	9	—	1,228
Total goodwill	$ 630	1,655	—	190	1,809 [(d)]	—	4,284
Total assets	$ 74,033	69,577	25,506	9,841	(10,155) [(c)]	—	168,802

(a) Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Condensed Consolidated Statements of Income.
(b) Includes impairment charges of $22 for branches and land. For more information, refer to Note 8 and Note 23.
(c) Includes bank premises and equipment of $70 classified as held for sale. For more information, refer to Note 8.
(d) The Bancorp was in the process of completing its analysis of the allocation of the goodwill across its four business segments; therefore, goodwill was presented as part of General Corporate and Other as of June 30, 2019.

25. Subsequent Event

On July 30, 2020, the Bancorp issued in a registered public offering 350,000 depositary shares, representing 14,000 shares of 4.50% non-cumulative perpetual preferred stock, Series L, for net proceeds of approximately $347 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends at an annual rate of 4.50% through but excluding September 30, 2025. From, and including, September 30, 2025 and for each dividend reset period thereafter, dividends will accrue on the Series L preferred stock, on a non-cumulative basis, at a rate equal to the five-year U.S. Treasury rate as of the most recent reset dividend determination date plus 4.215%. Subject to obtaining all required regulatory approvals, on any dividend payment date on or after September 30, 2025, the Bancorp may redeem the Series L preferred stock and the related depositary shares in whole or in part, at 100% of their liquidation preference, plus an amount equal to any declared and unpaid dividends, without accumulation of any undeclared dividends. In addition, the Series L preferred stock and the related depositary shares may be redeemed, subject to obtaining all required regulatory approvals, in whole but not in part, at any time, following the occurrence of a regulatory capital event, at 100% of their liquidation preference, plus an amount equal to any declared and unpaid dividends, without accumulation of any undeclared dividends. The Series L preferred shares are not convertible into Bancorp common shares or any other securities.

PART II. OTHER INFORMATION

Legal Proceedings (Item 1)

Refer to Note 19 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for information regarding legal proceedings.

Risk Factors (Item 1A)

The following are changes to the risk factors as previously disclosed in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 as updated by the Registrant's subsequent Quarterly Report on Form 10-Q:

The Bancorp's ability to pay or increase dividends on its common stock or to repurchase its capital stock is restricted.

The Bancorp's ability to pay dividends or repurchase stock is subject to regulatory requirements and expectations. As part of CCAR, the Bancorp's capital plan is generally subject to an annual assessment by the FRB, and the FRB may object to the Bancorp's capital plan if the Bancorp does not demonstrate an ability to maintain capital above the minimum regulatory capital ratios under baseline and stressful conditions throughout a nine-quarter planning horizon. On June 25, 2020, the Federal Reserve Board provided the Bancorp with an indicative stress capital buffer of 2.5%. The indicative stress capital buffer of 2.5% is the floor under the regulatory capital rules, and without the floor, the Bancorp estimates its buffer would have been approximately 2.1%. The Federal Reserve Board will provide the Bancorp with a final stress capital buffer by August 31, 2020. If the Bancorp is unable to maintain capital in excess of these levels, it would be subject to limitations on its ability to make capital distributions, including paying dividends and repurchasing stock.

The Federal Reserve Board also took several actions in connection with its announcement of stress test results in light of the uncertainty caused by the COVID-19 pandemic. Specifically, for the third quarter of 2020, the Federal Reserve Board is requiring large banking organizations, including the Bancorp, to suspend share repurchases, cap dividend payments to the amount paid during the second quarter of 2020, and further limit dividends according to a formula based on recent income.

The Federal Reserve Board is also requiring large banking organizations, including the Bancorp, to reevaluate their longer-term capital plans, and such organizations will be required to update and resubmit their capital plans later this year to reflect current stresses caused by the COVID-19 pandemic. The Federal Reserve Board will conduct additional analysis each quarter to determine if adjustments to this response are appropriate.

The COVID-19 pandemic creates significant risks and uncertainties for our business.

In March 2020, the World Health Organization declared novel coronavirus disease 2019 (COVID-19) a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels, all of which may become heightened concerns upon a second wave of infection or future developments. In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities, including those in major markets in which the Bancorp is located or does business.

As a result, the demand for the Bancorp's products and services has been, and will continue to be, significantly impacted. Furthermore, the pandemic could influence the recognition of credit losses in the Bancorp's loan and lease portfolios and increase its allowance for credit losses as both businesses and consumers are negatively impacted by the economic downturn. In addition, governmental actions are meaningfully influencing the interest-rate environment, which could adversely affect the Bancorp's results of operations and financial condition. The business operations of subsidiaries of the Bancorp, such as Fifth Third Bank, National Association, may also be disrupted if significant portions of their workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic, travel restrictions, technology limitations and/or disruptions. Furthermore, the business operations of subsidiaries of the Bancorp have been, and may again in the future be, disrupted due to vendors and third-party service providers being unable to work or provide services effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic.

In response to the pandemic, Fifth Third Bank, National Association, has also suspended residential property foreclosure sales, evictions, and involuntary automobile repossessions, and is offering fee waivers, payment deferrals, and other expanded assistance for credit card, automobile, mortgage, small business and personal lending customers. These programs, as well as certain accommodations made to commercial customers, are expected to negatively impact revenue and other results of operations of the Bancorp in the near term and, if not effective in mitigating the effect of COVID-19 on Bancorp customers, may adversely affect the Bancorp's business and results of operations more substantially over a longer period of time.

Among other relief programs, the Bancorp is participating in the SBA's Paycheck Protection Program and has originated approximately 37,000 loans in the amount of $5.5 billion under the program as of June 30, 2020. Paycheck Protection Program loans are fixed, low interest rate loans that are guaranteed by the SBA and subject to numerous other regulatory requirements, and a borrower may apply to have all or a portion of the loan forgiven. If Paycheck Protection Program borrowers fail to qualify for loan forgiveness, the Bancorp faces a heightened risk of holding these loans at unfavorable interest rates for an extended period of time. While the Paycheck Protection Program loans are guaranteed by the SBA, various regulatory requirements will apply to the Bancorp's ability to seek recourse under the guarantees, and related procedures are currently subject to uncertainty. If a borrower defaults on a Paycheck Protection Program loan, these requirements and uncertainties may limit the Bancorp's ability to fully recover against the loan guarantee or to seek full recourse against the borrower.

The extent to which the COVID-19 pandemic impacts the Bancorp's business, results of operations, and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Even after the COVID-19 pandemic subsides, the U.S. economy will likely require some time to recover from its effects, the length of which is unknown and during which time the U.S. may experience a recession. As a result, we anticipate our business may be materially and adversely affected during this recovery. Moreover, the effects of the COVID-19 pandemic may heighten many of the other risks described in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, including, but not limited to, risks of credit deterioration, interest rate changes, rating agency actions, governmental actions, market volatility, theft, fraud, security breaches and technology interruptions.

Financial disruption or a prolonged economic downturn could materially and adversely affect our business.
Worldwide financial markets have recently experienced periods of extraordinary disruption and volatility, which has been exacerbated by the COVID-19 pandemic, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. Moreover, many companies have experienced reduced liquidity and uncertainty as to their ability to raise capital during such periods of market disruption and volatility. In the event that these conditions recur or result in a prolonged economic downturn, our results of operations, financial position and/or liquidity could be materially and adversely affected. These market conditions may affect the Bancorp's ability to access debt and equity capital markets. In addition, as a result of recent financial events, we may face increased regulation. Many of the other risk factors discussed in this Risk Factors section identify risks that result from, or are exacerbated by, financial economic downturn. These include risks related to our investments portfolio, the competitive environment and regulatory developments.

Fifth Third is exposed to reputational risk.
Fifth Third's actual or alleged conduct in activities, such as certain sales and lending practices, data security, corporate governance and acquisitions, inappropriate behavior or misconduct of employees, association with particular customers, business partners, investments or vendors, as well as developments from any of the other risks described above, may result in negative public opinion at large (or with certain segments of the public) and may damage Fifth Third's reputation. Actions taken by government regulators, shareholder activists and community organizations may also damage Fifth Third's reputation.

Additionally, whereas negative public opinion once was primarily driven by adverse news coverage in traditional media, the advent and expansion of social media facilitates the rapid dissemination of information or misinformation. Though Fifth Third monitors social media channels, the potential remains for rapid and widespread dissemination of inaccurate, misleading or false information or other negative publicity that could damage Fifth Third's reputation. Negative public opinion can adversely affect Fifth Third's ability to attract and keep customers and can increase the risk that it will be a target of litigation and regulatory action. Social activists are increasingly targeting financial firms with public criticism for their relationships with clients that are engaged in certain sensitive industries, including businesses whose products are or are perceived to be harmful to health or the social good. Activist criticism of Fifth Third's relationships with clients in sensitive industries could potentially engender dissatisfaction among clients, customers, investors and employees with how Fifth Third addresses social concerns through business activities which could negatively affect our reputation.

Furthermore, investors have begun to consider how corporations are addressing environmental, social and governance matters, commonly known as "ESG matters," when making investment decisions. For example, certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to climate change and other ESG matters as part of their investment theses. These shifts in investing priorities may result in adverse effects on the trading price of our common stock if investors determine that we have not made sufficient progress on ESG matters.

Unregistered Sales of Equity Securities and Use of Proceeds (Item 2)
Refer to the "Capital Management" section within Management's Discussion and Analysis in Part I, Item 2 for information regarding purchases and sales of equity securities by the Bancorp during the second quarter of 2020.

Defaults Upon Senior Securities (Item 3)
None.

Mine Safety Disclosures (Item 4)
Not applicable.

Other Information (Item 5)
None.

Exhibits (Item 6)

3.1	Amended Articles of Incorporation of Fifth Third Bancorp. Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on June 20, 2019.
3.2	Amendment to the Amended Articles of Incorporation of Fifth Third Bancorp. Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on August 26, 2019.
3.3	Amendment to the Amended Articles of Incorporation of Fifth Third Bancorp, as Amended (included as Attachment to Exhibit 3.3). Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on September 17, 2019.
3.4	Regulations of Fifth Third Bancorp as Amended as of March 23, 2020. Incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed on March 24, 2020.
4.1	Tenth Supplemental Indenture dated as of May 5, 2020 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on May 5, 2020.
4.2	Form of 1.625% Senior Notes due 2023. Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed on May 5, 2020.
4.3	Form of 2.550% Senior Notes due 2027. Incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed on May 5, 2020.
31(i)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
31(ii)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
32(i)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
32(ii)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
101.INS	Inline XBRL Instance Document (filed herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema (filed herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (filed herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith).
101.DEF	Inline XBRL Taxonomy Definition Linkbase (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fifth Third Bancorp
Registrant

Date: August 7, 2020

/s/ Tayfun Tuzun
Tayfun Tuzun
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer & Principal Financial Officer)